Consolidated Financial Statements and
Report of Independent Certified Public Accountants

MARIST COLLEGE AND AFFILIATES

For the years ended June 30, 2018 and 2017

MARIST COLLEGE AND AFFILIATES

TABLE OF CONTENTS

Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017

T 212.599.0100
F 212.370.4520
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Marist College and Affiliates:

We have audited the accompanying consolidated financial statements of Marist College and Affiliates (collectively, the "College"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Marist College and Affiliates, as of June 30, 2018 and 2017, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
November 13, 2018

MARIST COLLEGE AND AFFILIATES
Consolidated Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 10,534,142	$ 41,559,668
Short-term investments	17,454,728	25,338,691
Accounts receivable, net	3,213,315	2,729,830
Contributions receivable, net	5,508,072	2,529,603
Deposits with bond trustees	6,550,865	5,089,588
Other assets	1,478,791	1,482,558
Student loans receivable	6,834,316	6,412,204
Assets held in charitable remainder trust	582,327	623,076
Investments	277,970,350	253,025,048
Construction in progress	19,708,369	40,799,349
Land, buildings and equipment, net of accumulated depreciation	428,988,226	357,532,930
Total assets	$ 778,823,501	$ 737,122,545
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 25,996,565	$ 25,944,428
Deferred income	11,188,511	10,721,327
Annuities payable	178,618	217,579
U.S. government advances refundable	6,146,887	5,755,325
Bonds payable, net	165,983,408	171,329,355
Note payable	432,000	-
Accrued post-retirement benefits	10,108,944	10,522,346
Interest rate swap obligation	3,870,013	5,870,470
Total liabilities	223,904,946	230,360,830
NET ASSETS		
Unrestricted net assets	472,300,834	429,997,995
Temporarily restricted net assets	48,083,456	44,431,865
Permanently restricted net assets	34,534,265	32,331,855
Total net assets	554,918,555	506,761,715
Total liabilities and net assets	$ 778,823,501	$ 737,122,545

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 208,216,003	$ -	$ -	$ 208,216,003
Less: scholarships and grants	(64,388,965)	-	-	(64,388,965)
Net tuition and fees	143,827,038	-	-	143,827,038
Government grants	3,472,211	-	-	3,472,211
Private grants and contracts	1,005,651	-	-	1,005,651
Contributions	3,563,046	2,745,357	2,037,028	8,345,431
Interest and dividends income	1,779,498	333,962	501	2,113,961
Investment return designated for operations	461,169	2,318,481	-	2,779,650
Other income	4,412,399	-	-	4,412,399
Auxiliary enterprises, net of cost of goods sold of $423,358	51,486,072	-	-	51,486,072
Net assets released from restrictions	3,170,970	(3,170,970)	-	-
Total operating revenues	213,178,054	2,226,830	2,037,529	217,442,413
OPERATING EXPENSES				
Instructional	77,351,057	-	-	77,351,057
Research	1,215,508	-	-	1,215,508
Public service	421,496	-	-	421,496
Academic support	16,822,602	-	-	16,822,602
Student services	37,807,304	-	-	37,807,304
Institutional support	23,373,331	-	-	23,373,331
Scholarships and fellowships	389,594	-	-	389,594
Auxiliary enterprises	37,911,205	-	-	37,911,205
Total operating expenses	195,292,097	-	-	195,292,097
Changes in net assets from operating activities	17,885,957	2,226,830	2,037,529	22,150,316
NONOPERATING ACTIVITIES				
Net loss on disposal of fixed assets	(398,822)	-	-	(398,822)
Net realized and unrealized gain on investments in excess of amounts designated for operations	18,576,895	2,608,336	690	21,185,921
Inherent contribution on assumption of Sprout Creek Farm Inc.	1,943,457	81,755	-	2,025,212
Partial loan Forgiveness - Sprout Creek Farm Inc.	48,000	-	-	48,000
Change in value of interest rate swap obligation	2,000,457	-	-	2,000,457
Payment to beneficiaries	-	(760)	-	(760)
Pension and post-retirement related changes other than net periodic pension and benefit costs	1,146,516	-	-	1,146,516
Changes to donor's restriction/net asset class	1,100,379	(1,264,570)	164,191	-
Changes in net assets from nonoperating activities	24,416,882	1,424,761	164,881	26,006,524
Change in net assets	42,302,839	3,651,591	2,202,410	48,156,840
Net assets, beginning of year	429,997,995	44,431,865	32,331,855	506,761,715
Net assets, end of year	$ 472,300,834	$ 48,083,456	$ 34,534,265	$ 554,918,555

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 195,231,685	$ -	$ -	$ 195,231,685
Less: scholarships and grants	(58,097,455)	-	-	(58,097,455)
Net tuition and fees	137,134,230	-	-	137,134,230
Government grants	3,251,051	-	-	3,251,051
Private grants and contracts	1,468,317	-	-	1,468,317
Contributions	1,387,806	1,330,534	508,166	3,226,506
Interest and dividends income	1,551,133	239,001	289	1,790,423
Investment return designated for operations	443,080	2,147,484	-	2,590,564
Other income	4,089,407	-	-	4,089,407
Auxiliary enterprises	48,584,216	-	-	48,584,216
Net assets released from restrictions	3,833,465	(3,833,465)	-	-
Total operating revenues	201,742,705	(116,446)	508,455	202,134,714
OPERATING EXPENSES				
Instructional	73,913,255	-	-	73,913,255
Research	1,305,835	-	-	1,305,835
Public service	991,100	-	-	991,100
Academic support	17,305,725	-	-	17,305,725
Student services	34,459,561	-	-	34,459,561
Institutional support	20,853,915	-	-	20,853,915
Scholarships and fellowships	407,042	-	-	407,042
Auxiliary enterprises	34,225,327	-	-	34,225,327
Total operating expenses	183,461,760	-	-	183,461,760
Changes in net assets from operating activities	18,280,945	(116,446)	508,455	18,672,954
NONOPERATING ACTIVITIES				
Net loss on disposal of fixed assets	(41,199)	-	-	(41,199)
Net realized and unrealized gain on investments in excess of amounts designated for operations	28,889,317	5,515,268	1,573	34,406,158
Change in value of interest rate swap obligation	3,048,815	-	-	3,048,815
Payment to beneficiaries	-	(760)	-	(760)
Pension and post-retirement related changes other than net periodic pension and benefit costs	1,479,762	-	-	1,479,762
Changes to donor’s restriction/net asset class	37,176	(30,000)	(7,176)	-
Changes in net assets from nonoperating activities	33,413,871	5,484,508	(5,603)	38,892,776
Change in net assets	51,694,816	5,368,062	502,852	57,565,730
Net assets, beginning of year	378,303,179	39,063,803	31,829,003	449,195,985
Net assets, end of year	$ 429,997,995	$ 44,431,865	$ 32,331,855	$ 506,761,715

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 48,156,840	$ 57,565,730
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Nonoperating items:		
Contributions restricted for investment in endowment	(370,437)	(437,058)
Gifts of stock	(703,272)	(217,407)
Interest and dividends restricted for endowment	(394,514)	(282,828)
Net realized gain on investments	(12,780,329)	(3,614,861)
Net realized loss on short-term investments	40,016	122,919
Net investment loss on assets held in charitable remainder trust	40,749	15,942
Noncash items:		
Depreciation	17,119,828	14,945,180
Amortization of bond issuance costs	105,152	105,152
Amortization of bond premium	(614,068)	(630,143)
Bad debt expense	(120,099)	(6,780)
Partial forgiveness on note payable	(48,000)	-
Net unrealized gain on investments	(11,377,616)	(33,512,609)
Net unrealized loss on short-term investments	238,006	83,400
Net gain on interest rate swap obligation	(2,000,457)	(3,048,815)
Non-cash contributions	(735,932)	-
Loss on disposal of fixed assets	398,822	41,199
Assumption of Sprout Creek Farm Inc.	(2,025,212)	-
Accrued post-retirement benefits	(413,402)	(720,401)
(Increase) decrease in:		
Accounts receivable	(483,485)	(2,139)
Contributions receivable	(2,858,370)	1,149,838
Deposits with bond trustees	(1,461,277)	(64,020)
Other assets	227,934	624,036
Increase (decrease) in:		
Accounts payable, accrued liabilities, and U.S. government advances refundable	423,626	1,210,371
Deferred revenue	467,184	(289,093)
Annuities payable	(38,961)	(72,450)
Net cash provided by operating activities	30,792,726	32,965,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	146,799,428	58,637,384
Purchases of investments	(146,883,513)	(57,792,251)
Purchases of short-term investments	(8,028,628)	(8,767,320)
Proceeds from sale of short-term investments	15,634,569	7,754,629
Cash received on assumption of Sprout Creek, Inc.	574,222	-
Proceeds from sale of fixed assets	65,059	22,300
Purchase of property and equipment	(65,485,197)	(57,274,450)
Disbursements of loans to students	(1,412,976)	(1,419,602)
Repayments on student loans	990,864	1,185,821
Net cash used in investing activities	(57,746,172)	(57,653,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(4,837,031)	(4,080,727)
Change in deposits with bond trustees	-	20,282,942
Interest and dividends restricted for endowment	394,514	282,828
Contributions restricted for investment in endowment	370,437	437,058
Net cash (used in) provided by financing activities	(4,072,080)	16,922,101
Net decrease in cash and cash equivalents	(31,025,526)	(7,766,225)
Cash and cash equivalents, beginning of year	41,559,668	49,325,893
Cash and cash equivalents, end of year	$ 10,534,142	$ 41,559,668
Supplemental cash flow information:		
Cash paid during the year for interest	$ 5,848,375	$ 4,825,799
Purchases of land, buildings and equipment within accounts payable and accrued liabilities	$ 8,075,266	$ 8,383,265

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marist College (the "College") is an independent, comprehensive institution located on a 210 acre main campus in the Hudson River Valley of New York, a branch campus in Florence, Italy, and educational offerings around the world through its online and study abroad programs. Marist is dedicated to helping students develop the intellect, character and skills required for enlightened, ethical, and productive lives in the global community of the 21st century.

Effective January 2018, the College assumed control of the operations of Sprout Creek Farm, Inc. ("Sprout Creek") a not-for-profit organization in Lagrange, New York, which operates as a working farm raising livestock and producing award-winning cheese and farm-produced meats, eggs, vegetables and crafts. Sprout Creek also operates educational day, weekend and summer programs that help connect young people to agriculture and outdoor work and experience. Several officers of the College also serve as officers of Sprout Creek.

The consolidated financial statements of the College have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and include the accounts of the College's wholly owned subsidiaries, Sprout Creek (see Note 23), Marist Real Property Service, Inc., Marist Real Property Service II, Inc., and VAYU, LLC. All significant intercompany transactions have been eliminated. Marist Real Property Services, Inc. and Marist Real Property Services II, Inc. are corporations that were formed by the College to purchase and hold real estate for the benefit and use of the College. The College is the single member of VAYU, LLC which holds real and personal property. The real and personal property have been used for a limited number of activities as of June 30, 2018, but the College plans to expand operations at these facilities in the next several years.

Basis of Presentation

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into the following categories:

<u>Unrestricted Net Assets</u>
Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties (see also Notes 16 and 17).

<u>Temporarily Restricted Net Assets</u>
Temporarily restricted net assets are net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets also include earnings on permanently restricted endowment funds that have not yet been appropriated by the College's Board of Trustees for expenditure.

Permanently Restricted Net Assets
Permanently restricted net assets result from donors who stipulate that their donated resources be maintained in perpetuity by the College. Generally, the College is permitted to expend part or all of the income and gains derived from these donated assets, restricted only by donors' stipulations.

Fair Value Measurements

The College follows guidance that provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction.

The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities held in the name of the College, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument. As permitted by Accounting Standards Update ("ASU") 2015-07, the College has excluded investments that are measured at fair value using the net asset value ("NAV") per share practical expedient from the fair value hierarchy.

As of June 30, 2018 and 2017, the carrying value of the College's cash and cash equivalents, receivables, accounts payable and accrued liabilities, deferred income, annuities payable and long-term debt approximate fair value. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments consisting of demand deposits accounts, money market funds, and debt instruments with original maturities of three months or less at the time of purchase. Cash and cash equivalents held in the investment portfolio are excluded as a result of the College's intent to segregate these designated funds from cash available for current operations.

Accounts Receivable

Accounts receivable include student accounts receivable, grants receivable and other receivables and are reported net of allowance for doubtful accounts. The College provides for potentially uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Receivables are written-off when deemed uncollectible and payments subsequently collected are recorded as revenue in the period received.

Contributions

Contributions or gifts, including unconditional promises to give, are recognized as revenue when received. Non-cash gifts are recorded at fair value at the date of donation.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are released to unrestricted net assets when donor-imposed restrictions are satisfied.

Contributions restricted for the acquisition of land, buildings and equipment or for the construction of assets are reported as temporarily restricted revenues. These contributions are released to unrestricted net assets upon acquisition of the assets or when the assets are placed into service.

The College has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value as of the accession date. Gains or losses on the deaccession of collection items are classified on the consolidated statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

Student Loans Receivable and U.S. Government Advances Refundable

Student loans receivable are carried at unpaid principal balances, which represent net realizable value. These loans have mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. Amounts received from the federal government to fund a portion of the student loans are ultimately refundable to the federal government and are classified as U.S. Government advances refundable in the consolidated statement of financial position.

Investments

The estimated fair value of investments is based on quoted market prices, except for certain investments, principally limited partnerships and similar interests, for which quoted market prices are not available. The estimated fair value of limited partnerships and similar investments is based on valuations provided by external investment managers as of the measurement date. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the reported amounts in the consolidated financial statements.

Deposits with Bond Trustees

Deposits with Bond trustees represent funds held by designated bond trustees for debt service payments. Deposits with trustees are held in cash and money market funds and are recorded at fair value as of June 30, 2018 and 2017.

Land, Buildings and Equipment

Land, buildings and equipment purchased in excess of $5,000 are recorded at cost or, if donated, at fair value at the date of the donation. Depreciation is computed on a straight-line basis, using the half-year convention, over the estimated useful lives of the related assets as follows:

	Years
Buildings and building improvements	20 - 45
Ground improvements	15 - 20
Equipment, furniture and fixtures	3 - 10
Library books	5
Vehicles	5

Collections and similar assets (collectively, “Collections”) have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation. Works of art, historical treasures and similar assets are capitalized but not depreciated.

Debt Issuance Costs

Costs incurred for the issuance of debt are deferred and amortized over the life of the outstanding debt to which they pertain. Such costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of the debt liability.

Deferred Income

Deferred income primarily consists of tuition and matriculation deposits and other payments for upcoming semesters that have been received prior to the fiscal year-end. As of June 30, 2018 and 2017, deferred income also consists of $2.5 million and $3.0 million, respectively, received from the College’s dining service provider prior to the fiscal year-end, which will be recognized as revenue as earned over the contract term of 10 years.

Conditional Asset Retirement Obligation

The College is required to recognize the costs associated with the eventual remediation and abatement of asbestos located within the construction of certain of its buildings. However, based on the results of surveys performed by independent environmental consultants, the College concludes that the cost of remediation is immaterial to the accompanying consolidated financial statements, and accordingly, has not recognized a liability for this obligation as of June 30, 2018 and 2017.

Interest Rate Swap Obligation

The College makes limited use of derivative financial instruments, specifically an interest rate swap, for the purpose of managing interest rate risks associated with its variable rate debt obligations. An interest rate swap agreement is used to mitigate the variability of future changes in net assets and cash flows caused by movement in interest rates. The differentials paid or received on the interest rate swap agreement are recognized as adjustments to interest expense. The reported fair value of the interest rate swap obligation represents the cost to terminate the agreement at the measurement date, taking into account current and projected market interest rates. Changes in fair value are reported as part of nonoperating activities on the consolidated statement of activities.

Revenue Recognition

Tuition revenues for the fall and spring terms are recognized in the academic semester to which they relate. Revenues and expenses relating to summer session activities are recognized as earned. The carrying value of student receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value. Receivables are written-off in the period in which they are deemed uncollectible.

Revenue from government grants and contracts is recognized when earned, that is, generally as related costs are incurred under the grant or contract. Amounts expended in excess of reimbursements are reported as accounts receivable on the consolidated statement of financial position.

Other income consists principally of revenue from student club activities, athletic events, and the Cloud Computing and Analytics Center, and is recorded when earned on the consolidated statements of activities.

Functional Expenses

Operation and maintenance expenses, depreciation and amortization of plant assets and interest on long-term debt are allocated to program and supporting activities based on the primary use of the facilities.

Income Taxes

Tax effects from an uncertain tax position are recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The College is exempt from income tax under Internal Revenue Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to $1,625,698 and $1,366,794 for the years ended June 30, 2018 and 2017, respectively. Such amounts are included in institutional support on the accompanying consolidated statements of activities.

Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, estimates and assumptions are used to determine disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the determination of depreciation, post-retirement benefits, allowance for doubtful accounts and contributions receivable, certain accrued liabilities and certain overhead allocations, among others.

Concentrations of Credit Risk

The College maintains its cash and money market funds with high credit quality financial institutions, which at times may exceed federally insured limits. The College has not experienced, nor does it anticipate, any losses with respect to such accounts. The College has a significant investment in equities, fixed income securities, mutual and exchange-traded funds and alternative investments, both marketable and non-marketable, and is therefore subject to concentrations of credit risk.

Measure of Operations

The accompanying consolidated statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational programs, research, training and supporting activities. Operating revenues also include investment return pursuant to the College's spending rate policy earned on long-term investments held for endowment and similar purposes.

The College has defined nonoperating activities principally to include investment income earned, and gains and losses on investments held for long-term purposes and gift revenue restricted or designated for long-term investment or capital expenditures, net of amounts distributed to support operations in accordance with the endowment spending policy; gains or losses on interest rate swap obligations; and activity related to pension and post-retirement benefit plans. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of nonoperating activities.

New Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers,* which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for annual periods beginning on or after December 15, 2017 (i.e., the College's fiscal year 2019). The guidance permits the use of either a retrospective or cumulative effect transition method. The College is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for annual periods beginning on or after December 15, 2018 (i.e., the College's fiscal year 2020). The College is in the process of evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the effective date of the amendments will be for annual periods beginning after June 15, 2018 (i.e., the College's fiscal year 2019). The College is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

Subsequent Events

The College evaluated its June 30, 2018 consolidated financial statements for subsequent events through November 13, 2018, the date the consolidated financial statements were issued. Except for the items as noted below, the College is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

Subsequent to June 30, 2018, the College entered into an agreement with the Dutchess County Local Development Corporation to issue fixed rate bonds in the amount of $35,790,000 at a premium of $4,747,062. The Series 2018 Bonds are being issued to finance certain capital improvement projects on the College's main campus and finance certain costs of issuance of the Series 2018 Bonds.

On September 12, 2018, the respective Boards of Trustees of the College and Health Quest Systems, Inc. ("Health Quest") signed an Affiliation Agreement to establish a medical school. The medical school will be an operational division of the College, but will be located on the Health Quest, Vassar Brothers Medical Center campus, which is located approximately 2.5 miles from the College's main campus. Health Quest will fund the construction of a new facility to house the medical school. The medical school will be overseen by a Joint Board of Overseers composed of representatives from both institutions' respective Boards of Trustees.

2. SHORT-TERM INVESTMENTS

Short-term investments consist of certificates of deposit with original maturities of greater than 90 days and short-term corporate and municipal bond funds maturing within a 5 year period in accordance with the short-term investment policy. The fair value as of June 30, 2018 and 2017 is $17,454,728 and $25,338,691, including $238,006 and $83,400 in unrealized depreciation, respectively.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consists of the following at June 30, 2018 and 2017:

	2018	2017
Student accounts receivable	$ 1,180,448	$ 1,186,062
Less: allowance for doubtful accounts	(261,000)	(254,000)
	919,448	932,062
Grants and contracts receivable	703,122	714,737
Other receivables	1,590,745	1,083,031
Accounts receivable, net	$ 3,213,315	$ 2,729,830

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consists of unconditional promises to give and are summarized as follows at June 30, 2018 and 2017:

	2018	2017
Unconditional promises to give are expected to be collected in:		
Less than one year	$ 1,644,408	$ 991,267
One to five years	3,865,644	1,710,891
More than five years	1,075,400	760,500
	6,585,452	3,462,658
Less:		
Allowance for uncollectible amounts	(481,602)	(601,700)
Discount to present value (with rates ranging from 1.38% to 2.91%)	(595,778)	(331,355)
Contributions receivable, net	$ 5,508,072	$ 2,529,603

At June 30, 2018 and 2017, approximately 63% and 58%, respectively, of gross pledges receivable were due from four donors.

At June 30, 2018 and 2017, the College had outstanding conditional pledges and bequests of $2,937,947 and $2,640,768, respectively, which, in accordance with US GAAP, have not been recorded in the accompanying consolidated financial statements.

5. STUDENT LOANS RECEIVABLE

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2018 and 2017, student loans totaled $6,834,316 and $6,412,204, respectively, and represented 0.9% of total assets.

The College participates in the Federal Perkins revolving loan program. The availability of funds for loans under this program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $6,146,887 and $5,755,325 at June 30, 2018 and 2017, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for future loans and a decrease in the College's liability to the government.

Amounts due under the Federal Perkins Loan program are almost fully guaranteed by the government and, therefore, no reserves are placed on any past due balances. On September 30, 2015, the Federal Perkins Loan Program expired. It was then extended on December 18, 2015 under The Perkins Loan Extension Act of 2015 to permit institutions to issue new loans, under amended guidelines, until September 30, 2017. No new Perkins loans can be issued under this Act subsequent to September 30, 2017. In addition, as part of this Act, prior to October 1, 2017, the College is required to annually return the federal share of excess liquid capital, as defined, to the federal government. Beginning on October 1, 2017, the federal share of all Perkins funds, including future collections of principal and interest, must be returned to the federal government.

At June 30, 2018 and 2017, the following amounts were past due under student loan programs:

	2018	2017
1-60 days past due	$ 9,047	$ 17,596
60-90 days past due	1,139	1,724
90+ days past due	920,698	1,039,623
Total past due	$ 930,884	$ 1,058,943

6. INVESTMENTS

The fair value of investments at June 30, 2018 and 2017, is as follows:

	2018	2017
Endowments and other investible funds:		
Cash and cash equivalents	$ 10,749,230	$ 17,812,358
Fixed income securities	24,689,363	18,825,419
Domestic equity securities	26,512,840	35,668,142
International equity securities	19,647,696	23,624,239
Commingled fund	116,204,771	89,902,071
Hedge funds	55,571,616	49,838,132
Private equity	24,045,511	16,830,437
Total pooled investments	277,421,027	252,500,798
Operating and other investments:		
Domestic equity securities	175,995	150,918
Investment in TIAA annuities and mutual funds	373,328	373,332
Total operating and other investments	549,323	524,250
Total investments	$ 277,970,350	$ 253,025,048

Investment returns on short-term and long-term investments and the classification in the consolidated statements of activities for the year ended June 30, 2018 were as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments and other investible funds				
Dividends and interest	$ 65,685	$ 333,962	$ 501	$ 400,148
Realized gains	10,058,993	2,662,637	502	12,722,132
Unrealized appreciation	8,898,237	2,264,180	188	11,162,605
Total return on pooled investments	19,022,915	5,260,779	1,191	24,284,885
Operating and other investments				
Dividends and interest	1,713,813	-	-	1,713,813
Realized gains	25,339	-	-	25,339
Unrealized appreciation	55,495	-	-	55,495
Net investment income	$ 20,817,562	$ 5,260,779	$ 1,191	$ 26,079,532

Investment returns (losses) on short-term and long-term investments and the classification in the consolidated statements of activities for the year ended June 30, 2017 were as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments and other investible funds				
Dividends and interest	$ 46,770	$ 239,001	$ 289	$ 286,060
Realized gains (losses)	2,770,970	732,422	(25)	3,503,367
Unrealized appreciation	26,503,325	6,930,330	1,598	33,435,253
Total return on pooled investments	29,321,065	7,901,753	1,862	37,224,680
Operating and other investments				
Dividends and interest	1,504,363	-	-	1,504,363
Realized gains	9,180	-	-	9,180
Unrealized appreciation	48,922	-	-	48,922
Net investment income	$ 30,883,530	$ 7,901,753	$ 1,862	$ 38,787,145

7. CONSTRUCTION IN PROGRESS

Construction in progress consists of the following at June 30, 2018 and 2017:

	2018	2017
North Campus Housing Project	$ -	$ 37,533,079
Steel Plant Studios Project	16,938,524	1,685,099
McCann Fitness Center	2,274,059	-
Other projects and renovations	495,786	1,581,171
Total construction in progress	$ 19,708,369	$ 40,799,349

The North Campus Housing project consists of four residence halls totaling 791 beds constructed in two phases at an estimated cost of $119.5 million. As of June 30, 2018, all assets pertaining to this project have been placed into service. The first phase was completed in January 2017, and the second phase was completed in December 2017. The estimated costs to be incurred in fiscal 2019 to complete other renovations and projects, including the Steel Plant Project, at the College total approximately $28 million.

8. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings, and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Buildings and building improvements	$ 542,265,221	$ 459,567,399
Equipment, furniture and fixtures	72,785,717	68,082,005
Equipment acquired under capital leases	1,249,681	1,249,681
	616,300,619	528,899,085
Less: Accumulated depreciation	(212,427,921)	(193,936,305)
	403,872,698	334,962,780
Land	17,264,403	14,759,624
Art work and collectibles	7,851,125	7,810,526
Land, buildings and equipment, net	$ 428,988,226	$ 357,532,930

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $17,119,828 and $14,945,180, respectively, and is allocated to functional expense categories on the accompanying consolidated statements of activities.

9. PENSION PLANS

Defined Contribution Plans

The College has a defined contribution pension plan for all eligible employees as defined in the "Retirement Resolution." Pension obligations under the plan are funded each pay period by the College as they become due. Contributions are applied to annuities for each participant by the Teachers Insurance and Annuity Association - College Retirement Equities Fund ("TIAA"). College contributions are dependent upon employee contributions in accordance with a schedule of percentages in the plan agreement. Employee contributions are normally made on a pre-tax basis unless an after tax agreement is so authorized by the employee. The College's contributions to the plan for the years ended June 30, 2018 and 2017 totaled $5,328,677 and $5,147,212, respectively.

The College funds a pension plan for all eligible employees in the SEIU Local 200 Union by participating in the pension plan provided by the 1199 Health Care Employees Pension Fund. The College's contribution is a fixed percentage of monthly gross wages for all employees covered under the agreement. The College's contributions for the years ended June 30, 2018 and 2017 totaled $582,250 and $510,548, respectively.

Deferred Compensation Plans

The College has deferred compensation plans for several employees based on years of service, which provide for cash payments at the end of the employment contract which are not guaranteed. The cost of the plans is being accrued over the period of active employment from the contract date. The liability under the agreements is determined based on the contributions required by the plans. The plans require annual contributions from $25,000 to $85,000, ranging from one to three years and coincide with the end of the respective employee's contract. The plans require that the contributions be deposited in separate investment accounts. The assets related to these plans are maintained at TIAA, and are included in investments on the accompanying consolidated statements of financial position. The obligation related to these plans at June 30, 2018 and 2017 was $373,328 and $373,332, respectively, and is included in the accompanying consolidated statements of financial position as part of accounts payable and accrued liabilities. Total contributions to these plans for each of the years ended June 30, 2018 and 2017 totaled $135,000. The fair value of the assets related to these plans totaled $373,328 and $373,332 as of June 30, 2018 and 2017, respectively.

Defined Benefit Plan

The College has a non-qualified supplemental retirement plan for the President Emeritus based on years of service, which provides for cash payments after retirement which are not guaranteed. The cost of the plan was accrued over the period of active employment from the contract date. The College's obligation under the agreement is determined actuarially. The benefit obligation related to this plan at June 30, 2017 totaled $63,169, and is included in the accompanying consolidated statements of financial position as part of accounts payable and accrued liabilities. In September 2017, the remaining benefit obligation was paid in full.

10. CHARITABLE REMAINDER TRUST

A donor has established and funded a trust under which the College serves as the custodian and trustee. Assets held in this trust are stated separately in the consolidated statements of financial position. The fair value of the assets at June 30, 2018 and 2017 totaled $582,327 and $623,076, respectively. Specified distributions are to be made to a designated beneficiary over the trust's term. Upon termination of the trust, the College receives the assets remaining in the trust. The trust is recorded as an increase to net assets at the fair value of the trust's assets, less the present value of estimated future payments to be made under the specific terms of the trust and is revalued at the end of each fiscal year.

11. BONDS PAYABLE, NET

Long-term debt consists of the following at June 30, 2018 and 2017:

June 30, 2018	Maturity Date	Interest Rate	Total	
Dutchess County Industrial Development Agency				
Series 2008-A Variable Rate Demand Bonds	July 1, 2038	1.10%*	$ 16,035,000	A
Dutchess County Local Development Corp.				
Series 2012-A Revenue Bonds	July 1, 2021	2.43 %	7,690,000	B
Series 2013-A Fixed Rate Bonds	July 1, 2043	4.04 %	13,545,000	C
Series 2013B-1 Revenue Bonds	July 1, 2028	1.79 %	5,028,270	D
Series 2013B-2 Revenue Bonds	July 1, 2028	1.79 %	7,679,610	D
Series 2013B-3 Revenue Bonds	July 1, 2035	1.79 %	14,447,405	D
Series 2015-A Revenue Bonds	July 1, 2045	4.09 %	80,885,000	E
Series 2016 Revenue Bonds	July 1, 2031	1.90 %	12,680,000	F
Total principal			157,990,285	
Unamortized bond premium			9,774,189	
Unamortized bond issuance costs			(1,781,066)	
Total long-term debt, net			$ 165,983,408	

June 30, 2017	Maturity Date	Interest Rate	Total	
Dutchess County Industrial Development Agency				
Series 2008-A Variable Rate Demand Bonds	July 1, 2038	0.66%*	$ 16,540,000	A
Dutchess County Local Development Corp.				
Series 2012-A Revenue Bonds	July 1, 2021	2.43 %	9,385,000	B
Series 2013-A Fixed Rate Bonds	July 1, 2043	4.04 %	13,850,000	C
Series 2013B-1 Revenue Bonds	July 1, 2028	1.16 %	5,427,392	D
Series 2013B-2 Revenue Bonds	July 1, 2028	1.16 %	8,289,183	D
Series 2013B-3 Revenue Bonds	July 1, 2035	1.16 %	15,030,741	D
Series 2015-A Revenue Bonds	July 1, 2045	4.09 %	80,885,000	E
Series 2016 Revenue Bonds	July 1, 2031	1.25 %	13,420,000	F
Total principal			162,827,316	
Unamortized bond premium			10,388,257	
Unamortized bond issuance costs			(1,886,218)	
Total long-term debt, net			$ 171,329,355	

* The variable interest rate is the interest rate which, in the best judgment of the remarketing agent, is the lowest rate of interest which would permit the remarketing agent to sell such bonds in a secondary market at par plus accrued interest. Amounts shown represent the rate in effect as of June 30, 2018 and 2017.

A. Series 2008-A

On January 1, 2008, the College entered into an agreement with the Dutchess County IDA and Morgan Stanley & Company to issue variable rate demand bonds in the amount of $20,000,000. Proceeds were used to finance construction of additional student townhouses, parking lots and roadways on Fulton Street in Poughkeepsie, New York. Interest is re-set weekly by a remarketing agent and payable monthly. Principal payments will be made annually through July 1, 2038 based upon a predetermined schedule. The initial principal payment was $380,000 and gradually increases to $1,065,000 in the final year. The Series 2008 bonds are secured by a letter of credit issued by TD Bank, N.A. that expires in January 2022. The College's obligation to the letter of credit provider is an unsecured general obligations of the College with a springing mortgage on certain College property upon a default under the bank agreement. The Bonds also contain certain financial covenants including an annual liquidity covenant defined as unrestricted cash and investments to long-term debt of not less than 0.45:1.00 which expires upon defeasance of the 2013B Bonds, a debt service coverage covenant of 1.00:1.00 and an additional bonds test which expire upon defeasance of the Series 2012-A and 2013-A Bonds.

B. Series 2012-A

On May 17, 2012, the College entered into an agreement with the Dutchess County Local Development Corporation and RBC Capital Markets to issue fixed rate serial bonds in the par amount of $13,420,000. The College also recorded a premium amount on the bond of $1,995,962. Proceeds were used to refund the Series 2003 bonds issued by the Dutchess County Industrial Development Agency. The Series 2003 bonds were issued to refund the Series 1990 and 1992 bonds issued by the Dormitory Authority of the State of New York. Interest is payable semi-annually based on predetermined interest rates starting at 4.0% in the initial year and increasing to 5.0% in 2017. Principal payments will be made annually through July 1, 2021 based upon a predetermined schedule ranging from $850,000 to $2,070,000. The Bonds are unsecured general obligations of the College. Financial covenants include a debt service coverage ratio of 1.00:1.00 and an additional bonds test.

C. Series 2013-A

On March 28, 2013, the College entered into an agreement with the Dutchess County Local Development Corporation and RBC Capital Markets to issue fixed rate serial bonds in the par amount of $14,710,000. The College also recorded a premium amount on the bond of $552,546. Proceeds were used to finance construction of multi-purpose academic building in Poughkeepsie, New York. Interest is payable semi-annually based on predetermined interest rates starting at 2.0% in the initial year and increasing to 5.0% in 2033. Principal payments will be made annually through July 1, 2043 based upon a predetermined schedule ranging from $290,000 to $835,000. The Bonds are unsecured general obligations of the College. Financial covenants include a debt service coverage ratio of 1.00:1.00 and an additional bonds test.

D. Series 2013-B

On September 12, 2013, the College refinanced the Series 1998-A, 1999-A, and 2005-A bonds totaling $33,045,000 from letter of credit enhanced variable rate bonds to variable rate revenue bonds, whereby TD Bank (the "Purchaser") became the sole holder of these bonds.

Proceeds from the Series 2013B-1 bonds of $6,505,000 were used primarily to refund the Dutchess County IDA Series 1998-A bonds which were previously used for the construction of the West Cedar student housing facility. Proceeds from the Series 2013B-2 bonds of $9,935,000 were used primarily to refund the Dutchess County IDA Series 1999-A bonds which were previously used for the construction of the library facility and humanities building. Proceeds from the Series 2013B-3 bonds of $16,605,000 were used primarily to refund the Dutchess County IDA 2005-A bonds which were previously used for the construction of the Upper Fulton Street student housing facility.

The Purchaser can tender the 2013 Bonds to the College for purchase on September 12, 2023 provided that it has provided at least 120 days' notice to the College. The 2013 Bonds are secured by a Bond Purchase and Loan Agreement by and between the Issuer, the Purchaser and the College which provides for an unconditional College obligation to make debt service payments. The 2013 Bonds' Events of Default include non-payment, covenant breaches, bankruptcy, judgments, orders or decrees which could result in a material adverse impact and defaults with other material debt obligations of the College. The 2013 Bonds also contain certain financial covenants including an annual liquidity covenant defined as unrestricted and temporarily restricted liquid assets to long-term debt, of 0.45:1.00 and an additional bonds test of maximum annual debt service on pro-forma debt of less than 10% of the College's unrestricted operating revenues.

Interest is paid monthly based on a variable rate using LIBOR. Principal payments will be made monthly through July 1, 2028 for the Series 2013B-1 and 2013B-2 bonds and through July 1, 2035 for the Series 2013B-3 bonds, based on a predetermined schedule ranging from $1,274,390 to $2,352,598.

E. Series 2015-A

On June 25, 2015, the College entered into an agreement with the Dutchess County Local Development Corporation to issue fixed rate serial bonds in the par amount of $80,885,000. The College also recorded a premium amount on the bond of $9,672,609. Proceeds were used to finance construction of the Science and Allied Health Building and Phase I of the North Campus student housing facility in Poughkeepsie, New York. Interest is payable semi-annually based on a coupon rate of to 5.0%. Since the bonds were sold at a premium, the effective interest rate is 4.09%. Principal payments, starting on July 1, 2018, will be made annually through July 1, 2045 based upon a predetermined schedule ranging from $1,385,000 to $5,170,000.

The Bonds are unsecured general obligations of the College. Financial covenants include a debt service coverage ratio of 1.00:1.00 and an additional bonds test which expire upon defeasance of the Series 2012-A and 2013-A Bonds.

F. Series 2016

In 2016, the College refinanced the Series 2000-A bonds totaling $13,795,000 from letter of credit enhanced variable rate demand bonds to variable rate revenue bonds, whereby TD Bank, N.A. became the sole holder of these bonds until they mature in 2031; the bank does not have a put option prior to maturity. The Series 2016 Bonds are variable rate bonds with monthly interest that re-sets as a percentage of LIBOR plus a credit spread. Principal payments will be made annually through July 1, 2031, based on a predetermined schedule ranging from $140,000 to $1,075,000. The Bonds also contain certain financial covenants including an annual liquidity covenant defined as unrestricted cash and investments to long-term debt of not less than 0.45:1.00 which expires upon defeasance of the 2013B Bonds, a debt service coverage covenant of 1.00:1.00 and an additional bonds test which expire upon defeasance of the Series 2012-A and 2013-A Bonds.

For the years ended June 30, 2018 and 2017, interest expense related to long-term debt totaled $4,876,350 and $4,265,432, respectively.

The College is in compliance with all required financial loan covenants at June 30, 2018.

Based on current rates and credit qualities, the fair value of long-term debt approximates carrying amounts.

At June 30, 2018, aggregate principal maturities of long-term debt for each of the next five years and in total thereafter are as follows:

Fiscal Year Ending	
2019	$ 6,425,506
2020	6,684,070
2021	6,979,824
2022	7,281,405
2023	5,425,617
Thereafter	125,193,863
	157,990,285
Plus: unamortized bond premium	9,774,189
Less: unamortized bond issuance costs	(1,781,066)
Total	$ 165,983,408

Bond issuance costs consist of the following at June 30, 2018 and 2017:

	2018	**2017**
Bond issuance costs	$ 2,398,248	$ 2,398,248
Less: accumulated amortization	(617,182)	(512,030)
Bond issuance costs, net	$ 1,781,066	$ 1,886,218

Amortization expense for the years ended June 30, 2018 and 2017 amounted to $105,152.

12. NOTE PAYABLE

Note & Mortgage from the Society of Sacred Heart United States-Canada Province, Inc.

Sprout Creek entered into a Note and Mortgage from the Society of Sacred Heart United States-Canada Province, Inc. (the "Society") dated February 24, 2017, and recorded in the Dutchess County Clerk's Office on March 6, 2017, as Document No. 01-2017-1486. Sprout Creek entered into a change of Control Agreement with the College on January 1, 2018. As a condition of the Change of Control Agreement, Sprout Creek represented that the Society is willing to amend and restate the Note and Mortgage to the amount of $480,000 and forgive on a straight-line basis annually over ten years provided that Marist continues to operate Sprout Creek for agricultural and educational purposes. For the year ended June 30, 2018, $48,000 was forgiven, and the balance on the note and mortgage is $432,000 at June 30, 2018 and is included in note payable on the accompanying consolidated statements of financial position.

13. INTEREST RATE SWAP OBLIGATION

In order to mitigate the College's interest rate exposure on variable rate debt obligations, the College entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc. (the "Counterparty"). The notional principal amount of the swap was $39,965,000 and $42,090,000 at June 30, 2018 and 2017, respectively. The swap agreement matures on July 1, 2035. Under the terms of the Swap Agreement, the College is obligated to pay the Counterparty a fixed rate of 3.42% and the Counterparty will pay the College a variable interest rate at 68% of the London Interbank Offered Rate (LIBOR) (1.5883% and 0.8834% at June 30, 2018 and 2017, respectively). The Swap Agreement requires the College to post cash collateral if the swap value exceeds a $10 million liability for the College. As of June 30, 2018 and 2017, the College had no restricted cash associated with this agreement.

The fair value of this obligation as of June 30, 2018 and 2017 totaled $3,870,013 and $5,870,470, respectively, and is categorized as Level 2 within the fair value hierarchy. The change in the fair value of this obligation totals $2,000,457 and $3,048,815 for the years ended June 30, 2018 and 2017, respectively, and is included in the accompanying consolidated statements of activities as change in fair value of interest rate swap obligation.

Additional interest paid by the College related to the swap agreement amounted to approximately $887,955 and $1,163,654 for the years ended June 30, 2018 and 2017, respectively.

The swap agreement contains provisions that require the College to meet certain financial covenants. The College was in compliance with these covenants at June 30, 2018 and 2017. Had the College not been in compliance, an additional termination event will occur and the Counterparty has the right to early terminate the agreement and the College will be responsible for a settlement amount based on market quotation.

14. POST-RETIREMENT HEALTH CARE BENEFITS

The College sponsors three defined benefit post-retirement plans (the "plan") which cover substantially all employees that attain either pre-defined ages and/or years of service, or retirement with a disability benefit. The College offers a medical benefits plan, a dental benefits plan and a life insurance benefits plan. Under the medical plan, eligible retirees have a choice of one indemnity plan and one PPO. Both the indemnity plan and the PPO plan are contributory with retiree contributions adjusted annually. For all active and new employees, only the PPO plan is available. Effective July 1, 2012, the College's Board of Trustees froze the postretirement plan and it is now closed to new participants.

The following table provides a reconciliation of the changes in the plan's benefit obligations and fair value of assets for the years ended June 30, 2018 and 2017:

	2018	2017
Reconciliation of benefit obligation		
Obligation at beginning of year	$ 10,522,346	$ 11,242,747
Service cost, including expenses	371,118	397,208
Interest cost	373,067	349,419
Plan participants' contributions	4,104	7,380
Amendments	-	-
Actuarial gain	(659,768)	(1,046,251)
Benefits payments and expected expenses	(501,923)	(428,157)
Medicare Part D reimbursements	-	-
Obligation at end of year	10,108,944	10,522,346
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	497,819	420,777
Plan participants' contributions	4,104	7,380
Benefit payments and actual expenses	(501,923)	(428,157)
Medicare Part D reimbursements	-	-
Fair value of plan assets at end of year	-	-
Unfunded status at end of year	$ 10,108,944	$ 10,522,346

The effect of a one-percentage-point increase/decrease in the assumed health care cost trend rates for each future year on the accumulated post-retirement benefit obligation for health care benefits and the aggregate on the service and interest cost components of net periodic postretirement health care benefit cost are shown below.

Due to a plan amendment in fiscal year 2016, valuation eliminates all future medical and prescription drug trend increases as capped annual employer contributions are now provided to plan participants. Therefore, there are no assumed future medical and prescription drug trend rates to disclose.

	Post-Retirement Benefits	
	Accumulated Post-retirement Benefit Obligation	**Service Cost Plus Interest Cost**
At trend	$ 10,108,944	$ 744,185
At trend + 1%	N/A	
Dollar impact	N/A	
Percentage impact	N/A	0.00 %
At trend - 1%	N/A	0
Dollar impact	N/A	0
Percentage impact	N/A	0.00 %

The amounts recognized in unrestricted net assets on the consolidated statements of financial position at June 30, 2018 and 2017, consisted of:

	2018	**2017**
Prior service credit	$ (384,797)	$ (379,713)
Actuarial gain	(1,836,031)	(1,192,418)
Total	$ (2,220,828)	$ (1,572,131)

Components of net periodic cost on the consolidated statements of activities for the years ended June 30, 2018 and 2017 consist of the following:

	2018	**2017**
Net periodic benefit cost		
Service cost	$ 371,118	$ 397,208
Interest cost	373,067	349,419
Amortization of prior service cost	4,104	5,084
Amortization of net gain	-	-
Net periodic benefit cost	$ 748,289	$ 751,711

Amounts recognized in unrestricted net assets as of June 30, 2018 and 2017 are as follows:

	2018	**2017**
Prior service credit	$ -	$ -
Actuarial gain	(659,768)	(1,046,251)
Amortization of prior service cost	(5,084)	(5,084)
Amortization of net gain	16,155	-
Total other amounts recognized in unrestricted net assets	$ (648,697)	$ (1,051,335)

The expected effect in unrestricted net assets of the estimated transition obligation, prior service cost, and net gain for the plan that will be recognized as components of net periodic benefit cost for the year ended June 30, 2019 are $0, ($5,084), and $54,950, respectively.

Weighted average assumptions as of and for the year ended June 30th (measurement date):

	2018	**2017**
Discount rate	4.02 %	3.66 %
Expected return on plan assets	N/A	N/A
Assumed pre-65 medical trend rates:		
Initial trend rate for the coming fiscal year	N/A	N/A
Ultimate trend rate	N/A	N/A
Year that the rate reaches ultimate trend rate	N/A	N/A
Assumed post-65 medical trend rates:		
Initial trend rate for the coming fiscal year	N/A	N/A
Ultimate trend rate	N/A	N/A
Year that the rate reaches ultimate trend rate	N/A	N/A
Assumed prescription drug trend rates:		
Initial trend rate for the coming fiscal year	N/A	N/A
Ultimate trend rate	N/A	N/A
Year that the rate reaches ultimate trend rate	N/A	N/A

The following schedule summarizes the benefits to be paid by the plan in each of the next five years along with the aggregate to be paid for the five years thereafter:

Fiscal Year Ending June 30,	Net Benefits
2019	$ 506,181
2020	522,419
2021	532,801
2022	542,890
2023	560,298
2024 through 2027	3,025,886
Total	$ 5,690,475

The College's post-retirement benefit plan prescription drug coverage is at least actuarially equivalent to the new Medicare coverage. The disclosure reflects, as of June 30, 2018 the subsidy payments from Medicare that commenced in 2007. The value of the subsidy is reflected as an actuarial gain and reduces the plan's accumulated post-retirement benefit obligation, service cost and the net periodic post-retirement benefit cost.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis at June 30, 2018 are as follows:

	Total Fair Value	Level 1	Level 2	Level 3	NAV
ASSETS					
Short-term investments					
Fixed income securities	$ 17,454,728	$ 17,454,728	$ -	$ -	$ -
Assets held in charitable remainder trusts					
Cash equivalents, fixed income securities and equities	582,327	-	582,327	-	-
Endowments and other investible funds					
Cash and cash equivalents	10,749,230	10,749,230	-	-	-
Fixed income securities	24,689,363	24,689,363	-	-	-
Domestic equity securities	26,512,840	26,512,840	-	-	-
International equity securities	19,647,696	19,647,696	-	-	-
Commingled funds	116,204,771	-	-	-	116,204,771
Hedge funds	55,571,616	-	-	-	55,571,616
Private equity	24,045,511	-	-	-	24,045,511
Total pooled investments	277,421,027	81,599,129	-	-	195,821,898
Other investments:					
Domestic equity securities	175,995	175,995	-	-	-
Investment in TIAA annuities and mutual funds	373,328	-	373,328	-	-
Total assets	$ 296,007,405	$ 99,229,852	$ 955,655	$ -	$ 195,821,898
LIABILITIES					
Interest rate swap obligation	$ 3,870,013	$ -	$ 3,870,013	$ -	$ -

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017 were as follows:

	Total Fair Value	Level 1	Level 2	Level 3	NAV
ASSETS					
Short-term investments:					
Fixed income securities	$ 25,338,691	$ 25,338,691	$ -	$ -	$ -
Assets held in charitable remainder trusts:					
Cash equivalents, fixed income securities and equities	623,076	-	623,076	-	-
Endowments and other investible funds:					
Cash and cash equivalents	17,812,358	17,812,358	-	-	-
Fixed income securities	18,825,419	18,825,419	-	-	-
Domestic equity securities	35,668,142	35,668,142	-	-	-
International equity securities	23,624,239	23,624,239	-	-	-
Commingled funds	89,902,071	-	-	-	89,902,071
Hedge funds	49,838,132	-	-	-	49,838,132
Private equity	16,830,437	-	-	-	16,830,437
Total pooled investments	252,500,798	95,930,158	-	-	156,570,640
Other investments:					
Domestic equity securities	150,918	150,918	-	-	-
Investment in TIAA annuities and mutual funds	373,332	-	373,332	-	-
Total assets	$ 278,986,815	$ 121,419,767	$ 996,408	$ -	$ 156,570,640
LIABILITIES					
Interest rate swap obligation	$ 5,870,470	$ -	$ 5,870,470	$ -	$ -

Management fees approximating $1.2 million are included within Institutional Support in the accompanying consolidated statements of activities for each of the years ended June 30, 2018 and 2017.

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category as of June 30, 2018 and 2017:

2018

Fund Strategy	Number of Funds	NAV	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Notice Required	Lock-up and Redemption Terms
Commingled funds	17	$ 116,204,771	N/A	None	N/A	5 - 60 days	Redemptions range from daily to quarterly
Multi-Strategy Hedge funds	25	55,571,616	N/A	None	N/A	5 - 90 days	Redemptions range from weekly to annually; 10 funds have lock-up ranging from 12 months to 36 months; 6 funds have a quarterly gate of 25%; 1 fund has a semi-annual gate of 25%; and 1 fund has an annual gate of 50%
Private equity	14	24,045,511	3 - 15 years	$ 21,544,584	N/A	N/A	N/A
Total	56	$ 195,821,898					

2017							
Fund Strategy	Number of Funds	NAV	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Notice Required	Lock-up and Redemption Terms
Commingled funds	13	$ 89,902,071	N/A	None	N/A	5 - 60 days	Redemptions range from daily to quarterly
Multi-Strategy Hedge funds	29	49,838,132	N/A	None	N/A	15 - 90 days	Redemptions range from quarterly to every 36 months; 14 funds have lock-up ranging from 6 months to 36 months; 5 funds have a quarterly gate of 25% and 1 fund has an annual gate of 50%
Private equity	12	16,830,437	3 - 15 years	$ 15,128,478	N/A	N/A	N/A
Total	54	$ 156,570,640					

16. NET ASSETS

Net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Unrestricted net assets:		
For general operations	$ 368,469,527	$ 327,812,445
Designated for investment in plant	92,889,966	91,860,406
Designated for quasi-endowment	10,941,341	10,325,144
	472,300,834	429,997,995
Temporarily restricted net assets:		
Instruction, research and divisional support	6,466,188	6,099,264
Building and construction activities	15,925,693	16,292,713
Scholarships and endowment	25,691,575	22,039,888
	48,083,456	44,431,865
Permanently restricted net assets:		
Endowment funds	34,534,265	32,331,855
Total net assets	$ 554,918,555	$ 506,761,715

17. ENDOWMENT

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

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. The College classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor as follows: (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 funds.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Under NYPMIFA, the College may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. The College has received instructions from donors, who have contributed $348,901 and $346,626 in permanently restricted contributions (with a fair value of $507,507 and $480,484 as of June 30, 2018 and 2017, respectively), for which the College must maintain the historical dollar value of these funds. At June 30, 2018 and 2017, the College had not spent below the historical dollar value of its endowments.

The investment objectives for the College's endowment are to preserve the principal value of those funds, in both absolute as well as real terms, and to maximize, over the long-term, the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy. The amount available for spending is determined annually by applying a rate of 5% to the average fair value of the endowment for the preceding three fiscal years.

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 such amounts are appropriated for expenditure by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund;
(2) The purposes of the College and its 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; and
(8) Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the College.

The table which follow present information with respect to the College's endowment, inclusive of pledges, as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 25,691,575	$ 34,534,265	$ 60,225,840
Board-designated endowment funds	10,941,341	-	-	10,941,341
Total endowment net assets	$ 10,941,341	$ 25,691,575	$ 34,534,265	$ 71,167,181

The table which follow present information with respect to the College's endowment, inclusive of pledges, as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 22,039,888	$ 32,331,855	$ 54,371,743
Board-designated endowment funds	10,325,144	-	-	10,325,144
Total endowment net assets	$ 10,325,144	$ 22,039,888	$ 32,331,855	$ 64,696,887

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Restricted	Restricted	Total
Endowment net assets, beginning of year	$ 10,325,144	$ 22,039,888	$ 32,331,855	$ 64,696,887
Dividends and interest	65,685	333,962	501	400,148
Investment fees	(51,041)	(255,524)	-	(306,565)
Net realized and unrealized appreciation on investments	979,202	4,926,817	690	5,906,709
Payment to beneficiaries	-	(760)	-	(760)
Contributions	14,077	40,469	2,037,028	2,091,574
Change in donor designation/transfers	60,345	-	164,191	224,536
Awards made	(452,071)	(1,393,277)	-	(1,845,348)
Endowment net assets, end of year	$ 10,941,341	$ 25,691,575	$ 34,534,265	$ 71,167,181

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 8,827,530	$ 15,794,965	$ 31,829,003	$ 56,451,498
Dividends and interest	46,770	239,001	289	286,060
Investment fees	(47,981)	(242,170)	-	(290,151)
Net realized and unrealized appreciation on investments	1,507,463	7,662,752	1,573	9,171,788
Payment to beneficiaries	-	(760)	-	(760)
Contributions	7,611	-	508,166	515,777
Change in donor designation/transfers	25,000	-	(7,176)	17,824
Awards made	(41,249)	(1,413,900)	-	(1,455,149)
Endowment net assets, end of year	$ 10,325,144	$ 22,039,888	$ 32,331,855	$ 64,696,887

18. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors are as follows:

	2018	2017
Capital projects	$ 386,615	$ 1,092,770
Scholarships	1,172,928	1,072,245
Instruction, research and divisional support	1,611,427	1,668,450
Total	$ 3,170,970	$ 3,833,465

19. DEVELOPMENT EXPENSES

The College incurred expenses amounting to $1,387,580 and $1,157,538 related to development and fundraising for the years ended June 30, 2018 and 2017, respectively. Such amounts are included in institutional support on the accompanying consolidated statements of activities.

20. SELF-INSURED MEDICAL BENEFITS

The College has a self-insured hospitalization and medical coverage program for its employees. The College is limiting its losses through the use of stop-loss policies through reinsurers. Specific individual family losses for claims are limited to $175,000 per plan year. The College's aggregate annual loss limitation for the plan years ended December 31, 2018 and 2017 was $14,489,682 and $14,798,350, respectively. The amount reserved for these items at June 30, 2018 and 2017 totals $1,183,043 and $1,173,020, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

Management believes they have adequately provided for all claims incurred in the accompanying consolidated financial statements, however, since the accrued liability is based on estimates, the College's ultimate liability may exceed or be less than the amounts accrued. The methods of making such estimates and establishing the accrual are reviewed continually and any resulting adjustments are reflected in change in net assets for the current year.

21. RELATED PARTY TRANSACTIONS

Unconditional promises to give include approximately $2.6 million and $1.1 million due from Board members and entities related to Board members as of June 30, 2018 and 2017, respectively. Additionally, the College had approximately $148,000 and $126,000, due from employees as of June 30, 2018 and 2017, respectively.

22. COMMITMENTS AND CONTINGENCIES

The College is subject to various litigation incidental to its business activities. Management and its counsel believe that existing insurance policies are sufficient and that pending litigation will not have a material adverse effect on the College's financial position, operations and cash flows.

The College is a member of the New York College & University Risk Management Group Trust. The Trust was created for the purpose of providing and securing workers compensation insurance for its members. There is a statutory requirement that each member be jointly and severally liable with all other members for the compensation and medical liability accruing during its participation in the Group Trust. Such liability shall survive the member's termination from the Group or active participation in the Program. As of June 30, 2018 and 2017, the College believes there is no exposure for future liabilities.

The College has nine separate leases for residential and classroom space in Florence, Italy for its international program. Leases expire in August 2018, December 2018, March 2019, May 2019, June 2019 and August 2020.

Additionally, the College leases automobiles, copier equipment, and other equipment under operating leases with terms ranging from three to five years.

In addition to the benefits described in Note 9 above, the College has employment agreements in place that extend through fiscal 2023.

The minimum future lease commitments under the above operating leases and other contractual commitments are as follows:

Fiscal Year Ending		
2019	$	3,595,773
2020		2,466,405
2021		1,318,445
2022		420,914
2023		274,343
Total	$	8,075,880

Rental expense for the years ended June 30, 2018 and 2017 amounted to $724,810 and $547,104, respectively.

23. INHERENT CONTRIBUTION ON ASSUMPTION OF SPROUT CREEK FARM, INC.

As previously referred to in Note 1, the College assumed control of Sprout Creek during 2018. This transaction was effected without the transfer of consideration, and as such, the net assets of Sprout Creek as of December 31, 2017, totaling $2,025,212 which represented the excess of the assumption agreement date fair values of the identifiable assets received over the assumption agreement date fair values of the liabilities assumed.

The following table summarized the estimated fair values of the assets acquired and liabilities assumed at the date of assumption:

Cash	$	574,222
Property and equipment		2,034,895
Other assets		224,167
Accounts payable and accrued expenses		(328,072)
Note and mortgage payable		(480,000)
Inherent contribution on assumption	$	2,025,212