Financial Statements

Stonehill College, Inc.

June 30, 2018 and 2017

STONEHILL COLLEGE, INC.

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Stonehill College, Inc.
Easton, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonehill College, Inc. as of June 30, 2018 and 2017, 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.

Mayer Hoffman McCann P.C.

November 27, 2018
Boston, Massachusetts

STONEHILL COLLEGE, INC.

Statements of Financial Position

	June 30, 2018	June 30, 2017
Assets		
Cash and cash equivalents	$ 20,691,688	$ 20,110,764
Accounts receivable, net	566,237	923,802
Prepaids and other assets	681,982	791,468
Contributions receivable, net	10,969,853	10,025,682
Restricted cash and cash equivalents	2,436,485	15,485,225
Loans receivable, net	826,226	1,107,879
Investments	211,935,961	194,390,387
Perpetual trusts held by third parties	2,408,741	2,296,695
Property, plant and equipment	154,069,047	139,389,877
Total assets	**$ 404,586,220**	**$ 384,521,779**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 6,554,620	$ 3,235,054
Accrued payroll and other benefits	2,715,829	2,676,387
Deferred revenue	2,634,382	2,711,599
Capital leases and other liabilities	1,770,497	1,939,044
Government advances for student loans	594,445	868,979
Interest rate swap agreements	6,042,163	8,420,037
Annuity obligations	442,489	456,632
Loans and bonds payable	89,711,760	88,503,902
Total liabilities	**110,466,185**	**108,811,634**
Net assets:		
Unrestricted	214,372,249	203,365,066
Temporarily restricted	38,979,044	34,247,240
Permanently restricted	40,768,742	38,097,839
Total net assets	**294,120,035**	**275,710,145**
Total liabilities and net assets	**$ 404,586,220**	**$ 384,521,779**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Operating revenues:					
Tuition and fees	$ 102,223,361	$ -	$ -	$ 102,223,361	$ 97,361,964
Room and board	33,752,103	-	-	33,752,103	32,461,990
Less scholarship aid	(49,800,652)	-	-	(49,800,652)	(47,027,433)
Less donor funded aid	(2,843,040)			(2,843,040)	(2,698,138)
Net tuition, fees, room and board	**83,331,772**	**-**	**-**	**83,331,772**	**80,098,383**
Federal and state grants	1,110,459	-	-	1,110,459	891,009
Contributions	665,785	-	-	665,785	780,753
Other revenues	5,066,400	-	-	5,066,400	4,467,252
Endowment return utilized in operations	8,111,393	-	-	8,111,393	7,710,382
Net assets released from restriction used in operations	1,217,073	-	-	1,217,073	1,109,239
Total operating revenues	**99,502,882**	**-**	**-**	**99,502,882**	**95,057,018**
Operating expenses:					
Instruction	34,553,910	-	-	34,553,910	32,853,687
Research	581,809	-	-	581,809	446,015
Public service	223,705	-	-	223,705	203,930
Academic support	7,267,862	-	-	7,267,862	6,583,427
Student services	18,614,102	-	-	18,614,102	18,044,793
Institutional support	15,259,262	-	-	15,259,262	14,904,828
Auxiliary services	20,543,714	-	-	20,543,714	19,794,350
Total operating expenses	**97,044,364**	**-**	**-**	**97,044,364**	**92,831,030**
Increase in net assets from operations	**2,458,518**	**-**	**-**	**2,458,518**	**2,225,988**
Non-operating activities:					
Contributions and private grants	2,009,931	3,611,962	2,558,857	8,180,750	18,903,092
Investment return	13,176,479	4,993,973	112,046	18,282,498	21,501,933
Net gain from interest rate swaps	1,205,642	-	-	1,205,642	2,197,061
Loss on extinguishment of debt	(1,074,044)	-	-	(1,074,044)	-
Loss on disposal of fixed assets	(1,315,008)	-	-	(1,315,008)	(12,009)
Endowment return utilized in operations	(5,961,047)	(2,150,346)	-	(8,111,393)	(7,710,382)
Net assets released from restriction used in operations	-	(1,217,073)	-	(1,217,073)	(1,109,239)
Non-operating net assets released from restriction	506,712	(506,712)	-	-	-
Change in net assets from non-operating activities	**8,548,665**	**4,731,804**	**2,670,903**	**15,951,372**	**33,770,456**
Change in net assets	**11,007,183**	**4,731,804**	**2,670,903**	**18,409,890**	**35,996,444**
Net assets, beginning of year	203,365,066	34,247,240	38,097,839	275,710,145	239,713,701
Net assets, end of year	**$ 214,372,249**	**$ 38,979,044**	**$ 40,768,742**	**$ 294,120,035**	**$ 275,710,145**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Operating revenues:				
Tuition and fees	$ 97,361,964	$ -	$ -	$ 97,361,964
Room and board	32,461,990	-	-	32,461,990
Less scholarship aid	(47,027,433)	-	-	(47,027,433)
Less donor funded aid	(2,698,138)			(2,698,138)
Net tuition, fees, room and board	**80,098,383**	**-**	**-**	**80,098,383**
Federal and state grants	891,009	-	-	891,009
Contributions	780,753	-	-	780,753
Other revenues	4,467,252	-	-	4,467,252
Endowment return utilized in operations	7,710,382	-	-	7,710,382
Net assets released from restriction used in operations	1,109,239	-	-	1,109,239
Total operating revenues	**95,057,018**	**-**	**-**	**95,057,018**
Operating expenses:				
Instruction	32,853,687	-	-	32,853,687
Research	446,015	-	-	446,015
Public service	203,930	-	-	203,930
Academic support	6,583,427	-	-	6,583,427
Student services	18,044,793	-	-	18,044,793
Institutional support	14,904,828	-	-	14,904,828
Auxiliary services	19,794,350	-	-	19,794,350
Total operating expenses	**92,831,030**	**-**	**-**	**92,831,030**
Increase in net assets from operations	**2,225,988**	**-**	**-**	**2,225,988**
Non-operating activities:				
Contributions and private grants	39,346	17,148,127	1,715,619	18,903,092
Investment return	15,860,639	5,528,642	112,652	21,501,933
Net gain from interest rate swaps	2,197,061	-	-	2,197,061
Loss on disposal of fixed assets	(12,009)	-	-	(12,009)
Endowment return utilized in operations	(5,778,610)	(1,931,772)	-	(7,710,382)
Net assets released from restriction used in operations	-	(1,109,239)	-	(1,109,239)
Non-operating net assets released from restriction	558,128	(558,128)	-	-
Change in net assets from non-operating activities	**12,864,555**	**19,077,630**	**1,828,271**	**33,770,456**
Change in net assets	**15,090,543**	**19,077,630**	**1,828,271**	**35,996,444**
Net assets, beginning of year	188,274,523	15,169,610	36,269,568	239,713,701
Net assets, end of year	**$ 203,365,066**	**$ 34,247,240**	**$ 38,097,839**	**$ 275,710,145**

STONEHILL COLLEGE, INC.

Statements of Cash Flows

	Years Ended June 30, 2018	Years Ended June 30, 2017
Cash flows from operating activities:		
Change in net assets	$ 18,409,890	$ 35,996,444
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in government advances for student loans	(274,534)	(56,257)
Depreciation and amortization	6,750,775	7,045,540
Net realized and unrealized gain on investments	(18,106,760)	(20,243,411)
Unrealized gain on interest rate swap agreements	(2,377,874)	(3,668,933)
Loss on disposal of fixed assets	1,315,008	12,009
Loss on extinguishment of debt	1,074,044	-
Change in contributions receivable discount/allowance	(191,193)	1,338,210
Change in operating assets and liabilities:		
Accounts receivable	357,565	(383,565)
Contributions receivable	(752,979)	(10,149,763)
Prepaids and other assets	109,485	13,928
Accounts payable and accrued liabilities	(726,436)	(7,253)
Accrued payroll and other benefits	39,441	(1,026,791)
Deferred revenue	(77,217)	227,081
Other liabilities	(20,241)	223,185
Contributions to be used for long-term investment	(3,672,238)	(4,050,627)
Net cash provided by operating activities	**1,856,736**	**5,269,797**
Cash flows from investing activities:		
Loans granted	(20,545)	(90,000)
Loans collected	302,198	351,477
Purchase of property, plant and equipment	(18,669,432)	(3,952,095)
Purchase of investments	(114,512,377)	(87,969,181)
Proceeds from sale of investments	114,961,518	97,151,520
Proceeds from sale of property, plant and equipment	-	2,700
Change in restricted cash	13,048,740	(230,287)
Net cash provided by (used in) investing activities	**(4,889,898)**	**5,264,134**
Cash flows from financing activities:		
Payments on long-term debt and capital lease obligations	(18,178,088)	(3,370,928)
Proceeds from long-term debt	18,454,418	1,461,787
New debt issuance costs	(334,482)	(157,050)
Contributions to be used for long-term investment	3,672,238	4,050,627
Net cash provided by financing activities	**3,614,086**	**1,984,436**
Net increase in cash and cash equivalents	**580,924**	**12,518,367**
Cash and cash equivalents, beginning of year	20,110,764	7,592,397
Cash and cash equivalents, end of year	**$ 20,691,688**	**$ 20,110,764**
Supplemental disclosures:		
Cash paid for interest	$ 2,288,284	$ 1,660,491
Cash paid for interest on interest rate swap agreements	$ 1,198,760	$ 1,484,391
Amounts included in accounts payable and other liabilities related to property, plant and equipment	$ 4,847,620	$ 801,618

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Stonehill College (the "College"), is a not-for-profit, private catholic co-educational liberal arts college, founded in 1948 by the Congregation of the Holy Cross and located on a 384 acre campus in Easton, MA. The College provides academic, residential and other services to a diverse student population of approximately 2,500, predominately from the Northeast region of the United States, as well as many other U.S. states.

The College's mission is to educate the whole person so that each Stonehill graduate thinks, acts, and leads with courage toward the creation of a more just and compassionate world through its curriculum of over 80 rigorous academic programs in the humanities, arts, natural and social sciences, business, education, and pre-professional programs. The College offers the Bachelor of Arts and Sciences degree at the undergraduate level.

Stonehill College is accredited by the New England Commission of Higher Education, Inc. ("NECHE"), formerly known as the New England Association of Schools and Colleges, Inc. ("NEASC"), in addition to accreditation by the Association to Advance Collegiate Schools of Business ("AACSB") International. The College participates in student financial aid programs sponsored by the United States Department of Education, the Commonwealth of Massachusetts, and other states within the United States, which facilitate the payment of tuition and other expenses for students.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that the College report information regarding its financial position and activities according to three classes of net assets.

Unrestricted **-** Net assets which are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees (the "Board").

Temporarily Restricted - Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by actions of the College.

Permanently Restricted **-** Reflects the historical value of gifts subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

Fair Value Measurements

The College reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Instruments 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 instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than 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 instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 3 - Investments and Fair Value Measurements.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 materially from those estimates. Significant management estimates included in the financial statements relate to the allowance for accounts, contributions and loans receivable, fair value of certain investments, useful lives of depreciable assets, fair value of interest rate swap agreements, interests in and obligations under split-interest agreements, measurement of asset retirement obligations, reserve for self-insurance and the allocation of common expenses over program functions.

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Restricted Cash

Cash includes operating cash accounts. Cash is deposited in several institutions; however, at times cash held in a single institution may exceed federally insured limits. The College has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments.

Restricted cash represents amounts on deposit with the Trustee in accordance with bond requirements. These securities are primarily invested in money market funds and are recorded at cost which approximates fair value. Also included in restricted cash is $199,088 and $269,353 of monies held for the Federal Perkins Loan Program at June 30, 2018 and 2017, respectively.

Accounts and Loans Receivable and Government Advances for Student Loans

Accounts and loans receivable are stated net of allowances for doubtful accounts of $237,720 and $237,300 for the years ended June 30, 2018 and 2017, respectively. Loans receivable are principally amounts due from students under the Federal Perkins Loan Program ("Perkins Loans"), which is subject to significant restrictions. Perkins Loan funds may be re-loaned by the College after collection, but in the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the Federal government. Perkins Loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the government advances for student loans.

The College regularly assesses the adequacy of the allowance for doubtful accounts related to accounts and loans receivable by performing ongoing evaluations of the student account and loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The College also performs a detailed review of the aging of the student accounts and loans receivable. The level of the allowance is adjusted based on the results of this analysis.

Contributions Receivable

Contributions receivable are initially recorded at fair value utilizing Level 2 inputs. Contributions to be received after one year are valued using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management estimates including factors of historical experience and a specific review of collection trends that differ from the plan on individual accounts.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described in this section.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

Note 1 - Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements

Perpetual Trusts Held by Third Parties

The College records its beneficial interest in perpetual trusts held by third parties at fair value when the College is notified of the existence of the instrument. On an ongoing basis, the College reports its interest at fair value based on its underlying share of assets. The initially recorded fair values of the donated investments are determined based on the underlying nature of the investments received which have generally represented Level 3 measurements.

Charitable Gift Annuities

From time to time, the College receives charitable gift annuities in which donors contribute assets and receive a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 and obligations measured at Level 2 per the fair value policies described in this section. The assets received are transferred to the College's managers for long-term investment as part of the investment portfolio. The obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or at fair value at the date of gift for donated assets using Level 3 market inputs. Depreciation is computed on the straight-line basis over the estimated useful lives of the individual asset with the half year convention used in the year of acquisition. Useful lives are as follows:

	Estimated Useful Lives
Land improvements	20 years
Buildings and improvements	10 - 60 years
Furniture, equipment and vehicles	4 - 15 years
Leasehold improvements	Lesser of life of the asset or lease term

Property, plant, and equipment are removed from the College's records at the time of disposal and any resulting gain or loss is reflected in the Statement of Activities. Replacements and major improvements are capitalized; expenses for maintenance and repairs are charged as incurred. Operation and maintenance expense totaled $12,571,325 and $12,186,046 for the years ended June 30, 2018 and 2017, respectively.

Revenue Recognition and Operations

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reclassified as "net assets released from restriction" in the statements of activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Unconditional promises to give, that will be paid by the donor's estate, are recorded when verifiably committed and are discounted using the remaining life expectancy of the donor. Fair value is determined at the original date of record as described in this section using Level 2 fair value inputs. Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as temporarily restricted revenues are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied.

Contributions received for annual operating purposes are recorded as operating revenues. Non-operating activities include all other contributions and private grants, investment return, net gains and losses related to the College's interest rate swap agreements and net assets released from restriction. To the extent investment return is authorized by the Board and gifts are permitted by the donor to fund operations, they are reclassified as "endowment return utilized in operations and restricted/designated net assets used in operations" on the statements of activities. All other activity is classified as operating revenue.

A substantial portion of the College's revenue is derived from student tuition and fees and room and board services provided by the College. The College also derives revenue from conferences and events and internship housing fees which are reported in other revenues in the statement of activities. These revenue streams are recognized as revenue in the period the services are provided. Student deposits, along with advance payments for tuition and auxiliary services, are recorded as deferred revenue and are recognized as income when the related services are provided.

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. The College recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a predetermined fixed indirect cost rate.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt. Included in institutional support are fundraising expenses of $2,171,091 and $2,006,501 for the years ended June 30, 2018 and 2017, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Tax Status

The College is recognized by the Internal Revenue Service as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the College, management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax-exempt entity as its only significant tax position; however, the College has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College's Federal and state tax returns are generally open for examination for three years following the date filed.

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

Subsequent Events

The College has evaluated subsequent events through November 27, 2018, the date the financial statements were issued.

Note 2 - Contributions Receivable

Contributions receivable are expected to be realized in the following time frame as of June 30:

	2018	2017
Amounts expected to be collected in:		
One year or less	$ 3,046,426	$ 2,273,563
Two to five years	7,698,041	6,289,354
Greater than five years	1,428,571	2,857,143
	12,173,038	11,420,060
Less:		
Discount to present value	(1,084,288)	(1,281,539)
Allowance for uncollectibles	(118,897)	(112,839)
Contributions receivable, net	**$ 10,969,853**	**$ 10,025,682**

As of June 30, 2018 and 2017, over 50% of gross contributions receivable were due from one donor.

Note 3 - Investments and Fair Value Measurements

The following table summarizes the valuation of the College's financial instruments as of June 30:

	2018					2017
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total	Total
Assets						
Investments:						
Cash and equivalents	$ 4,919,867	$ -	$ -	$ -	$ 4,919,867	$ 1,881,378
Equities:						
Domestic	2,128,389	-	-	-	2,128,389	2,405,985
International	16,198,395	-	-	-	16,198,395	4,401,299
Fixed income	5,197,373	-	-	-	5,197,373	218,093
Hedge funds:						
Commingled	-	-	-	12,548,507	12,548,507	21,860,623
Multi-strategy	-	-	-	5,266,849	5,266,849	21,009,009
Fixed income	-	-	-	2,989,328	2,989,328	9,320,164
Long/short equity	-	-	-	31,474,276	31,474,276	38,744,970
Private equity funds	-	-	-	16,046,797	16,046,797	15,736,095
Interest in Notre Dame Endowment pool:						
Multi-strategy	-	-	-	115,166,180	115,166,180	78,812,771
Total investments	28,444,024	-	-	183,491,937	211,935,961	194,390,387
Perpetual trusts held by third parties	-	-	2,408,741	-	2,408,741	2,296,695
Total assets	**$ 28,444,024**	**$ -**	**$ 2,408,741**	**$ 183,491,937**	**$ 214,344,702**	**$ 196,687,082**
Liabilities						
Interest rate swap agreements	**$ -**	**$ 6,042,163**	**$ -**	**$ -**	**$ 6,042,163**	**$ 8,420,037**

As a member of the Congregation of Holy Cross, the College is allowed to invest in the Notre Dame Endowment Pool ("NDEP"). The NAV of the securities held by limited partnerships and NDEP that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2018 and 2017. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

Note 3 - Investments and Fair Value Measurements (Continued)

Of the $183,491,937 investments measured at NAV, $41,719,883 have redemption periods of ninety days or less and $141,772,054 have longer redemption periods at June 30, 2018.

Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles which could impact the ultimate liquidity of funds. Unfunded commitments under various investment vehicles amounted to $4,041,009 at June 30, 2018.

The activity for the Level 3 perpetual trusts consisted of unrealized gains of $124,046 and $241,652 and distributions of $12,000 and $72,000 for the years ended June 30, 2018 and 2017, respectively.

Note 4 - Endowments

The College's endowment consists of 242 individual restricted endowment funds and 22 Board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: contributions receivables and split-interest agreements. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 4 - Endowments (Continued)

In accordance with UPMIFA, the College also considers the following factors in making a determination to appropriate 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; and
7) The investment policies of the College.

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were immaterial as of June 30, 2018 and 2017. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized distribution that was deemed prudent.

Return Objectives and Risk Parameters

The investment objective of the endowment funds, through the careful management of assets, is designed to preserve the funds' purchasing power and to ensure a total return (income plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time provide a dependable source of income for current operations and programs. To accomplish this objective, the funds seek to generate a total return that will exceed not only its spending authority, but also the eroding effects of inflation and its operating expenses over the long term. To meet this long-term objective, all total return (interest income, dividends, realized gains and unrealized gains), above and beyond the amount approved for expenditures, will be reinvested in the funds.

Strategies Employed for Achieving Investment Objectives

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of the College determines the method to be used to distribute endowment funds for expenditure. Under the College's endowment spending policy for the years ended June 30, 2018 and 2017, the College applied a rate of 4.5% to a weighted average calculation based on the previous year's ending endowment value and the previous year's endowment spending. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

Note 4 - Endowments (Continued)

Endowment net asset composition by type of fund is as follows as of June 30, 2018:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted endowment funds	$ -	$ 23,169,588	$ 38,101,251	$ 61,270,839
Board-designated endowment funds	150,143,576	-	-	150,143,576
Total endowment funds	**$ 150,143,576**	**$ 23,169,588**	**$ 38,101,251**	**$ 211,414,415**

Endowment net asset composition by type of fund is as follows as of June 30, 2017:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted endowment funds	$ -	$ 15,658,101	$ 35,542,394	$ 51,200,495
Board-designated endowment funds	142,941,572	-	-	142,941,572
Total endowment funds	**$ 142,941,572**	**$ 15,658,101**	**$ 35,542,394**	**$ 194,142,067**

Note 4 - Endowments (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 142,941,572	$ 15,658,101	$ 35,542,394	$ 194,142,067
Total investment return	13,153,120	4,986,625	-	18,139,745
Gifts and additions	9,931	4,618,622	2,558,857	7,187,409
Distribution of endowment assets for expenditure	(5,961,047)	(2,093,759)	-	(8,054,806)
Endowment net assets, end of year	**$ 150,143,576**	**$ 23,169,588**	**$ 38,101,251**	**$ 211,414,415**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 132,837,250	$ 12,074,376	$ 33,826,775	$ 178,738,401
Total investment return	15,843,585	5,566,883	-	21,410,468
Gifts and additions	39,347	1,000	1,715,619	1,755,966
Distribution of endowment assets for expenditure	(5,778,610)	(1,984,158)	-	(7,762,768)
Endowment net assets, end of year	**$ 142,941,572**	**$ 15,658,101**	**$ 35,542,394**	**$ 194,142,067**

Note 5 - Net Assets

The net assets are summarized as follows as of June 30, 2018:

Detail of Net Assets	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Operating funds:				
Undesignated	$ 9,734,023	$ -	$ -	$ 9,734,023
Net investment in plant	54,064,780	-	-	54,064,780
Donor restricted for scholarship and other programs	-	12,640,003	-	12,640,003
Funds for facilities and student loans	429,870	2,729,961	-	3,159,831
Annuity and perpetual trusts held by third parties	-	439,491	2,667,491	3,106,982
Endowment funds:				
Unrestricted endowment funds	150,143,576	-	-	150,143,576
Restricted for scholarship support	-	21,459,319	34,187,432	55,646,751
Restricted for faculty support	-	649,012	2,818,867	3,467,879
Restricted for program support	-	1,061,257	1,094,952	2,156,209
Total endowment funds	150,143,576	23,169,588	38,101,251	211,414,415
Total net assets	**$ 214,372,249**	**$ 38,979,044**	**$ 40,768,742**	**$ 294,120,035**

The net assets are summarized as follows as of June 30, 2017:

Detail of Net Assets	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Operating funds:				
Undesignated	$ 5,140,778	$ -	$ -	$ 5,140,778
Net investment in plant	54,776,188	-	-	54,776,188
Donor restricted for scholarship and other programs	-	16,334,844	-	16,334,844
Funds for facilities and student loans	506,528	1,801,096	-	2,307,624
Annuity and perpetual trusts held by third parties	-	453,199	2,555,445	3,008,644
Endowment funds:				
Unrestricted endowment funds	142,941,572	-	-	142,941,572
Restricted for scholarship support	-	14,171,606	31,539,391	45,710,997
Restricted for faculty support	-	482,893	2,818,867	3,301,760
Restricted for program support	-	1,003,602	1,184,136	2,187,738
Total endowment funds	142,941,572	15,658,101	35,542,394	194,142,067
Total net assets	**$ 203,365,066**	**$ 34,247,240**	**$ 38,097,839**	**$ 275,710,145**

Note 5 - Net Assets (Continued)

Net assets were released from donor restrictions as a result of the endowment spending policy and incurring expenses satisfying the restricted purposes or the occurrence of events specified by the donors. Net assets released from restrictions are for the following purposes for the years ended June 30:

		2018		***2017***
Endowment return utilized in operations:				
Scholarship	$	1,948,803	$	1,764,201
Other program support		201,543		167,571
Capital improvements (non-operating)		506,712		558,128
Scholarship		244,269		248,382
Student services		263,635		330,965
Other program support		709,169		529,892
Net assets released from restrictions	**$**	**3,874,131**	**$**	**3,599,139**

Note 6 - Property, Plant and Equipment

Property, plant and equipment are as follows as of June 30:

		2018		***2017***
Land	$	752,119	$	752,119
Land improvements		18,625,661		18,625,661
Buildings and improvements		179,618,639		181,073,824
Leasehold improvements		565,869		569,567
Furniture, equipment and vehicles		37,051,782		37,183,055
Construction in progress		22,771,469		1,894,367
Total property, plant and equipment		259,385,539		240,098,593
Less accumulated depreciation		(105,316,492)		(100,708,716)
	$	**154,069,047**	**$**	**139,389,877**

Included in property, plant and equipment as of June 30, 2018 are assets under capital lease for equipment with a cost of $1,361,388 and related accumulated amortization of $788,982. Capital lease obligations as of June 30, 2018 and 2017 were $563,935 and $726,342, respectively, and are included in capital leases and other liabilities on the statements of financial position.

For the years ended June 30, 2018 and 2017, assets with an original cost of $3,428,488 and $2,104,100 and accumulated depreciation of $2,113,480 and $2,089,391, respectively, were disposed of for a loss of $1,315,008 and $12,009, respectively.

Depreciation expense was $6,721,257 and $7,037,890 for the years ended June 30, 2018 and 2017, respectively.

Note 7 - Loans and Bonds Payable

Loans and bonds payable are as follows as of June 30:

	2018	2017
HEFA Series L, dated August 5, 2009, fixed interest rates ranging from 2.50% to 5.375% due serially on July 1, from July 1, 2011 to July 1, 2029.	$ 2,095,000	$ 16,780,000
J.P. Morgan direct placement loan, dated May 31, 2013, at a fixed interest rate of 1.80% due serially from July 1, 2013 to July 1, 2020.	1,188,015	1,769,072
Century Bank MDFA Series K-1 direct placement loan, dated November 4, 2015, variable interest rates of 67% of one month libor plus 1.05% due quarterly from July 1, 2016 to July 1, 2037, with an actual interest rate of 2.40% and 1.53% at June 30, 2018 and 2017, respectively.	26,937,500	27,587,500
People's United Bank MDFA Series K-2 direct placement loan, dated November 4, 2015, variable interest rates of 68% of one month libor plus 1.15% due quarterly from July 1, 2016 to July 1, 2037, with an actual interest rate of 2.47% and 1.62% at June 30, 2018 and 2017, respectively.	26,937,500	27,587,500
People's United Bank MDFA Series M direct placement loan, dated March 30, 2017, fixed interest rate of 2.80% due quarterly from July 1, 2017 to April 1, 2029, at which point interest rate reevaluated and paid quarterly from July 1, 2029 to April 1, 2047.	14,935,409	15,220,756
TD Bank MDFA Series N direct placement loan, dated November 9, 2017, fixed interest rate of 2.49% due quarterly from January 1, 2018 to July 1, 2029.	14,640,980	-
Century Bank, MDFA Series O drawdown bond, dated June 1, 2018, variable interest rate of 79% of one month libor plus 0.90% due quarterly from July 1, 2018 to June 1, 2027 and 1.50% due quarterly thereafter to July 1, 2048, with an actual interest rate of 2.28% at June 30, 2018.	3,627,744	-
	90,362,148	88,944,828
Less unamortized debt issuance costs	(650,388)	(478,829)
Less unamortized original issue premium	-	37,903
	$ 89,711,760	**$ 88,503,902**

Note 7 - Loans and Bonds Payable (Continued)

In November 2017, the College issued Series N MDFA fixed rate revenue bonds of $14,829,025, purchased by a private bank. The proceeds from this issue were used to refinance a portion of HEFA Series L bonds in an advance refunding arrangement. The portion of Series L that is not refundable until July 1, 2019 remains on the College's Statement of Financial Position. The refinancing resulted in a loss of $1,074,044.

In June 2018, the College entered into a drawdown bond, effectively a construction line of credit, for the College's new business building. The agreement provides a maximum principal amount available of $25,000,000, with a drawdown end date of June 1, 2021.

The outstanding loans and bonds payable are collateralized by tuition receipts. Under its bonds payable agreements, the College is subject to certain restrictive financial covenants.

In accordance with bond requirements for construction funds, the College has on deposit with the Trustee (classified as restricted cash) the following amounts at June 30:

	2018	***2017***
Restricted cash	**$ 2,237,397**	**$ 15,215,872**

Included in the restricted cash balance is $1,161,215 and $13,838,213 at June 30, 2018 and 2017, respectively, from long-term debt proceeds to fund future capital projects.

Mandatory annual principal payments on long-term debt for the next five fiscal years and thereafter are as follows as of June 30:

2019	$ 3,072,899
2020	4,002,883
2021	3,824,400
2022	4,612,277
2023	4,798,526
Thereafter	70,051,163
	$ 90,362,148

Interest expense and fees on debt were $1,431,960, and $1,534,627 for the years ended June 30, 2018 and 2017, respectively. During fiscal year 2018, interest in the amount of $478,405 was capitalized during construction.

Note 8 - Interest Rate Swap Agreements

The College has entered into various interest rate swap agreements in order to partially hedge variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The College does not enter into derivative instruments for trading or speculative purposes.

The College has three swap agreements as noted below. All of the swaps remain in place against HEFA Series K bonds (see Note 7).

Interest payments on swap agreements at June 30, 2018 and 2017 were $1,172,232 and $1,462,873, respectively. These payments are included in net gain (loss) from interest rate swaps in the statements of activities.

The terms of the swap agreements are as follows at June 30:

Notional Amount	*Termination Date*	*Interest Rate Received*	*Interest Rate Paid*	*2018 Fair Value (Liability)*	*2017 Fair Value (Liability)*
$ 19,840,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.369%	$ (1,331,772)	$ (2,156,224)
9,560,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.594%	(909,521)	(1,370,748)
19,000,000	July 1, 2037	USD-1M LIBOR + 0.67%	3.651%	(3,800,870)	(4,893,065)
$ 48,400,000				**$ (6,042,163)**	**$ (8,420,037)**

The swap agreements have no collateral requirements applicable to the College.

As a result of the use of derivative instruments, the College is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, the College only enters into contracts with selected major financial institutions based upon their credit ratings and other factors and continually assesses the creditworthiness of counterparties. At June 30, 2018 and 2017, all of the counterparties to the College’s interest rate swaps had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligation.

Note 9 - Lease Commitments

The College leases property for terms ranging from ten to fifty years expiring through June 30, 2066. The annual minimum operating lease commitments are as follows for the years ended June 30:

2019	$ 329,916
2020	334,864
2021	339,887
2022	344,986
2023	350,160
Thereafter	17,931,712
	$ 19,631,525

Total rental expense on these leases was $325,040 and $318,830 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments under capital leases included in capital leases and other liabilities on the statements of financial position, together with the present value of the net minimum lease payments as of June 30, 2017:

2019	$ 174,669
2020	174,669
2021	174,669
2022	58,225
	582,232
Interest	(18,296)
	$ 563,936

Note 10 - Employee Benefit Plans

The College offers its employees a defined contribution plan and participates in the Teachers Insurance and Annuity Association contributory retirement program. This program covers substantially all full-time employees of the College. The College made contributions of $3,485,555 and $3,342,564 for the fiscal years ended June 30, 2018 and 2017, respectively. The College also maintains a self-funded medical plan for its employees. The self-funded medical and short-term disability plans are funded by both employee and College contributions. The College paid claims of $3,415,743 and $3,392,181 for the fiscal years ended June 30, 2018 and 2017, respectively.

Note 11 - Related Parties

Certain members of the Board are members, employees or officers of companies which do business with the College. The College engaged in these transactions as part of its normal course of business and substantially all are operating expenses. Related party transactions were $283,144 and $388,557 for the fiscal years ended June 30, 2018 and 2017, respectively. The College had $16,690 and $26,642 recorded in accounts payable due to related parties as of June 30, 2018 and 2017, respectively.

As indicated in Note 1, the Congregation of Holy Cross was instrumental in the founding of the College. Members of the Congregation of Holy Cross are administrators and faculty at the College as well as serve on the College's Board of Trustees. The College remits to the Congregation of Holy Cross lay-equivalent salaries for those services received from the Congregation of Holy Cross members. The College also rents property from the congregation. Payments for rents and salaries totaled $1,410,617 and $1,658,491 for the years ended June 30, 2018 and 2017, respectively, and are included in operating expenses.

Note 12 - Commitments and Contingencies

The College is engaged in numerous activities which expose the College to risk of litigation. These matters may include disputes with contractors, subcontractors, students and other claims arising from employment matters with the College. The College does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.

As of June 30, 2018, the College has outstanding construction/engineering contracts of approximately $7,317,128.

The College has a long-term contract with Marina Energy, LLC. The contract is a Power Purchase Agreement ("PPA") that provides an easement on 15 acres of College land located at 405 Washington Street in North Easton (also known as the David Ames Clock Farm), for use as a solar farm, and provides the College with fixed-rate pricing on each kilowatt hour of electricity that the solar farm produces. The PPA expires in 2033.

The College has fixed-price contracts with Direct Energy for a portion of its energy needs. The contract for natural gas expires October 31, 2019 and the contract for electricity expires November 30, 2019.

The College has collective bargaining agreements covering police and facilities of the College, expiring June 30, 2019 and June 30, 2021, respectively.