Financial Statements

Stonehill College, Inc.

June 30, 2016 and 2015

MHM

Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

STONEHILL COLLEGE, INC.

Financial Statements

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500 Boylston Street ▪ Boston, MA 02116
Tel: 617.761.0600 ▪ Fax: 617.761.0601 ▪ www.cbiztofias.com

Independent Auditors' Report

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

We have audited the accompanying financial statements of Stonehill College, Inc. (the "College"), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, and cash flows for the year 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 audit. We conducted our audit 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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2015 Financial Statements

The financial statements of Stonehill College, Inc. as of June 30, 2015 were audited by other auditors whose report, dated October 23, 2015, expressed an unmodified opinion on those statements.

Mayer Hoffman McCann P.C.

September 30, 2016
Boston, Massachusetts

STONEHILL COLLEGE, INC.

Statements of Financial Position

	June 30,	
	2016	***2015***
Assets		
Cash	$ 7,592,397	$ 9,678,404
Accounts receivable, net	540,237	248,597
Prepaids and other assets	805,396	1,011,775
Contributions receivable, net	1,214,813	2,300,161
Restricted cash	1,416,725	1,357,304
Loans receivable, net	1,368,675	1,466,810
Investments	183,498,968	195,537,102
Perpetual trusts held by third parties	2,127,043	2,092,011
Property, plant and equipment	141,883,335	144,212,836
Total assets	**$ 340,447,589**	**$ 357,905,000**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 2,635,264	$ 7,175,080
Accrued payroll and other benefits	3,703,178	3,412,023
Deferred revenue	2,484,518	2,186,329
Capital leases and other liabilities	2,224,109	2,341,360
Government advances for student loans	925,236	978,473
Interest rate swap agreements	12,088,970	8,894,545
Annuity obligations	125,927	292,087
Loan and bonds payable	76,546,686	79,749,321
Total liabilities	**100,733,888**	**105,029,218**
Net assets:		
Unrestricted	188,274,523	195,278,276
Temporarily restricted	15,169,610	22,882,391
Permanently restricted	36,269,568	34,715,115
Total net assets	**239,713,701**	**252,875,782**
Total liabilities and net assets	**$ 340,447,589**	**$ 357,905,000**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2016
(with comparative totals for 2015)

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*2016 Total*	*2015 Total*
Operating revenues:					
Tuition and fees	$ 94,502,275	$ -	$ -	$ 94,502,275	$ 88,375,499
Room and board	30,299,067	-	-	30,299,067	28,128,307
Less scholarship aid	(46,957,651)	-	-	(46,957,651)	(41,296,731)
Net tuition, fees, room and board	**77,843,691**	**-**	**-**	**77,843,691**	**75,207,075**
Federal and state grants	963,034	-	-	963,034	699,209
Contributions	1,140,201	-	-	1,140,201	1,103,417
Other auxiliary services	3,681,055	-	-	3,681,055	3,999,898
Other revenues	1,943,238	-	-	1,943,238	1,784,834
Endowment return utilized in operations	7,641,979	-	-	7,641,979	7,179,296
Net assets released from restriction used in operations	1,206,866	-	-	1,206,866	2,124,263
Total operating revenues	**94,420,064**	**-**	**-**	**94,420,064**	**92,097,992**
Operating expenses:					
Instruction	33,392,287	-	-	33,392,287	33,075,161
Research	400,493	-	-	400,493	393,001
Public service	103,262	-	-	103,262	61,270
Academic support	6,633,082	-	-	6,633,082	6,669,335
Student services	18,130,441	-	-	18,130,441	17,347,367
Institutional support	14,449,346	-	-	14,449,346	14,078,658
Auxiliary services	19,582,142	-	-	19,582,142	19,174,498
Total operating expenses	**92,691,053**	**-**	**-**	**92,691,053**	**90,799,290**
Increase in net assets from operations	**1,729,011**	**-**	**-**	**1,729,011**	**1,298,702**
Non-operating activities:					
Contributions and private grants	1,048,843	945,021	1,572,167	3,566,031	3,738,669
Investment return	(3,739,750)	(1,132,433)	92,032	(4,780,151)	2,871,111
Net loss from interest rate swaps	(4,828,129)	-	-	(4,828,129)	(2,023,371)
Endowment return utilized in operations	(5,735,100)	(1,906,879)	-	(7,641,979)	(7,179,296)
Net assets released from restriction used in operations	-	(1,206,866)	-	(1,206,866)	(2,124,263)
Non-operating net assets released from restriction	4,521,371	(4,411,625)	(109,746)	-	-
Change in net assets from non-operating activities	**(8,732,765)**	**(7,712,781)**	**1,554,453**	**(14,891,093)**	**(4,717,150)**
Change in net assets	**(7,003,753)**	**(7,712,781)**	**1,554,453**	**(13,162,081)**	**(3,418,448)**
Net assets, beginning of year	195,278,276	22,882,391	34,715,115	252,875,782	256,294,230
Net assets, end of year	**$ 188,274,523**	**$ 15,169,610**	**$ 36,269,568**	**$ 239,713,701**	**$ 252,875,782**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	$ 88,375,499	$ -	$ -	$ 88,375,499
Room and board	28,128,307	-	-	28,128,307
Less scholarship aid	(41,296,731)	-	-	(41,296,731)
Net tuition, fees, room and board	**75,207,075**	**-**	**-**	**75,207,075**
Federal and state grants	699,209	-	-	699,209
Contributions	1,103,417	-	-	1,103,417
Other auxiliary services	3,999,898	-	-	3,999,898
Other revenues	1,784,834	-	-	1,784,834
Endowment return utilized in operations	7,179,296	-	-	7,179,296
Net assets released from restriction used in operations	2,124,263	-	-	2,124,263
Total operating revenues	**92,097,992**	**-**	**-**	**92,097,992**
Operating expenses:				
Instruction	33,075,161	-	-	33,075,161
Research	393,001	-	-	393,001
Public service	61,270	-	-	61,270
Academic support	6,669,335	-	-	6,669,335
Student services	17,347,367	-	-	17,347,367
Institutional support	14,078,658	-	-	14,078,658
Auxiliary services	19,174,498	-	-	19,174,498
Total operating expenses	**90,799,290**	**-**	**-**	**90,799,290**
Increase in net assets from operations	**1,298,702**	**-**	**-**	**1,298,702**
Non-operating activities:				
Contributions and private grants	347,006	1,418,240	1,973,423	3,738,669
Investment return	2,230,202	663,458	(22,549)	2,871,111
Net loss from interest rate swaps	(2,023,371)	-	-	(2,023,371)
Endowment return utilized in operations	(5,509,487)	(1,669,809)	-	(7,179,296)
Net assets released from restriction used in operations	(548,039)	(1,576,224)	-	(2,124,263)
Net assets reclassed	(1,022,202)	1,022,202	-	-
Change in net assets from non-operating activities	**(6,525,891)**	**(142,133)**	**1,950,874**	**(4,717,150)**
Change in net assets	**(5,227,189)**	**(142,133)**	**1,950,874**	**(3,418,448)**
Net assets, beginning of year	200,505,465	23,024,524	32,764,241	256,294,230
Net assets, end of year	**$ 195,278,276**	**$ 22,882,391**	**$ 34,715,115**	**$ 252,875,782**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statements of Cash Flows

	Years Ended June 30, *2016*	*2015*
Cash flows from operating activities:		
Change in net assets	$ (13,162,081)	$ (3,418,448)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in government advances for student loans	(53,237)	(50,854)
Depreciation and amortization	6,735,781	6,818,659
Net realized and unrealized loss (gain) on investments	6,323,449	(1,373,109)
Unrealized losses on interest rate swap agreements	3,194,425	299,578
Loss (gain) on disposal of fixed assets	248,305	(69,482)
Change in contributions receivable discount/allowance	(53,475)	(52,905)
Change in operating assets and liabilities:		
Accounts receivable	(291,640)	6,228
Contributions receivable	1,135,622	750,542
Prepaids and other assets	206,379	160,205
Accounts payable and accrued liabilities	(153,869)	(969,292)
Accrued payroll and other benefits	291,155	(2,135)
Deferred revenue	298,189	(113,593)
Other liabilities	(139,515)	737,777
Contributions to be used for long-term investment	(3,497,533)	(2,706,953)
Net cash provided by operating activities	**1,081,955**	**16,218**
Cash flows from investing activities:		
Loans granted	(139,700)	(170,350)
Loans collected	241,036	267,480
Purchase of property, plant and equipment	(8,982,277)	(10,711,343)
Purchase of investments	(22,912,041)	(27,890,952)
Proceeds from sale of investments	28,591,694	39,418,934
Change in restricted cash	(59,421)	(35,992)
Net cash (used in) provided by investing activities	**(3,260,709)**	**877,777**
Cash flows from financing activities:		
Payments on long-term debt and capital lease obligations	(3,488,234)	(3,154,428)
Loss on reissuance of debt	261,536	-
New debt issuance costs	(178,088)	-
Contributions to be used for long-term investment	3,497,533	2,706,953
Net cash provided by (used in) financing activities	**92,747**	**(447,475)**
Net (decrease) increase in cash	**(2,086,007)**	**446,520**
Cash, beginning of year	9,678,404	9,231,884
Cash, end of year	**$ 7,592,397**	**$ 9,678,404**
Supplemental disclosures:		
Cash paid for interest	$ 1,466,887	$ 1,299,608
Cash paid for interest on interest rate swap agreements	$ 1,644,046	$ 1,727,634
Amounts included in accounts payable and other liabilities related to property, plant and equipment	$ 194,575	$ 4,580,522
Purchase of property, plant and equipment with capital lease	$ -	$ 1,144,811

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

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 Association of Schools and Colleges (“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 accepted 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, 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 $68,904 and $24,737 of monies held for the Federal Perkins Loan Program at June 30, 2016 and 2015, respectively.

Accounts and Loans Receivable and Government Advances for Student Loans

Accounts and loans receivable are stated net of allowances for doubtful accounts of $250,981 and $204,182 for the years ended June 30, 2016 and 2015, 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 $12,267,319 and $11,827,002 for the years ended June 30, 2016 and 2015, 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 auxiliary services 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 $2,043,191 and $1,778,194 for the years ended June 30, 2016 and 2015, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Self-Insurance

The College self-insures for employee healthcare claims, unemployment and short-term disability on a claims made basis. The College utilizes "stop-loss" premium based coverage for individual healthcare claims to limit the ultimate exposure.

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 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

During 2016, the College retrospectively adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-07, *Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* and investments valued at net asset value ("NAV") are now presented in a separate column in the related footnote disclosure for 2016 and 2015.

The College also reclassified certain 2015 amounts to conform with the 2016 presentation.

Subsequent Events

The College has evaluated subsequent events through September 30, 2016, 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:

	2016	2015
Amounts expected to be collected in:		
One year or less	$ 619,005	$ 1,159,640
Two to five years	651,292	1,246,277
	1,270,297	2,405,917
Less:		
Discount to present value	(22,129)	(48,948)
Allowance for uncollectibles	(33,355)	(56,808)
Contributions receivable, net	**$ 1,214,813**	**$ 2,300,161**

As of June 30, 2016 and 2015, 79% and 62%, respectively, of gross contributions receivable were due from one donor.

Note 3 - Investments and Fair Value Measurements

The following tables summarize the valuation of the College's financial instruments as of June 30:

	2016				
	Level 1	*Level 2*	*Level 3*	*Investments Measured at NAV*	*Total*
Assets					
Investments:					
Cash and equivalents	$ 6,251,453	$ -	$ -	$ -	$ 6,251,453
Equities:					
Domestic	11,828,431	-	-	-	11,828,431
International	21,480,246	-	-	-	21,480,246
Fixed income	9,958,368	-	-	-	9,958,368
Hedge funds:					
Commingled	-	-	-	35,085,216	35,085,216
Multi-strategy	-	-	-	23,670,780	23,670,780
Fixed income	-	-	-	9,452,923	9,452,923
Long/short equity	-	-	-	51,219,228	51,219,228
Private equity funds	-	-	-	14,552,323	14,552,323
Total investments	49,518,498	-	-	133,980,470	183,498,968
Perpetual trusts held by third parties	-	-	2,127,043	-	2,127,043
Total assets	**$ 49,518,498**	**$ -**	**$ 2,127,043**	**$ 133,980,470**	**$ 185,626,011**
Liabilities					
Interest rate swap agreements	**$ -**	**$ 12,088,970**	**$ -**	**$ -**	**$ 12,088,970**

Note 3 - Investments and Fair Value Measurements (Continued)

	2015				
	Level 1	*Level 2*	*Level 3*	*Investments Measured at NAV*	*Total*
Assets					
Investments:					
Cash and equivalents*	$ 17,922,611	$ -	$ -	$ -	$ 17,922,611
Equities:					
Domestic	11,853,645	-	-	-	11,853,645
International	28,393,947	-	-	-	28,393,947
Fixed income	12,108,736	-	-	-	12,108,736
Hedge funds:					
Commingled	-	-	-	30,146,027	30,146,027
Multi-strategy	-	-	-	25,104,205	25,104,205
Fixed income	-	-	-	8,784,211	8,784,211
Long/short equity	-	-	-	47,015,966	47,015,966
Private equity funds	-	-	-	14,207,754	14,207,754
Total investments	70,278,939	-	-	125,258,163	195,537,102
Perpetual trusts held by third parties	-	-	2,092,011	-	2,092,011
Total assets	**$ 70,278,939**	**$ -**	**$ 2,092,011**	**$ 125,258,163**	**$ 197,629,113**
Liabilities:					
Interest rate swap agreements	**$ -**	**$ 8,894,545**	**$ -**	**$ -**	**$ 8,894,545**

The NAV of the securities held by limited partnerships 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, 2016 and 2015. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

The investments measured at NAV of $88,985,222 have redemption periods of ninety days or less and $44,995,248 have longer redemption periods at June 30, 2016.

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 $6,302,319 at June 30, 2016.

Note 3 - Investments and Fair Value Measurements (Continued)

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above.

		Perpetual Trusts
Fair value, July 1, 2014	$	2,114,560
Net unrealized gains		27,451
Distributions		(50,000)
Fair value, June 30, 2015		**2,092,011**
Net unrealized gains		92,032
Distributions		(57,000)
Fair value, June 30, 2016	**$**	**2,127,043**

The following schedule summarizes total investment return for the years ended June 30:

		2016		***2015***
Investment income	$	1,543,298	$	1,498,002
Net realized and unrealized gains (losses) on investments		(6,323,449)		1,373,109
Total investment return	**$**	**(4,780,151)**	**$**	**2,871,111**

Management, custodial and performance fees for the endowment investments and other College investments are charged to the investment portfolios and were $1,910,649 and $1,960,084 for the years ended June 30, 2016 and 2015, respectively. Net realized and unrealized results include these fees.

Note 4 - Endowments

The College's endowment consists of approximately 221 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.

Note 4 - Endowments (Continued)

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.

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, 2016 and 2015. 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.

Note 4 - Endowments (Continued)

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. Nonetheless, to ensure liquidity for distributions and to facilitate rebalancing, the maximum allocation to illiquid assets, defined as funds locked-up for greater than one year, shall be limited to 30% of the funds' market value.

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, 2016 and 2015, 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.

Endowment net asset composition by type of fund is as follows as of June 30, 2016:

	Unrestricted	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Donor-restricted endowment funds	$ -	$ 12,074,376	$ 33,826,775	$ 45,901,151
Board-designated endowment funds	132,837,250	-	-	132,837,250
Total endowment funds	**$ 132,837,250**	**$ 12,074,376**	**$ 33,826,775**	**$ 178,738,401**

Endowment net asset composition by type of fund is as follows as of June 30, 2015:

	Unrestricted	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Donor-restricted endowment funds	$ -	$ 15,237,408	$ 32,064,354	$ 47,301,762
Board-designated endowment funds	141,336,881	-	-	141,336,881
Total endowment funds	**$ 141,336,881**	**$ 15,237,408**	**$ 32,064,354**	**$ 188,638,643**

Note 4 - Endowments (Continued)

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

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment net assets, beginning of year	$ 141,336,881	$ 15,237,408	$ 32,064,354	$ 188,638,643
Investment return:				
Investment income	1,016,751	348,524	-	1,365,275
Net depreciation (realized and unrealized)	(4,778,007)	(1,638,712)	-	(6,416,719)
Total investment return	(3,761,256)	(1,290,188)	-	(5,051,444)
Contributions	996,725	-	1,762,421	2,759,146
Distribution of endowment assets for expenditure	(5,735,100)	(1,872,844)	-	(7,607,944)
Endowment net assets, end of year	**$ 132,837,250**	**$ 12,074,376**	**$ 33,826,775**	**$ 178,738,401**

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

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment net assets, beginning of year	$ 144,641,268	$ 16,254,918	$ 30,090,931	$ 190,987,117
Investment return:				
Investment income	1,114,014	359,679	-	1,473,693
Net appreciation (realized and unrealized)	1,060,564	342,421	-	1,402,985
Total investment return	2,174,578	702,100	-	2,876,678
Contributions	30,522	1,001	1,973,423	2,004,946
Distribution of endowment assets for expenditure	(5,509,487)	(1,720,611)	-	(7,230,098)
Endowment net assets, end of year	**$ 141,336,881**	**$ 15,237,408**	**$ 32,064,354**	**$ 188,638,643**

Note 5 - Net Assets

The net assets are summarized as follows as of June 30, 2016:

Detail of Net Assets	***Unrestricted***	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Operating funds:				
Undesignated	$ 2,760,286	$ -	$ -	$ 2,760,286
Investment in plant	52,167,373	-	-	52,167,373
Donor restricted for scholarship and other programs	-	2,884,689	-	2,884,689
Funds for facilities and student loans	509,614	-	-	509,614
Annuity and perpetual trusts held by third parties	-	210,545	2,442,793	2,653,338
Endowment funds:				
Unrestricted endowment funds	132,837,250	-	-	132,837,250
Restricted for scholarship support	-	10,974,184	29,838,822	40,813,006
Restricted for faculty support	-	250,322	2,808,867	3,059,189
Restricted for program support	-	849,870	1,179,086	2,028,956
Total endowment funds	132,837,250	12,074,376	33,826,775	178,738,401
Total net assets	**$ 188,274,523**	**$ 15,169,610**	**$ 36,269,568**	**$ 239,713,701**

The net assets are summarized as follows as of June 30, 2015:

Detail of Net Assets	***Unrestricted***	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Operating funds:				
Undesignated	$ 5,762,177	$ -	$ -	$ 5,762,177
Investment in plant	47,667,687	-	-	47,667,687
Donor restricted for scholarship and other programs	-	4,357,593	-	4,357,593
Funds for facilities and student loans	511,531	3,352,696	-	3,864,227
Annuity and life income funds	-	(65,306)	2,650,761	2,585,455
Endowment funds:				
Unrestricted endowment funds	141,336,881	-	-	141,336,881
Restricted for scholarship support	-	13,769,695	28,086,521	41,856,216
Restricted for faculty support	-	471,729	2,808,867	3,280,596
Restricted for program support	-	995,984	1,168,966	2,164,950
Total endowment funds	141,336,881	15,237,408	32,064,354	188,638,643
Total net assets	**$ 195,278,276**	**$ 22,882,391**	**$ 34,715,115**	**$ 252,875,782**

Note 5 - Net Assets (Continued)

Net assets were released from donor restrictions as a result of 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:

		2016		***2015***
Capital improvements (non-operating)	$	4,521,371	$	-
Scholarship		153,542		145,288
Student services		269,206		173,653
Other program support		784,118		1,805,322
Net assets released from restrictions	**$**	**5,728,237**	**$**	**2,124,263**

Note 6 - Property, Plant and Equipment

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

		2016		***2015***
Land	$	752,119	$	752,119
Land improvements		18,219,498		18,219,498
Buildings and improvements		180,880,017		163,122,637
Leasehold improvements		531,567		531,567
Furniture, equipment and vehicles		37,025,609		35,934,128
Construction in progress		234,742		15,217,342
Total property, plant and equipment		237,643,552		233,777,291
Less accumulated depreciation		(95,760,217)		(89,564,455)
	$	**141,883,335**	**$**	**144,212,836**

Included in property, plant and equipment as of June 30, 2016 are assets under capital lease for equipment with a cost of $1,361,388 and related accumulated amortization of $441,366. Capital lease obligations as of June 30, 2016 and 2015 were $885,731 and $1,066,794, respectively, and are included in capital leases and other liabilities on the statements of financial position.

For the years ended June 30, 2016 and 2015, assets with an original cost of $730,069 and $824,008 and accumulated depreciation of $481,764 and $711,560, respectively, were disposed of for a loss of $248,305 and $112,448, respectively, and included in student services on the statements of activities.

Depreciation expense was $6,677,526 and $6,704,267 for the years ended June 30, 2016 and 2015, respectively.

Note 7 - Loans and Bonds Payable

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

	2016	***2015***
HEFA Series K, variable rate demand, dated April 1, 2008 interest rates ranging from .01% to .13% due serially from May 1, 2008 to July 1, 2037. Reissued in 2016 into Series K-1 and K-2 via direct placement loans as noted below.	$ -	$ 57,795,000
HEFA Series L, dated July 14, 2010, fixed interest rates ranging from 2.5% to 5.375% due serially on July 1, from July 1, 2011 to July 1, 2029.	17,715,000	18,620,000
J.P. Morgan direct placement loan, dated May 31, 2013, at a fixed interest rate of 1.8% due serially from July 1, 2013 to July 1, 2020.	2,766,370	3,748,519
Century Bank HEFA Series K-1 direct placement loan, dated November 4, 2015, variable interest rates ranging from .84% to 1.02% due quarterly from July 1, 2016 to July 1, 2037.	28,187,500	-
Peoples Bank HEFA Series K-2 direct placement loan, dated November 4, 2015, variable interest rates ranging from .95% to 1.09% due quarterly from July 1, 2016 to July 1, 2037.	28,187,500	-
	76,856,370	80,163,519
Less unamortized debt issuance costs	(350,679)	(395,104)
Less unamortized original issue premium/(discount)	40,995	(19,094)
	$ 76,546,686	**$ 79,749,321**

In November 2015, the College reissued its Series K Massachusetts Health and Educational Facilities Authority ("HEFA") variable rate demand revenue bonds of $56,675,000 into $28,337,500 of Series K-1 HEFA bonds and $28,337,500 of Series K-2 HEFA bonds. Both Series K-1 and K-2 were purchased by private banks. The proceeds of the Series K-1 and K-2 bonds were reissued to the College pursuant to a loan and trust agreement with the two private banks with terms as noted in the table above. Unamortized bond issuance costs of $261,536 and the discount of the HEFA Series K were written off upon reissuance.

The outstanding loans and bonds payable are collateralized by tuition receipts.

Note 7 - Loans and Bonds Payable (Continued)

Under its bonds payable agreements, the College is subject to certain restrictive financial covenants, one of which is that the College must maintain a 60% ratio of non-donor restricted fund balances to plant debt. In accordance with bond requirements for construction funds, the College has on deposit with the Trustee (classified as restricted cash) at June 30, 2016 and 2015 for the following amounts:

	2016	***2015***
Restricted cash	**$ 1,347,821**	**$ 1,332,567**

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

2017	$ 2,832,298
2018	2,761,057
2019	3,218,707
2020	3,464,308
2021	3,270,000
Thereafter	61,310,000
	$ 76,856,370

Interest expense and fees on debt were $1,384,626 and $1,280,574 for the years ended June 30, 2016 and 2015, respectively.

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) which were issued to refinance HEFA Series I and HEFA Series J bonds and advance refund HEFA Series G bonds.

Interest payments on swap agreements at June 30, 2016 and 2015 were $1,636,704 and $1,728,292, respectively. These payments are included in net loss from interest rate swaps in the statements of activities.

Note 8 - Interest Rate Swap Agreements (Continued)

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

Notional Amount	*Termination Date*	*Interest Rate Received*	*Interest Rate Paid*	*2016 Fair Value (Liability)*	*2015 Fair Value (Liability)*
$ 20,880,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.369%	$ (3,323,669)	$ (2,707,051)
9,655,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.594%	(2,009,575)	(1,584,404)
19,000,000	July 1, 2037	USD-1M LIBOR + 0.67%	3.651%	(6,755,726)	(4,603,090)
$ 49,535,000				**$ (12,088,970)**	**$ (8,894,545)**

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, 2016 and 2015, 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:

2017	$ 318,150
2018	322,922
2019	327,766
2020	332,683
2021	337,673
Thereafter	18,503,502
	$ 20,142,696

Total rental expense on these leases was $330,109 and $298,008 for the years ended June 30, 2016 and 2015, respectively.

Note 9 - Lease Commitments (Continued)

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, 2016:

2017	$	174,669
2018		174,669
2019		174,669
2020		174,669
2021		58,225
		756,901
Interest		(45,840)
	$	**711,061**

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 $3,257,038 and $3,180,705 for the fiscal years ended June 30, 2016 and 2015, 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.

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 $624,875 and $287,884 for the fiscal years ended June 30, 2016 and 2015, respectively. The College had $83,181 and $38,323 recorded in accounts payable due to related parties as of June 30, 2016 and 2015, 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 $1,468,700 and $1,354,649 for the years ended June 30, 2016 and 2015, respectively.

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, 2016, the College has outstanding construction/engineering contracts of approximately $213,376.

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) and provides the College with fixed-rate pricing on each kWh of electricity that the solar farm produces. The PPA expires in 2033.

The College has entered fixed-price contracts for a portion of its energy needs. In 2016, the College entered into a three-year arrangement for natural gas pricing from Direct Energy that will cover the period from November 1, 2016 to October 31, 2019. Also, in 2016, the College entered into a two-year arrangement for a fixed-rate for electricity, also with Direct Energy, for the period from December 1, 2017 to November 30, 2019.

The College has collective bargaining agreements covering police and facilities of the College. Both agreements expire on June 30, 2017.

The College has long-term employment agreements with certain staff and administrators that stipulate a variety of business terms typical in the education sector.