

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

MARIST COLLEGE AND AFFILIATES

For the years ended June 30, 2016 and 2015

MARIST COLLEGE AND AFFILIATES

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Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017
T 212.599.0100
F 212.370.4520
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Marist College and Affiliates:

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

Management’s responsibility for the consolidated financial statements

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marist College, as of June 30, 2016 and 2015, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
November 21, 2016

MARIST COLLEGE AND AFFILIATES
Consolidated Statements of Financial Position
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 49,325,893	\$ 37,895,309
Short term investments	24,532,319	22,455,693
Accounts receivable, net	2,727,691	5,729,603
Contributions receivable, net	3,672,661	2,685,898
Deposits with bond trustees	25,308,510	81,507,117
Other assets	2,106,594	1,375,134
Student loans receivable	6,178,423	6,165,965
Assets held in charitable remainder trust	639,018	733,976
Investments	216,440,304	226,761,287
Construction in progress	50,203,285	20,898,715
Land, buildings and equipment, net of accumulated depreciation	<u>305,048,654</u>	<u>278,822,833</u>
Total assets	<u>\$ 686,183,352</u>	<u>\$ 685,031,530</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 24,059,571	\$ 19,890,359
Deferred income	11,010,420	11,481,707
Annuities payable	290,029	349,227
Obligation under capital lease	-	123,495
U.S. government advances refundable	5,530,242	5,531,824
Long-term debt, net	175,935,073	180,924,086
Accrued post-retirement benefits	11,242,747	14,151,561
Interest rate swap obligation	<u>8,919,285</u>	<u>6,691,214</u>
Total liabilities	<u>236,987,367</u>	<u>239,143,473</u>
NET ASSETS		
Unrestricted net assets	378,303,179	375,282,375
Temporarily restricted net assets	39,063,803	42,072,294
Permanently restricted net assets	<u>31,829,003</u>	<u>28,533,388</u>
Total net assets	<u>449,195,985</u>	<u>445,888,057</u>
Total liabilities and net assets	<u>\$ 686,183,352</u>	<u>\$ 685,031,530</u>

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ 182,810,975	\$ -	\$ -	\$ 182,810,975
Less: scholarships and grants	(52,176,497)	-	-	(52,176,497)
Net tuition and fees	130,634,478	-	-	130,634,478
Government grants	3,072,690	-	-	3,072,690
Private grants and contracts	1,112,903	-	-	1,112,903
Contributions	1,830,755	2,160,791	3,435,778	7,427,324
Interest and dividends income	1,546,152	38,822	136	1,585,110
Investment return designated for operations	405,962	1,891,487	-	2,297,449
Other income	3,802,736	-	-	3,802,736
Auxiliary enterprises	46,404,766	-	-	46,404,766
Net assets released from restrictions	2,522,023	(2,522,023)	-	-
Total operating revenues	<u>191,332,465</u>	<u>1,569,077</u>	<u>3,435,914</u>	<u>196,337,456</u>
OPERATING EXPENSES				
Instructional	71,463,919	-	-	71,463,919
Research	1,057,960	-	-	1,057,960
Public service	1,568,634	-	-	1,568,634
Academic support	16,517,804	-	-	16,517,804
Student services	33,408,879	-	-	33,408,879
Institutional support	21,752,280	-	-	21,752,280
Scholarships and fellowships	401,609	-	-	401,609
Auxiliary enterprises	31,301,807	-	-	31,301,807
Total operating expenses	<u>177,472,892</u>	<u>-</u>	<u>-</u>	<u>177,472,892</u>
Changes in net assets from operating activities	<u>13,859,573</u>	<u>1,569,077</u>	<u>3,435,914</u>	<u>18,864,564</u>
NONOPERATING ACTIVITIES				
Net loss on disposal of fixed assets	(1,929,837)	-	-	(1,929,837)
Net realized and unrealized loss on investments in excess of amounts designated for operations	(10,208,239)	(4,566,691)	(393)	(14,775,323)
Net loss on redemption of bond	(247,706)	-	-	(247,706)
Change in value of interest rate swap obligation	(2,228,071)	-	-	(2,228,071)
Payment to beneficiaries	-	(87)	-	(87)
Pension and post-retirement related changes other than net periodic pension and benefit costs	3,624,388	-	-	3,624,388
Changes to donor's restriction/net asset class	150,696	(10,790)	(139,906)	-
Changes in net assets from nonoperating activities	<u>(10,838,769)</u>	<u>(4,577,568)</u>	<u>(140,299)</u>	<u>(15,556,636)</u>
Change in net assets	3,020,804	(3,008,491)	3,295,615	3,307,928
Net assets, beginning of year	<u>375,282,375</u>	<u>42,072,294</u>	<u>28,533,388</u>	<u>445,888,057</u>
Net assets, end of year	<u>\$ 378,303,179</u>	<u>\$ 39,063,803</u>	<u>\$ 31,829,003</u>	<u>\$ 449,195,985</u>

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ 175,254,133	\$ -	\$ -	\$ 175,254,133
Less: scholarships and grants	(49,563,211)	-	-	(49,563,211)
Net tuition and fees	<u>125,690,922</u>	-	-	<u>125,690,922</u>
Government grants and contracts	3,283,330	-	-	3,283,330
Private grants and contracts	2,103,359	-	-	2,103,359
Contributions	1,795,192	1,192,306	1,188,322	4,175,820
Interest and dividends	1,615,347	31,483	137	1,646,967
Investment return designated for operations	323,915	1,522,959	-	1,846,874
Other income	3,141,599	-	-	3,141,599
Auxiliary enterprises, net	43,663,693	-	-	43,663,693
Net assets released from restrictions	<u>1,906,483</u>	<u>(1,906,483)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>183,523,840</u>	<u>840,265</u>	<u>1,188,459</u>	<u>185,552,564</u>
OPERATING EXPENSES				
Instructional	66,334,272	-	-	66,334,272
Research	1,078,024	-	-	1,078,024
Public service	697,880	-	-	697,880
Academic support	16,235,096	-	-	16,235,096
Student services	33,645,147	-	-	33,645,147
Institutional support	20,097,126	-	-	20,097,126
Scholarships and fellowships	348,734	-	-	348,734
Auxiliary enterprises	<u>30,173,163</u>	<u>-</u>	<u>-</u>	<u>30,173,163</u>
Total operating expenses	<u>168,609,442</u>	<u>-</u>	<u>-</u>	<u>168,609,442</u>
Changes in net assets from operating activities	<u>14,914,398</u>	<u>840,265</u>	<u>1,188,459</u>	<u>16,943,122</u>
NONOPERATING ACTIVITIES				
Net loss on disposal of fixed assets	(478,338)	-	-	(478,338)
Net realized and unrealized gain (loss) on investments in excess of amounts designated for operations	2,937,479	(672,880)	1,167	2,265,766
Change in fair value of interest rate swap obligation	(90,131)	-	-	(90,131)
Pension and post-retirement related changes other than net periodic pension and benefit costs	<u>(6,231,102)</u>	<u>-</u>	<u>-</u>	<u>(6,231,102)</u>
Changes in net assets from nonoperating activities	<u>(3,862,092)</u>	<u>(672,880)</u>	<u>1,167</u>	<u>(4,533,805)</u>
Changes in net assets	11,052,306	167,385	1,189,626	12,409,317
Net assets, beginning of year	<u>364,230,069</u>	<u>41,904,909</u>	<u>27,343,762</u>	<u>433,478,740</u>
Net assets, end of year	<u>\$ 375,282,375</u>	<u>\$ 42,072,294</u>	<u>\$ 28,533,388</u>	<u>\$ 445,888,057</u>

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

MARIST COLLEGE AND AFFILIATES
Consolidated Statements of Cash Flows
For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,307,928	\$ 12,409,317
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Nonoperating items:		
Contributions restricted for investment in endowment	(1,758,280)	(1,464,804)
Gifts of stock	(438,789)	(266,018)
Interest and dividends restricted for endowment	(40,202)	(31,483)
Net realized gain on investments	(3,237,329)	(6,568,289)
Net realized loss on short-term investments	-	57,382
Net investment loss on assets held in charitable remainder trust	94,958	229,152
Noncash items:		
Depreciation	13,617,684	13,154,129
Amortization of bond issuance costs	105,152	106,133
Amortization of bond premium	(461,324)	(151,473)
Bad debt expense	264,334	13,583
Net unrealized loss on investments	15,478,778	2,358,468
Net unrealized loss on short-term investments	164,600	59,569
Net loss on interest rate swap obligation	2,228,071	90,131
Non-cash contributions	(462,610)	(199,500)
Loss on disposal of fixed assets	1,929,837	478,338
Loss on redemption of bonds	247,706	-
Accrued post-retirement benefits	(2,908,814)	7,322,274
(Increase) decrease in:		
Accounts receivable	2,937,913	(91,029)
Contributions receivable	(1,187,098)	1,305,683
Other assets	(731,460)	(401,434)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,400,253	(3,290,367)
Deferred revenue	(471,287)	1,595,724
Annuities payable	(59,198)	(72,280)
Net cash provided by operating activities	<u>30,020,823</u>	<u>26,643,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	112,996,791	69,252,171
Purchases of investments	(114,478,468)	(70,648,674)
Purchase of short-term investments	(16,805,296)	(2,467,514)
Proceeds from sale of short-term investments	14,564,070	2,185,762
Proceeds from sale of fixed assets	92,880	25,918
Purchase of property and equipment	(67,940,805)	(25,694,085)
Disbursements of loans to students	(1,193,384)	(1,140,517)
Repayments on student loans	1,180,926	1,084,818
Net cash used in investing activities	<u>(71,583,286)</u>	<u>(27,402,121)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(4,622,566)	(3,414,390)
Proceeds from issuance of bonds	13,560,000	90,557,609
Extinguishment of long-term debt	(13,560,000)	-
Payments on bond issuance costs	(129,629)	(834,908)
Repayments of principal on capital lease obligations	(123,495)	(286,429)
Change in deposits with bond trustees related to debt service	56,070,255	(78,759,134)
Interest and dividends restricted for endowment	40,202	31,483
Contributions restricted for investment in endowment	1,758,280	1,464,804
Net cash provided by financing activities	<u>52,993,047</u>	<u>8,759,035</u>
Net increase in cash and cash equivalents	11,430,584	8,000,120
Cash and cash equivalents, beginning of year	<u>37,895,309</u>	<u>29,895,189</u>
Cash and cash equivalents, end of year	<u>\$ 49,325,893</u>	<u>\$ 37,895,309</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 6,243,051</u>	<u>\$ 3,094,352</u>
Purchases of land, buildings and equipment within accounts payable and accrued liabilities	<u>\$ 7,610,545</u>	<u>\$ 5,987,205</u>

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

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The consolidated financial statements of the College have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and include the accounts of the College’s wholly owned subsidiaries, Marist Real Property Service, Inc., Marist Real Property Service II, Inc., and VAYU, LLC. All significant intercompany transactions have been eliminated. Marist Real Property Services, Inc. and Marist Real Property Services II, Inc. are corporations that were formed by the College to purchase and hold real estate for the benefit and use of the College. The College is the single member of VAYU, LLC which holds real and personal property. The real and personal property have been used for a limited number of activities to date as of June 30, 2016 and the College plans to expand operations at these facilities in the next several years.

Basis of Presentation

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

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties (see also Notes 17 and 18).

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Fair Value Measurements

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

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

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

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities held in the name of the College, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share (or its equivalent) using the practical expedient in the FASB’s fair value measurement guidance. The ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted and applied retrospectively to all periods presented. Management has elected to adopt the ASU early, effective for the year ended June 30, 2016, and has applied the amendment retroactively for all periods presented, as required by the ASU. The adoption of this new guidance by the College only amended disclosure requirements and did not have an impact on the College’s consolidated financial statements for the periods presented.

As of June 30, 2016 and 2015, the carrying value of the College’s cash and cash equivalents, receivables, accounts payable and accrued liabilities, deferred income, annuities payable and long-term debt approximate fair value. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments consisting of demand deposits accounts, money market funds, and debt instruments with original maturities of three months or less at the time of

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

purchase. Cash and cash equivalents held in the investment portfolio are excluded as a result of the College's intent to segregate these designated funds from cash available for current operations.

Accounts Receivable

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

Contributions

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

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

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

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

Student Loans Receivable and U.S. Government Advances Refundable

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

Investments

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

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

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Deposits with Bond Trustees

Deposits with Bond trustees represent funds held by designated bond trustees for debt service payments and future construction costs. Deposits with trustees are held in cash and money market funds, are recorded at fair value, and were classified as Level 1 within the fair value hierarchy as of June 30, 2016 and 2015.

Land, Buildings and Equipment

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

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

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

Deferred Income

Deferred income primarily consists of tuition and matriculation deposits and other payments for upcoming semesters that have been received prior to the fiscal year-end. As of June 30, 2016 and 2015, deferred income also consists of \$3.5 million and \$4 million, respectively, received from the College’s dining service provider prior to the fiscal year-end, which will be recognized as revenue as earned over the contract term of 10 years.

Interest Rate Swap Obligation

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

Revenue Recognition

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

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June 30, 2016 and 2015

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

Other income consists principally of revenue from student club activities and athletic events among others, and is recorded when earned on the consolidated statements of activities.

Functional Expenses

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

Conditional Asset Retirement Obligation

The College is required to recognize the costs associated with the eventual remediation and abatement of asbestos located within the construction of certain of its buildings. However, based on the results of surveys performed by independent environmental consultants, the College concludes that the cost of remediation is immaterial to the accompanying consolidated financial statements, and accordingly, has not recognized a liability for this obligation as of June 30, 2016 and 2015.

Income Taxes

Tax effects from an uncertain tax position are recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The College is exempt from income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The tax years ended June 30, 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$1,301,236 and \$2,125,361 for the years ended June 30, 2016 and 2015, respectively. Such amounts are included in institutional support on the accompanying consolidated statements of activities.

Estimates

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

Concentrations of Credit Risk

The College maintains its cash and money market funds with high credit quality financial institutions, which at times may exceed federally insured limits. The College has not experienced, nor does it anticipate, any losses with respect to such accounts. The College has a significant investment in equities, fixed income

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securities, mutual and exchange-traded funds and alternative investments, both marketable and non-marketable, and is therefore subject to concentrations of credit risk.

Measure of Operations

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

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

New Pronouncements

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The ASU requires that deferred bond issuance costs be presented net of related debt on the statements of financial position. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted and applied retrospectively. Management has elected to early adopt the ASU, effective for the year ended June 30, 2016 and has applied the guidance retroactively for all periods presented. Bond issuance costs continue to be amortized over the lives of the respective bonds to which they pertain.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2015 consolidated financial statements.

Subsequent Events

The College evaluated its June 30, 2016 consolidated financial statements for subsequent events through November 21, 2016, the date the consolidated financial statements were issued. The College is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

2. SHORT-TERM INVESTMENTS

Short-term investments consist of certificates of deposit with original maturities of greater than 90 days and a short-term bond fund comprised primarily of U.S. Government obligations and obligations of government-sponsored entities. The fair value as of June 30, 2016 and 2015 is \$24,532,319 and \$22,455,693, including \$164,600 and \$59,569 in unrealized depreciation, respectively.

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3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Student accounts receivable	\$ 1,217,097	\$ 960,472
Less: allowance for doubtful accounts	<u>(280,000)</u>	<u>(216,000)</u>
	937,097	744,472
Grants and contracts receivable	453,630	3,346,401
Other receivables	<u>1,336,964</u>	<u>1,638,730</u>
Accounts receivable, net	<u>\$ 2,727,691</u>	<u>\$ 5,729,603</u>

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consists of unconditional promises to give and are summarized as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give are expected to be collected in:		
Less than one year	\$ 1,177,617	\$ 1,608,333
One to five years	2,413,692	1,268,451
More than five years	<u>1,007,604</u>	<u>758,092</u>
	4,598,913	3,634,876
Less:		
Allowance for uncollectible amounts	(608,480)	(408,145)
Discount to present value (with rates ranging from 0.28% to 3.99%)	<u>(317,772)</u>	<u>(540,833)</u>
Contributions receivable, net	<u>\$ 3,672,661</u>	<u>\$ 2,685,898</u>

At June 30, 2016 and 2015, approximately 55% and 61%, respectively, of gross pledges receivable were due from four donors.

At June 30, 2016 and 2015, the College had outstanding conditional pledges and bequests of \$1,768,268 and \$1,395,745, respectively, which, in accordance with US GAAP, have not been recorded in the accompanying consolidated financial statements.

5. STUDENT LOANS RECEIVABLE

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2016 and 2015, student loans totaled \$6,178,423 and \$6,165,965, respectively, and represented 0.9% of total assets.

The College participates in the federal Perkins revolving loan program. The availability of funds for loans under this program is dependent on reimbursements to the pool from repayments on outstanding loans.

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Funds advanced by the Federal government of \$5,530,242 and \$5,531,824 at June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for future loans and a decrease in the College's liability to the government.

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

At June 30, 2016 and 2015, the following amounts were past due under student loan programs:

	<u>2016</u>	<u>2015</u>
1-60 days past due	\$ 27,072	\$ 35,584
60-90 days past due	1,543	1,196
90+ days past due	<u>1,148,287</u>	<u>1,180,346</u>
Total past due	<u>\$ 1,176,902</u>	<u>\$ 1,217,126</u>

6. INVESTMENTS

The fair value of investments at June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Endowments and other investible funds:		
Cash and cash equivalents	\$ 13,394,329	\$ 16,266,693
Fixed income securities	15,753,208	13,369,948
Domestic equity securities	32,871,197	29,872,603
International equity securities	18,234,185	32,229,477
Commingled fund	76,159,791	74,952,918
Hedge funds	49,451,924	53,855,346
Private equity	<u>10,014,393</u>	<u>5,547,171</u>
Total pooled investments	<u>215,879,027</u>	<u>226,094,156</u>
Operating and other investments:		
Cash and cash equivalents	-	16,077
Domestic equity securities	125,920	139,312
Investment in TIAA-CREF annuities and mutual funds	<u>435,357</u>	<u>511,742</u>
Total operating and other investments	<u>561,277</u>	<u>667,131</u>
Total investments	<u>\$ 216,440,304</u>	<u>\$ 226,761,287</u>

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Investment returns (losses) on short-term and long-term investments and the classification in the consolidated statements of activities for the years ended June 30, 2016 and 2015 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments and other investible funds:				
Dividends and interest	\$ 1,543,960	\$ 38,822	\$ 136	\$ 1,582,918
Realized gains	2,523,496	717,185	1,453	3,242,134
Unrealized depreciation	<u>(12,318,668)</u>	<u>(3,392,389)</u>	<u>(1,846)</u>	<u>(15,712,903)</u>
Total return on pooled investments	(8,251,212)	(2,636,382)	(257)	(10,887,851)
Operating and other investments:				
Dividends and interest	2,192	-	-	2,192
Realized gains	(4,805)	-	-	(4,805)
Unrealized depreciation	<u>(2,300)</u>	<u>-</u>	<u>-</u>	<u>(2,300)</u>
Net investment income	<u>\$ (8,256,125)</u>	<u>\$ (2,636,382)</u>	<u>\$ (257)</u>	<u>\$ (10,892,764)</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments and other investible funds:				
Dividends and interest	\$ 1,612,962	\$ 31,483	\$ 137	\$ 1,644,582
Realized gains	5,171,298	1,304,415	1,097	6,476,810
Unrealized (depreciation) appreciation	<u>(1,984,688)</u>	<u>(454,336)</u>	<u>70</u>	<u>(2,438,954)</u>
Total return on pooled investments	4,799,572	881,562	1,304	5,682,438
Operating and other investments:				
Dividends and interest	2,385	-	-	2,385
Realized gains	245	-	-	245
Unrealized appreciation	<u>74,539</u>	<u>-</u>	<u>-</u>	<u>74,539</u>
Net investment income	<u>\$ 4,876,741</u>	<u>\$ 881,562</u>	<u>\$ 1,304</u>	<u>\$ 5,759,607</u>

7. CONSTRUCTION IN PROGRESS

Construction in progress consists of the following at June 30, 2016 and 2015:

	2016	2015
North Campus Housing Project	\$ 48,801,545	\$ 7,948,143
Science and Allied Health Building	-	10,930,475
Fulton Street Warehouse Renovation	-	887,235
Other projects and renovations	<u>1,401,740</u>	<u>1,132,862</u>
Total construction in progress	<u>\$ 50,203,285</u>	<u>\$ 20,898,715</u>

In January 2015, construction commenced on a Science and Allied Health building and was completed in January 2016 at an estimated cost of \$32.9 million. The North Campus Housing project will consist of four residence halls totaling 790 beds to be constructed in two phases at an estimated cost of \$113

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million. The first phase is estimated to be completed in January 2017, and the second phase is expected to be completed in August 2017. The estimated costs to be incurred in fiscal 2017 to complete other renovations and projects at the College total approximately \$6.5 million.

8. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings, and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings and building improvements	\$ 396,456,310	\$ 366,180,525
Equipment, furniture and fixtures	64,406,091	60,991,950
Equipment acquired under capital leases	<u>1,296,340</u>	<u>1,529,153</u>
	462,158,741	428,701,628
Less: Accumulated depreciation	<u>(179,663,887)</u>	<u>(171,526,187)</u>
	282,494,854	257,175,441
Land	14,759,624	13,889,708
Art work and collectibles	<u>7,794,176</u>	<u>7,757,684</u>
Land, buildings, and equipment, net	<u>\$ 305,048,654</u>	<u>\$ 278,822,833</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$13,617,684 and \$13,154,129, respectively, and is allocated to functional expense categories on the accompanying consolidated statements of activities.

9. PENSION PLANS

Defined Contribution Plans

The College has a defined contribution pension plan for all eligible employees as defined in the “Retirement Resolution.” Pension obligations under the plan are funded monthly by the College as they become due. Contributions are applied to annuities for each participant by the Teachers Insurance and Annuity Association (“TIAA”) and/or College Retirement Equities Fund (“CREF”). College contributions are dependent upon employee contributions in accordance with a schedule of percentages in the plan agreement. Employee contributions are normally made on a pre-tax basis unless an after tax agreement is so authorized by the employee. The College’s contributions to the plan for the years ended June 30, 2016 and 2015 totaled \$5,081,195 and \$5,277,635, respectively.

The College funds a pension plan for all eligible employees in the SEIU Local 200 Union by participating in the pension plan provided by the 1199 Health Care Employees Pension Fund. The College’s contribution is a fixed percentage of monthly gross wages for all employees covered under the agreement. The College’s contributions for the years ended June 30, 2016 and 2015 totaled \$517,002 and \$511,501, respectively.

Deferred Compensation Plans

The College has deferred compensation plans for several employees based on years of service, which provide for cash payments at the end of the employment contract which are not guaranteed. The cost of the plans is being accrued over the period of active employment from the contract date. The liability under the

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agreements is determined based on the contributions required by the plans. The plans require annual contributions from \$25,000 to \$50,000, ranging from five to seven years and coincide with the end of the respective employee's contract. The plans require that the contributions be deposited in separate investment accounts. The assets related to these plans are maintained at TIAA-CREF, and are included in investments on the accompanying consolidated statements of financial position. The obligation related to these plans at June 30, 2016 and 2015 was \$205,597 and \$288,046, respectively, and is included in the accompanying consolidated statements of financial position as part of accounts payable and accrued liabilities. Total contributions to these plans for the years ended June 30, 2016 and 2015 totaled \$50,000 and \$75,000, respectively. The fair value of the assets related to these plans totaled \$205,597 and \$288,046 as of June 30, 2016 and 2015, respectively.

Defined Benefit Plan

The College has a non-qualified supplemental retirement plan for the President based on years of service, which provides for cash payments after retirement which are not guaranteed. The cost of the plan is being accrued over the period of active employment from the contract date. The College's obligation under the agreement is determined actuarially. The benefit obligation related to this plan at June 30, 2016 and 2015 totaled \$346,897 and \$180,118, respectively, and is included in the accompanying consolidated statements of financial position as part of accounts payable and accrued liabilities. The plan expires on June 30, 2016.

10. CHARITABLE REMAINDER TRUST

A donor has established and funded a trust under which the College serves as the custodian and trustee. Assets held in this trust are stated separately in the consolidated statements of financial position. The fair value of the assets at June 30, 2016 and 2015 totaled \$639,018 and \$733,976, respectively. Specified distributions are to be made to a designated beneficiary over the trust's term. Upon termination of the trust, the College receives the assets remaining in the trust. The trust is recorded as an increase to net assets at the fair value of the trust's assets, less the present value of estimated future payments to be made under the specific terms of the trust and is revalued at the end of each fiscal year.

11. OBLIGATIONS UNDER CAPITAL LEASES

During the years ended June 30, 2016 and 2015, the College leased equipment under agreements that meet the criteria for capital lease treatment. The cost of the equipment under these capital leases totaled \$1,296,340 and \$1,529,153 and is included in the consolidated statements of financial position as part of land, buildings and equipment at June 30, 2016 and 2015, respectively. Accumulated depreciation of the equipment totaled \$1,296,340 and \$1,494,220 at June 30, 2016 and 2015, respectively. Amortization of assets under the capital leases is included within depreciation expense. During fiscal 2016, all amounts relating to the capital lease were paid in full.

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12. LONG-TERM DEBT, NET

Long-term debt consists of the following at June 30, 2016 and 2015:

<u>June 30, 2016</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total</u>	
Dutchess County Industrial Development Agency:				
Series 2008-A Variable Rate Demand Bonds	July 1, 2038	0.13 %*	\$ 17,030,000	B
Dutchess County Local Development Corp.				
Series 2012-A Revenue Bonds	July 1, 2021	2.43 %	11,010,000	C
Series 2013-A Fixed Rate Bonds	July 1, 2043	4.04 %	14,145,000	D
Series 2013B-1 Revenue Bonds	July 1, 2028	0.75 %	5,811,160	E
Series 2013B-2 Revenue Bonds	July 1, 2028	0.75 %	8,875,308	E
Series 2013B-3 Revenue Bonds	July 1, 2035	0.75 %	15,591,575	E
Series 2015-A Revenue Bonds	July 1, 2045	4.09 %	80,885,000	F
Series 2016 Revenue Bonds	July 1, 2031	0.83 %	<u>13,560,000</u>	G
Total principal			166,908,043	
Unamortized bond premium			11,018,400	
Unamortized bond issuance costs			<u>(1,991,370)</u>	
Total long-term debt, net			<u>\$ 175,935,073</u>	
<u>June 30, 2015</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total</u>	
Dutchess County Industrial Development Agency:				
Series 2000-A Variable Rate Demand Bonds	July 1, 2031	0.08 %*	\$ 14,375,000	A
Series 2008-A Variable Rate Demand Bonds	July 1, 2038	0.06 %*	17,500,000	B
Dutchess County Local Development Corp.				
Series 2012-A Revenue Bonds	July 1, 2021	2.43 %	12,570,000	C
Series 2013-A Fixed Rate Bonds	July 1, 2043	4.04 %	14,430,000	D
Series 2013B-1 Revenue Bonds	July 1, 2028	0.57 %	6,185,517	E
Series 2013B-2 Revenue Bonds	July 1, 2028	0.57 %	9,447,058	E
Series 2013B-3 Revenue Bonds	July 1, 2035	0.57 %	16,138,035	E
Series 2015-A Revenue Bonds	July 1, 2045	4.07 %	<u>80,885,000</u>	F
Total principal			171,530,610	
Unamortized bond premium			11,479,725	
Unamortized bond issuance costs			<u>(2,086,249)</u>	
Total long-term debt			<u>\$ 180,924,086</u>	

* The variable interest rate is the interest rate which, in the best judgment of the remarketing agent, is the lowest rate of interest which would permit the remarketing agent to sell such bonds in a secondary market at par plus accrued interest. Amounts shown represent the rate in effect as of June 30, 2016 and 2015.

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A. Series 2000-A

On November 1, 2000, the College entered into an agreement with the Dutchess County IDA and BNY Capital Markets to issue variable rate demand bonds in the amount of \$20,000,000. Proceeds were used to finance construction of additional student townhouses on West Cedar Street in Poughkeepsie, New York and to make renovations to three existing dormitories. Interest is payable monthly based upon a variable rate not to exceed 12% per annum, which is adjusted weekly. Principal payments will be made annually through July 1, 2031 based upon a predetermined schedule. The initial principal payment was \$330,000 and gradually increases to \$1,175,000 in the final year. The collateral on the bonds is a mortgage on the Upper West Cedar Townhouses, Leo Hall, Sheahan Hall, Champagnat Hall, as well as all related furniture, fixtures and equipment. This issue was refunded on April 1, 2016 as described in *Series 2016* below.

B. Series 2008-A

On January 1, 2008, the College entered into an agreement with the Dutchess County IDA and Morgan Stanley & Company to issue variable rate demand bonds in the amount of \$20,000,000. Proceeds were used to finance construction of additional student townhouses, parking lots and roadways on Fulton Street in Poughkeepsie, New York. Interest is payable monthly based upon a variable rate not to exceed 12% per annum, which is adjusted weekly. Principal payments will be made annually through July 1, 2038 based upon a predetermined schedule. The initial principal payment was \$380,000 and gradually increases to \$1,065,000 in the final year. The bonds have a springing lien on Lower Fulton Townhouses, as well as all related furniture, fixtures and equipment. A letter of credit issued by TD Bank provides a liquidity facility for the bonds that expires in January 2021.

C. Series 2012-A

On May 17, 2012, the College entered into an agreement with the Dutchess County Local Development Corporation and RBC Capital Markets to issue fixed rate serial bonds in the par amount of \$13,420,000. The College also recorded a premium amount on the bond of \$1,995,962. Proceeds were used to refund the Series 2003 bonds issued by the Dutchess County Industrial Development Agency. Accordingly, the College recognized a loss on the 2012 consolidated statement of activities for this refinancing. The Series 2003 bonds were issued to refund the Series 1990 and 1992 bonds issued by the Dormitory Authority of the State of New York. Interest is payable semi-annually based on predetermined interest rates starting at 4.0% in the initial year and increasing to 5.0% in 2017. Principal payments will be made annually through July 1, 2021 based upon a predetermined schedule ranging from \$850,000 to \$2,070,000. There is no collateral on the bonds. Debt covenants include a debt service coverage ratio of at least 1.0.

D. Series 2013-A

On March 28, 2013, the College entered into an agreement with the Dutchess County Local Development Corporation and RBC Capital Markets to issue fixed rate serial bonds in the par amount of \$14,710,000. The College also recorded a premium amount on the bond of \$552,546. Proceeds were used to finance construction of multi-purpose academic building in Poughkeepsie, New York. Interest is payable semi-annually based on predetermined interest rates starting at 2.0% in the initial year and increasing to 5.0% in 2033. Principal payments will be made annually through July 1, 2043 based upon a predetermined schedule ranging from \$290,000 to \$835,000. There is no collateral on the bonds. Debt covenants include a debt service coverage ratio of at least 1.0.

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E. Series 2013-B

On September 12, 2013, the College converted the Series 1998-A, 1999-A, and 2005-A bonds totaling \$33,045,000 from variable rate bonds to revenue bonds, whereby TD Bank became the sole holder of these bonds until they expire.

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

Interest is paid monthly based on a variable rate using LIBOR. Principal payments will be made annually through July 1, 2028 for the Series 2013B-1 and 2013B-2 bonds and through July 1, 2035 for the Series 2013B-3 bonds, based on a predetermined schedule ranging from \$865,000 to \$2,225,000. There is no collateral on the bonds.

F. Series 2015-A

On June 25, 2015, the College entered into an agreement with the Dutchess County Local Development Corporation to issue fixed rate serial bonds in the par amount of \$80,885,000. The College also recorded a premium amount on the bond of \$9,672,609. Proceeds are being used to finance construction of the Science and Allied Health Building and Phase I of the North Campus student housing facility in Poughkeepsie, New York. Interest is payable semi-annually based on a coupon rate of to 5.0%. Since the bonds were sold at a premium, the effective interest rate is 4.09%. Principal payments, starting on July 1, 2018, will be made annually through July 1, 2045 based upon a predetermined schedule ranging from \$1,385,000 to \$5,170,000. There is no collateral on the bonds. Debt covenants include a debt service coverage ratio of at least 1.0.

G. Series 2016

On April 1, 2016, the College converted the Series 2000-A bonds totaling \$13,795,000 from variable rate demand bonds to revenue bonds, whereby TD Bank became the sole holder of these bonds until they expire.

Proceeds from the Series 2000-A bonds of \$13,795,000 were used primarily to refund the Dutchess County IDA Series 2000-A bonds which were previously used to finance construction of additional student townhouses on West Cedar Street in Poughkeepsie, New York and to make renovations to three existing dormitories. The remaining proceeds from the Series 2016 bonds were used to pay the bond issuance and other costs associated with the Series 2016 issue.

The College had \$453,884 in trust, being held at BNY Mellon. \$218,884 was used towards issuance costs, paid to TD. The remaining \$235,000 was applied to principal, reducing the principal owed on the 2016 refunding from \$13,795,000 to \$13,560,000.

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Interest is paid monthly on a coupon rate of 3.931%. Principal payments, starting on July 1, 2016, will be made annually through July 1, 2031, based on a predetermined schedule ranging from \$140,000 to \$1,075,000. There is no collateral on the bonds.

At June 30, 2016 and 2015, interest expense related to long-term debt totaled \$3,711,501 and \$1,269,563, respectively.

The letter of credit issued by TD Bank require the College to meet certain financial and reporting covenants. The College is in compliance with all required loan covenants at June 30, 2016.

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

At June 30, 2016, aggregate principal maturities of long-term debt for each of the next five years and in total thereafter are as follows:

Fiscal year ending:	
2017	\$ 4,080,726
2018	4,837,031
2019	6,425,506
2020	6,684,070
2021	6,979,824
Thereafter	<u>137,900,886</u>
	166,908,043
Plus: unamortized bond premium	11,018,400
Less: unamortized bond issuance costs	<u>(1,991,370)</u>
Total	<u>\$ 175,935,073</u>

Bond issuance costs consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Bond issuance costs	\$ 2,398,248	\$ 2,635,672
Less: accumulated amortization	<u>(406,878)</u>	<u>(549,423)</u>
Bond issuance costs, net	<u>\$ 1,991,370</u>	<u>\$ 2,086,249</u>

Amortization expense for the years ended June 30, 2016 and 2015 amounted to \$105,152 and \$106,133, respectively. During the years ended June 30, 2016 and 2015, the College paid \$257,981 and \$834,908, respectively, of bond issuance costs which have been reflected in the accompanying consolidated statements of cash flows.

13. INTEREST RATE SWAP OBLIGATION

In order to mitigate the College's interest rate exposure on variable rate debt obligations, the College entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc. (the "Counterparty"). The notional principal amount of the swap was \$43,838,044 and \$46,145,610 at June 30, 2016 and 2015, respectively. The swap agreement matures on July 1, 2035, which coincides with the Series 2016-A and 2013-B bond obligations. Under the terms of the agreement, the College will continue to pay

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the bondholders interest at variable rates. The Counterparty will reimburse the College a variable interest rate at 68% of LIBOR (0.4651% and 0.1865% at June 30, 2016 and 2015, respectively) while the College is obligated to pay the Counterparty a fixed rate of 3.42%.

The fair value of this obligation as of June 30, 2016 and 2015 totals \$8,919,285 and \$6,691,214, respectively, and is categorized as Level 2 within the fair value hierarchy. The change in the fair value of this obligation totals (\$2,228,071) and (\$90,131) during the years ended June 30, 2016 and 2015, respectively, and is included in the accompanying consolidated statements of activities as change in fair value of interest rate swap obligation.

Additional interest paid by the College related to the swap agreement amounted to approximately \$1,361,015 and \$1,497,475 for the years ended June 30, 2016 and 2015, respectively.

Under the terms of the agreement, cash serves as collateral when the fair value of the swap liability exceeds a threshold of \$10 million. The cash is restricted as to withdrawal or use and is held in custody by the Counterparty. As of June 30, 2016 and 2015, the College had no restricted cash.

The swap agreement contains provisions that require the College to meet certain financial covenants. The College was in compliance with these covenants at June 30, 2016. Had the College not been in compliance, an additional termination event will occur and the Counterparty has the right to early terminate the agreement and the College will be responsible for a settlement amount based on market quotation.

14. POST-RETIREMENT HEALTH CARE BENEFITS

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

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The following table provides a reconciliation of the changes in the Plans' benefit obligations and fair value of assets for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Reconciliation of benefit obligation:		
Obligation at beginning of year	\$ 14,151,561	\$ 6,829,287
Service cost, including expenses	317,309	453,001
Interest cost	398,241	523,344
Plan participants' contributions	10,104	162,446
Amendments	(112,937)	6,679,441
Actuarial (gain) loss	(3,068,132)	140,107
Benefits payments and expected expenses	(541,882)	(704,079)
Medicare Part D reimbursements	88,483	68,014
Obligation at end of year	<u>11,242,747</u>	<u>14,151,561</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	-	-
Employer contributions	443,295	473,619
Plan participants' contributions	10,104	162,446
Benefit payments and actual expenses	(541,882)	(704,079)
Medicare Part D reimbursements	88,483	68,014
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Unfunded status at end of year	<u>\$ 11,242,747</u>	<u>\$ 14,151,561</u>

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

Due to a plan amendment in the fiscal year 2016 valuation eliminates all future medical and prescription drug trend increases as capped annual employer contributions are now provided to plan participants. Therefore, there are no assumed future medical and prescription drug trend rates to disclose at June 30, 2016. The impact of trend on the June 30, 2016 obligation is no longer applicable due to the plan amendment.

	<u>Post-Retirement Benefits</u>	
	<u>Accumulated Post-retirement Benefit Obligation</u>	<u>Service Cost Plus Interest Cost</u>
At trend	\$ 11,242,747	\$ 715,550
At trend + 1%	N/A	728,996
Dollar impact	N/A	13,446
Percentage impact	N/A	1.88 %
At trend - 1%	N/A	706,944
Dollar impact	N/A	(8,606)
Percentage impact	N/A	(1.20)%

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The amounts recognized in unrestricted net assets on the consolidated statements of financial position at June 30, 2016 and 2015, consisted of:

	<u>2016</u>	<u>2015</u>
Prior service cost	\$ (374,629)	\$ (250,145)
Actuarial (loss) gain	(146,167)	2,910,442
Total	<u>\$ (520,796)</u>	<u>\$ 2,660,297</u>

Components of net periodic cost on the consolidated statements of activities for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Net periodic benefit cost:		
Service cost	\$ 317,309	\$ 453,001
Interest cost	398,241	523,344
Amortization of prior service cost	11,547	14,208
Amortization of net (gain) loss	(11,523)	100,619
Net periodic benefit cost	<u>\$ 715,574</u>	<u>\$ 1,091,172</u>

Amounts recognized in unrestricted net assets as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Prior service credit	\$ -	\$ -
Net (gain) loss	(3,068,132)	140,107
Amortization of prior service cost (credit)	11,547	(14,208)
Amortization of net (gain) loss	<u>(11,523)</u>	<u>100,619</u>
Total other amounts recognized in unrestricted net assets	<u>\$ (3,068,108)</u>	<u>\$ 226,518</u>

The expected effect in unrestricted net assets of the estimated transition obligation, prior service cost, and net gain for the Plan that will be recognized as components of net periodic benefit cost for the year ending June 30, 2017 are \$0, (\$11,547), and \$11,523, respectively.

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Weighted average assumptions as of June 30th (measurement date):

	<u>2016</u>	<u>2015</u>
Discount rate	3.33 %	4.15 %
Expected return on Plan assets	N/A	N/A
Assumed pre-65 medical trend rates:		
Initial trend rate for the coming fiscal year	7.50 %	7.75 %
Ultimate trend rate	3.89 %	3.89 %
Year that the rate reaches ultimate trend rate	2075	2075
Assumed post-65 medical trend rates:		
Initial trend rate for the coming fiscal year	6.50 %	6.75 %
Ultimate trend rate	3.89 %	3.89 %
Year that the rate reaches ultimate trend rate	2075	2075
Assumed prescription drug trend rates:		
Initial trend rate for the coming fiscal year	8.00 %	8.50 %
Ultimate trend rate	3.89 %	3.89 %
Year that the rate reaches ultimate trend rate	2075	2075

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

	<u>Net Benefits</u>
Fiscal year ending June 30:	
2017	\$ 458,063
2018	486,741
2019	515,543
2020	535,422
2021	550,202
2022 through 2026	<u>3,014,976</u>
Total	<u>\$ 5,560,947</u>

The College's post-retirement benefit plan prescription drug coverage is at least actuarially equivalent to the new Medicare coverage. The disclosure reflects, as of June 30, 2016, the subsidy payments from Medicare that commenced in 2007. The value of the subsidy is reflected as an actuarial gain and reduces the Plan's accumulated post-retirement benefit obligation, service cost and the net periodic post-retirement benefit cost.

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15. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis at June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
ASSETS					
Short-term investments:					
Fixed income securities	\$ 24,532,319	\$ 24,532,319	\$ -	\$ -	\$ -
Assets held in charitable remainder trusts:					
Cash equivalents	639,018	-	639,018	-	-
Endowments and other investible funds:					
Cash equivalents	13,394,329	13,394,329	-	-	-
Fixed income securities	15,753,208	15,753,208	-	-	-
Domestic equity securities	32,871,197	32,871,197	-	-	-
International equity securities	18,234,185	18,234,185	-	-	-
Commingled funds	76,159,791	-	-	-	76,159,791
Hedge funds	49,451,924	-	-	-	49,451,924
Private equity	10,014,393	-	-	-	10,014,393
Total pooled investments	<u>215,879,027</u>	<u>80,252,919</u>	<u>-</u>	<u>-</u>	<u>135,626,108</u>
Other investments:					
Domestic equity securities	125,920	125,920	-	-	-
Investment in TIAA-CREF annuities and mutual funds	435,357	-	435,357	-	-
Total assets	<u>\$ 241,611,641</u>	<u>\$ 104,911,158</u>	<u>\$ 1,074,375</u>	<u>\$ -</u>	<u>\$ 135,626,108</u>
LIABILITIES					
Interest rate swap obligation	\$ 8,919,285	\$ -	\$ 8,919,285	\$ -	\$ -

Assets and liabilities measured at fair value on a recurring basis at June 30, 2015 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
ASSETS					
Short-term investments:					
Fixed income securities	\$ 22,455,693	\$ 22,455,693	\$ -	\$ -	\$ -
Assets held in charitable remainder trusts:					
Cash equivalents	733,976	-	733,976	-	-
Endowments and other investible funds:					
Cash equivalents	16,266,693	16,266,693	-	-	-
Fixed income securities	13,369,948	13,369,948	-	-	-
Domestic equity securities	29,872,603	29,872,603	-	-	-
International equity securities	32,229,477	32,229,477	-	-	-
Commingled funds	74,952,918	-	-	-	74,952,918
Hedge funds	53,855,346	-	-	-	53,855,346
Private equity	5,547,171	-	-	-	5,547,171
Total pooled investments	<u>226,094,156</u>	<u>91,738,721</u>	<u>-</u>	<u>-</u>	<u>134,355,435</u>
Other investments:					
Cash equivalents	16,077	16,077	-	-	-
Domestic equity securities	139,312	139,312	-	-	-
Investment in TIAA-CREF annuities and mutual funds	511,742	-	511,742	-	-
Total assets	<u>\$ 249,950,956</u>	<u>\$ 114,349,803</u>	<u>\$ 1,245,718</u>	<u>\$ -</u>	<u>\$ 134,355,435</u>
LIABILITIES					
Interest rate swap obligation	\$ 6,691,214	\$ -	\$ 6,691,214	\$ -	\$ -

Management fees approximating \$1 million and \$1.2 million are included within realized and unrealized gains (losses) within the accompanying consolidated statements of activities for the years ended June 30, 2016 and 2015, respectively.

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the

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measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category as of June 30, 2016 and 2015:

2016							
<u>Fund Strategy</u>	<u>Number of Funds</u>	<u>NAV</u>	<u>Remaining Life</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Notice Required</u>	<u>Lock-up and Redemption Terms</u>
Commingled funds	13	\$ 76,159,791	N/A	None	N/A	5 - 60 days	Redemptions range from daily to quarterly
Multi-Strategy Hedge Fund of Funds	31	49,451,924	N/A	None	N/A	45 - 90 days	Redemptions range from quarterly to every 36 months; 16 funds have lock-ups ranging from 6 months to 36 months; 5 funds have a quarterly gate of 25% and 1 fund has an annual gate of 33%
Private equity	<u>10</u>	<u>10,014,393</u>	3-15 years	\$ 15,284,487	N/A	N/A	N/A
Total	<u>54</u>	<u>\$ 135,626,108</u>					

2015							
<u>Fund Strategy</u>	<u>Number of Funds</u>	<u>NAV</u>	<u>Remaining Life</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Notice Required</u>	<u>Lock-up and Redemption Terms</u>
Commingled funds	12	\$ 74,952,918	N/A	None	N/A	5 - 60 days	Redemptions range from daily to quarterly
Multi-Strategy Hedge Fund of Funds	25	53,855,346	N/A	None	N/A	45 - 90 days	Redemptions range from monthly to every 36 months; 12 funds have lock-ups ranging from 6 months to 36 months; 4 funds have a quarterly gate of 25% and 1 fund has an annual gate of 33%
Private equity	<u>8</u>	<u>5,547,171</u>	4 - 16 years	\$ 15,430,357	N/A	N/A	N/A
Total	<u>45</u>	<u>\$ 134,355,435</u>					

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16. NET ASSETS

Net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
For general operations	\$ 289,175,245	\$ 252,161,322
Designated for quasi-endowment	8,827,530	9,323,001
Designated for investment in plant	<u>80,300,404</u>	<u>113,798,052</u>
	<u>378,303,179</u>	<u>375,282,375</u>
Temporarily restricted net assets:		
Instruction, research and divisional support	6,418,090	5,573,708
Building and construction activities	16,850,748	17,394,826
Scholarships and endowment	<u>15,794,965</u>	<u>19,103,760</u>
	<u>39,063,803</u>	<u>42,072,294</u>
Permanently restricted net assets:		
Endowment funds	<u>31,829,003</u>	<u>28,533,388</u>
Total net assets	<u>\$ 449,195,985</u>	<u>\$ 445,888,057</u>

17. ENDOWMENT

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

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. The College classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor as follows: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Under NYPMIFA, the College may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. The College has received instructions from donors, who have contributed \$342,064 and \$333,464 in permanently restricted contributions (with a fair value of \$426,426 and \$459,958 as of June 30, 2016 and 2015), for which the College must maintain the historical dollar value of these funds. At June 30, 2016 and 2015, the College had not spent below the historical dollar value of its endowments.

The investment objectives for the College's endowment are to preserve the principal value of those funds, in both absolute as well as real terms, and to maximize, over the long-term, the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the

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Board of Trustees has adopted a spending policy. The amount available for spending is determined annually by applying a rate of 5% to the average fair value of the endowment for the preceding three fiscal years.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the College and its donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) The investment policies of the College and
- (8) Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the College.

The tables which follow present information with respect to the College's endowment, inclusive of pledges, as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,794,965	\$ 31,829,003	\$ 47,623,968
Board-designated endowment funds	8,827,530	-	-	8,827,530
Total endowment net assets	<u>\$ 8,827,530</u>	<u>\$ 15,794,965</u>	<u>\$ 31,829,003</u>	<u>\$ 56,451,498</u>

The tables which follow present information with respect to the College's endowment, inclusive of pledges, as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 19,103,760	\$ 28,533,388	\$ 47,637,148
Board-designated endowment funds	9,323,001	-	-	9,323,001
Total endowment net assets	<u>\$ 9,323,001</u>	<u>\$ 19,103,760</u>	<u>\$ 28,533,388</u>	<u>\$ 56,960,149</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,323,001	\$ 19,103,760	\$ 28,533,388	\$ 56,960,149
Dividends and interest	6,895	38,722	136	45,753
Net realized and unrealized depreciation on investments	(551,181)	(2,675,204)	(393)	(3,226,778)
Payment to beneficiaries	-	(87)	-	(87)
Contributions	81,146	6,515	3,435,778	3,523,439
Change in donor designation	-	-	(139,906)	(139,906)
Awards made	(32,331)	(678,741)	-	(711,072)
Endowment net assets, end of year	<u>\$ 8,827,530</u>	<u>\$ 15,794,965</u>	<u>\$ 31,829,003</u>	<u>\$ 56,451,498</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,147,459	\$ 18,811,703	\$ 27,343,762	\$ 55,302,924
Dividends and interest	6,118	31,583	137	37,838
Net realized and unrealized appreciation on investments	180,252	850,079	1,167	1,031,498
Contributions	13,904	-	1,188,322	1,202,226
Awards made	(24,732)	(589,605)	-	(614,337)
Endowment net assets, end of year	<u>\$ 9,323,001</u>	<u>\$ 19,103,760</u>	<u>\$ 28,533,388</u>	<u>\$ 56,960,149</u>

18. NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2016</u>	<u>2015</u>
Capital projects - Hancock Center & Music Bldg	\$ 335,137	\$ 345,952
Scholarships	925,671	757,583
Instruction, research and divisional support	1,261,215	802,948
Total	<u>\$ 2,522,023</u>	<u>\$ 1,906,483</u>

19. DEVELOPMENT EXPENSES

The College incurred expenses amounting to \$1,103,262 and \$2,408,346 related to development and fundraising for the years ended June 30, 2016 and 2015, respectively. Such amounts are included in institutional support on the accompanying consolidated statements of activities.

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20. SELF-INSURED MEDICAL BENEFITS

The College has a self-insured hospitalization and medical coverage program for its employees. The College is limiting its losses through the use of stop-loss policies through reinsurers. Specific individual family losses for claims are limited to \$175,000 per plan year. The College's aggregate annual loss limitation for the plan years ended December 31, 2016 and 2015 was \$12,887,000 and \$13,281,584, respectively. The amount reserved for these items at June 30, 2016 and 2015 totals \$1,141,167 and \$738,307, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

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

21. RELATED PARTY TRANSACTIONS

Unconditional promises to give include approximately \$1.9 million and \$1.0 million due from Board members and entities related to Board members as of June 30, 2016 and 2015, respectively. Additionally, the College had approximately \$151,000 and \$149,800, due from employees as of June 30, 2016 and 2015, respectively.

22. COMMITMENTS AND CONTINGENCIES

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

The College is a member of the New York College & University Risk Management Group Trust. The Trust was created for the purpose of providing and securing workers compensation insurance for its members. There is a statutory requirement that each member be jointly and severally liable with all other members for the compensation and medical liability accruing during its participation in the Group Trust. Such liability shall survive the member's termination from the Group or active participation in the Program. As of June 30, 2016 and 2015, the College believes there is no exposure for future liabilities.

The College leases space in Fishkill, New York in conjunction with its School of Global and Professional Programs under a non-cancellable operating lease agreement. The agreement also requires the College to pay for its share of utilities, real estate taxes, insurance and property management fees, as well as the operation of common areas. The Fishkill lease expired in April 2015 and is now month to month.

The College has five separate leases for residential and classroom space in Florence, Italy for its international program. The agreements also require the College to pay for its share of utilities and registration fees. Leases expire in December 2016, August 2017 and May 2019.

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

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In addition to the benefits described in Note 9 above, the College has employment agreements in place that extend through fiscal 2019.

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

Fiscal year ending:

2017	\$ 3,053,512
2018	1,720,509
2019	1,465,903
2020	1,081,150
Thereafter	<u>636,590</u>
Total	<u>\$ 7,957,664</u>

Rental expense for the years ended June 30, 2016 and 2015 amounted to \$498,054 and \$592,017, respectively.