ELMIRA COLLEGE

Financial Statements as of
June 30, 2018 and 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 7, 2018

To the Board of Trustees of
Elmira College:

Report on the Financial Statements
We have audited the accompanying financial statements of Elmira College (a New York not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibility (Continued)
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 Elmira College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Bonadio & Co., LLP

ELMIRA COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 966,015	$ 653,315
Short-term investments	2,222,781	3,845,236
Accounts receivable, net	907,594	947,400
Inventories	227,186	324,111
Prepaid expenses	52,541	79,899
Campaign and other pledges receivable, net	246,181	553,268
Loans receivable:		
Federal Loan Program	3,254,444	3,470,089
Elmira College loans, net	45,830	42,672
Land, buildings, and equipment, net	83,407,902	87,898,382
Long-term investments	40,930,290	41,909,333
Total assets	$ 132,260,764	$ 139,723,705
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 1,251,956	$ 732,258
Accrued expenses	2,120,794	2,151,322
Deferred revenue	165,846	408,735
Federal financial assistance	3,513,184	3,482,777
Deposits held in custody	40,834	41,704
Asset retirement obligations	1,556,635	1,487,108
Interest rate swap contract	5,919,002	8,376,816
Note payable	3,821,165	-
Bonds payable, net of bond issuance costs	41,715,667	46,985,700
Total liabilities	60,105,083	63,666,420
NET ASSETS:		
Unrestricted	28,820,422	32,442,998
Temporarily restricted	16,329,729	16,001,910
Permanently restricted	27,005,530	27,612,377
Total net assets	72,155,681	76,057,285
Total liabilities and net assets	$ 132,260,764	$ 139,723,705

The accompanying notes are an integral part of these statements.

ELMIRA COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
OPERATING ACTIVITIES:					
Revenues -					
Student revenue:					
Tuition and fees	$ 35,904,776	$ -	$ -	$ 35,904,776	$ 41,264,548
Room and board	8,580,335	-	-	8,580,335	10,386,756
	44,485,111	-	-	44,485,111	51,651,304
Less: College funded scholarships	(18,267,852)	-	-	(18,267,852)	(20,814,948)
Net student revenue	26,217,259	-	-	26,217,259	30,836,356
State appropriations	102,340	-	-	102,340	102,887
Spending policy allocation - endowment	2,058,812	2,667,363	-	4,726,175	3,384,146
Other investment income	27,706	-	-	27,706	-
Government contracts and grants	29,358	591,836	-	621,194	680,034
Private gifts and grants	1,440,808	393,261	-	1,834,069	1,148,808
Auxiliary enterprises - other than room and board	440,324	-	-	440,324	768,457
Other sources	527,679	113,522	-	641,201	1,331,640
	30,844,286	3,765,982	-	34,610,268	38,252,328
Operating net assets released from restrictions	3,439,222	(3,439,222)	-	-	-
Total revenues	34,283,508	326,760	-	34,610,268	38,252,328
EXPENSES:					
Instruction	7,814,606	-	-	7,814,606	8,376,212
Academic support	2,048,978	-	-	2,048,978	2,146,229
Student services	7,279,105	-	-	7,279,105	7,360,973
General institution support	5,287,923	-	-	5,287,923	4,855,943
Student aid	2,413,890	-	-	2,413,890	1,792,031
Depreciation, amortization, and accretion	4,951,511	-	-	4,951,511	5,316,337
Operation/maintenance of plant	4,584,146	-	-	4,584,146	4,783,357
Auxiliary enterprises	3,756,062	-	-	3,756,062	4,840,866
Interest	2,200,823	-	-	2,200,823	2,415,955
Total expenses	40,337,044	-	-	40,337,044	41,887,903
Decrease from operating activities	(6,053,536)	326,760	-	(5,726,776)	(3,635,575)
NON-OPERATING ACTIVITIES:					
Gifts and bequests	-	-	429,775	429,775	235,892
Private gifts/grants for capital improvements	272,846	-	-	272,846	49,674
Other non-operating expenses	(379,627)	-	-	(379,627)	(499,653)
Change in the value of annuity	-	(202,254)	-	(202,254)	(47,399)
Reclassification of net assets	2,052,922	(588,362)	(1,464,560)	-	-
Transfer to endowment fund	-	(427,938)	427,938	-	-
Investment income, net of spending policy allocation	(1,972,995)	1,219,613	-	(753,382)	2,143,807
Gain (Loss) on interest rate swap contract	2,457,814	-	-	2,457,814	4,129,229
Increase (decrease) from non-operating activities	2,430,960	1,059	(606,847)	1,825,172	6,011,550
CHANGE IN NET ASSETS	(3,622,576)	327,819	(606,847)	(3,901,604)	2,375,975
NET ASSETS - beginning of year	32,442,998	16,001,910	27,612,377	76,057,285	73,681,310
NET ASSETS - end of year	$ 28,820,422	$ 16,329,729	$ 27,005,530	$ 72,155,681	$ 76,057,285

The accompanying notes are an integral part of these statements.

ELMIRA COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES:				
Revenues -				
Student revenue:				
Tuition and fees	$ 41,264,548	$ -	$ -	$ 41,264,548
Room and board	10,386,756	-	-	10,386,756
	51,651,304	-	-	51,651,304
Less: College funded scholarships	(20,814,948)	-	-	(20,814,948)
Net student revenue	30,836,356	-	-	30,836,356
State appropriations	102,887	-	-	102,887
Spending policy allocation - endowment	1,069,386	2,314,760	-	3,384,146
Government contracts and grants	27,517	652,517	-	680,034
Private gifts and grants	969,909	178,899	-	1,148,808
Auxiliary enterprises - other than room and board	768,457	-	-	768,457
Other sources	1,213,447	118,193	-	1,331,640
	34,987,959	3,264,369	-	38,252,328
Operating net assets released from restrictions	2,709,832	(2,709,832)	-	-
Total revenues	37,697,791	554,537	-	38,252,328
EXPENSES:				
Instruction	8,376,212	-	-	8,376,212
Academic support	2,146,229	-	-	2,146,229
Student services	7,360,973	-	-	7,360,973
General institution support	4,855,943	-	-	4,855,943
Student aid	1,792,031	-	-	1,792,031
Depreciation, amortization, and accretion	5,316,337	-	-	5,316,337
Operation/maintenance of plant	4,783,357	-	-	4,783,357
Auxiliary enterprises	4,840,866	-	-	4,840,866
Interest - auxiliary enterprises	2,415,955	-	-	2,415,955
Total expenses	41,887,903	-	-	41,887,903
Increase (decrease) from operating activities	(4,190,112)	554,537	-	(3,635,575)
NON-OPERATING ACTIVITIES:				
Gifts and bequests	-	-	235,892	235,892
Private gifts/grants for capital improvements	49,674	-	-	49,674
Other non-operating expenses	(499,653)	-	-	(499,653)
Change in the value of annuity	-	(47,399)	-	(47,399)
Reclassification of net assets	-	(50,495)	50,495	-
Investment income, net of spending policy allocation	(969,310)	3,113,117	-	2,143,807
Loss on interest rate swap	4,129,229	-	-	4,129,229
Increase from non-operating activities	2,709,940	3,015,223	286,387	6,011,550
CHANGE IN NET ASSETS	(1,480,172)	3,569,760	286,387	2,375,975
NET ASSETS - beginning of year	33,923,170	12,432,150	27,325,990	73,681,310
NET ASSETS - end of year	$ 32,442,998	$ 16,001,910	$ 27,612,377	$ 76,057,285

The accompanying notes are an integral part of these statements.

ELMIRA COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (3,901,604)	$ 2,375,975
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in provision for losses on student accounts and student loans	(28,126)	(123,274)
Provision for losses on pledges receivable	(19,021)	(8,575)
Depreciation and accretion expense	4,951,511	5,316,337
Amortization of bond issuance costs	29,967	29,967
Net realized and unrealized gain on investments	(3,358,524)	(4,932,641)
Contributions for long-term investment (endowment and annuity funds)	(429,775)	(235,892)
Private gifts/grants for capital improvements	(272,846)	(49,674)
Gain on interest rate swap contract	(2,457,814)	(4,129,229)
Changes in:		
Accounts receivable	9,099	149,130
Pledges receivable	67,140	14,254
Prepaid expenses and inventories	124,283	1,044,612
Accounts payable	587,651	(444,911)
Deposits held in custody	(870)	(56,050)
Accrued expenses	(30,528)	(40,889)
Deferred revenue	(242,889)	(119,651)
Net cash flow from operating activities	(4,972,346)	(1,210,511)
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of land, buildings, and equipment	(459,463)	(983,603)
Purchases of investments	(8,081,314)	(6,275,833)
Proceeds from sales of investments	14,100,566	7,641,292
Student loans advanced	(212,150)	(378,351)
Student loans collected	467,015	365,822
Student loans cancelled	16,455	44,465
Net cash flow from investing activities	5,831,109	413,792
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal repayments of indebtedness	(5,300,000)	(1,245,000)
Proceeds from issuance of note payable	3,821,165	-
Payment of annuity obligations	(59,224)	(80,487)
Private gifts/grants for capital improvements	272,846	49,674
Contributions received for long-term investment	429,775	235,892
Receipt of campaign and other pledges	258,968	229,709
Federal loan program activity	30,407	12,845
Net cash flow from financing activities	(546,063)	(797,367)
CHANGE IN CASH AND CASH EQUIVALENTS	312,700	(1,594,086)
CASH AND CASH EQUIVALENTS - beginning of year	653,315	2,247,401
CASH AND CASH EQUIVALENTS - end of year	$ 966,015	$ 653,315
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 1,611,671	$ 2,456,227
Acquisition of land, buildings, and equipment utilizing accounts payable and accrued expenses	$ -	$ 67,953

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

Elmira College (the "College") located in Elmira, New York, is a not-for-profit higher educational institution. Founded in 1855, the College is a private, coeducational liberal arts college emphasizing both general and professional education. It is chartered by the Regents of the University of the State of New York and is accredited by the Middle States Association of Colleges and Secondary Schools. The College offers numerous undergraduate programs as well as several graduate programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America.

Basis of Presentation
The College reports its net assets and changes therein in three classes: unrestricted, temporarily restricted, and permanently restricted.

- **Unrestricted Net Assets**
  Unrestricted net assets are those whose use by the College has not been limited by donors or other external sources.

- **Temporarily Restricted Net Assets**
  Temporarily restricted net assets are those whose use by the College has been limited by donors or granting agencies. Temporarily restricted net assets also include unrestricted investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Board of Trustees. When a donor restriction expires or appropriation is made by the Board of Trustees, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction.

- **Permanently Restricted Net Assets**
  Permanently restricted net assets have been restricted by donors to be maintained by the College in perpetuity. Permanently restricted net assets as of June 30, 2018 and 2017 represent accumulated principal of endowment gifts, the income from which is to be used for purposes specified by the donor.

Cash and Cash Equivalents
Cash and cash equivalents consist principally of petty cash and money market funds in the College's name and regular checking accounts, which, at times, may exceed federally insured limits. The College has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to them. Cash amounts that periodically and temporarily exist as part of the College's long-term pooled investments are classified as investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent amounts due from students related to tuition and fees. The College records an allowance for doubtful accounts based on prior collection experience, current economic conditions, and a review of specific accounts. The allowance for doubtful accounts receivable at June 30, 2018 and 2017, was $1,021,051 and $990,344, respectively. Accounts for which no payments are received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate.

Loans Receivable

The College participates in the Perkins Federal Revolving Loan Program (Perkins). Loans receivable represent receivables from Perkins and institutional loan receivables due from students and are stated at unpaid principal balance plus accrued interest. Interest on loans receivable is recognized over the term of the loans.

The College does not evaluate Perkins loans receivable for impairment, nor does it establish an allowance for doubtful accounts, as amounts due under the Perkins loan program are guaranteed by the government.

The College evaluates institutional student loans receivable for impairment on an as-needed basis. In order to determine the collectability of loans receivable, the College considers the age of the amounts outstanding. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. Further, the College does not evaluate the credit quality of student loans receivable after the initial approval and calculation of the loans.

The allowance for doubtful loans receivable at June 30, 2018 and 2017 was $183,344 and $242,177, respectively.

Federal Financial Assistance

The availability of funds for loans under the Perkins loan program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government amounting to $3,513,184 and $3,482,777 at June 30, 2018 and 2017, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government. The Perkins loan program ended on September 30, 2017. The Department of Education is in the process of providing direction with regard to the disposition of the College's Perkins loan funds.

Inventories

Inventories consist principally of books and supplies of the bookstore and are valued at the lower of cost (first-in, first-out method) or net realizable value.

In years prior to 2018, the College stated inventory at the lower of cost or market. The change was made prospectively as of July 1, 2017 in accordance with Accounting Standards Update (ASU) 2015-11, *Simplifying the Measurement of Inventory*. The adoption of ASU 2015-11 had no impact on the 2018 statement of financial position or statement of activities and change in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value. Unrealized gains or losses on such investments result from differences between the cost and fair value of investments on a specified valuation date. Gains and losses in the fair value are reported in the statement of activities. Investment income is recognized on an accrual basis; dividends are recorded on the ex-dividend date.

Investment securities are exposed to various risks, such as interest rate, market, currency, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurement - Definition and Hierarchy

Accounting Standards Codification (ASC) Section 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The College uses various valuation techniques in determining fair value. ASC Section 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the College has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the College in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Endowment

The College's endowment funds consist of funds established for scholarships, professorships, awards, and other purposes. The endowment is comprised of permanently and temporarily restricted net assets restricted by the donor and a portion of unrestricted net assets designated by the Board of Trustees to function as endowments. The College's Board has authorized a spending policy of total returns at a rate of 7.00% for the years ended June 30, 2018 and 2017, of the average quarterly market value of its investment portfolio for the previous twenty fiscal quarters. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the College utilizes the appreciation of its endowment. This policy is designed to preserve the value of the portfolio after inflation, and provide a predictable flow of funds to support operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions are recorded at cost. Land, buildings, and equipment equal to or greater than $5,000 and computers equal to or greater than $1,000, which have a useful life greater than one year are capitalized. Donated items are recorded at fair value on the date of the contribution. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The range of estimated useful lives used is as follows:

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Equipment	3 - 7 years
Library books	10 years

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Normal and recurring plant expenditures are included in operating activities in the accompanying statements of activities.

The College regularly assesses all of its long-lived assets for impairment and recognizes a loss when the carrying value of an asset exceeds its fair value. The College determined that no impairment loss need be recognized for applicable assets for the years ended June 30, 2018 and 2017.

Deferred Revenue

Deferred revenue is principally comprised of receipts relating to tuition for summer term and new student registration fees and deposits for tuition, room and board, received in advance for the fall term. The College will recognize unrestricted revenue to the extent these services are provided over the coming fiscal year. The student deposits received in advance are generally nonrefundable.

Asset Retirement Obligations

GAAP requires a liability to be recorded if the fair value of a conditional asset retirement obligation can be reasonably estimated. Asset retirement obligations required to be recorded include those for which an entity has a legal obligation to perform asset retirement activity; however, the timing and/or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. The College records all known asset retirement obligations for which the fair value of the liability can be reasonably estimated.

Revenue Recognition

Net tuition and fees and sales/service of auxiliary enterprises are recognized as revenues over the service period. Government appropriations and grants are recognized when the College satisfies the grant requirements. Private gifts and grants and capital gifts are recognized when they are unconditionally received or committed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Art Collections
The collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets on the statement of financial position. Purchases of or proceeds from the sale of collection items are recorded as changes in unrestricted net assets in the year the transaction occurs. Donations of art objects and library materials are not recorded as income in the statement of activities and change in net assets.

Contributions
Contributions are recognized when the donor makes a promise to give to the College that is, in substance, unconditional. Noncash contributions are recorded at the fair value of the asset contributed at the date of the contribution. Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or absence of donor restrictions and nature of restrictions.

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met or expires, temporarily restricted net assets are released to unrestricted net assets.

The College did not have any outstanding conditional promises at June 30, 2018 or 2017.

Government Contracts and Grants
Government contracts and grants include grants received from local, state, and federal governments to fund certain educational, general, and capital projects.

Operating Activities
Operating activities are those activities that are directly attributable to the regular educational operations of the College.

Non-Operating Activities
Non-operating activities represent activities that are either not directly attributable to the regular educational operations of the College, sporadic in nature, unusual, or not controllable by management.

Income Taxes
The College is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The College has also been classified as an organization that is not a private foundation.

Change in Accounting Principle
In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07: "Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities that Calculate Net Asset per Share (or its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FINANCIAL CONDITION

In fiscal 2018 and 2017, the College incurred deficits from operations of $5,726,766 and $3,635,575 respectively. Cash losses from operations amounted to $4,972,346 and $1,210,511 in fiscal 2018 and 2017, respectively, due in part, to a continued decline in enrollment and the College's debt service requirements.

On November 2, 2018, management entered into a discounted payoff agreement for the bonds payable and an early termination agreement for the interest rate swap agreement related to the bonds. With these agreements, the bonds payable are considered satisfied and interest rate swap terminated.

Strategies have been put in place to stabilize enrollment declines. In addition, the College has identified areas of cost savings through strategic staff reduction and attrition as well as reductions in nonessential expenses.

The College has also entered into a lease agreement with another higher education institution (the Institution). Under the agreement, the College will lease land to the Institution and the Institution will construct a building on the College Campus. Rental payments from this lease will begin at $100,000 in fiscal 2019 and will escalate, reaching approximately $320,000 in 2020 and $570,000 in 2022.

The future stability of the College depends upon the success of several planned strategic actions.

4. LOANS RECEIVABLE

Loans receivable consisted of the following at June 30:

	2018	2017
Federal loan program	$ 3,254,444	$ 3,470,089
Elmira College loans	229,174	284,849
	3,483,618	3,754,938
Less: Allowance for loans receivable	(183,344)	(242,177)
	$ 3,300,274	$ 3,512,761

The College's allowances for doubtful loans receivable changed as follows for the years ended June 30:

	2018	2017
Allowance for doubtful accounts - beginning of year	$ (242,177)	$ (259,265)
Decrease	58,833	17,088
End of year	$ (183,344)	$ (242,177)

At June 30, 2018, the following amounts were past due for the Federal Loan Program and Elmira College loans:

	Current	31-60 Days Past Due	61-90 Days Past Due	90 + Days Past Due	Total
Federal Loan Program	$ 2,389,227	$ 134,734	$ 29,568	$ 700,915	$ 3,254,444
Elmira College loans	$ 2,304	$ -	$ -	$ 226,870	$ 229,174
Less: Allowance	(577)	-	-	(182,767)	(183,344)
	$ 1,727	$ -	$ -	$ 44,103	$ 45,830

At June 30, 2017, the following amounts were past due for the Federal Loan Program and Elmira College loans:

	Current	31-60 Days Past Due	61-90 Days Past Due	90 + Days Past Due	Total
Federal Loan Program	$ 2,651,151	$ 187,065	$ 11,932	$ 619,941	$ 3,470,089
Elmira College loans	$ 15,218	$ 4,142	$ -	$ 265,488	$ 284,848
Less: Allowance	(3,804)	(1,035)	-	(237,337)	(242,176)
	$ 11,414	$ 3,107	$ -	$ 28,151	$ 42,672

5. PLEDGES RECEIVABLE - NET

Campaign pledges receivable are recorded as revenue upon receipt of the unconditional promise to give. Outstanding campaign pledges receivable are discounted at the rate of interest commensurate with the term and risk of the gift (.89% through 4.70%). They are further reduced by an allowance for doubtful collections and were comprised of the following at June 30:

	2018	2017
Amounts receivable in less than one year	$ 330,068	$ 458,899
Amounts receivable in one to five years	15,000	240,511
	345,068	699,410
Less: Present value discount	(39,173)	(67,407)
Less: Allowance for doubtful collections	(59,714)	(78,735)
Net campaign pledges receivable	$ 246,181	$ 553,268

6. INVESTMENTS

Investments were comprised of the following as of June 30:

	2018	2017
Money market funds	$ 2,974,298	$ 2,090,135
U.S. government securities	1,777,398	3,568,204
Equity mutual funds	14,045,364	14,227,580
Growth comingled funds	10,489,542	10,486,987
Bond mutual funds	5,614,008	7,627,519
Collective investment funds	8,252,461	7,754,144
	$ 43,153,071	$ 45,754,569
Reported as follows:		
Short-term investments	$ 2,222,781	$ 3,845,236
Investments to be held for long-term purposes	40,930,290	41,909,333
	$ 43,153,071	$ 45,754,569

6. INVESTMENTS (Continued)

The investment return and its classification in the statements of activities and change in net assets is summarized as follows for the years ended June 30:

	2018	2017
Interest and dividends, net	$ 633,041	$ 581,683
Realized gains	1,481,122	867,515
Unrealized gains	1,877,402	4,078,755
	$ 3,991,565	$ 5,527,953

	2018		
	Unrestricted	Temporarily Restricted	Total
Reported as follows:			
Spending policy allocation - endowment	$ 2,058,812	$ 2,667,363	$ 4,726,175
Other investment income	18,772	-	18,772
Changes to endowment assets	(1,972,995)	1,219,613	(753,382)
Total return on investments	$ 104,589	$ 3,886,976	$ 3,991,565

	2017		
	Unrestricted	Temporarily Restricted	Total
Reported as follows:			
Spending policy allocation - endowment	$ 1,069,386	$ 2,314,760	$ 3,384,146
Changes to endowment assets	(969,310)	3,113,117	2,143,807
Total return on investments	$ 100,076	$ 5,427,877	$ 5,527,953

The College analyzes its investments for other-than-temporary impairment on an annual basis. Factors considered in evaluating whether or not a decline is other than temporary include: 1) the College's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, 2) the severity and duration and extent to which the fair value has been less than cost and 3) the issuer's financial condition and near-term prospects. The College did not recognize other-than-temporary impairment during the years ended June 30, 2018 and 2017.

7. FAIR VALUE MEASUREMENTS

The following were measured at fair value on a recurring basis at June 30, 2018:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Assets:				
Investments -				
Money market funds	$ 2,974,298	$ -	$ -	$ 2,974,298
U.S. government securities	1,777,398	-	-	1,777,398
Equity mutual funds	14,045,364	-	-	14,045,364
Bond mutual funds	5,614,008	-	-	5,614,008
	$ 24,411,068	$ -	$ -	24,411,068
Investments at net asset value (NAV) as practical expedient				18,742,003
				$ 43,153,071
Liabilities:				
Interest rate swap contract	$ -	$ 5,919,002	$ -	$ 5,919,002

The following were measured at fair value at June 30, 2017:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Assets:				
Investments -				
Money market funds	$ 2,090,135	$ -	$ -	$ 2,090,135
U.S. government securities	3,568,204	-	-	3,568,204
Equity mutual funds	14,227,580	-	-	14,227,580
Bond mutual funds	7,627,519	-	-	7,627,519
	$ 27,513,438	$ -	$ -	27,513,438
Investments at net asset value (NAV) as practical expedient				18,241,131
				$ 45,754,569
Liabilities:				
Interest rate swap contract	$ -	$ 8,376,816	$ -	$ 8,376,816

In 2018, the College adopted ASU 2015-17, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and calls for retrospective application to all periods presented.

7. FAIR VALUE MEASUREMENTS (Continued)

Fair value of the College's investments in money market funds, equity and bond mutual funds, and U.S. government securities are based on quoted market prices.

Fair value of the College's collective investment fund is determined by calculating the net asset value per unit as a practical expedient. The custodian of the College's collective investment funds relies on an independent pricing service to perform the pricing calculation.

The strategy of the College's collective investment fund is to select and weigh securities by fundamental measures of company size as opposed to market capitalization to increase investment return. The collective investment fund is subject to monthly redemption; however notice period of redemption is not required. The College does not have any unfunded commitments to the fund.

Fair value of the College's growth comingled funds invested in Wellington Trust Company, NA CFT Opportunistic Growth Portfolio Fund (the Fund) commingled funds is determined by the fund manager using the quoted prices for the underlying securities.

The strategy of the Fund is to obtain long-term total return in excess of the Russell 1000 Growth Index. The Fund is subject to monthly redemption; however notice period of redemption is not required. The College does not have any unfunded commitments to the Fund.

Fair value of the College's interest rate swap contract is determined by a pricing model that includes utilizing the following inputs: swap spreads, LIBOR rates, treasury rates, and numerous mathematical adjustments.

Perkins rates are determined by the Federal government and the related notes and loans receivable cannot be sold. For this reason, fair value cannot be reasonably determined.

8. LAND, BUILDINGS, AND EQUIPMENT - NET

Land, buildings, and equipment consisted of the following as of June 30:

	2018	2017
Land and improvements	$ 19,143,727	$ 19,028,150
Buildings	125,620,090	125,600,322
Equipment	27,103,012	27,191,374
Library books	10,587,723	10,587,723
Construction-in-progress	44,508	52,508
	182,499,060	182,460,077
Less: Accumulated depreciation and amortization	(99,091,158)	(94,561,695)
	$ 83,407,902	$ 87,898,382

Depreciation expense amounted to approximately $4,900,000 and $5,200,000 for the years ended June 30, 2018 and 2017, respectively.

9. DEBT

On September 4, 2012 Chemung County Capital Resource Corporation (Capital Resource Corporation) issued $52,300,000 of multi-mode revenue bonds, Series 2012A Bonds ("2012 bonds") with maturity dates ranging from July 1, 2013 to July 1, 2038. With the issuance of the 2012 bonds, Capital Resource Corporation sold all the bonds to a primary secured creditor. Capital Resources Corporation then loaned the 2012 bond proceeds to the College pursuant to a loan agreement equal to the value of the bonds sold. The College is required to make payments equal to the debt service of the 2012 bonds. The 2012 bonds have a variable rate of interest equivalent to 67% of the one month London Interbank Offered Rate (LIBOR) plus 125 basis points (2.65% at June 30, 2018). The 2012 bonds are secured by a pledge of the College's gross revenues.

The proceeds of $51,520,000, net of bond issuance costs of $780,000, were used to defease the College's existing debt under the Chemung County Industrial Development Agency, Series 2007A ("2007 bonds"). The defeased debt consisted of the College's obligation under an installment purchase agreement with the Chemung County Industrial Development Agency to fund the debt service requirements of the Chemung County IDA Civic Facility Revenue Bonds, Series 2007A (the "2007 bonds"). The 2007 bonds were issued during December 2007, had a face amount of $55,000,000, and were variable rate demand obligations, which were remarketed weekly.

The 2007 bonds were issued to fund the construction of one new dormitory and to upgrade other campus facilities. Construction began in 2008, the dormitory was completed in fiscal 2011, and the remainder of the projects were completed in fiscal 2012. The proceeds from the debt issuance were placed in a trust to finance construction.

On April 27, 2018, the College entered into an amendment to the Continuing Covenant Agreement and Waiver Agreement (the Amendment). As part of the Amendment, the College was required to make a payment of $4,000,000 to the primary secured creditor lowering the outstanding principal balance to $42,320,000. This payment advanced the principal payments through July 2019. In addition, the Amendment reduced the amount of principal used to calculate required monthly interest payments to $20,000,000. However, interest continues to accrue on the remaining $22,320,000 of outstanding principal, which will become payable on May 2, 2019. Furthermore, the College has certain financial covenants in connection with the 2012 bonds. Under terms of the Amendment, both the debt service ratio and the liquidity ratio requirements have been waived through June 30, 2019.

The principal amount due on the 2012 bonds as of June 30, 2018 was $42,320,000. Principal payments for the 2012 bonds began on July 1, 2013 and are summarized below by year of maturity.

Fiscal 2020	1,425,000
Fiscal 2021	1,490,000
Fiscal 2022	1,560,000
Fiscal 2023-2026	8,955,000
Fiscal 2027-2031	11,170,000
Fiscal 2032-2036	13,900,000
Fiscal 2037-2039	3,820,000
	42,320,000
Less: Unamortized bond issuance costs	(604,333)
	$ 41,715,667

9. DEBT (Continued)

In April 2018, the College entered into a short-term loan of $3,821,165 with the Friends of EC, LLC (Friends of EC). Friends of EC members consist of College Trustees and Alumni. The loan bears interest at 5% and payments of interest only are quarterly, commencing on September 30, 2018. The loan matures on December 31, 2019, when the entire principal and any accrued interest is due.

In conjunction with the 2007 bonds and continuing with the 2012 bonds, the College entered into an interest rate swap agreement with a notional amount of $55,000,000. The purpose of this swap is to effectively fix the interest rate on a piece of variable rate debt and reduce certain exposures to interest rate fluctuations. Over the course of the agreement, the notional amount will decrease by the expected debt payments. In accordance with the Amendment, the notional amount was lowered to $20,000,000. The agreement involves the exchange of fixed-rate and floating rate payments over the life of the agreement. The interest rate swap agreement terminates on July 1, 2038. The floating-rate piece of the interest rate swap agreement is based on 67% of LIBOR as set by the British Bankers' Association (1.40 at June 30, 2018). The fixed portion of the interest rate swap agreement is set at 3.28%.

The fair value of the College's interest rate swap was as follows at June 30:

		Fair Value	
Derivative Instruments	Location	2018	2017
Interest rate swap contract	Liabilities	$ 5,919,002	$ 8,376,816

The effect of derivative instruments on the statement of activities and change in net assets for the year ended June 30, 2018, was as follows:

Derivative Instruments	Location of Loss Recognized	Amount of Gain Recognized
Gain on interest rate swap contract	Non-operating activity	$ 2,457,814

The effect of derivative instruments on the statement of activities and change in net assets for the year ended June 30, 2017, was as follows:

Derivative Investments	Location of Loss Recognized	Amount of Loss Recognized
Gain on interest rate swap contract	Non-operating activity	$ 4,129,229

10. UNRESTRICTED NET ASSETS

A summary of unrestricted net assets as of June 30, 2018 and 2017 is as follows:

	2018	2017
Designated:		
College loans	$ 474,471	$ 493,653
Net investment in plant, net of interest rate swap	21,612,591	21,074,862
Funds functioning as endowment	291,897	291,152
Cowles endowment	-	4,744,504
	22,378,959	26,604,171
Undesignated	6,441,463	5,838,827
Total unrestricted net assets	$ 28,820,422	$ 32,442,998

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purpose as of June 30:

	2018	2017
Education and other	$ 1,802,307	$ 1,906,581
Accumulated endowment gains	14,093,726	13,459,379
Annuity/life income	433,696	635,950
Total temporarily restricted net assets	$ 16,329,729	$ 16,001,910

12. ENDOWMENT

A summary of endowment net asset composition by type of fund as of June 30, 2018, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	$ -	$ -	$ 27,005,530	$ 27,005,530
Accumulated endowment gains	-	14,093,726	-	14,093,726
Board designated endowment	318,949	-	-	318,949
Total funds	$ 318,949	$ 14,093,726	$ 27,005,530	$ 41,418,205

12. ENDOWMENT (Continued)

A summary of endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	$ -	$ -	$ 27,612,377	$ 27,612,377
Accumulated endowment gains	-	13,459,379	-	13,459,379
Board designated endowment	291,154	-	-	291,154
Cowles endowment	4,744,504*	-	-	4,744,504
Total funds	$ 5,035,658	$ 13,459,379	$ 27,612,377	$ 46,107,414

* Includes inter-fund receivable of approximately $3,200,861 at June 30, 2017.

A summary of endowment net asset activity for the year ended June 30, 2018 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,035,658	$ 13,459,379	$ 27,612,377	$ 46,107,414
Investment return:				
Interest earnings	62,338	560,696	-	623,034
Net appreciation	32,244	3,326,280	-	3,358,524
Total investment return	94,582	3,886,976	-	3,981,558
Contributions & other changes	(11,848)	3,096	429,775	421,023
Addition of Mark Twain Coin fund	-	-	427,938	427,938
Closeout campaign	(2,740,631)	-	-	(2,740,631)
Appropriation of endowment assets for expenditure	(2,058,812)	(2,667,363)	-	(4,726,175)
Reclassification of net assets	-	(588,362)	(1,464,560)	(2,052,922)
Endowment net assets, end of year	$ 318,949	$ 14,093,726	$ 27,005,530	$ 41,418,205

12. ENDOWMENT (Continued)

A summary of endowment net asset activity for the year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,504,966	$ 10,346,262	$ 27,325,990	$ 44,177,218
Investment return:				
Interest earnings	66,128	515,555	-	581,683
Net depreciation	20,320	4,912,322	-	4,932,642
Total investment return	86,448	5,427,877	-	5,514,325
Contributions & other changes	13,630	-	286,387	300,017
Appropriation of endowment assets for capital expenditure	(500,000)	-	-	(500,000)
Appropriation of endowment assets for operations	(1,069,386)	(2,314,760)	-	(3,384,146)
Endowment net assets, end of year	$ 5,035,658	$ 13,459,379	$ 27,612,377	$ 46,107,414

Interpretation of Relevant Law
The College's Board of Trustees has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends) and income is classified as temporarily restricted until appropriated by the board for expenditure.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in temporarily restricted net assets were $173,685 and $224,271 as of June 30, 2018 and 2017, respectively.

Return Objectives and Risk Parameters
The objective of the College's total investment portfolio is to earn a total rate of return (net of all fees) that exceeds the College's annual spending rate plus the rate of inflation (as measured by the Consumer Price Index). The success of this performance objective will be measured over a long-term horizon, ranging from three to five years.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the College has established a basic asset allocation target based on its spending needs, risk tolerance, and desire for growth. The College has set allocation targets and ranges consistent with these goals and objectives. The targets are reviewed periodically, to ensure that the allocations remain relevant within market characteristics and potential changes in the financial needs of the College.

12. ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy
The College recognizes a spending policy allocation equal to a given percentage of a twenty fiscal-quarter moving average of the fair value of the assets of the endowment and funds functioning as endowment. This amount is computed annually and is included in the operating section of the statement of activities. Changes to endowment assets include realized and unrealized gains or losses and interest earned, less the spending policy allocations. In fiscal 2018 and 2017, the Board of Trustees approved a spending policy allocation equal to 7.0%.

In addition, in 2012, the Board of Trustees adopted a policy of making annual withdrawals from the remaining Sesquicentennial Campaign funds, in order to support Cowles Hall maintenance and general operations of the College. During 2013, the Board of Trustees designated the remaining Sesquicentennial Campaign Funds into the Cowles Hall Endowment. Amounts used for maintenance and operations of Cowles Hall and general operations of the College totaled approximately $2,000,000 for 2018 and $1,500,000 in 2017. The remaining fund balance was closed out in the amount of $2,740,631.

Reclassification of net assets
During 2018, management reviewed documentation related to restriction classification of their endowment net assets. This resulted in a reclassification of $588,362 of net assets that were temporarily restricted and $1,464,560 of net assets that were permanently restricted net assets in the endowment to unrestricted net assets. This reclassification is reflected on the Statement of Activities and Change in Net Assets for the year ended June 30, 2018.

13. RETIREMENT PLANS

The College has a 403(b) contributory retirement plan covering substantially all of its full-time employees. Under this plan, the College contributes from 5% to 10% of each participant's annual salary in accordance with employee classifications. The College's policy is to fund retirement costs incurred. Retirement costs under this plan amounted to $539,088 and $564,571 in 2018 and 2017, respectively.

The College had established a Split-Dollar Insurance Agreement (Endorsement Method). Under this agreement, the College paid all premiums as they became due. Upon the death of the beneficiary, which occurred in fiscal 2017, the College received the sum of all cumulative premiums paid by the College. The designated beneficiary received the remaining death benefit. The present value of these premiums paid, which amounted to approximately $975,000, had been recorded as a part of prepaid expense in the statements of financial position as of June 30, 2017. The excess of dollars received over present value, which amounted to approximately $107,000, was recorded as revenue from other sources in the statement of activities in fiscal 2017.

14. RISK RETENTION

The College partially retains the risk for medical insurance. For the years ended June 30, 2018 and 2017, the College carries stop/loss insurance, which covers medical and prescription drug claims, which exceed the minimum annual aggregate attachment point of $3,041,408 and $3,075,581, respectively. However, no individual claim can contribute more than $135,000, towards the annual attachment. It is the College's policy to reserve for anticipated claims at year-end and record this amount as an accrued liability each year. This liability amounted to $659,780 and $621,803 as of June 30, 2018 and 2017, respectively.

15. FUNCTIONAL EXPENSES

The College states depreciation and operation/maintenance of plant separately on the statement of activities. Expenses by function with depreciation and operation/maintenance of plant allocated to the appropriate expense category for the years ended June 30, 2018 and 2017, was as follows:

	2018	**2017**
Instruction	$ 10,817,924	$ 11,491,087
Academic support	2,814,227	2,922,597
Student services	7,757,386	8,271,260
General institution support	6,914,077	6,505,726
Student aid	2,413,890	1,792,031
Auxiliary enterprises	9,619,540	10,905,202
	$ 40,337,044	$ 41,887,903

16. SPLIT-INTEREST AGREEMENTS

The College has numerous split-interest agreements, consisting of charitable annuity trusts, charitable remainder trusts, annuities, and pooled income funds. The assets of these trusts originate from gifts made to the College, in exchange for a lifetime income interest for the donor (and often a second related beneficiary). Upon the death of the donor (and beneficiary, if applicable), the assets revert to the College. All assets are managed by professional investment and custodial firms, with expertise in the area of planned giving, including regulatory provisions and tax filings, etc. At year-end, the expected lifetime payout for each trust, referred to as the "remainder interest," is calculated based on actuarial assumptions and discount rates prescribed by Internal Revenue Service regulations. All assets in the trusts are marked to fair market value. Market value of assets (included in investments to be held for long-term purposes) and the remainder interest (included in accrued expenses) as of June 30, 2018 and 2017, was as follows:

	Market Value of Assets	Remainder Interest
2018	$ 719,256	$ 285,560
2017	$ 1,016,537	$ 380,587

17. ASSET RETIREMENT OBLIGATIONS

Amounts related to the conditional asset retirement obligation were as follows at June 30:

	2018	2017
Asset retirement obligation - beginning of year	$ 1,487,108	$ 1,397,384
Abatements	(23,721)	-
Accretion expense	93,248	89,724
Asset retirement obligation - end of year	$ 1,556,635	$ 1,487,108

18. COMMITMENTS AND CONTINGENCIES

Murray Athletic Center

The College has a 20-year agreement related to the Murray Athletic Center (MAC) with New York State which expires in fiscal 2035. The College pays no annual fee for the agreement; however, the College will retain operation and management provisions as stipulated in the agreement. Under the agreement, the College assumes full responsibility for all needed expenditures for capital improvements, maintenance, operation, and security of the MAC. Any fees charged to the public and collected by the College for the use of the MAC will be deposited in an account dedicated to the operation and maintenance of the facilities.

Litigation

The College is a defendant in certain legal actions brought against it in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the College’s future financial position or results from operations.

Loan Program

The College has been involved in the Guaranteed Access to Education loan program for a number of years. Under this program, the College receives approximately 91% of the loan amount at origination. Loans are advanced to students and the College pledges to a third-party administrator for approximately 30% of the proceeds, to guarantee potential defaults. This pledge is recorded as a liability as part of accrued expenses. The projected residual cash flows from both recoveries on defaulted loans and the original 9% discount are recorded as a receivable. All projections are made by the third-party administrator, based on historical default rates and assumptions. The net change for each from one year to the next, plus any amounts actually paid by the College during the year for defaults, are recorded as part of College funded scholarship and included on the statements of activities and changes in net assets. Such amount for the years ended June 30, 2018 and 2017, amounted to gains of $25,747 and $84,937, respectively.

The program was suspended in 2008, due to lack of funding resulting from the turmoil in the financial markets. Consequently, no new loans are being given out under the program.

Status of the program as of June 30, 2018 and 2017 was as follows:

	Present Value of Loan Amount	Present Value of Residual Cash Flows
2018	$ 55,266	$ 337,876
2017	$ 100,601	$ 380,026

19. SUBSEQUENT EVENTS

On November 2, 2018, the College entered into a discounted payoff agreement with the lender of the bonds payable, which satisfied the entire amount due on that date related to those bonds for the amount of $5,000,000. In addition, an early termination agreement was signed for the interest rate swap requiring a payment of $750,000. Both of these payments were made with the proceeds of a promissory note signed on October 24, 2018 to an individual for $6,000,000 bearing interest at 5%. The note requires monthly payments of $35,714 including principal and interest through December 31, 2019, when the remaining principal amount becomes due.

19. SUBSEQUENT EVENTS (Continued)

Subsequent events have been evaluated through December 7, 2018, which is the date the financial statements were issued.

ELMIRA COLLEGE

Single Audit Reports
for the Year Ended
June 30, 2018

Bonadio & Co., LLP
Certified Public Accountants

ELMIRA COLLEGE

SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 7, 2018

To the Board of Trustees of
Elmira College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Elmira College (the College) (A New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

February 26, 2019

To the Board of Trustees of
Elmira College:

Report on Compliance for Each Major Federal Program
We have audited Elmira College's (the College) (A New York not-for-profit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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(Continued)

Report on Internal Control Over Compliance
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the College as of and for the year ended June 30, 2018, and have issued our report thereon dated December 7, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Bonadio & Co., LLP

ELMIRA COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR THE ENDED JUNE 30, 2018

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education:		
Student Financial Assistance Cluster -		
Federal Supplemental Educational Opportunity Grants	84.007	$ 107,706
Federal Work-Study Program	84.033	146,953
Federal Perkins Loan Program	84.038	212,150
Federal Pell Grant Program	84.063	1,400,283
Federal Direct Student Loans	84.268	8,784,970
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	37,240
Postsecondary Education Scholarships for Veteran's Dependents	84.408	2,204
Total Student Financial Assistance Cluster		10,691,506
Indian Education- Professional Development Grants	84.299B	291,914
Total - Federal Funds Expended		$ 10,983,420

The accompanying notes are an integral part of this schedule.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Elmira College (the College) under programs of the federal government for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, activity and change in net asset of the College. This Schedule is prepared on the accrual basis of accounting and presented in conformity with accounting principles generally accepted in the United States.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the College and agencies and departments of the federal government as well as federal awards passed through other agencies. Student financial aid includes certain awards to provide financial assistance to students, primarily under the Federal Work-Study, Pell Grant and Supplemental Educational Opportunity Grant programs of the Department of Education. The College receives awards to make loans to eligible students under certain federal student loan programs and federally guaranteed loans are issued to students of the College by the Federal government. These loans are considered for the purposes of determining whether student financial aid is a major or nonmajor program.

2. BASIS OF ACCOUNTING

This Schedule has been prepared in conformity with accounting principles generally accepted in the United States and in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. FEDERAL STUDENT LOAN PROGRAMS

The Perkins Loan program is administered directly by the College and balances and transactions relating to this program are included in the College's financial statements. The gross balance of loans outstanding under the Perkins program was $3,254,444 at June 30, 2018.

4. INDIRECT COSTS

The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

ELMIRA COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Elmira College (the College) were prepared in accordance with accounting principles generally accepted in the United States of America.

2. No material weaknesses or significant deficiencies related to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the College, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No material weaknesses or significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

5. The auditor's report on compliance for the College's major federal award programs expresses an unmodified opinion on all major federal programs.

6. There were no audit findings relative to the major federal award programs for the College that are required to be reported on this schedule in accordance with the Uniform Guidance.

7. The programs tested as major programs included:

    - Student Financial Assistance Cluster:

CFDA No. 84.007	Federal Supplemental Educational Opportunity Grants
CFDA No. 84.033	Federal Work-Study Program
CFDA No. 84.038	Federal Perkins Loan Program
CFDA No. 84.063	Federal Pell Grant Program
CFDA No. 84.268	Federal Direct Student Loans
CFDA No. 84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grants
CFDA No. 84.408	Postsecondary Education Scholarships for Veteran's Dependents

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The College was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.