Financial Statements

Saint Joseph's College

June 30, 2015 and 2014

SAINT JOSEPH'S COLLEGE

Financial Statements

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Independent Auditors' Report

Board of Trustees
Saint Joseph's College
Standish, Maine

We have audited the accompanying financial statements of Saint Joseph's College (the "College"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Joseph's College as of June 30, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 11, the College's financial statements for the year ended June 30, 2014 have been restated to include a beneficial interest in a trust that should have been recorded when the College first became aware of it. Our opinion is not modified with respect to that matter.

Mayer Hoffman McCann P.C.

October 13, 2015
Boston, Massachusetts

SAINT JOSEPH'S COLLEGE

Statements of Financial Position

	June 30, 2015	June 30, 2014 As Restated
Assets		
Cash and cash equivalents	$ 709,678	$ 505,375
Restricted cash	617,377	694,853
Accounts receivable from students, less allowances for doubtful accounts of $700,000 and $800,000, respectively	1,419,300	1,393,348
Loans receivable from students, less allowances for doubtful accounts of $69,180 and $66,828, respectively (Note 2)	1,992,517	1,933,407
Other assets	1,730,156	2,054,820
Deposits with bond trustee	1,341,095	1,295,420
Investments (Note 3)	18,733,976	19,805,017
Land, buildings and equipment, net of accumulated depreciation and amortization (Note 4)	38,681,766	37,665,726
Beneficial interest in trusts (Note 8 and Note 11)	1,342,812	1,179,551
Total assets	**$ 66,568,677**	**$ 66,527,517**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 2,827,676	$ 3,182,533
Student deposits and deferred revenue	3,239,118	2,736,530
Other liabilities (Note 4 and Note 6)	254,085	435,260
Advances from federal government for student loans	1,321,662	1,284,352
Bonds payable (Note 6)	19,543,686	20,451,032
Total liabilities	**27,186,227**	**28,089,707**
Net assets: (Note 8)		
Unrestricted	28,527,167	27,929,545
Temporarily restricted	5,079,124	5,004,750
Permanently restricted	5,776,159	5,503,515
Total net assets	**39,382,450**	**38,437,810**
Total liabilities and net assets	**$ 66,568,677**	**$ 66,527,517**

See accompanying notes to financial statements.

SAINT JOSEPH'S COLLEGE

Statement of Activities

Year Ended June 30, 2015
(with comparative totals for 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total As Restated
Operating revenues:					
Tuition and fees, less financial aid of $14,240,586 and $13,525,024, respectively	$ 15,618,752	$ -	$ -	$ 15,618,752	$ 15,702,854
On-line education program tuition and fees	10,670,488	-	-	10,670,488	10,915,954
Sale of educational services	116,820	-	-	116,820	116,601
Residence and dining	8,370,226	-	-	8,370,226	8,166,399
Contributions and grants	222,676	315,778	-	538,454	415,672
Investment return used in operations	366,610	223,210	-	589,820	608,767
Income from trusts	-	115,000	-	115,000	94,500
Auxiliary enterprises	888,391	-	-	888,391	961,654
Other sources	365,284	244,588	-	609,872	735,870
Net assets released from restrictions	874,573	(874,573)	-	-	-
Total operating revenues	**37,493,820**	**24,003**	**-**	**37,517,823**	**37,718,271**
Operating expenses:					
Instructional	8,344,354	-	-	8,344,354	8,492,545
On-line education program	6,721,356	-	-	6,721,356	8,542,375
Academic support	1,699,246	-	-	1,699,246	1,743,638
Student services	8,417,559	-	-	8,417,559	8,182,970
Institutional support and other expenses	9,158,351	-	-	9,158,351	7,763,040
Auxiliary services	2,810,226	-	-	2,810,226	2,644,275
Total operating expenses	**37,151,092**	**-**	**-**	**37,151,092**	**37,368,843**
Change in net assets from operating activities	**342,728**	**24,003**	**-**	**366,731**	**349,428**
Nonoperating activities:					
Long-term investment return (net of amounts used in operations)	31,802	123,209	-	155,011	2,898,094
Contributions	7,868	138,465	359,383	505,716	254,018
Net assets released from restrictions for equipment	211,303	(211,303)	-	-	-
Change in value of trust (Note 11)	-	-	(86,739)	(86,739)	54,037
Change in value of split-interest agreement	3,921	-	-	3,921	26,700
Loss on write-off of land, buildings and equipment	-	-	-	-	(888,686)
Change in net assets from nonoperating activities	**254,894**	**50,371**	**272,644**	**577,909**	**2,344,163**
Change in net assets	**597,622**	**74,374**	**272,644**	**944,640**	**2,693,591**
Net assets, beginning of year	27,929,545	5,004,750	5,503,515	38,437,810	35,744,219
Net assets, end of year	**$ 28,527,167**	**$ 5,079,124**	**$ 5,776,159**	**$ 39,382,450**	**$ 38,437,810**

See accompanying notes to financial statements.

SAINT JOSEPH'S COLLEGE

Statement of Activities

Year Ended June 30, 2014
As Restated

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Operating revenues:				
Tuition and fees, less financial aid of $13,525,024	$ 15,702,854	$ -	$ -	$ 15,702,854
On-line education program tuition and fees	10,915,954	-	-	10,915,954
Sale of educational services	116,601	-	-	116,601
Residence and dining	8,166,399	-	-	8,166,399
Contributions and grants	199,855	215,817	-	415,672
Investment return used in operations	357,587	251,180	-	608,767
Income from trusts	-	94,500	-	94,500
Auxiliary enterprises	961,654	-	-	961,654
Other sources	406,708	329,162	-	735,870
Net assets released from restrictions	948,112	(948,112)	-	-
Total operating revenues	**37,775,724**	**(57,453)**	**-**	**37,718,271**
Operating expenses:				
Instructional	8,492,545	-	-	8,492,545
On-line education program	8,542,375	-	-	8,542,375
Academic support	1,743,638	-	-	1,743,638
Student services	8,182,970	-	-	8,182,970
Institutional support and other expenses	7,763,040	-	-	7,763,040
Auxiliary services	2,644,275	-	-	2,644,275
Total operating expenses	**37,368,843**	**-**	**-**	**37,368,843**
Change in net assets from operating activities	**406,881**	**(57,453)**	**-**	**349,428**
Nonoperating activities:				
Long-term investment return (net of amounts used in operations)	1,596,444	1,301,650	-	2,898,094
Contributions	10,517	25,088	218,413	254,018
Net assets released from restrictions for equipment	94,202	(94,202)	-	-
Change in value of trust (Note 11)	-	-	54,037	54,037
Change in value of split-interest agreement	26,700	-	-	26,700
Loss on write-off of land, buildings and equipment	(888,686)	-	-	(888,686)
Change in net assets from nonoperating activities	**839,177**	**1,232,536**	**272,450**	**2,344,163**
Change in net assets	**1,246,058**	**1,175,083**	**272,450**	**2,693,591**
Net assets, beginning of year	26,683,487	3,829,667	5,231,065	35,744,219
Net assets, end of year	**$ 27,929,545**	**$ 5,004,750**	**$ 5,503,515**	**$ 38,437,810**

See accompanying notes to financial statements.

SAINT JOSEPH'S COLLEGE

Statements of Cash Flows

	Years Ended June 30, 2015	2014 As Restated
Cash flows from operating activities:		
Change in net assets	$ 944,640	$ 2,693,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,946,390	1,855,023
Loss on write-off and disposal of fixed assets	-	888,686
Accretion of bond premiums	(62,346)	(62,347)
Allowance for doubtful accounts	(97,648)	255,243
Realized and unrealized gains on investments	(462,226)	(3,100,836)
Changes in assets and liabilities:		
Accounts receivable from students	74,048	(424,643)
Other assets	324,664	(167,366)
Beneficial interest in trusts	(163,261)	(54,037)
Accounts payable and accrued expenses	(354,857)	375,618
Student deposits and deferred revenue	502,588	(197,932)
Other liabilities	14,613	433
Due to/from restricted cash	53,323	(29,858)
Contributions restricted for permanent endowments	(109,383)	(218,413)
Total adjustments	1,665,905	(880,429)
Net cash provided by operating activities	**2,610,545**	**1,813,162**
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(2,962,428)	(2,261,714)
Proceeds from sales of investments	4,788,858	8,148,589
Purchases of investments	(3,255,592)	(7,733,150)
Net cash used in investing activities	**(1,429,162)**	**(1,846,275)**
Cash flows from financing activities:		
Payments on debt	(1,040,788)	(1,132,187)
New debt	-	410,216
Increase in deposits with bond trustee	(45,675)	(456,816)
Proceeds from contributions restricted for permanent endowments	109,383	218,413
Net cash used in financing activities	**(977,080)**	**(960,374)**
Change in cash and cash equivalents	**204,303**	**(993,487)**
Cash and cash equivalents, beginning of year	505,375	1,498,862
Cash and cash equivalents, end of year	**$ 709,678**	**$ 505,375**
Cash paid during the year for:		
Interest	$ 893,382	$ 780,980

See accompanying notes to financial statements.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

The Trustees of St. Joseph's College d/b/a Saint Joseph's College (the "College") is a private, Catholic college founded in 1912 by the Sisters of Mercy. The Sisters of Mercy sponsor the College through The Conference for Mercy Higher Education as the College's sole corporate member. The College is an accredited institution, is incorporated under the laws of the State of Maine and is empowered to grant co-educational collegiate honors and degrees at the undergraduate and graduate levels of study. Tuition and fees from campus and on-line education programs, and residence and dining fees, provide the primary sources of revenue for the College. Students are drawn primarily from New England for campus based programs while on-line programs are more geographically diverse across the United States. A major portion of the College's revenue is funded from various student financial aid programs sponsored by the United States Department of Education.

A summary of the significant accounting policies consistently applied in the financial statements is as follows:

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. This category also includes beneficial interests in trusts which are managed by outside parties. Generally, the donors of these assets permit the College to use all or part of the investment returns for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. Temporarily restricted net assets also include accumulated unspent gains on permanently restricted net assets that are subject to appropriation under the College's spending policies as approved by the trustees. Temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions in the period in which the donor-imposed condition is met or the stipulated time restrictions have passed.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for the specific purpose by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, in which case revenues are reported in temporarily or permanently restricted, depending on the nature of the restriction. Contributions, including unconditional promises to give, are initially recognized as revenues at fair value. Fair value of unconditional promises to give is determined at the original date of recordation as described in these notes using Level 2 fair value methods. Certain contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value using Level 3 fair value methods.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Contributions of cash and other assets to be used to acquire land, buildings and equipment are accounted for as temporarily restricted until such resources are used for the related purpose. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are shown as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is estimated based upon management's judgment and analysis of the creditworthiness of the donors, past collections experience and other relevant factors.

Operations

The statement of activities reports the change in net assets from operating and nonoperating activities. Operations include substantially all items of income and expense including investment income used for operations under the Board of Trustees spending policy. Investment income in excess of the amount used for operations is considered nonoperating. Nonoperating also includes gifts to the endowment, gifts restricted for capital expenditures, net assets released from restrictions for equipment purchase, change in value of trusts and split-interest agreement, and loss on write-off of land, buildings and equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and short-term highly liquid investments, with maturities at purchase of less than three months. Restricted cash represents funds limited as to use for student financial aid. Cash and cash equivalents included in investments is considered part of investments given the expectation of near term reinvestment. Cash in banks may at times exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Accounts Receivable from Students

Student accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Loans Receivable from Students

Loans receivable are funds loaned to students by the College under various Federal loan programs. These funds are made available from the U.S. Department of Education via funds advanced under the program along with institutional matching funds which allow for eligible students to have access to resources for payment of various education costs.

Loans receivable are carried at their net realizable value. Interest income is recorded as earned. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 240 days. Interest and late fees on past due accounts are recorded when received. Loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the advances from Federal government for student loans. Management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans.

Loan funds may be reloaned by the College after collection, but in the event that the College no longer participates in the program, advances are generally refundable to the Federal government, and accordingly, such advances are reported as a liability subject to certain adjustments.

Investments

Investments are carried at fair value. Fair value is determined as per fair value policies summarized later in this section. Investments are pooled with returns being allocated based on the source of the funds. The College uses an investment advisor to assist in the management process and a custodian to hold invested funds.

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

Deposits with Bond Trustee

In accordance with the terms of the bonds payable agreements, funds are required to be set aside to pay for interest and current principal. Such amounts are held in escrow with a financial institution in a money market account and are carried at cost plus accrued interest.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost except for donated assets which are recorded at fair value at the date of the gift. Fair value of donated assets are determined using a Level 3 market approach when applicable. Additions, renewals and betterments are capitalized, unless it is a relatively minor amount. Expenditures for repairs and maintenance are charged to expense as incurred.

Land improvements, buildings and building improvements and equipment are depreciated using the straight-line method over their respective estimated useful lives.

Land improvements	3-20 years
Buildings and building improvements	3-50 years
Furniture and equipment	3-30 years

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Beneficial Interests in Trusts

Beneficial interests in trusts represents the College's share of assets held in trust in perpetuity for which the College is the beneficiary of annual distributions of income. The interests are reported at fair value using Level 3 measurements. Distributions are reported as income from trusts in the appropriate net asset category depending on the donor's restriction, if any, over such distribution. The change in fair value of the College's proportional share is reported in nonoperating activity.

Student Deposits and Deferred Revenue

Student deposits and deferred revenue represent amounts billed or received in advance of providing services. Tuition, fees, and residence and dining fees are reported as revenue when earned. Tuition revenue is considered earned based on the portion of the program completed at year end.

Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the College's investment accounts. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the College to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

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

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Beneficial interests in trusts are also considered in this level given that the entire amount of such instruments are held in a separate legal entity notwithstanding pricing transparency which may underlie the fund.

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risks. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 3 - Investments and Fair Values of Financial Instruments.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income Taxes

The College is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt for Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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. Significant estimates include reserves for accounts receivable and loans receivable, decisions on what to capitalize, useful lives of depreciable assets and losses on such assets not yet realized, fair value of investments, deferred revenue associated with on-line courses, allocation of operating costs to programs as it relates to presentation in the financial statements and satisfaction of program restrictions for the release of net assets.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

Expenses associated with the operation and maintenance of the College plant assets, including interest and depreciation expense, are allocated based on estimated usage or the proportional share of each functional expense category to total functional expense for all other functions.

The College includes fundraising expenses as part of institutional support and other expenses. The amounts included in expense were approximately $641,000 and $655,000 for the years ended June 30, 2015 and 2014, respectively.

For the year ended June 30, 2015, program expenses totaled approximately $33,291,000 and management and general expense totaled approximately $3,219,000. For the year ended June 30, 2014, program expenses totaled approximately $33,616,000 and management and general expense totaled approximately $3,098,000.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Subsequent Events

The College has evaluated the impact of subsequent events on the College through October 13, 2015, the date the financial statements were issued.

Note 2 - Loans Receivable from Students

Loans receivable from students consist of the following at June 30:

	30-60 Days Past Due	60-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Financing Receivable	Recorded Investment > 90 Days and Accruing
June 30, 2015							
Perkins Loans	$ -	$ 480	$ 299,582	$ 300,062	$ 1,187,453	$ 1,487,515	$ 10,064
Nursing Loans	-	491	52,874	53,365	520,817	574,182	402
Credit Reserve	-	-	-	-	-	(69,180)	-
Student loans receivable, net	**$ -**	**$ 971**	**$ 352,456**	**$ 353,427**	**$ 1,708,270**	**$ 1,992,517**	**$ 10,466**
June 30, 2014							
Perkins Loans	$ -	$ 889	$ 286,918	$ 287,807	$ 1,158,207	$ 1,446,014	$ 6,795
Nursing Loans	-	117	44,306	44,423	509,798	554,221	379
Credit Reserve	-	-	-	-	-	(66,828)	-
Student loans receivable, net	**$ -**	**$ 1,006**	**$ 331,224**	**$ 332,230**	**$ 1,668,005**	**$ 1,933,407**	**$ 7,174**

Allowances for credit losses are as follows for the years ended June 30:

	Perkins Loans	Nursing Loans	Total
2015			
Beginning balance	$ 53,528	$ 13,300	$ 66,828
Charge-offs	-	-	-
Recoveries	-	-	-
Provision	94	2,258	2,352
Ending balance	**$ 53,622**	**$ 15,558**	**$ 69,180**
2014			
Beginning balance	$ 50,114	$ 11,471	$ 61,585
Charge-offs	-	-	-
Recoveries	-	-	-
Provision	3,414	1,829	5,243
Ending balance	**$ 53,528**	**$ 13,300**	**$ 66,828**

Note 2 - Loans Receivable from Students (Continued)

The allowances for the Perkins and Nursing Loans were collectively evaluated for impairment.

Note 3 - Investments and Fair Values of Financial Instruments

Investment income consisted of the following for the years ended June 30:

	2015	*2014*
Interest and dividends	$ 378,515	$ 368,264
Realized gains	2,168,556	1,009,572
Unrealized gains (losses)	(1,706,330)	2,091,264
Total investment return	840,741	3,469,100
Less investment return used in operations	589,820	608,767
Less investment management fees	95,910	-
Long-term investment return net of amounts used in operations	**$ 155,011**	**$ 2,860,333**

Investment management fees were $95,910 and $105,500 for the years ended June 30, 2015 and 2014, respectively. For the year ended June 30, 2014, investment management fees are included in operating expenses in Institutional support and other expenses.

Note 3 - Investments and Fair Values of Financial Instruments (Continued)

The following summarizes the College's financial instruments as of June 30, 2015 and 2014 based on inputs used to value them:

	2015			
	Level 1	***Level 2***	***Level 3***	***Total***
Cash equivalents	$ 4,572,851	$ -	$ -	$ 4,572,851
United States government and other agency obligations	-	383,418	-	383,418
Equity securities:				
Common stock	9,289,905	-	-	9,289,905
Investment companies	-	20,993	-	20,993
Debt securities:				
Corporate bonds	-	2,691,082	-	2,691,082
Preferred stock	-	155,477	-	155,477
Municipal bonds	-	94,770	-	94,770
Fixed income bond funds	1,525,480	-	-	1,525,480
	15,388,236	3,345,740	-	18,733,976
Beneficial interest in trusts	-	-	1,342,812	1,342,812
Total fair values of financial instruments	**$ 15,388,236**	**$ 3,345,740**	**$ 1,342,812**	**$ 20,076,788**

	2014			
	Level 1	***Level 2***	***Level 3***	***Total***
Cash equivalents	$ 494,153	$ -	$ -	$ 494,153
United States government and other agency obligations	-	878,815	-	878,815
Equity securities:				
Common stock	12,464,991	-	-	12,464,991
Investment companies	-	403,156	-	403,156
Debt securities:				
Corporate bonds	-	3,084,639	-	3,084,639
Preferred stock	-	149,144	-	149,144
Municipal bonds	-	159,728	-	159,728
Fixed income bond funds	2,170,391	-	-	2,170,391
	15,129,535	4,675,482	-	19,805,017
Beneficial interest in trust	-	-	1,179,551	1,179,551
Total fair values of financial instruments	**$ 15,129,535**	**$ 4,675,482**	**$ 1,179,551**	**$ 20,984,568**

Note 3 - Investments and Fair Values of Financial Instruments (Continued)

The changes in instruments measured at fair value for which the College has used Level 3 inputs to determine fair value are as follows:

	Beneficial Interest in Trusts
Balance as of July 1, 2013	$ 1,125,514
Change in value of trust	54,037
Balance as of June 30, 2014	1,179,551
Contribution of beneficial interest in trust	250,000
Change in value of trusts	(86,739)
Balance as of June 30, 2015	**$ 1,342,812**

A significant portion of the beneficial interest in trusts is invested in an investment vehicle that the Sisters of Mercy offer through their financial services partners. Such investment is a balanced fund containing equity and debt positions. Returns and costs are shared ratably among participants.

Certain United States government and other agency obligations and debt securities are valued using proprietary valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, discounted cash flows, reported trades, broker/dealer quotes, bids, offers and other data. These valuations are considered Level 2.

Management has assessed that fair value approximates carrying value for cash and cash equivalents, accounts receivable, deposits with trustee, accounts payable and student deposits given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for loans receivable and advances from the Federal government along with some smaller financial instruments. Accordingly, estimates of fair value have not been derived for these items. The estimated fair value of bonds payable is noted in the table below.

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds payable	$ 19,543,686	$ 20,436,060	$ 20,451,032	$ 21,005,818

Note 4 - Land, Buildings and Equipment

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

	2015	***2014***
Land and land improvements	$ 4,897,881	$ 4,764,646
Buildings and building improvements	48,599,341	48,146,571
Construction in progress	1,706,207	475,969
Furniture and equipment	9,941,089	9,357,585
	65,144,518	62,744,771
Less accumulated depreciation and amortization	26,462,752	25,079,045
	$ 38,681,766	**$ 37,665,726**

Included in furniture and equipment is equipment held under capital leases with a net book value of approximately $195,000 and $240,000 at June 30, 2015 and 2014, respectively. The liability for the capital leases is included in other liabilities on the statement of financial position.

During 2014, management determined that its previously capitalized collection of library books with a net book value of $750,980, and engineering and architectural costs for a proposed building of $137,706 no longer had any significant value and were written off. The loss resulting from this write-off is reported in nonoperating activities in the statement of activities.

Note 5 - Other Assets

Other assets include contributions and private grants receivable, deposits, debt financing costs (net of accumulated amortization), assets of split-interest agreements and other items. Debt financing costs at June 30, 2015 were $632,716, offset by accumulated amortization of $332,581. Debt financing costs at June 30, 2014 were $644,292, offset by accumulated amortization of $290,610. During 2015, the College received a rebate of debt financing costs totaling $11,576.

Note 6 - Bonds, Notes Payable and Lines of Credit

The College has bonds outstanding through the Maine Health and Higher Educational Facilities Authority ("MHHEFA"). As security for the bonds, the College granted MHHEFA a pledge of all gross receipts of the College, a security interest in its equipment, and a mortgage lien on its facilities. The bonds are due in varying amounts through 2033 and bear fixed rates of interest of between 2 and 5.25%.

The bonds are subject to restrictive covenants that restrict the College's ability to incur additional debt and to purchase assets that increase annual operating expenses during future periods by more than 20% per year.

Note 6 - Bonds, Notes Payable and Lines of Credit (Continued)

Bonds payable consist of the following at June 30:

		2015		***2014***
MHHEFA Revenue Bonds Series 2007A	$	7,305,913	$	7,680,913
MHHEFA Revenue Bonds Series 2010B		3,562,750		3,762,750
MHHEFA Revenue Bonds Series 2013A		7,628,600		7,898,600
		18,497,263		19,342,263
Plus unamortized premium		1,046,423		1,108,769
Bonds payable, net	**$**	**19,543,686**	**$**	**20,451,032**

The amount of aggregate annual principal payments on the bonds are as follows:

2016	$	910,000
2017		945,000
2018		980,000
2019		1,025,000
2020		1,070,000
Thereafter		13,567,263
		18,497,263
Plus unamortized premiums		1,046,423
Bonds payable, net	**$**	**19,543,686**

Interest expense and paid (including on notes payable and other borrowings included in other liabilities on the statement of financial position) were as follows for the years ended June 30:

		2015		***2014***
Amounts paid	$	893,382	$	780,980
Expense		878,996		943,040

The College also has a $1,500,000 continuing unsecured demand line of credit with a financial institution. The interest rate on any amounts borrowed under the line of credit is at the bank's prime rate plus 1.5% or the LIBOR rate plus 4% at the College's election. The College had a draw and paid off $700,000 for the year ended June 30, 2015. There were no draws against the line of credit for the year ended June 30, 2014. In addition, the College has provided credit cards to certain employees to facilitate payment of certain expenses. Such lines available under these cards were not considered significant.

Included in other liabilities are notes payable in the amount of $26,500 and $182,080 at June 30, 2015 and 2014, respectively. The last principal payment on these notes is due in 2016.

Note 7 - Employee Benefit Plan

The College maintains a defined contribution plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees with one year of service. The College contributes 5% of each eligible employee's base regular earnings to the plan on a current basis. The College's expense for the years ended June 30, 2015 and 2014 was approximately $647,000 and $619,000, respectively.

The College has a deferred compensation plan covering senior management personnel under Section 457(b) of the Internal Revenue Code. The plan document describes the terms of vesting and ultimate withdrawal of the assets. The College contributed $15,000 and $5,000 to the plan for the years ended June 30, 2015 and 2014, respectively. The assets and a corresponding liability of $32,525 and $16,519 are included in other assets and other liabilities as of June 30, 2015 and 2014, respectively.

Note 8 - Restricted Net Assets

Temporarily restricted net assets are available for the following at June 30:

	2015	***2014***
Contributions considered time, purpose and both time and purpose restricted	$ 533,991	$ 582,826
Accumulated unspent gains:		
Scholarships and financial aid	3,401,183	3,425,199
Other campus activities	1,143,950	996,725
	4,545,133	4,421,924
	$ 5,079,124	**$ 5,004,750**

Net assets were released from restrictions as follows for the year ended June 30:

	2015	***2014***
Operating:		
Scholarships and financial aid	$ 421,928	$ 472,160
Other campus activities	332,759	399,417
Grants	119,886	76,535
	874,573	948,112
Nonoperating:		
Equipment	211,303	94,202
	$ 1,085,876	**$ 1,042,314**

Note 8 - Restricted Net Assets (Continued)

Permanently restricted net assets are as follows at June 30:

	2015	2014
Endowment funds:		
Scholarships and financial aid	$ 3,470,138	$ 3,377,061
Other campus activities	963,209	946,903
Total permanently restricted endowment funds	4,433,347	4,323,964
Beneficial interest in trusts, income restricted for scholarships	1,342,812	1,179,551
Permanently restricted net assets	**$ 5,776,159**	**$ 5,503,515**

A substantial portion of the values in beneficial interest in trusts would revert to the Sisters of Mercy should the College not continue to operate. However, management has included such funds as it has concluded that such possibility is remote.

Note 9 - Net Assets and Endowment Matters

Endowment and funds functioning as endowments were as follows at June 30:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,545,133	$ 4,433,347	$ 8,978,480
Board-designated endowment funds	9,128,639	-	-	9,128,639
Total funds	**$ 9,128,639**	**$ 4,545,133**	**$ 4,433,347**	**$ 18,107,119**

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,421,924	$ 4,323,964	$ 8,745,888
Board-designated endowment funds	10,324,935	-	-	10,324,935
Total funds	**$ 10,324,935**	**$ 4,421,924**	**$ 4,323,964**	**$ 19,070,823**

Note 9 - Net Assets and Endowment Matters (Continued)

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

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 10,324,935	$ 4,421,924	$ 4,323,964	$ 19,070,823
Contributions	10,468	-	109,383	119,851
Investment income	1,424,172	1,120,867	-	2,545,039
Net appreciation	(973,123)	(733,207)	-	(1,706,330)
Amounts appropriated for expenditure	(1,657,813)	(264,451)	-	(1,922,264)
Endowment net assets, end of year	**$ 9,128,639**	**$ 4,545,133**	**$ 4,433,347**	**$ 18,107,119**

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,102,766	$ 3,120,273	$ 4,105,551	$ 16,328,590
Contributions	10,517	-	218,413	228,930
Investment income	758,644	616,141	-	1,374,785
Net appreciation	1,154,574	936,690	-	2,091,264
Amounts appropriated for expenditure	(701,566)	(251,180)	-	(952,746)
Endowment net assets, end of year	**$ 10,324,935**	**$ 4,421,924**	**$ 4,323,964**	**$ 19,070,823**

Endowment

The College's endowment consists of approximately 70 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 9 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

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

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the College
(7) The investment policies of the College

The College utilizes a spending rate covering most of its endowment and its quasi endowment which was computed as four percent of a three year rolling average of these amounts. The College has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015 or 2014.

Investment Return Objectives, Risk Parameters and Strategies

The College has adopted investment and spending polices, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which included equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible. Therefore, the College expects its endowment assets, over time, to produce an average rate of return which exceeds the inflation rate plus the level of spending. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized), rather than current yield (interest and dividends). The College targets a diversified asset allocation that places an emphasis on equity investments to achieve its long-term return objectives within prudent risk parameters. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note 9 - Net Assets and Endowment Matters (Continued)

Spending Policy

The spending policy calculates the amount of money annually distributed from the College's endowment and quasi endowment. The current spending policy is to distribute 4% of the average market value for the preceding three years. For the funds over which no draw was taken, the College's policy is to spend the available funds on an as needed basis for the purpose for which they were intended. In establishing this policy, the College considered the long-term expected return of its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Board of Trustees has approved an appropriation of approximately $639,000 in endowment income to be spent in support of operations for the year ending June 30, 2016, pursuant to the College's normal spending policy.

Note 10 - Commitments and Contingencies

The College is self-insured for purposes of payment of unemployment costs. Management has not recorded any obligation at the end of the year for costs of such given its lack of claims.

The College, from time to time, is subject to legal proceedings and claims which arise in the normal course of its business. Management believes the outcome of any pending or known matters will not have a materially adverse effect on the College's financial position or results of operations.

All funds expended and awarded by the College in connection with government grant and loan programs are subject to review or audit by government agencies or their representatives. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

The College has an annual contract with a food service consultant to provide advice over the College's operation of its facility that runs through June 30, 2018.

The College has an agreement with its president which extends automatically for one additional year upon mutual agreement. The contract includes a variety of business terms typical in the education sector.

The College entered into an agreement with a local utility company to purchase electricity at a fixed rate through November 1, 2017.

The College has an agreement that runs through July, 2023 with a company to operate laundry facilities, which includes the servicing of all equipment.

Note 11 - Prior Period Adjustment - Recognition of Beneficial Interest in Trust

During 2015, the College determined that it was the beneficiary of a trust established in 1965. The College had received annual income from that trust that was recognized as revenue in the year it was received. Accounting principles generally accepted in United States of America require that if a not-for-profit organization is the beneficiary of split-interest trusts held by a trustee and has an unconditional right to receive all or a portion of the specified cash flows from the assets held pursuant to that agreement, the organization should measure its beneficial interest in the trust at fair value. Accordingly, the College has reported the asset on the statement of financial position in the current year and restated the prior year amounts to reflect the asset.

The following sets forth the previously reported and restated amounts of affected line items within the 2014 financial statements.

	As Previously Reported	*Adjustments*	*As Restated*
<u>Statement of Financial Position</u>			
Beneficial interest in trust	$ -	$ 1,179,551	$ 1,179,551
Permanently restricted net assets	4,323,964	1,179,551	5,503,515
<u>Statement of Activities</u>			
Change in value of trust	-	54,037	54,037
Permanently restricted net assets, beginning of year	4,105,551	1,125,514	5,231,065
Change in net assets	2,639,554	54,037	2,693,591
<u>Statement of Cash Flows</u>			
Cash flows from operating activities:			
Change in net assets	2,639,554	54,037	2,693,591
Beneficial interest in trust	-	(54,037)	(54,037)