Financial Statements Together with
Report of Independent Certified Public Accountants

ITHACA COLLEGE

May 31, 2017 and 2016

ITHACA COLLEGE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Ithaca College:

We have audited the accompanying financial statements of Ithaca College (the "College"), which comprise the statements of financial position as of May 31, 2017 and 2016, 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. 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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ithaca College as of May 31, 2017 and 2016, 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.

Grant Thornton LLP

New York, New York
October 26, 2017

ITHACA COLLEGE
Statements of Financial Position
As of May 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 33,778,229	$ 12,110,301
Short-term investments	98,426,817	114,021,337
Accounts receivable, net of allowances of $200,000 in 2017 and 2016	2,630,594	2,434,552
Inventories, deferred charges and prepaid expenses	3,124,077	3,177,058
Contributions receivable, net	4,341,799	4,538,313
Notes receivable, net of allowances of $400,000 in 2017 and 2016	9,704,254	9,650,542
Long-term investments	300,715,519	267,328,459
Interest rate swap agreements	-	635,735
Property, plant and equipment, net	372,551,667	367,246,375
Total assets	$ 825,272,956	$ 781,142,672
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 30,537,278	$ 25,751,419
Deposits and deferred revenues	7,343,242	7,868,167
Debt obligations, net	150,694,880	157,152,850
Conditional asset retirement obligations	841,086	980,609
U.S. Government grants refundable	8,178,681	8,215,711
Interest rate swap agreements	11,848,057	15,084,286
Postretirement benefit obligation	13,774,684	14,396,366
Total liabilities	223,217,908	229,449,408
Commitments and contingencies		
NET ASSETS		
UNRESTRICTED		
Current operations	56,256,721	55,307,532
Matching funds under Federal Government loan program	2,044,976	1,688,393
Quasi-endowment	208,824,095	187,130,143
Debt service, property, plant and equipment renewal and replacement funds	27,973,943	27,614,639
Net investment in property, plant and equipment	154,491,729	140,994,783
Interest rate swap agreements	(11,848,057)	(14,448,551)
Total unrestricted	437,743,407	398,286,939
TEMPORARILY RESTRICTED		
Current operations and temporarily restricted pledges	2,572,481	1,669,097
Temporarily restricted endowments	40,982,334	31,758,659
Split-interest agreements	390,660	235,999
Property, plant and equipment purposes	67,365,058	69,098,742
Total temporarily restricted	111,310,533	102,762,497
PERMANENTLY RESTRICTED		
Endowment	50,909,090	48,439,657
Permanently restricted pledges	2,092,018	2,204,171
Total permanently restricted	53,001,108	50,643,828
Total net assets	602,055,048	551,693,264
Total liabilities and net assets	$ 825,272,956	$ 781,142,672

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

ITHACA COLLEGE
Statement of Activities
For the year ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
OPERATING REVENUES AND SUPPORT				
Tuition and fees	$ 272,060,285	$ -	$ -	$ 272,060,285
Less financial aid	(121,794,191)	-	-	(121,794,191)
Net tuition and fees	150,266,094	-	-	150,266,094
Sales of auxiliary services	70,123,265	-	-	70,123,265
Investment income	884,774	284,272	-	1,169,046
Private gifts and grants	5,375,538	1,050,769	-	6,426,307
Federal grants and contracts	2,260,788	-	-	2,260,788
State appropriations	1,132,787	-	-	1,132,787
Sales and services of educational departments	3,898,745	-	-	3,898,745
Other revenues	319,583	18,000	-	337,583
Net investment return designated for operations	10,962,476	-	-	10,962,476
Net assets released from restrictions for facilities	1,322,431	-	-	1,322,431
Net assets released from restrictions for operating and program purposes	721,568	(721,568)	-	-
Total operating revenues and support	247,268,049	631,473	-	247,899,522
OPERATING EXPENSES				
Instruction, research and public service	94,515,670	-	-	94,515,670
Academic support	21,120,658	-	-	21,120,658
Student services	27,519,034	-	-	27,519,034
Institutional support	39,727,932	-	-	39,727,932
Auxiliary activities	43,406,373	-	-	43,406,373
Total expenses	226,289,667	-	-	226,289,667
Increase in net assets from operating activities	20,978,382	631,473	-	21,609,855
NONOPERATING ACTIVITIES				
Net assets released from restrictions for facilities	-	(1,322,431)	-	(1,322,431)
Net assets released from restrictions for nonoperating purposes and redesignations	(2,137,951)	2,077,752	60,199	-
Capital gifts and other additions	1,274,488	21,894	2,297,081	3,593,463
Write off of capital gifts and other additions	(5,500)	-	-	(5,500)
Investment return	23,497,744	10,317,313	-	33,815,057
Net investment return designated for operations	(7,784,511)	(3,177,965)	-	(10,962,476)
Postretirement benefits expense other than net periodic benefit cost	1,033,322	-	-	1,033,322
Change in fair value of interest rate swap agreements	2,600,494	-	-	2,600,494
Increase in net assets from nonoperating activities	18,478,086	7,916,563	2,357,280	28,751,929
Changes in net assets	39,456,468	8,548,036	2,357,280	50,361,784
Net assets, beginning of year	398,286,939	102,762,497	50,643,828	551,693,264
Net assets, end of year	$ 437,743,407	$ 111,310,533	$ 53,001,108	$ 602,055,048

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

ITHACA COLLEGE
Statement of Activities
For the year ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
OPERATING REVENUES AND SUPPORT				
Tuition and fees	$ 267,632,976	$ -	$ -	$ 267,632,976
Less financial aid	(116,671,204)	-	-	(116,671,204)
Net tuition and fees	150,961,772	-	-	150,961,772
Sales of auxiliary services	69,312,205	-	-	69,312,205
Investment income	1,483,425	76,326	-	1,559,751
Private gifts and grants	5,628,459	947,215	-	6,575,674
Federal grants and contracts	1,999,090	-	-	1,999,090
State appropriations	1,001,231	-	-	1,001,231
Sales and services of educational departments	5,171,393	-	-	5,171,393
Other revenues	277,163	-	-	277,163
Net investment return designated for operations	9,533,243	-	-	9,533,243
Net assets released from restrictions for facilities	1,322,202	-	-	1,322,202
Net assets released from restrictions for operating and program purposes	410,218	(410,218)	-	-
Total operating revenues and support	247,100,401	613,323	-	247,713,724
OPERATING EXPENSES				
Instruction, research and public service	92,713,953	-	-	92,713,953
Academic support	21,996,314	-	-	21,996,314
Student services	27,450,266	-	-	27,450,266
Institutional support	35,203,837	-	-	35,203,837
Auxiliary activities	41,164,211	-	-	41,164,211
Total expenses	218,528,581	-	-	218,528,581
Increase in net assets from operating activities	28,571,820	613,323	-	29,185,143
NONOPERATING ACTIVITIES				
Net assets released from restrictions for facilities	-	(1,322,202)	-	(1,322,202)
Net assets released from restrictions for nonoperating purposes	38,595	(38,595)	-	-
Capital gifts and other additions	77,760	12,301	2,252,415	2,342,476
Write off of capital gifts and other additions	-	(9,116)	-	(9,116)
Investment return	(8,008,084)	(3,976,701)	-	(11,984,785)
Net investment return designated for operations	(6,805,233)	(2,728,010)	-	(9,533,243)
Postretirement benefits expense other than net periodic benefit cost	725,620	-	-	725,620
Gain on bond restructuring	163,336	-	-	163,336
Loss on interest rate swap termination	(2,169,100)	-	-	(2,169,100)
Change in fair value of interest rate swap agreements	1,087,534	-	-	1,087,534
(Decrease) increase in net assets from nonoperating activities	(14,889,572)	(8,062,323)	2,252,415	(20,699,480)
Changes in net assets	13,682,248	(7,449,000)	2,252,415	8,485,663
Net assets, beginning of year	384,604,691	110,211,497	48,391,413	543,207,601
Net assets, end of year	$ 398,286,939	$ 102,762,497	$ 50,643,828	$ 551,693,264

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

ITHACA COLLEGE
Statements of Cash Flows
For the years ended May 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 50,361,784	$ 8,485,663
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,544,723	20,047,090
Net realized and unrealized (gains) losses on investments	(29,110,334)	11,984,785
Change in fair value of interest rate swap agreements	(2,600,494)	(1,087,534)
Change in present value discount on contributions receivable	(25,653)	(11,084)
Change in allowance for doubtful pledges on contributions receivable	164,475	(1,475)
Gifts of property and equipment	(1,287,488)	-
Amortization of bond discount, bond premium and bond issuance costs	(258,223)	4,127,546
Termination of interest rate swap agreement	-	2,169,100
Accretion of interest and liability adjustment for conditional asset retirement obligations	(139,523)	(50,003)
Contributions and investment income restricted for long-term investment	(377,414)	(1,418,668)
Changes in assets and liabilities:		
Increase in accounts receivable	(196,042)	(433,776)
Decrease (increase) in contributions receivable	57,692	(732,045)
Decrease in inventories, deferred charges and prepaid expenses	52,981	96,949
Increase in accounts payable and accrued expenses	4,785,859	2,689,594
(Decrease) in deposits and deferred revenues	(524,925)	(1,223,350)
(Decrease) increase in postretirement benefit obligation	(621,682)	19,366
Net cash provided by operating activities	41,825,736	44,662,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25,562,527)	(16,601,625)
Purchases of investments	(275,403,423)	(90,311,044)
Proceeds from the sales of investments	286,721,217	76,692,597
Notes receivable - disbursements	(1,751,755)	(1,947,559)
Notes receivable - collections	1,698,043	1,610,384
Net cash used in investing activities	(14,298,445)	(30,557,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and investment income restricted for long-term investment	377,414	1,418,668
Payments on debt obligations	(6,199,747)	(55,294,393)
Proceeds from debt obligations	-	43,965,000
Termination of interest rate swap agreement	-	(2,169,100)
Decrease in U.S. Government grants refundable	(37,030)	(60,357)
Net cash used in financing activities	(5,859,363)	(12,140,182)
Net increase in cash and cash equivalents	21,667,928	1,964,729
Cash and cash equivalents, beginning of year	12,110,301	10,145,572
Cash and cash equivalents, end of year	$ 33,778,229	$ 12,110,301
Supplemental disclosure:		
Cash paid for interest on debt obligations	$ 7,144,543	$ 7,681,193

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ithaca College (the "College") is a four-year, primarily undergraduate institution which offers a diversified program of professional and liberal arts studies. The College was founded in 1892 as the Ithaca Conservatory of Music, and became a nonprofit, private college in 1931. The current campus is relatively new, as its construction began in approximately 1960. Today, the College offers a wide variety of programs through the School of Business, the Roy H. Park School of Communications, the School of Health Sciences and Human Performance, the School of Humanities and Sciences, and the School of Music.

The College's programs are designed to address the need for rigorous academic preparation in highly specialized professional fields and the need for students to prepare themselves for the complex demands of modern society by acquiring intellectual breadth beyond the bounds of their chosen profession.

The College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Basis of Presentation

The accompanying financial statements of the College have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Classifications of Net Assets

The College reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets
Unrestricted net assets represent expendable resources that are generally available for support of the College's activities, with certain designations. Specifically, certain unrestricted net assets are committed through contractual agreements. Such amounts primarily consist of matching funds under a student loan program of the federal government and required trustee balances under debt obligation agreements.

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

Permanently Restricted Net Assets

Permanently restricted net assets result from donors who stipulate that their donated resources be maintained in perpetuity by the College. Generally, the College is permitted to expend part or all of the income and gains derived from these donated assets, restricted only by donors' stipulations as to their use, a standard of prudence and other provisions governing endowment funds of this nature pursuant to the New York Prudent Management of Institutional Funds Act ("NYPMIFA") (see Note 11).

Fair Value Measurements

The College follows guidance that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by the standard.

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

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

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 include listed equities held in the name of the College, and exclude listed equities and other securities held indirectly through commingled funds.

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

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnership and similar interests.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 820-10, investments measured at fair value using net asset value ("NAV") per share as a practical expedient have not been categorized in the fair value hierarchy, as permitted by ASU 2015-07.

Revenue Recognition

Tuition revenues for the fall and spring are recognized in the academic semester to which they relate. Revenues and expenses relating to summer session activities that are completed prior to fiscal year-end are recognized in the current fiscal year. The carrying value of student receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value. Student receivables are written-off when deemed uncollectible.

Short-Term Investments

Short-term investments are reported at fair value based on quoted market values and consist principally of U.S. treasuries, corporate bonds, money market funds, and cash and cash equivalents designated for investment purposes. These investments are intended to be used for current operations.

Long-Term Investments

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

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

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid financial instruments, except for those assigned to the College's investment managers as part of the College's long-term investment strategies, with original maturities of three months or less from the date of purchase.

Property, Plant and Equipment

The College capitalizes computer equipment with a cost of $5,000 or more and other equipment and fixed assets with costs of $2,000 or more which have useful lives greater than one year. Property, plant and equipment are stated at cost and are depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	10 to 40 years
Buildings	8 to 60 years
Building improvements	10 to 20 years
Equipment	5 to 10 years
Enterprise software	10 to 15 years

Assets acquired under capital lease obligations are depreciated over the shorter of their economic useful life or the lease term.

Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the College and the resulting gain or loss, if any, is reflected as part of nonoperating activities.

Contributions

Contributions received, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at fair value. In addition, contributions are distinguished between and recorded as contributions that increase unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions as well as donor-restricted income and gains whose restrictions are met within the same year as received are reflected as unrestricted revenue in the statement of activities. The carrying value of contribution receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value. Contribution receivables are written-off when deemed uncollectible.

Contributions of long-lived assets, cash or other assets to be used to acquire or construct long-lived assets are reported as temporarily restricted revenues. The release of the restriction occurs over the depreciable life of the constructed asset.

Grants and Contracts

Revenue from grants and contracts is recognized as related expenses are incurred in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenues. Contract and grants receivables are written-off when deemed uncollectible.

Contributed Goods

In-kind contributions received through donations are valued and recorded as revenue and expenses at their fair value at the time the contribution is received.

Functional Expenses

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The College’s primary program services are instruction, research and public service. Expenses reported as academic support, student services, institutional support and auxiliary activities are incurred in support of these primary program services. The College allocates operation and maintenance of plant, depreciation and amortization and interest expense based on proportional expenditures using estimates of building square footage and the functional use of each facility financed by debt.

Operations

The accompanying statements of activities report the changes in unrestricted, temporarily restricted and permanently restricted net assets, distinguishing between operating and nonoperating activities. Unrestricted operating revenues consist of those activities attributable to the College’s primary mission of providing education, research and public service. They include investment earnings on the College’s operating cash flows and a portion of the return on long-term investments as determined in accordance with the College’s spending rate policy. The remaining return (loss) on long-term investments is classified as part of nonoperating activities. Nonoperating activities also include capital and endowment contributions; net assets released from restrictions for capital purposes; changes in the value of certain financial instruments; and, other activities considered to be more of an unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with US 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. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, notes and contributions receivable; the determination of the College's postretirement benefit obligation; provision for operating accruals; useful lives assigned to fixed assets; conditional asset retirement obligations; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents and investments in fixed income funds, equity funds and limited partnership and similar interests. The College maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits. The College's cash investments were placed in high quality financial institutions. To minimize risks associated with investments, the College has a diversified investment portfolio in a variety of asset classes. The College does not anticipate any material losses with respect to such accounts due to concentration of credit risk.

Income Taxes

The College is exempt from federal income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The College is, likewise, exempt from New York state income tax under comparable state statutes. The College derives revenues from an unrelated trade or business and files a Federal Form 990-T (and corresponding state UBIT returns) to pay its associated tax liabilities. The calculated income tax provision is immaterial and thus no provision is recorded in the financial statements.

The College follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The College has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The College has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the years ended May 31, 2017 and May 31, 2016.

New Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2017 (early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period). The guidance permits the use of either a retrospective or cumulative effect transition method. The College is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the College for fiscal year 2020. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The College is in the process of evaluating the impact this standard will have on the financial statements.

Reclassifications

The College reclassified certain amounts in to conform to the current year presentation. These changes did not impact total assets, liabilities, net assets or the changes in net assets reported in the prior year.

Subsequent Events

The College evaluated its May 31, 2017 financial statements for subsequent events through October 26, 2017, the date the financial statements were issued. The College is not aware of any material subsequent events which would require recognition or disclosure in the financial statements.

2. CONTRIBUTIONS RECEIVABLE, NET

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Of the contributions receivable outstanding at May 31, 2017 and 2016, $501,199 and $821,312, respectively, are temporarily restricted for land, property improvements and other purposes, and represent pledges for the Athletics and Events Center, Dillingham Renovations, Boathouse, and Baseball Backstop.

At May 31, 2017, of the remaining contributions receivable, $1,258,452 was temporarily restricted for other purposes, $754,448 was time restricted and $2,092,018 was permanently restricted for endowment purposes. At May 31, 2016, of the remaining contributions receivable, $750,217 was temporarily restricted for other purposes, $888,109 was time restricted and $2,204,171 was permanently restricted for endowment purposes.

Contributions receivable, net, are summarized as follows at May 31, 2017 and 2016:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 2,163,600	$ 1,614,318
One to five years	2,292,517	3,046,491
After five years	150,000	3,000
	4,606,117	4,663,809
Less: Allowance for doubtful accounts	(182,725)	(18,250)
Less: Unamortized discount to present value	(81,593)	(107,246)
Contributions receivable, net	$ 4,341,799	$ 4,538,313

Contributions to be received after one year are discounted using a credit-adjusted rate. Discount rates on all outstanding contributions ranged between 1.17% and 2.04% at May 31, 2017 and 2016. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. During fiscal 2017 and 2016, the College was notified of certain intentions to give. These conditional gifts, if received, would be used principally in support of scholarships. Consistent with US GAAP, such amounts have not been included in contributions receivable due to their conditional nature.

Total costs incurred for fund-raising activities, which are recorded as an expense when incurred, totaled $3,426,067 and $3,380,837 in fiscal 2017 and 2016, respectively, and are included as part of institutional support in the accompanying statements of activities.

3. INVESTMENTS

Investments, which include long-term and short-term investments, consist of the following at May 31, 2017 and 2016:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash, deposits, and money markets	$ 39,952,513	$ 39,952,513	$ 38,495,031	$ 38,495,031
Fixed income	97,936,075	96,233,345	107,782,039	106,463,017
Equities	30,499,162	26,324,471	26,811,491	25,995,360
Hedge funds and absolute return funds	190,829,958	129,632,345	164,090,686	126,715,927
Private equities	16,883,446	21,686,715	18,144,837	21,801,543
Real estate funds	23,041,182	26,144,699	26,025,712	31,749,441
	$ 399,142,336	$ 339,974,088	$ 381,349,796	$ 351,220,319

Investments are held for the following purposes at May 31, 2017 and 2016:

	2017		2016	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Endowment and similar purposes	300,715,519	241,883,794	267,328,459	237,380,278
Operating and other investments	98,426,817	98,090,294	114,021,337	113,840,041
	$ 399,142,336	$ 339,974,088	$ 381,349,796	$ 351,220,319

For investment purposes, a portion of the long-term investments is pooled with assets owned by separate funds based upon shares purchased by the funds when they enter the pool. The pooled assets are valued on a monthly basis and a per share fair value is determined and used to calculate the number of shares applicable to funds entering or exiting the pool.

The College has adopted a total return spending policy on its endowment and similar investments. Under this policy, the College utilizes an amount ranging between 4% and 6% of the average quarterly fair value of its pooled investment portfolio for the preceding five years. The College utilized 4.16% and 4.24% of the average quarterly fair value of its pooled investment portfolio in fiscal 2017 and 2016, respectively. To the extent that the total spending requirement for the current year is not fulfilled by interest and dividends, the College utilizes unrealized and realized appreciation of the endowment and assets held for similar purposes. Net realized and unrealized gains and losses, which are recognized as either unrestricted, temporarily restricted, or permanently restricted, depending upon donor stipulations, if any, are also maintained within the portfolio of endowment and other assets held for similar purposes.

The following schedule summarizes the net investment return and its classification in the 2017 and 2016 statements of activities:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Dividends and interest, net	$ 4,177,006	$ 1,696,763	$ -	$ 5,873,769
Net realized and unrealized losses	20,205,512	8,904,822	-	29,110,334
Total return on investments	$ 24,382,518	$ 10,601,585	$ -	$ 34,984,103
Investment income designated for operations	$ 884,774	$ 284,272	$ -	$ 1,169,046
Net investment appreciation designated for operations	7,784,511	3,177,965	-	10,962,476
Return on investments available for reinvestment	15,713,233	7,139,348	-	22,852,581
Total return on investments	$ 24,382,518	$ 10,601,585	$ -	$ 34,984,103

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest, net	$ 1,483,425	$ 76,326	$ -	$ 1,559,751
Net realized and unrealized losses	(8,008,084)	(3,976,701)	-	(11,984,785)
Total return on investments	$ (6,524,659)	$ (3,900,375)	$ -	$ (10,425,034)
Investment income designated for operations	$ 1,483,425	$ 76,326	$ -	$ 1,559,751
Net investment appreciation designated for operations	6,805,233	2,728,010	-	9,533,243
Return on investments available for reinvestment	(14,813,317)	(6,704,711)	-	(21,518,028)
Total return on investments	$ (6,524,659)	$ (3,900,375)	$ -	$ (10,425,034)

Investment management and custodian fees are netted against investment returns and totaled $1,095,868 and $940,585 in fiscal 2017 and 2016, respectively.

The following table presents the fair value hierarchy of investments that are measured at fair value on a recurring basis as of May 31, 2017:

	Total	Level 1	Net Asset Value
Cash, deposits, and money markets	$ 39,952,513	$ 39,952,513	$ -
Fixed income	97,936,075	84,747,359	13,188,716
Equities	30,499,162	30,499,162	-
Hedge funds and absolute return funds	190,829,958	-	190,829,958
Private equities	16,883,446	-	16,883,446
Real estate	23,041,182	-	23,041,182
	$ 399,142,336	$ 155,199,034	$ 243,943,302

The following table presents the fair value hierarchy of investments that are measured at fair value on a recurring basis as of May 31, 2016:

	Total	Level 1	Net Asset Value
Cash, deposits, and money markets	$ 38,495,031	$ 38,495,031	$ -
Fixed income	107,782,039	94,877,337	12,904,702
Equities	26,811,491	26,811,491	-
Hedge funds and absolute return funds	164,090,686	-	164,090,686
Private equities	18,144,837	-	18,144,837
Real estate	26,025,712	-	26,025,712
	$ 381,349,796	$ 160,183,859	$ 221,165,937

The College uses the NAV per share for purposes of reporting the fair value of all its underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category reported at fair value using a NAV.

The following table lists the redemption terms and unfunded commitments for alternative investments at May 31, 2017:

Category	Significant Investment Strategy	NAV in Funds	# of Funds	Life of Fund	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Fixed income	High quality sovereign bonds	$ 13,188,716	1	N/A	$ -	N/A	Daily to 10 business days notice	N/A	N/A
Hedge funds and absolute return funds	High growth and long-term capital appreciation	190,829,958	18	N/A	-	N/A	Quarterly within 45 days notice, April 1 with 90 days notice and December 31 with 90 days notice	N/A	N/A
Private equities	High growth private companies and capital appreciation	16,883,446	18	Up to 15 years	8,313,672	Over the life of the funds	Illiquid	N/A	N/A
Real estate funds	Real assets and debt investments	23,041,182	9	Up to 10 years	9,837,333	Over the life of the funds	2 funds with daily liquidity, 9 funds are illiquid	N/A	N/A
Total		$ 243,943,302	46		$ 18,151,005				

The following table lists the redemption terms and unfunded commitments for alternative investments at May 31, 2016:

Category	Significant Investment Strategy	NAV in Funds	# of Funds	Life of Fund	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Fixed income	High quality sovereign bonds	$ 12,904,702	1	N/A	$ -	N/A	Daily to 10 business days notice	N/A	N/A
Hedge funds and absolute return funds	High growth and long-term capital appreciation	164,090,686	19	N/A	-	N/A	Quarterly within 45 days notice, April 1 with 90 days notice and December 31 with 90 days notice	N/A	N/A
Private equity	High growth private companies and capital appreciation	18,144,837	17	Up to 15 years	9,888,535	Over the life of the funds	Illiquid	N/A	N/A
Real estate funds	Real assets and debt investments	26,025,712	11	Up to 10 years	11,045,519	Over the life of the funds	2 funds with daily liquidity, 9 funds are illiquid	N/A	N/A
Total		$ 221,165,937	48		$ 20,934,054				

4. STUDENT LOANS RECEIVABLE AND REFUNDABLE GOVERNMENT GRANTS

The College makes uncollateralized loans to students based on financial need under the Federal Perkins loan program. Student loans are funded through Federal government loan programs or institutional resources. At May 31, 2017 and 2016, student loans represented 1.2% of total assets.

	2017	2016
Federal government programs	$ 10,104,254	$ 10,050,542
Less: Allowance for doubtful accounts:	(400,000)	(400,000)
Student loans receivable, net	$ 9,704,254	$ 9,650,542

Of these loan amounts, $6,865,388 and $6,661,951 as of May 31, 2017 and 2016, respectively, are not yet in repayment status.

At May 31, 2017 and 2016, the following amounts were past due under the student loan program:

May 31,	In Default < 240 Days (Monthly Installments) or 270 Days (Other Installments)	In Default > 240 Days (Monthly Installments) or 270 Days (Other Installments) and < 2 Years	In Default > 2 Years, Up To 5 Years	In Default > 5 Years	Total Past Due
2017	$ 453,016	$ 128,958	$ 169,890	$ 206,677	$ 958,541
2016	499,580	159,388	167,510	182,905	1,009,383

The availability of funds for loans under the Federal Perkins loan program is dependent on reimbursement to the pool from repayments on outstanding loans from student loan recipients. Funds advanced by the Federal government of $8,178,681 and $8,215,711 at May 31, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities on the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for future loans to eligible students and a decrease in the liability to the government.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consists of the following at May 31, 2017 and 2016:

	2017	2016
Land improvements	$ 5,054,347	$ 3,972,457
Buildings and building improvements	521,886,548	506,796,357
Equipment and software	92,650,441	87,890,099
	619,591,336	598,658,913
Less: Accumulated depreciation	(260,400,460)	(244,728,232)
Land	13,360,791	13,315,694
Property, plant and equipment, net	$ 372,551,667	$ 367,246,375

There were no interest expenses capitalized to construction projects for the years ended May 31, 2017 and 2016.

6. DEBT OBLIGATIONS

Debt obligations at May 31, 2017 and 2016, consist of the following:

	2017	2016
Tompkins County Industrial Development Agency, Civic Facility Revenue Bonds:		
Series 2004, variable rate bonds, bearing interest at rate reset weekly; interest ranged between 0.01% and 0.94% during the years ended May 31, 2017 and 2016; payable in annual sinking fund installments to maturity in July 2034[1,2,3]	$ 23,075,000	$ 24,000,000
Series 2005B, bank rate bonds held by TD Bank, N.A., bearing interest at 1M LIBOR plus 74 basis points, multiplied by 70.50%; interest ranged between 0.65% and 1.22% during the years ended May 31, 2017 and 2016; payable in annual sinking fund installments to maturity in July 2026[1]	36,065,000	37,520,000
Tompkins County Development Corporation, Tax-Exempt Revenue Bonds (Ithaca College Project):		
Series 2011, 3.00%-5.50% fixed rate bonds, net of $28,326 and $29,515 unamortized discount at May 31, 2017 and 2016, respectively; maturing serially through July 2016, payable thereafter in annual sinking fund installments to maturity in July 2033, July 2036, and July 2041[1,2]	23,466,674	23,975,485
Tompkins County Development Corporation, Tax-Exempt Revenue Refunding Bonds (Ithaca College Project):		
Series 2015, 3.00%-5.00% fixed rate bonds, net of $4,387,284 and $4,837,140 unamortized premium at May 31, 2017 and 2016, respectively; maturing serially through July 2034, payable thereafter in annual sinking fund installments to maturity in July 2038[1]	45,807,285	48,802,140
Mortgage Notes held by Nationwide Life Insurance Company:		
College Circle #1, 6.78% fixed rate; payable monthly and maturing October 2033[4]	16,670,550	17,206,326
College Circle #2, 6.63% fixed rate; payable monthly and maturing October 2033[4]	522,332	539,376
College Circle #3, 7.26% fixed rate, payable monthly and maturing October 2033[4]	2,635,098	2,715,748
College Circle #4, 6.80% fixed rate, payable monthly and maturing October 2033[4]	4,092,940	4,224,217
	152,334,879	158,983,292
Less: Bond issuance costs	(1,639,999)	(1,830,442)
Debt obligations, net	$ 150,694,880	$ 157,152,850

[1]Secured by a parity pledge of the College's tuition and fee revenue.
[2]Additionally secured by a financial guaranty insurance policy.
[3]Enhanced by letter of credit issued by TD Bank, N.A., which expires on December 31, 2018.
[4]Collateralized by the College Circle Apartments and improvements located thereon.

Interest expense on debt obligations totaled $7,042,904 and $7,193,794 for the years ended May 31, 2017 and 2016, respectively. Interest expense includes interest incurred on outstanding bonds and notes, amortization of discount and premium, amortization of bond issuance costs, net interest rate swap payments incurred, remarketing fees, and letter of credit fees. Discount, premium, and issuance costs are amortized using the effective interest method over the period the bonds are outstanding.

Under the terms of the loan agreements associated with the College's debt obligations, the College is required to maintain compliance with various covenants, including certain financial ratios. As of May 31, 2017 and 2016, the College was in compliance with the required covenants.

The aggregated required principal and sinking fund payments on all bonds and notes payable for each of the next five fiscal years, and thereafter to maturity, are as follows:

Year ending May 31,	
2018	$ 7,168,652
2019	7,456,359
2020	7,793,136
2021	8,129,270
2022	8,535,068
Thereafter	108,893,436
Total payments	147,975,921
Plus: Unamortized premium and discount, net	4,358,958
Less: Unamortized costs of issuance	(1,639,999)
Debt obligations, net	$ 150,694,880

Tompkins County Development Corporation, Tax-Exempt Revenue Refunding Bonds (Ithaca College Project), Series 2015 ("Series 2015 Bonds")

In September 2015, the College issued bonds totaling $43,965,000 to refund the Tompkins County Industrial Development Agency, Civic Facility Revenue Bonds (Ithaca College Project), Series 2007 ("Series 2007 Bonds") and the Dormitory Authority of the State of New York, Ithaca College Revenue Bonds, Series 2008 ("Series 2008 Bonds"). In connection with this transaction, the College recorded a gain on bond restructuring of $163,336 for the year ended May 31, 2016.

7. INTEREST RATE SWAPS

The College utilizes interest rate swap agreements as a strategy for managing interest rate risk associated with its variable rate bond obligations. While the use of these agreements is for risk management purposes, their use by the College is not considered to be hedging activity based on definitions in generally accepted accounting principles. The objectives for holding the interest rate swap agreements in the context of each debt issuance are as follows:

Series 2004 Bonds

Concurrent with the issuance of the Series 2004 Bonds, the College entered into a fixed payer interest rate swap agreement that expires coincident with the maturity of the Series 2004 Bonds in July 2034 ("2004 Fixed Payer").

Series 2005B Bonds

Concurrent with the issuance of the Series 2005B Bonds, the College entered into a fixed payer interest rate swap agreement that expires coincident with the maturity of the Series 2005B Bonds in July 2026 ("2005 Fixed Payer").

Series 2007 Bonds

In connection with the issuance of the Series 2007 Bonds, the College entered into two fixed payer interest rate swap agreements that expire coincident with the original maturity of the Series 2007 Bonds in July

2037 ("2007 Fixed Payer I" and "2007 Fixed Payer II"). In 2009 when the Series 2007 Bonds were converted to intermediate term fixed rate bonds, the College entered into two fixed receiver interest rate swap agreements to counterbalance the fixed payer agreements; the fixed receiver agreements expired coincident with the maturity of the re-offered Series 2007 Bonds in July 2016 ("2007 Fixed Receiver I" and "2007 Fixed Receiver II").

Series 2008 Bonds

In connection with the issuance of the Series 2008 Bonds, the College entered into a fixed payer interest rate swap agreement that was set to expire coincident with the maturity of the Series 2008 Bonds in July 2038. In 2009 when the Series 2008 Bonds were converted to intermediate term fixed rate bonds, the College entered into a fixed receiver interest rate swap agreement to counterbalance the 2008 Fixed Payer swap agreement; the agreement was set to expire in accordance with the maturity of the re-offered Series 2008 Bonds in July 2017 ("2008 Fixed Receiver").

Series 2015 Bonds

In connection with the issuance of the Series 2015 Bonds, which refunded the 2009 re-offerings of the Series 2007 Bonds and Series 2008 Bonds due to mature in July 2016 and July 2017, respectively, the College executed or terminated the related interest rate swap agreements as follows:

Series 2007 Bonds: In December 2015, the College restructured the interest rate swap exposure associated with the Series 2007 Bonds. Whereas the 2007 Fixed Payer I and 2007 Fixed Payer II swaps expire in July 2037, and whereas the counterbalancing 2007 Fixed Receiver I and 2007 Fixed Receiver II swaps were scheduled to expire in July 2016, the College entered into two new counterbalancing fixed receiver interest rate swap agreements that became effective in July 2016 and terminate coincident with the original maturity of the Series 2007 Bonds in July 2037 ("2015 Fixed Receiver I" and "2015 Fixed Receiver II").

Series 2008 Bonds: In December 2015, the College terminated the 2008 Fixed Payer and 2008 Fixed Receiver interest rate swap agreements associated with the Series 2008 Bonds in order to reduce its potential risk and recognized a nonoperating loss of $2,169,100 for the year ended May 31, 2016.

The terms of the College's interest rate swap agreements are summarized as follows:

Swap Agreement	Counterparty	Initial Notional	Maturity	Rate Received	Rate Paid
2004 Fixed Payer	UBS AG	$ 10,420,000 [1]	July 2034	59% 1M LIBOR +40bp	3.4049%
2005 Fixed Payer	Bank of America, N.A.	40,290,000 [2]	July 2026	67% 1M LIBOR	3.220%
2007 Fixed Payer I	Royal Bank of Canada	19,075,000 [2]	July 2037	67% 1M LIBOR	3.721%
2007 Fixed Payer II	Royal Bank of Canada	11,565,000 [2]	July 2037	67% 1M LIBOR	3.398%
2007 Fixed Receiver I	Royal Bank of Canada	18,360,000 [2]	July 2016	2.052%	67% 1M LIBOR
2007 Fixed Receiver II	Royal Bank of Canada	11,565,000 [2]	July 2016	2.046%	67% 1M LIBOR
2015 Fixed Receiver I	Royal Bank of Canada	15,220,000 [2]	July 2037	1.376%	67% 1M LIBOR
2015 Fixed Receiver II	Royal Bank of Canada	9,805,000 [2]	July 2037	1.366%	67% 1M LIBOR
2008 Fixed Payer	Royal Bank of Canada	38,505,000 [2]	July 2038	67% 1M LIBOR	3.447%
2008 Fixed Receiver	Royal Bank of Canada	36,415,000 [2]	July 2017	1.864%	67% 1M LIBOR

[1]The notional is constant through July 2028; thereafter the notional declines in accordance with the repayment schedule of the underlying debt.

[2]The notional declines in accordance with the repayment schedule of the underlying debt.

The estimated fair values of derivative assets and liabilities at May 31, 2017 and 2016, respectively, are summarized as follows, along with the net gains and losses for the respective years then ended.

2017

Swap Agreement	Notional Outstanding	Derivative Assets	Derivative Liabilities	Net Gain (loss)
2004 Fixed Payer	$ 10,420,000	$ -	$ (2,230,318)	$ 536,298
2005 Fixed Payer	36,065,000	-	(4,093,868)	1,479,038
2007 Fixed Payer I	15,220,000	-	(3,410,135)	854,266
2007 Fixed Payer II	9,805,000	-	(1,961,088)	519,275
2007 Fixed Receiver I	-	-	-	(45,940)
2007 Fixed Receiver II	-	-	-	(28,314)
2015 Fixed Receiver I	15,220,000	-	(92,125)	(432,521)
2015 Fixed Receiver II	9,805,000	-	(60,523)	(281,608)
	$ 96,535,000	$ -	$ (11,848,057)	$ 2,600,494

2016

Swap Agreement	Notional Outstanding	Derivative Assets	Derivative Liabilities	Net Gain (Loss)
2004 Fixed Payer	$ 10,420,000	$ -	$ (2,766,616)	$ (374,858)
2005 Fixed Payer	37,520,000	-	(5,572,906)	(173,692)
2007 Fixed Payer I	15,715,000	-	(4,264,401)	(368,422)
2007 Fixed Payer II	10,085,000	-	(2,480,363)	(265,877)
2007 Fixed Receiver I	15,715,000	45,940	-	(283,564)
2007 Fixed Receiver II	10,085,000	28,314	-	(181,122)
2015 Fixed Receiver I	15,220,000	340,396	-	340,396
2015 Fixed Receiver II	9,805,000	221,085	-	221,085
2008 Fixed Payer	-	-	-	2,944,890
2008 Fixed Receiver	-	-	-	(771,302)
	$ 124,565,000	$ 635,735	$ (15,084,286)	$ 1,087,534

Net interest expense incurred on swap agreements was $1,814,791 and $1,803,487 for the years ended May 31, 2017 and 2016, respectively, and is included within interest expense on debt obligations reported in Note 6.

Derivatives by their nature bear, to varying degrees, elements of market risk and credit risk that are not reflected in the amounts recorded in these financial statements. Market risk in this context represents the potential for changes in the value of derivative instruments due to levels of volatility and liquidity or other events affecting the underlying debt obligations, including those embodied in interest rate movements. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The College's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statements of financial position, not the notional amounts of the instruments.

The College's swap agreements contain credit support obligations and termination provisions on agreements in net liability positions. Under the credit support obligations, the College could be required to post collateral with the counterparties if the credit rating on the College's bond obligations is downgraded below A3 by Moody's Investors Service or below A- by Standard & Poor's Rating Service. Under the termination provisions, the College could be required to settle the derivative instruments if the credit rating on the College's bond obligations is downgraded below Baa3 by Moody's Investors Service or below BBB- by Standard & Poor's Rating Service.

If the credit support obligations had been triggered, the College could have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the classification of assets used to post collateral. If the termination provisions had been triggered, the College could have been required to settle the instruments at the full liability position of the instruments.

The aggregate fair value of interest rate swaps that contain credit-risk-related contingent features that were in a net liability position was $11,848,057 and $14,448,551 at May 31, 2017 and 2016, respectively. Based on the quality of the credit rating of the College's bond obligations, the College had posted no collateral associated with these instruments at May 31, 2017 and 2016.

The College's interest rate swaps are valued by an independent third party that uses the mid-market levels, as of the close of business on the last day of the reporting period, to value each agreement. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the College's credit worthiness. The College's interest rate swaps are classified as Level 2 in the fair value hierarchy.

8. BENEFIT PLANS

Retirement Annuity Plan

Academic and certain other salaried employees of the College are participants in the Retirement Annuity Plan administered by the Teachers' Insurance and Annuity Association Program ("TIAA") and the College Retirement Equities Fund ("CREF"). Under this arrangement, the College makes annual contributions to the plans which are immediately vested for the benefit of the participants.

There are no unfunded past service costs under this plan. The College's contributions to TIAA/CREF are based on a percentage of employees' salaries. College contributions to the TIAA/CREF plan amounted to $7,037,557 and $6,777,638 for the years ended May 31, 2017 and 2016, respectively.

Postretirement Benefits

The College sponsors two defined benefit postretirement plans (collectively, the "Postretirement Plan"). One plan provides medical benefits, and the other provides life insurance benefits to all of the College's employees who reach age 60 with at least 10 years of service or age 55 with at least 20 years of service. The retirees may elect the Aetna Open Access POSII and Aetna High Deductible Health Plans upon retirement from the College. The postretirement health care plan is noncontributory for employees with dates of hire prior to January 1, 2007 and contributory for employees with dates of hire after January 1, 2007. The life insurance plan is noncontributory. Spouse coverage costs are contributory and assumed to increase at the ultimate inflation rate for medical claims. Medical benefits cease at age 65. The College's postretirement plans are unfunded.

The Medicare Modernization Act of 2003 (the "Act") was enacted into law on December 8, 2003. The Act provides a prescription benefit for Medicare eligible retirees under Part D. The Act also provides a subsidy to employers who already provide a prescription drug benefit that is equivalent to the Medicare Part D Benefit. The effect of the subsidy on the College's obligations had no impact on the expense and obligations for 2017 and 2016.

The actuarial present value of benefit obligations recognized on the accompanying statements of financial position at May 31, 2017 and 2016 are as follows:

	Postretirement Plan	
	2017	**2016**
Change in benefit obligation:		
Benefit obligation, beginning of year	$ (14,396,366)	$ (14,377,000)
Service cost	(507,455)	(515,910)
Interest cost	(605,340)	(620,225)
Plan participants' contributions	(11,481)	(9,271)
Actuarial gain	850,062	500,780
Benefits paid	895,896	625,260
Benefit obligation, end of year	$ (13,774,684)	$ (14,396,366)
Change in plan assets:		
Fair value of plan assets, beginning of year	$ -	$ -
Employer contributions	884,415	615,989
Plan participants' contributions	11,481	9,271
Benefits paid	(895,896)	(625,260)
Fair value of plan assets, end of year	$ -	$ -

	Postretirement Plan 2017	Postretirement Plan 2016
Components of accrued benefit cost:		
Funded status	$ (13,774,684)	$ (14,396,366)
Unrecognized prior service cost	-	792
Unrecognized actuarial net loss	3,524,169	4,556,699
Accrued benefit cost	$ (10,250,515)	$ (9,838,875)
Components of net periodic benefit cost:		
Service cost	$ 507,455	$ 515,910
Interest cost	605,340	620,225
Amortization of unrecognized prior service costs	792	991
Amortization of net loss	182,468	223,849
Net periodic benefit cost	$ 1,296,055	$ 1,360,975

	Postretirement Plan 2017	Postretirement Plan 2016
Weighted-average assumptions as of May 31:		
Discount rate for benefit obligation at year-end	4.86%	4.54%
Discount rate for net periodic benefit cost at year-end	4.54%	4.73%
Expected return on plan assets	N/A	N/A
Amounts recognized in the statements of financial position consist of:		
Accrued benefit liability	$ (13,774,684)	$ (14,396,366)
Amounts in unrestricted net assets expected to be recognized in net periodic benefits cost:		
Amortized prior service cost	$ 792	$ 991
Amortized net gain	182,468	223,849
Total amount recognized	$ 183,260	$ 224,840

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered medical benefits and a 11.0% annual rate of increase in the per capita cost of covered prescription drug benefits were assumed for 2017 for the Aetna Access POSII and Aetna High Deductible Health Plans. These rates were assumed to decrease gradually to 3.886% by 2076, and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the medical plan. A 1% change in the health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 135,772	$ (115,058)
Effect on postretirement benefit obligation	1,112,061	(983,351)

Projected cash outflows for the years ending May 31st are as follows:

2018	$ 979,009
2019	947,204
2020	932,485
2021	1,018,823
2022	1,036,479
Years 2023 - 2027	5,706,660

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions described below were used to estimate the fair value of each financial instrument for which it is practicable to estimate that value. Fair value estimates are made at a specific point in time, based on relevant market information and information about the respective financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash and cash equivalents, Accounts Receivable, Contributions Receivable, Accounts Payable and Accrued Expenses and Deposits and Deferred Revenues

The carrying amounts reported in the statements of financial position approximate fair value.

Short-Term and Long-Term Investments

Short-term and long-term investments reported in the statements of financial position are reported at fair value. Fair value is determined based on quoted market prices, except with respect to investment values assigned to limited partnership and similar interests, which are generally based on estimates and assumptions determined by the respective general partners and investment managers.

Notes Receivable

The fair value of notes receivable from students under federal government financial assistance programs could not be reasonably estimated because the notes are not saleable and can only be assigned to the federal government or its designees. Therefore, the loans are stated at the amount of principal outstanding, less an appropriate reserve for potentially uncollectible accounts. The loans' maturities range from one to ten years and have stated interest rates ranging from approximately 3% to 6%.

Debt Obligations

Rates currently available to the College for debt with similar terms and maturities are used to estimate fair value of existing debt.

The estimated fair value of the College's debt obligations as of May 31, 2017 is summarized as follows:

	Carrying Amount	Estimated Fair Value
Tompkins County Industrial Development Agency Ithaca College insured revenue bonds:		
Series 2004	$ 23,075,000	$ 23,075,000
Series 2005B	36,065,000	36,065,000
Tompkins County Development Corporation Ithaca College insured revenue bonds:		
Series 2011	23,466,674	26,090,119
Series 2015	45,807,285	46,968,631
Nationwide Life Insurance Company:		
College Circle Loan #1	16,670,550	16,670,550
College Circle Loan #2	522,332	522,332
College Circle Loan #3	2,635,098	2,635,098
College Circle Loan #4	4,092,940	4,092,940
	152,334,879	$ 156,119,670
Less: Bond issuance costs	(1,639,999)	
	$ 150,694,880	

The estimated fair value of the College's debt obligations as of May 31, 2016 is summarized as follows:

	Carrying Amount	Estimated Fair Value
Tompkins County Industrial Development Agency Ithaca College insured revenue bonds:		
Series 2004	$ 24,000,000	$ 24,000,000
Series 2005B	37,520,000	37,520,000
Tompkins County Development Corporation Ithaca College insured revenue bonds:		
Series 2011	23,975,485	27,459,456
Series 2015	48,802,140	50,463,702
Nationwide Life Insurance Company:		
College Circle Loan #1	17,206,326	17,206,326
College Circle Loan #2	539,376	539,376
College Circle Loan #3	2,715,748	2,715,748
College Circle Loan #4	4,224,217	4,224,217
	158,983,292	$ 164,128,825
Less: Bond issuance costs	(1,830,442)	
	$ 157,152,850	

10. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations ("ARO's") are legal obligations associated with the eventual retirement of long-lived assets. These liabilities, which for the College primarily relate to the cost of asbestos and lead paint abatement, were initially recorded at fair value and the related asset retirement costs capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Significant assumptions utilized in the determination of such obligations include the selection of relevant discount factors, which articulate with the timing of performance related to the respective project, inflation factors, and the probabilities assigned to cost estimates. Asset retirement costs are subsequently depreciated over the estimated useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College derecognizes ARO liabilities when the related obligations are settled.

The cost of the abatement was estimated following a site-specific survey of the campus. The abatement projects, to which the adjustment pertains, consist principally of asbestos and lead removal and are expected to be completed by fiscal 2024.

The following table represents the activity for the ARO's for the years ended May 31, 2017 and 2016:

	2017	2016
Beginning of year	$ 980,609	$ 1,030,612
Obligations settled during the period	(139,523)	(86,515)
Accretion expense	-	36,512
End of year	$ 841,086	$ 980,609

11. ENDOWMENT

The College's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the College's Board of Trustees to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments (quasi-endowments), are classified and reported based on the existence or absence of donor-imposed restrictions. The College has adopted investment and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the College's activities through the annual operating budget while preserving the real (inflation adjusted) purchasing power of the endowment, exclusive of gift additions. The College's primary investment objective is to maximize total return within reasonable and prudent levels of risk, while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income and capital appreciation, without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various types of investment instruments and strategies to help reduce risk.

In September 2010, the State of New York passed NYPMIFA, its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). It was effective for the College's 2011 fiscal year and all not-for-profit organizations formed in New York must apply this law.

The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the 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 Board of Trustees of the College in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the College and its donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the College;
(7) The investment policies of the College; and,
(8) Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects of the College.

The following table summarizes endowment net asset composition, by type of fund, as of May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (11,367)	$ 40,982,334	$ 50,909,090	$ 91,880,057
Board-designated endowment funds	208,835,462	-	-	208,835,462
Total funds	$ 208,824,095	$ 40,982,334	$ 50,909,090	$ 300,715,519

The following table summarizes endowment net asset composition, by type of fund, as of May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (454,349)	$ 31,758,659	$ 48,439,657	$ 79,743,967
Board-designated endowment funds	187,584,492	-	-	187,584,492
Total funds	$ 187,130,143	$ 31,758,659	$ 48,439,657	$ 267,328,459

The following table summarizes the changes in endowment net assets for the fiscal year 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 187,130,143	$ 31,758,659	$ 48,439,657	$ 267,328,459
Contributions and bequests	63,245	-	2,469,433	2,532,678
Appropriation of endowment assets for expenditure	(7,791,600)	(3,177,965)	-	(10,969,565)
Investment return	23,957,991	10,493,524	-	34,451,515
Board-designated transfers	5,000,000	-	-	5,000,000
Other, primarily net assets released from restrictions and redesignations	464,316	1,908,116	-	2,372,432
Endowment net assets, end of year	$ 208,824,095	$ 40,982,334	$ 50,909,090	$ 300,715,519

The following table summarizes the changes in endowment net assets for the fiscal year 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 202,694,088	$ 38,439,153	$ 46,905,256	$ 288,038,497
Contributions and bequests	42,381	12,301	1,534,401	1,589,083
Appropriation of endowment assets for expenditure	(6,805,233)	(2,728,010)	-	(9,533,243)
Investment return	(8,008,084)	(3,976,701)	-	(11,984,785)
Other, primarily net assets released from restrictions and redesignations	(793,009)	11,916	-	(781,093)
Endowment net assets, end of year	$ 187,130,143	$ 31,758,659	$ 48,439,657	$ 267,328,459

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature that are reported in unrestricted net assets totaled $11,367 and $454,349, at May 31, 2017 and 2016, respectively. These deficiencies generally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the College's Board of Trustees.

12. COMMITMENTS AND CONTINGENCIES

The College has entered into numerous noncancellable operating lease agreements and other agreements for office space and equipment. Commitments under such agreements provide for minimum annual payments as follows:

Year ending May 31:	Amount
2018	$ 1,779,860
2019	1,233,706
2020	649,348
2021	187,977
2022	69,238
Thereafter	993,735
	$ 4,913,864

Rental expense for all operating leases totaled $1,995,459 and $1,711,713 for the years ended May 31, 2017 and 2016, respectively.

As of May 31, 2017, the College had entered into renovation and construction contracts and commitments totaling $8,361,641.

From 2000 through 2007, the College provided its students access to the Gate Student Loan Program to assist them in financing their educational experience at the College. The loans taken out under this program by the students, which are held by National Collegiate Trusts and administered by First Marblehead Data Services, are repayable over a maximum of 20 years. Under the terms of the program, the College guarantees to cover defaults up to a specified maximum amount, ranging from 19% to 33% of the outstanding loan balance. As of May 31, 2017 and 2016, students had outstanding loans under the program of $8,220,485 and $9,708,203, respectively, and the College's maximum unfunded default pledge obligation was $3,101,546 and $3,229,458, respectively. Based on actual default experience, as of May 31, 2016, the College has included in its liabilities a provision of $300,000 as of May 31, 2017 and 2016, for defaults on Gate Loans.

As a result of the resolution agreement with the Department of Education Office of Civil Rights executed on August 4, 2015, the College is committed to completing certain remediations to its campus, in accordance with the Americans with Disabilities Act, within a two-year timeframe. As of May 31, 2017, the College does not have a basis on which to project the estimated cost resulting from the resolution agreement. Accordingly, the College has not included a reserve for such amounts on the accompanying statement of financial position.

In December 2015, the College entered into a twenty five year solar power purchase agreement with Finger Lakes Solar 1, LLC (the "Provider"). The Provider will furnish, install, maintain and own solar electric generating facilities (e.g., solar panels, meters, monitoring equipment, etc.) at the College. The College has agreed to purchase all of the electricity produced by these solar facilities according to the terms set forth in the agreement with the Provider. After the initial term of the agreement, the agreement will automatically renew for one-year terms, unless a written notice of non-renewal is given by either party to the transaction. The College has the right to unilaterally terminate the agreement for any reason, with no less than ninety (90) days notice and would be required to pay an early termination fee ranging from approximately $8.0 million in the first year to $2.7 million in the twenty-fifth year or thereafter.

In the normal course of its operations, the College is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the College is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the College's financial position, changes in net assets or cash flows.