Messiah College

Financial Statements

June 30, 2018 and 2017

BAKER TILLY

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Independent Auditors' Report

Board of Trustees
Messiah College

Report on the Financial Statements

We have audited the accompanying financial statements of Messiah College (the "College"), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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 Messiah College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
October 24, 2018

Messiah College

Statement of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 7,285,877	$ 12,660,903
Notes and accounts receivable, net	2,235,203	1,794,051
Promises to give, net	7,388,463	2,362,073
Interest receivable	194,129	193,844
Inventories	573,951	572,691
Prepaid expenses and other assets	1,282,122	1,244,491
Investments, endowment	138,084,401	134,182,388
Investments, gift annuities and trusts	6,845,322	6,600,837
Investments, other	7,483,179	5,899,203
Loans receivable, students	2,909,511	2,854,785
Deposits with trustee under debt agreements - restricted	5,320,428	220
Beneficial interest in perpetual trusts	3,977,900	3,925,146
Property and equipment, net	156,356,433	157,577,323
Total assets	$ 339,936,919	$ 329,867,955
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 8,742,209	$ 8,597,786
Student deposits	1,482,915	1,448,746
Funds held in custody for others	66,487	33,867
Deferred revenue	1,479,829	1,442,096
Annuities payable	3,892,121	3,853,412
Funds held in trust for others	304,146	501,216
Long-term debt	68,743,571	64,871,598
U.S. Government grants refundable	2,503,950	2,502,162
Other liabilities	2,994,768	2,899,118
Total liabilities	90,209,996	86,150,001
Net Assets		
Unrestricted	192,294,110	193,954,585
Temporarily restricted	18,771,598	13,045,825
Permanently restricted	38,661,215	36,717,544
Total net assets	249,726,923	243,717,954
Total liabilities and net assets	$ 339,936,919	$ 329,867,955

See notes to financial statements

Messiah College

Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Student tuition and fees	$ 99,191,870	$ -	$ -	$ 99,191,870
Less: financial aid	(40,961,047)	-	-	(40,961,047)
Net tuition and fees	58,230,823	-	-	58,230,823
Government grants and appropriations	873,417	90,134	-	963,551
Gifts and grants	1,168,008	1,084,960	-	2,252,968
Capital gifts and grants	-	8,292,858	-	8,292,858
Endowment return designated for operations	5,527,092	1,718,474	-	7,245,566
Investment income	1,021,899	26,248	-	1,048,147
Other sources	3,970,429	64,935	-	4,035,364
Auxiliary enterprises	21,248,124	-	-	21,248,124
Net assets released from restrictions	3,110,216	(3,110,216)	-	-
Net assets released from restrictions, Capital	3,795,485	(3,795,485)	-	-
Total operating revenues	98,945,493	4,371,908	-	103,317,401
Operating Expenses				
Educational program services:				
Instructional	38,907,293	-	-	38,907,293
Academic support	9,388,423	-	-	9,388,423
Student services	19,873,920	-	-	19,873,920
Public service	2,496,049	-	-	2,496,049
Auxiliary enterprises	16,198,493	-	-	16,198,493
Supporting services, institutional support	14,837,640	-	-	14,837,640
Total operating expenses	101,701,818	-	-	101,701,818
Changes in net assets from operating activities	(2,756,325)	4,371,908	-	1,615,583
Nonoperating Revenues, Expenses, and Other Changes				
Endowment and life income gifts	-	-	2,116,356	2,116,356
Endowment investment return, net of amount designated for operations	880,059	1,337,853	-	2,217,912
Change in value of beneficial interest in perpetual trusts	-	-	52,754	52,754
Investment return for trusts and gift annuities	66,564	47,004	234,331	347,899
Change in value of split-interest agreements	149,227	(30,992)	(459,770)	(341,535)
Total nonoperating revenues, expenses, and other changes	1,095,850	1,353,865	1,943,671	4,393,386
Changes in net assets	(1,660,475)	5,725,773	1,943,671	6,008,969
Net Assets, Beginning	193,954,585	13,045,825	36,717,544	243,717,954
Net Assets, Ending	$ 192,294,110	$ 18,771,598	$ 38,661,215	$ 249,726,923

See notes to financial statements

Messiah College

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Student tuition and fees	$ 95,597,092	$ -	$ -	$ 95,597,092
Less: financial aid	(38,958,899)	-	-	(38,958,899)
Net tuition and fees	56,638,193	-	-	56,638,193
Government grants and appropriations	864,778	116,689	-	981,467
Gifts and grants	1,676,254	1,577,010	-	3,253,264
Capital gifts and grants	-	626,632	-	626,632
Endowment return designated for operations	5,550,376	1,636,716	-	7,187,092
Investment income	1,122,416	22,988	-	1,145,404
Other sources	4,063,694	(13,808)	-	4,049,886
Auxiliary enterprises	20,685,752	-	-	20,685,752
Net assets released from restrictions	3,221,503	(3,221,503)	-	-
Net assets released from restrictions, Capital	3,758,881	(3,758,881)	-	-
Total operating revenues	97,581,847	(3,014,157)	-	94,567,690
Operating Expenses				
Educational program services:				
Instructional	37,584,786	-	-	37,584,786
Academic support	9,204,048	-	-	9,204,048
Student services	19,027,658	-	-	19,027,658
Public service	2,330,424	-	-	2,330,424
Auxiliary enterprises	15,440,360	-	-	15,440,360
Supporting services, institutional support	14,127,262	-	-	14,127,262
Total operating expenses	97,714,538	-	-	97,714,538
Changes in net assets from operating activities	(132,691)	(3,014,157)	-	(3,146,848)
Nonoperating Revenues, Expenses, and Other Changes				
Endowment and life income gifts	8,368	-	1,554,274	1,562,642
Endowment investment return, net of amount designated for operations	3,257,722	2,148,187	-	5,405,909
Change in value of beneficial interest in perpetual trusts	-	-	221,677	221,677
Investment return for trusts and gift annuities	99,302	73,279	480,458	653,039
Change in value of split-interest agreements	851,421	(39,156)	123,996	936,261
Total nonoperating revenues, expenses, and other changes	4,216,813	2,182,310	2,380,405	8,779,528
Changes in net assets	4,084,122	(831,847)	2,380,405	5,632,680
Net Assets, Beginning	189,870,463	13,877,672	34,337,139	238,085,274
Net Assets, Ending	$ 193,954,585	$ 13,045,825	$ 36,717,544	$ 243,717,954

See notes to financial statements

Messiah College

Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 6,008,969	$ 5,632,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,892,027	11,036,552
Net realized and unrealized gains on investments	(6,170,242)	(11,468,218)
Gain on sale of property and equipment	(3,625)	-
Contributions for long-term purposes	(2,116,356)	(1,567,309)
(Increase) decrease in operating assets:		
Notes and accounts receivable	(441,152)	(255,229)
Promises to give	(5,026,390)	1,856,982
Inventories	(1,260)	(26,460)
Other assets	(56,022)	333,695
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(190,323)	(2,753,726)
Funds held in custody for others	32,620	(17,074)
Student deposits	34,169	75,683
Deferred revenue	37,733	198,664
Funds held in trust for others	(197,070)	(317,338)
Net cash provided by operating activities	3,803,078	2,728,902
Cash Flows from Investing Activities		
Proceeds from sale of investments	97,643,750	90,209,970
Purchases of investments	(97,256,737)	(81,574,658)
Purchase of property and equipment	(10,342,782)	(20,973,497)
(Increase) decrease in construction funds held by trustee	(5,320,208)	14,525,632
Disbursements for loans to students	(475,296)	(510,826)
Student loan principal payments received	420,570	510,414
Proceeds from sale of property and equipment	3,625	4,625
Net cash (used in) provided by investing activities	(15,327,078)	2,191,660
Cash Flows from Financing Activities		
Increase (decrease) in annuities payable	38,709	(2,418,599)
Principal payments on long-term debt	(1,965,000)	(1,905,000)
Contributions for long-term purposes	2,134,462	1,533,541
Increase in U.S. government grants refundable	1,788	66,943
Proceeds from issuance of long-term debt	5,500,000	-
Premium from issuance of long-term debt, net of issue costs	439,015	-
Net cash provided by (used in) financing activities	6,148,974	(2,723,115)
Net (decrease) increase in cash and cash equivalents	(5,375,026)	2,197,447
Cash and Cash Equivalents, Beginning	12,660,903	10,463,456
Cash and Cash Equivalents, Ending	$ 7,285,877	$ 12,660,903
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest (excluding capitalized interest of $31,352 in 2018 and $536,469 in 2017)	$ 1,769,581	$ 1,809,857
Supplementary Disclosure of Noncash Investing Activities		
Property and equipment in accounts payable	$ 334,746	$ 2,389,006

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Messiah College is a Christian college of the liberal and applied arts and sciences. Founded in 1909 by the Brethren in Christ Church, the College is located in Mechanicsburg, Pennsylvania. The College is accredited by the Middle States Commission on Higher Education and has a student body of approximately 3,300 undergraduate and graduate students.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

These financial statements present financial information showing the financial position, the activities, and the cash flows of the College reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Net Tuition and Fees

Tuition and fees are recorded at the established rates net of financial aid provided directly by the College, and certain federal grants. The College recognizes tuition revenue in the semester that it is earned. Any payments received in advance for the subsequent year are classified as deferred tuition, which is included with student deposits in the statement of financial position.

Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the College acts only as custodian and disbursing agent.

Title IV Requirements

The College participates in Government Student Financial Assistance Programs ("Title IV") administered by the U.S. Department of Education ("ED") for the payment of student tuition. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2018 and 2017, are dependent upon the College's continued participation in the Title IV programs.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with an original maturity date not exceeding 90 days.

Notes and Accounts Receivable

Student accounts receivable are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. Student accounts receivable are written off when they are determined to be uncollectible based on management's assessment of individual accounts. Other items included are notes receivable from employees and faculty, grants receivable from federal and state agencies and receivables from unrelated individuals, companies and organizations.

Student Loans

The student loans receivable primarily represents loans to students funded by advances to the College by the federal government under the Federal Perkins and Nursing Student Loan Program (the "Programs"). Such funds may be re-loaned by the College after collection. The Perkins loan program expired on September 30, 2017; after June 30, 2018, no new loans are permitted. Institutions are permitted to liquidate all Perkins loans or continue to service all or some of its outstanding Perkins loans. The College is continuing to service its Perkins loans and is assessing the loan portfolio to determine if certain loans will be assigned to the government, but in the event that the College no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2018 and 2017 was $2,503,950 and $2,502,162, respectively.

Contributions

The College records certain promises to give as revenue when the promise is made. In addition, unconditional promises to give (pledges) are recorded as receivables and revenues and the College distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions for donor-restricted purposes (other than capital) are reported as unrestricted revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions with donor-imposed restrictions (for purposes other than capital) that are not met in the same year as received are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expenditure is incurred that satisfies the donor-imposed restriction.

Contributions restricted for the acquisition of plant and equipment are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when the asset acquisitions are made. Contributions are reported as an increase in the appropriate net asset category in the year received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Inventories

Inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventories consist of dining services, college press, postage and facilities supplies.

Investments and Deposits with Trustee

Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities. The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

Deposits with trustee under debt agreements-restricted at June 30, 2018 and 2017 include cash and money market funds from unspent bond proceeds.

Property and Equipment

Physical plant and equipment are stated at cost when purchased, and gifts of plant assets are reflected at fair market value when received. Land, buildings, equipment and furniture are stated at cost less accumulated depreciation which is computed on a straight-line basis over the respective estimated useful lives as follows:

Building and improvements	10 - 40 years
Leasehold improvements	5 - 12 years
Equipment	4 - 20 years
Furniture	4 - 20 years

Impairment of Long-Lived Assets

Management of the College reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Any write-downs due to impairment are charged to operations at the time impairment is identified. No such write-downs were required in 2018 and 2017.

Annuity and Trust Funds

The College has entered into split-interest agreements with donors primarily consisting of charitable gift annuities and charitable trusts. Assets for which the College serves as trustee are included in assets held in trust. Contribution revenues are recognized at the date the annuities and trusts are established after recording liabilities for the present value of the estimated future annuity payments to be made to the donors and/or other beneficiaries. Such revenues are recorded as increases in temporarily restricted net assets unless the donor has permanently restricted the College's use of its interest or has given the College the right to use the assets without restriction. Changes in the value of the liabilities are recorded within "change in the value of split-interest agreements" throughout the term of the agreements to reflect the current estimated present value of future cash outflows. Contributions arising from split interest agreements amounted to $443,886 and $40,319 for the years ended June 30, 2018 and 2017, respectively.

The College is also a beneficiary of certain perpetual trusts held and administered by others. Under the terms of the trust agreements, the College has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established.

Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Depreciation of plant assets, interest on long-term debt, and expenses incurred for the operation and maintenance of plant facilities are allocated to program and supporting activities based upon proportional occupancy of campus buildings.

Fundraising Costs

The College expenses fundraising costs when incurred. Fundraising costs totaled $2,030,822 and $1,959,318 for the years ended June 30, 2018 and 2017, respectively, and are included in institutional support in the statement of activities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

Subsequent Events

The College evaluated subsequent events for recognition or disclosure through October 24, 2018, the date the financial statements were issued.

New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Topic 606 (as amended) is effective for the College in fiscal 2019. The amendments may be applied retrospectively to each prior period presented or retroactively with the cumulative effect recognized as of the date of initial application. The College is currently assessing the effect that Topic 606 (as amended) will have on its financial statements.

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the College in fiscal 2020. Early adoption is permitted. The College is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements 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 liability, financial performance and cash flows. ASU No. 2016-14 is effective for the College in fiscal 2019. ASU No. 2016-14 is to be applied retroactively with transition provisions. The College is assessing the impact this standard will have on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for the College in fiscal 2019. ASU 2016-18 is to be applied retroactively with transition provisions. The College is currently evaluating the effect that ASU No. 2016-18 will have on its financial statements.

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the College in fiscal 2019. The College is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.

2. Cash and Cash Equivalents

The College maintains cash balances in high credit financial institutions in excess of the federally insured limit under the FDIC. The exposure of the College to uninsured balances as of June 30, 2018 and 2017 was approximately $7,311,000 and $11,440,000, respectively. Historically, the College has not experienced any losses and management believes it is not exposed to any significant credit risk.

3. Notes and Accounts Receivable, Net

Notes and accounts receivable consist of the following as of June 30:

	2018	2017
Student balances	$ 4,113,415	$ 4,106,024
Employees and faculty	183,773	131,527
College related organizations	17,246	16,209
Federal and state agencies	755,463	355,803
Other unrelated individuals, companies, and organizations	315,306	334,488
Subtotal	5,385,203	4,944,051
Allowance for doubtful accounts	(3,150,000)	(3,150,000)
Notes and accounts receivable, net	$ 2,235,203	$ 1,794,051

4. Promises to Give

Included in promises to give are the following unconditional promises to give as of June 30:

	2018	2017
Capital campaign	$ 7,279,279	$ 1,477,677
Endowed scholarships	131,581	149,572
Other promises to give	681,743	827,778
Unconditional promises to give, before unamortized discount	8,092,603	2,455,027
Unamortized discount	(704,140)	(92,954)
Present value of pledges receivable	$ 7,388,463	$ 2,362,073
Amounts due in:		
Less than one year	$ 1,636,287	$ 1,355,830
One to five years	5,746,016	1,096,580
More than five years	710,300	2,617
	$ 8,092,603	$ 2,455,027

Discount rates ranged from 0.72% to 2.73% for the years ended June 30, 2018 and 2017.

All promises to give are reviewed by management and evaluated for collectability when received. Promises to give that are deemed uncollectible are not recognized. As such, the College considers the entire amount to be collectible.

5. Investments, Fair Value Measurements and Other Financial Instruments

Investments consist of the following as of June 30:

	2018			
	Endowment	Gift Annuities and Trusts	Other	Total
Money market accounts	$ 6,192,422	$ 85,039	$ 10,900	$ 6,288,361
Equity funds and common stocks	43,747,883	3,946,129	3,843,927	51,537,939
Fixed income	67,181,513	1,781,154	3,530,954	72,493,621
Private equity and venture capital	7,051,167	-	-	7,051,167
Accrued net income receivable	828,786	-	398	829,184
Local real estate development company, including real estate	12,111,966	-	-	12,111,966
Real asset based funds	479,619	-	-	479,619
Real assets - held in trust and other	-	1,033,000	97,000	1,130,000
Hedge funds	491,045	-	-	491,045
Total investments	138,084,401	$ 6,845,322	$ 7,483,179	$ 152,412,902
Cash due from operating fund	13,961			
Other non-unitized assets	97,000			
Total	$ 138,195,362			

	2017			
	Endowment	**Gift Annuities and Trusts**	**Other**	**Total**
Money market accounts	$ 28,081,967	$ 203,738	$ 8,744	$ 28,294,449
Equity funds and common stocks	54,845,624	3,908,046	1,316,256	60,069,926
Fixed income	35,934,007	1,749,053	4,458,088	42,141,148
Private equity and venture capital	6,346,687	-	-	6,346,687
Accrued net income receivable	364,157	-	19,115	383,272
Local real estate development company	2,561,077	-	-	2,561,077
Real assets - real estate	4,900,000	-	-	4,900,000
Real asset based funds	529,678	-	-	529,678
Real assets - held in trust and other	-	740,000	97,000	837,000
Hedge funds	619,191	-	-	619,191
Total investments	134,182,388	$ 6,600,837	$ 5,899,203	$ 146,682,428
Cash due from operating fund	108,722			
Other non-unitized assets	97,000			
Total	$ 134,388,110			

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the College for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following tables present the assets measured at fair value as of June 30, 2018 and 2017 by caption on the statement of financial position by the valuation hierarchy defined above:

	2018			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Money market accounts	$ 6,288,361	$ 6,288,361	$ -	$ -
Equity funds and common stocks:				
Domestic	38,564,030	38,564,030	-	-
International	8,392,261	8,392,261	-	-
Emerging markets	2,672,943	2,672,943	-	-
Other	1,908,705	1,908,705	-	-
Total equity funds and common stocks	51,537,939	51,537,939	-	-
Fixed income:				
Intermediate term bond mutual funds	60,478,390	60,478,390	-	-
Global fixed income	3,048,593	3,048,593	-	-
Inflation-protected bond mutual funds	222,125	222,125	-	-
Municipal bond/funds	2,278,125	-	2,278,125	-
Fixed - high yield	235,183	235,183		-
Bond fund (including convertibles and other)	6,231,205	-	6,231,205	-
Total fixed income	72,493,621	63,984,291	8,509,330	-
Accrued net income receivable	829,184	779,184	50,000	-
Real assets - held in trust and other	1,130,000	-	-	1,130,000
Subtotal	132,279,105	122,589,775	8,559,330	1,130,000
Alternative investments measured at net asset value:				
Private equity and venture capital	7,051,167			
Real asset - based funds	479,619			
Hedge funds	491,045			
Total investments and assets held in trust(a)	140,300,936			
Deposits with trustee under debt agreements	5,320,428	5,320,428	-	-
Beneficial interest in perpetual trusts	3,977,900	-	-	3,977,900
	$ 149,599,264	$ 127,910,203	$ 8,559,330	$ 5,107,900

	2017			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Money market accounts	$ 28,294,449	$ 28,294,449	$ -	$ -
Equity funds and common stocks:				
Domestic	46,723,095	46,723,095	-	-
International	6,835,483	6,835,483	-	-
Emerging markets	4,962,255	4,962,255	-	-
Other	1,549,093	1,549,093	-	-
Total equity funds and common stocks	60,069,926	60,069,926	-	-
Fixed income:				
Intermediate term bond mutual funds	33,932,693	33,932,693	-	-
Global fixed income	2,204,981	2,204,981	-	-
Inflation-protected bond mutual funds	135,158	135,158	-	-
Municipal bond/funds	1,544,055	-	1,544,055	-
Fixed - high yield	365,650	365,650	-	-
Other	23,889	23,889	-	-
Bond fund	3,934,722	-	3,934,722	-
Total fixed income	42,141,148	36,662,371	5,478,777	-
Accrued net income receivable	383,272	333,272	50,000	-
Real assets - real estate(b)	4,900,000	-	-	4,900,000
Real assets - held in trust and other	837,000	-	-	837,000
Subtotal	136,625,795	125,360,018	5,528,777	5,737,000
Alternative investments measured at net asset value:				
Private equity and venture capital	6,346,687			
Real asset - based funds	529,678			
Hedge funds	619,191			
Total investments and assets held in trust(a)	144,121,351			
Deposits with trustee under debt agreements	220	220	-	-
Beneficial interest in perpetual trusts	3,925,146	-	-	3,925,146
	$ 148,046,717	$ 125,360,238	$ 5,528,777	$ 9,662,146

(a) Investments also include member interests in Rider Musser Development Corporation, a local real estate development company, totaling $12,111,966 at June 30, 2018 (including real estate) and $2,561,077 at June 30, 2017. The College is the sole member of this corporation which has an independent board. Accordingly, the College has reported its investment in Rider Musser Development Corporation using the equity method. Activity for the year included contributions by the College to the real estate development company and transfer of real estate previously held in the investment portfolio.

(b) Includes real estate owned; fair value is based on market value appraisals using a sales approach, which is a non-recurring fair value measurement.

Valuation Methodologies

Level 1 - Fair value of money market funds, equity funds, common stock, and fixed income securities was based on quoted market prices for the identical security.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;.

Level 3 - These investments include debt instruments with significant unobservable inputs.

Hedge funds, private equity and venture capital, and real asset-based funds - Fair value of these alternative investments was based upon estimated net asset values provided by investment managers. The College measures the fair value of an investment that does not have a readily determinable fair value based on the net asset value of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the net asset value. These values are determined using the audited financial statements of the investment and evaluating any cash flows or outflows post-audit. Management reviews and evaluates the values and agrees with the methods and assumptions used.

Beneficial interest in perpetual trusts - The College's beneficial interest in perpetual trusts held by others is recorded at the fair value of the trusts' holdings as reported by the trustees as an estimate of the cash flows to be received from the trusts. The College's proportionate share of the net asset values of funds held in trust by others as of June 30, 2018 and 2017 were $3,977,900 and $3,925,146, respectively.

The fair values of several of the investment instruments classified in the above tables have been estimated using the net asset value of the College's ownership interest in partner's capital. Those are:

Private equity and venture capital: This category includes funds that invest primarily in technology, emerging growth and real estate companies. These investments can never be redeemed at the option of the investor. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the various funds will be liquidated over the next 12 years. As of June 30, 2018, the College has committed $16,380,000 to these funds, of which $2,784,943 remains unfunded.

Real asset-based funds: This category includes funds that invest primarily in commercial real estate properties and partnerships in the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. As of June 30, 2018, the College has committed $4,500,000 to the funds, of which $180,000 remains unfunded.

Hedge funds: This category includes a fund of funds which pursues multiple strategies to diversify risks and reduce volatility. There are no additional commitments required as the fund is in the process of winding down with full liquidation anticipated by the end of 2019. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

The activity recognized during the fiscal years ended June 30, 2018 and 2017, for Level 3 assets with recurring fair value measurements, is as follows:

	Beneficial Interest in Perpetual Trusts
July 1, 2016	$ 3,703,469
Distributions	(201,159)
Unrealized gains	422,836
June 30, 2017	3,925,146
Distributions	(172,829)
Unrealized gains	225,583
June 30, 2018	$ 3,977,900

Unrealized and realized gains are included in unrestricted and temporarily restricted net assets in the statements of activities as components of endowment investment return, investment return of gift annuities, and change in value of split-interest agreements.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest, net of expense	$ 3,432,844	$ 1,227,954	$ 81,238	$ 4,742,036
Net realized and unrealized gains	4,062,770	1,901,625	205,847	6,170,242
Total return on investments	$ 7,495,614	$ 3,129,579	$ 287,085	$ 10,912,278
Operating investment income:				
Endowment return designated for operations	$ 5,527,092	$ 1,718,474	$ -	$ 7,245,566
Investment income	1,021,899	26,248	-	1,048,147
Non-operating investment income:				
Endowment investment returns, net of amount designated for operations	880,059	1,337,853	-	2,217,912
Change in value of beneficial interest in perpetual trusts	-	-	52,754	52,754
Investment returns on trusts and gift annuities	66,564	47,004	234,331	347,899
Total return on investments	$ 7,495,614	$ 3,129,579	$ 287,085	$ 10,912,278

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Dividends and interest, net of expense	$ 2,361,174	$ 671,315	$ 112,414	$ 3,144,903
Net realized and unrealized gains	7,668,642	3,209,855	589,721	11,468,218
Total return on investments	$ 10,029,816	$ 3,881,170	$ 702,135	$ 14,613,121
Operating investment income:				
Endowment return designated for operations	$ 5,550,376	$ 1,636,716	$ -	$ 7,187,092
Investment income	1,122,416	22,988	-	1,145,404
Non-operating investment income:				
Endowment investment returns, net of amount designated for operations	3,257,722	2,148,187	-	5,405,909
Change in value of beneficial interest in perpetual trusts	-	-	221,677	221,677
Investment returns on trusts and gift annuities	99,302	73,279	480,458	653,039
Total return on investments	$ 10,029,816	$ 3,881,170	$ 702,135	$ 14,613,121

6. Property and Equipment, Net

Property and equipment consists of the following as of June 30:

	2018			
	Useful Lives	**Acquired Value**	**Less Accumulated Depreciation**	**Net Book Value**
Land		$ 2,823,740	$ -	$ 2,823,740
Improvements	20 years	19,163,657	12,949,728	6,213,929
Buildings	10 - 40 years	243,272,967	113,645,843	129,627,124
Leasehold improvements	5 - 12 years	2,739,513	266,888	2,472,625
Equipment	4 - 20 years	78,475,176	66,391,028	12,084,148
Construction in progress		3,134,867	-	3,134,867
		$ 349,609,920	$ 193,253,487	$ 156,356,433

	2017			
	Useful Lives	Acquired Value	Less Accumulated Depreciation	Net Book Value
Land		$ 2,823,740	$ -	$ 2,823,740
Improvements	20 years	17,853,300	12,343,449	5,509,851
Buildings	10 - 40 years	218,238,514	105,590,716	112,647,798
Leasehold improvements	5 - 12 years	2,739,513	38,752	2,700,761
Equipment	4 - 20 years	74,895,246	63,441,249	11,453,997
Construction in progress		22,441,176	-	22,441,176
		$ 338,991,489	$ 181,414,166	$ 157,577,323

Depreciation expense totaled $11,898,418 and $11,085,248 for the years ended June 30, 2018 and 2017, respectively.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30:

	2018	2017
Accounts payable	$ 3,768,338	$ 3,895,463
Accrued salaries and benefits	4,477,224	4,281,306
Other	496,647	421,017
Total	$ 8,742,209	$ 8,597,786

8. Lines of Credit

The College has two unsecured lines of credit with a national and a regional bank in the amounts of $5,000,000 and $10,000,000, respectively, for the years ended June 30, 2018 and 2017. There were no amounts outstanding under either line of credit as of June 30, 2018 or June 30, 2017. Both lines of credit bear interest at 1.65% above one-month LIBOR with an interest period duration of one day (3.74% at June 30, 2018).

9. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2018	2017
2001 I-3 Messiah College Revenue Bonds	$ 9,000,000	$ 9,500,000
2001 I-4 Messiah College Revenue Bonds	13,600,000	13,600,000
2012 Messiah College Revenue Bonds	7,960,000	9,425,000
2014 Messiah College Revenue Bonds	4,500,000	4,500,000
2015 Messiah College Revenue Bonds	11,385,000	11,385,000
2016 Messiah College Revenue Bonds	16,655,000	16,655,000
2018 Messiah College Revenue Bonds	5,500,000	-
Total	68,600,000	65,065,000
Unamortized premium (discount) and issuance costs on bonds payable, net	143,571	(193,402)
	$ 68,743,571	$ 64,871,598

2001 Messiah College Revenue Bonds

The 2001 Multi-Mode I-3 Revenue Bonds have a variable interest rate with principal maturing in varying amounts from November 1, 2018 through November 1, 2031. The College may elect to remarket the bonds for a new mode period and interest rate on the mandatory tender date of any existing mode period. On November 1, 2017, the bonds were remarketed with no letter of credit enhancement, and converted to a four-year term mode bearing interest at a rate of 2.2% through October 31, 2021. The bonds are secured by a lien on the College's unrestricted revenues, and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

The 2001 Multi-Mode I-4 Revenue Bonds have a variable interest rate with principal maturing in varying amounts from November 1, 2023 through November 1, 2031. The College may elect to remarket the bonds for a new mode period and interest rate on the mandatory tender date of any existing mode period. On May 1, 2018, the 2001 I-4 Bonds were remarketed with no letter of credit enhancement, and converted to a three-year rate of 2.72% through April 30, 2021.

Bond discounts and issuance costs relating to the 2001 Revenue Bonds are being amortized over the term of the bonds on a straight line-basis. The unamortized net costs amounted to $23,129 and $24,863 as of June 30, 2018 and 2017, respectively.

2012 Messiah College Revenue Bonds

The 2012 Revenue Bonds have interest rates ranging from 4.0% to 5.0% with principal maturing in various amounts from November 1, 2018 through November 1, 2022. The bonds are secured by a lien on the College's unrestricted revenues, and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

Bond premiums and issuance costs relating to the 2012 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $585,657 and $720,809 as of June 30, 2018 and 2017, respectively.

2014 Messiah College Multi-Mode Revenue Bonds

The 2014 Multi-Mode Revenue Bonds were initially issued with a coupon rate of 3.0% for a three-year period at an original issue premium. On May 1, 2017 the bonds were remarketed at a three-year term mode with an interest rate of 2.00% through April 30, 2020. The College, at its option, may continue under this arrangement in the term mode for successive three-year periods, or, convert to a different rate mode. Principal will mature in various amounts from May 1, 2033 through May 1, 2044. The bonds are secured by a lien on the College's unrestricted revenues, and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

Bond premiums and issuance costs relating to the 2014 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $116,069 and $120,562 as of June 30, 2018 and 2017, respectively.

2015 Messiah College Revenue Bonds

The 2015 Revenue Bonds have interest rates ranging from 3.375% to 4.0% with principal maturing in various amounts from November 1, 2029 through November 1, 2046. The bonds are secured by a lien on the College's unrestricted revenues, and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2015 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $370,573 and $384,299 as of June 30, 2018 and 2017, respectively.

2016 Messiah College Revenue Bonds

The 2016 Revenue Bonds have interest rates ranging from 3.0% to 3.25% with principal maturing in various amounts from November 1, 2032, through November 1, 2046. The bonds are secured by a lien on the College's unrestricted revenues and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2016 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $603,468 and $625,611 as of June 30, 2018 and 2017, respectively.

2018 Messiah College Revenue Bonds

The 2018 Revenue Bonds have interest rates ranging from 5.00% to 5.25% with principal maturing in 2048. The bonds are subject to mandatory sinking fund redemption prior to maturity beginning in 2033. The bonds are secured by a lien on the College's unrestricted revenues, and the loan agreement between the College and the issuer of the bonds contains a rate covenant.

Bond premiums and issuance costs relating to the 2018 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $439,015 and $-0- as of June 30, 2018 and 2017.

The approximate aggregate amount of principal maturities of debt outstanding as of June 30, 2018 for the five subsequent fiscal years follows:

2019	$ 2,050,000
2020	2,130,000
2021	2,220,000
2022	2,310,000
2023	1,850,000
Thereafter	58,040,000
Total	$ 68,600,000

Interest expense on long-term debt was $1,806,371 in 2018 and $1,325,771 in 2017, net of capitalized interest of $31,352 and $536,469, respectively.

10. Retirement Plan

The College provides retirement benefits to eligible employees through a defined contribution plan. College contributions are subject to a two-year cliff vesting period. The College made retirement contributions of $2,820,653 and $2,645,464 for the years ended June 30, 2018 and 2017, respectively.

11. Endowment and Net Assets Released from Restrictions

The College's endowment consists of 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 accounting principles generally accepted in the United States of America, 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.

The Board of Trustees of the College has developed a policy requiring the preservation of the fair 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 of Pennsylvania 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 either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law. Board designated investment funds are balances functioning as an endowment that are established by the institution from either donor or institutional monies, and are usually to be retained and invested rather than expended. Since board designated investment funds are established by the institution rather than an external source, the principal may be expended, as directed by the Board of Trustees.

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 has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the sum of the Endowment's spending rate, anticipated inflation, all fees and administrative costs, and any portfolio growth factor that the Committee on Finance recommends to the Board of Trustees, while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 8.5 percent annually. 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 both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains. Pennsylvania legislation was enacted which limited the amount that may be spent to a minimum of 2.0%, and a maximum of 7.0% of a three-year moving average of the market value of the endowed assets. Since endowment net realized and unrealized gains may eventually be expended by the College, donor endowment net realized and unrealized gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets. For the years ended June 30, 2018 and 2017, the College's spending policy was 5.0% of the 12-quarter average fair market value of the donor endowed assets calculated as of the prior June 30. Based upon this formula, total distributed income on donor-restricted funds for the years ended June 30, 2018 and 2017 amounted to $1,718,474 and $1,636,716, respectively.

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - July 1, 2017	$ 95,277,997	$ 7,971,732	$ 31,284,080	$ 134,533,809
Investment return:				
Dividends and interest, net of expense	2,858,074	1,203,970	-	4,062,044
Net realized and unrealized gains	3,549,077	1,852,357	-	5,401,434
Total investment return	6,407,151	3,056,327	-	9,463,478
Contributions	-	-	1,672,470	1,672,470
Other changes:				
Transfers	127,061	(261,710)	33,415	(101,234)
Reclassification of underwater endowment net assets	42,252	(42,252)	-	-
Endowment spending	(5,527,092)	(1,718,474)	-	(7,245,566)
Total other changes	(5,357,779)	(2,022,436)	33,415	(7,346,800)
Endowment net assets - June 30, 2018	$ 96,327,369	$ 9,005,623	$ 32,989,965	$ 138,322,957

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets - July 1, 2016	$ 91,626,858	$ 6,222,319	$ 28,200,335	$ 126,049,512
Investment return:				
Dividends and interest, net of expense	1,721,518	651,277	-	2,372,795
Net realized and unrealized gains	7,086,550	3,133,657	-	10,220,207
Total investment return	8,808,068	3,784,934	-	12,593,002
Contributions	-	-	1,522,322	1,522,322
Other changes:				
Transfers	148,027	(153,385)	1,561,423	1,556,065
Reclassification of underwater endowment net assets	245,420	(245,420)	-	-
Endowment spending	(5,550,376)	(1,636,716)	-	(7,187,092)
Total other changes	(5,156,929)	(2,035,521)	1,561,423	(5,631,027)
Endowment net assets - June 30, 2017	$ 95,277,997	$ 7,971,732	$ 31,284,080	$ 134,533,809

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration (i.e., underwater endowments). In accordance with relevant accounting guidance, deficiencies of this nature that are reported in unrestricted net assets were $18,293 and $60,545 as of June 30, 2018 and 2017, respectively.

12. Net Assets

Temporarily restricted net assets available for the following purposes as of June 30:

	2018	2017
Unspent balances of restricted gifts:		
The Boyer Center	$ 37,272	$ 37,272
School Enrichment	87,747	67,523
Collaboratory (endowment designation)	135,255	136,449
Gender studies (endowment designation)	89,215	90,003
Scholarships and other student assistance	225,995	323,511
Collaboratory (foundation-funded and other sources)	370,595	297,941
Athletic teams	262,347	195,018
Investment Club activities	323,018	277,770
Early Clergy Leadership and Youth Theology	453,317	606,010
Other	437,406	381,219
Net annuities	372,589	359,513
Capital projects	7,195,689	2,528,316
Market appreciation of donor endowment	8,781,153	7,745,280
	$ 18,771,598	$ 13,045,825

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors.

Permanently restricted net assets are restricted as follows as of June 30:

	2018	2017
Investments to be held in perpetuity, the income from which is expendable to support:		
Scholarships and awards	$ 25,527,312	$ 24,039,427
Faculty chairs	933,687	933,687
Instruction	44,570	42,330
Faculty development	512,493	498,493
Campus ministries	202,872	131,792
General operations and other purposes	5,641,437	5,492,653
Total principal of donor endowment	32,862,371	31,138,382
Net annuities	1,693,350	1,508,318
Beneficial interest in perpetual trusts	3,977,900	3,925,146
Pledges and bequests	127,594	145,698
	$ 38,661,215	$ 36,717,544

The income received from net annuities and perpetual trusts are primarily restricted for scholarships and instruction.

13. Expenses

Expenses, by natural classification, were as follows for the years ended June 30:

	2018	2017
Compensation and benefits	$ 62,416,564	$ 60,066,691
Services and supplies	16,272,363	16,161,697
Depreciation and accretion	12,026,542	11,084,164
Purchases for resale	3,812,626	3,622,332
Utilities	3,116,534	3,144,652
Insurance, maintenance and supplies	2,250,818	2,309,231
Interest	1,806,371	1,325,771
Total expenses	$ 101,701,818	$ 97,714,538

14. Contingencies and Commitments

The College is involved in various claims and litigation arising out of the normal conduct of its operations. In the opinion of management, the outcome of such claims and litigation will not have a material effect on the College's financial statements.

Amounts received and expended by the College under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the College.

The College leases real estate for educational, office, and residential purposes under the terms of non-cancelable agreements classified as operating leases. Future minimum lease payments for subsequent fiscal years are as follows:

2019	$ 802,546
2020	821,897
2021	838,954
2022	856,905
2023	598,321
Thereafter	2,991,694
Total	$ 6,910,317

Rent expense for the years ended June 30, 2018 and 2017 amounted to $1,141,189 and $830,619, respectively.

15. Income Taxes

The College qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The College accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2018 and 2017.

The College's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.