Antioch College Corporation

Financial Statements

June 30, 2016 and 2015

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of Antioch College Corporation ("the College"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Antioch College Corporation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (shown on page 19) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 17, 2016

		2016	2015
Assets:			
Cash and cash equivalents	$	1,171,812	1,817,371
Restricted cash		992,239	1,021,125
Accounts and grants receivable		344,799	163,425
Contributions receivable, net		15,475,261	17,299,973
Prepaid expenses		431,338	15,012
Investments, at fair value		12,289,782	17,202,462
Investments held in trust, at fair value		188,434	215,164
Beneficial interest in perpetual and remainder trusts		486,033	521,282
Intangible assets		2,850,637	2,850,637
Property, plant and equipment, net		39,178,066	39,918,527
Total assets	$	73,408,401	81,024,978
Liabilities:			
Accounts payable and accrued liabilities		2,038,722	2,445,506
Gift annuity obligations		399,099	415,166
Amounts held on behalf of others in trust		146,133	162,468
Interest rate swap, at fair value		31,337	13,330
Deferred grants revenue		259,583	282,381
Long-term debt		6,200,000	6,200,000
Total liabilities		9,074,874	9,518,851
Net assets:			
Unrestricted (deficit)		(6,187,923)	2,510,443
Board designated - general		928,425	928,425
Board designated - borrowing accumulated endowment gains		24,703,671	26,069,607
Board designated - borrowing from permanently restricted endowment		7,957,416	3,147,703
Total unrestricted net assets		27,401,589	32,656,178
Temporarily restricted net assets		18,054,518	19,977,445
Permanently restricted net assets		18,877,420	18,872,504
Total net assets		64,333,527	71,506,127
Total liabilities and net assets	$	73,408,401	81,024,978

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Gifts, pledges and bequests	$ 5,980,178	2,186,820	488,039	8,655,037
Grants	563,896	-	-	563,896
Interest and dividend income	-	212,597	-	212,597
Net realized gain on investments	-	159,520	-	159,520
Net unrealized loss on investments	-	(187,264)	-	(187,264)
Tuition and fees, net	1,463,994	-	-	1,463,994
Other program income	1,634,643	-	-	1,634,643
In-kind revenue	136,152	-	-	136,152
Other income	399,686	-	-	399,686
Net asset reclassification	447,874	-	(447,874)	-
Net assets released from restrictions	4,227,363	(4,227,363)	-	-
Total operating revenue	14,853,786	(1,855,690)	40,165	13,038,261
Operating expenses:				
Instruction	2,756,165	-	-	2,756,165
Academic support	2,000,447	-	-	2,000,447
Student services	2,752,580	-	-	2,752,580
Institutional support	3,234,282	-	-	3,234,282
Facilities	2,756,153	-	-	2,756,153
Auxiliary enterprises	4,085,355	-	-	4,085,355
Fundraising activities	2,582,635	-	-	2,582,635
Total operating expense	20,167,617	-	-	20,167,617
Nonoperating activities:				
Gain on sale of property and equipment	77,249	-	-	77,249
Change in value of gift annuity	-	(57,736)	-	(57,736)
Change in value of remainder and perpetual trusts	-	(9,501)	(35,249)	(44,750)
Change in value of interest rate swap	(18,007)	-	-	(18,007)
Total nonoperating activities	59,242	(67,237)	(35,249)	(43,244)
Change in net assets	(5,254,589)	(1,922,927)	4,916	(7,172,600)
Net assets, beginning of year	32,656,178	19,977,445	18,872,504	71,506,127
Net assets, end of year	$ 27,401,589	18,054,518	18,877,420	64,333,527

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Gifts, pledges and bequests	$ 12,058,638	4,799,887	12,679	16,871,204
Grants	403,549	-	-	403,549
Interest and dividend income	-	101,809	-	101,809
Net realized gain on investments	-	296,739	-	296,739
Net unrealized loss on investments	-	(86,157)	-	(86,157)
Tuition and fees, net	951,283	-	-	951,283
Other program income	1,519,306	-	-	1,519,306
In-kind revenue	99,094	-	-	99,094
Other income	328,491	-	-	328,491
Net asset reclassification	-	(225,000)	225,000	-
Net assets released from restrictions	4,697,326	(4,697,326)	-	-
Total operating revenue	20,057,687	189,952	237,679	20,485,318
Operating expenses:				
Instruction	2,466,553	-	-	2,466,553
Academic support	1,698,148	-	-	1,698,148
Student services	2,556,281	-	-	2,556,281
Institutional support	3,653,754	-	-	3,653,754
Facilities	3,268,708	-	-	3,268,708
Auxiliary enterprises	3,710,408	-	-	3,710,408
Fundraising activities	1,819,324	-	-	1,819,324
Total operating expense	19,173,176	-	-	19,173,176
Nonoperating activities:				
Change in value of gift annuity	-	(25,189)	-	(25,189)
Change in value of remainder and perpetual trusts	-	(3,944)	(20,136)	(24,080)
Change in value of interest rate swap	(21,240)	-	-	(21,240)
Total nonoperating activities	(21,240)	(29,133)	(20,136)	(70,509)
Change in net assets	863,271	160,819	217,543	1,241,633
Net assets, beginning of year (restated)	31,792,907	19,816,626	18,654,961	70,264,494
Net assets, end of year (restated)	$ 32,656,178	19,977,445	18,872,504	71,506,127

See accompanying notes to financial statements.

Antioch College Corporation
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(7,172,600)	1,241,633
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation		1,315,043	1,026,260
Amortization		-	45,725
Gain on sale of property and equipment		(77,249)	-
Provision for uncollectible accounts and contributions		1,242,367	202,160
Change in discount for future pledges		(240,113)	209,039
Net realized gain on investments		(159,520)	(296,739)
Net unrealized loss on investments		187,264	86,157
Change in beneficial interest in perpetual and remainder trusts		44,750	24,080
Change in value of interest rate swap		18,007	21,240
Change in value of gift annuity		57,736	25,189
Contributions restricted for endowment and facilities		(2,674,859)	(4,812,566)
Effects of change in operating assets and liabilities:			
Accounts and grants receivable		(181,374)	4,157
Contributions receivable		822,458	(4,859,921)
Prepaid expenses		(416,326)	79,227
Accounts payable and accrued expenses		(406,784)	(2,167)
Deferred grant revenue		(22,798)	90,593
Accounts held on behalf of others in trust		(16,335)	111,365
Net cash from operating activities		(7,680,333)	(6,804,568)
Cash flows from investing activities:			
Proceeds from sale of investments		4,911,666	6,245,472
Proceeds from sale of property and equipment		77,249	-
Purchase of property, plant and equipment		(574,582)	(5,410,265)
Net cash from investing activities		4,414,333	835,207
Cash flows from financing activities:			
Repayment on loan costs		-	(147,250)
Contributions restricted for endowment and facilities		2,674,859	4,812,566
Payments on gift annuity and trust obligations		(83,304)	(86,597)
Net cash from financing activities		2,591,555	4,578,719
Net change in cash and cash equivalents		(674,445)	(1,390,642)
Cash and cash equivalents, beginning of year		2,838,496	4,229,138
Cash and cash equivalents, end of year	$	2,164,051	2,838,496
Reconciliation of ending cash to the statement of financial position:			
Cash and cash equivalents	$	1,171,812	1,817,371
Restricted cash		992,239	1,021,125
	$	2,164,051	2,838,496
Supplemental disclosures of cash flow information - interest paid	$	135,522	134,781

See accompanying notes to financial statements.

1. ORGANIZATION:

Antioch College Corporation ("the College"), originally founded in 1854 in Yellow Springs, Ohio, was formerly a wholly-owned subsidiary of Antioch University ("the University") which ceased Antioch College operations in 2008 due to financial reasons. An organization of former alumni and other interested parties subsequently purchased Antioch College and related assets and obligations from the University on September 4, 2009. Included with the purchase were an endowment and other investments, obligations under various split interest agreements, the Glen Helen Nature Preserve, campus buildings and land, and various other assets and obligations. The College acquired the assets of WYSO-FM radio station on July 3, 2013, which operates as a program of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

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

Permanently restricted

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Such assets primarily include the College's permanent endowment funds.

Temporarily restricted

Temporarily restricted net assets are those assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted

Unrestricted net assets are assets that are not subject to donor-imposed stipulations. Unrestricted net assets have been designated for specific purposes by the Board of Trustees (Note 12). In addition, assets may otherwise be limited by contractual agreements with outside parties.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations, that simultaneously increase one class of net assets and decrease another, are reported as net assets released from restrictions.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction unless such donor-imposed restrictions are met within the period the contribution is made. In these cases, contributions are reported as unrestricted revenues. Contributions restricted for the endowment are classified as permanently restricted and retained as such in perpetuity in accordance with donor stipulations.

Cash and Cash Equivalents
Cash and cash equivalents include cash deposits with original maturities of three months or less. Cash and cash equivalents that comprise part of the investment balances for the endowment, third party trusts, gift annuities, and other restricted investments are not classified as cash or cash equivalents. Certain cash balances are classified as restricted and listed as a separate line item in the statements of financial position. Cash and cash equivalents are primarily deposited in one banking institution.

Grants Receivable and Deferred Grants Revenue
Grants receivable are reported at amounts billed or billable to grantors based upon amounts awarded and expended under these awards prior to the end of the year. Deferred grants revenue represent amounts advanced under certain grant awards whereby the related expenditures have not yet been incurred as of the end of the year. No allowance for uncollectible grants receivable has been recognized because management believes all amounts due are collectible.

Contributions Receivable
The College reports unconditional promises to give as contributions receivable and revenue when the promise is made by individuals and entities. Contributions receivable are unsecured and are reported net of an allowance for uncollectible pledges and a discount for the time value of money for long-term pledges. Contributions received are considered available for unrestricted use unless specifically restricted by the donor. The College’s discount rate of 1.01% and 1.52% at June 30, 2016 and 2015, respectively, is the average of the five year risk free rate of return.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position with gains and losses included in the statements of activities and changes in net assets. Dividend and interest income are accrued as earned and are net of related investment expenses, which were $38,277 and $143,283 for the years ended June 30, 2016 and 2015, respectively. Realized gains and losses are determined on the average cost method and are reflected in revenue.

Derivative Instruments
The College utilizes interest rate exchanges to hedge interest rate market exposure of its variable rate debt. The College uses the accrual method to account for the interest rate exchanges in connection with the underlying debt. The difference between amounts paid and received under such agreements is reported in interest expense in the statements of activities and changes in net assets. Changes in the fair value of these exchanges are recognized as nonoperating activities in the statements of activities and changes in net assets.

Fair Value of Financial Instruments
The carrying value of the College’s cash and cash equivalents, receivables, other assets, accounts payable, accrued expenses and other liabilities approximate fair value because of the short-term nature of these instruments. The College’s investments and beneficial interests in trusts are stated at fair value. The fair value of contributions receivable, deferred revenue and split interest agreements cannot be determined due to the uncertainty of the date of the ultimate repayment. The carrying value of long-term debt approximates fair value.

Intangible Assets
Intangible assets at June 30, 2016 and 2015 represent the WYSO broadcast license. An acquired broadcast license expires in five years. The broadcast license is renewable every 10 years if the Station provides at least an average level of service to its customers and complies with the applicable Federal Communications Commission (FCC) rules and policies and the FCC Communications Act of 1934. The license may be renewed indefinitely at little cost and was renewed prior to its recent acquisition. The College intends to renew the license indefinitely, and evidence supports its ability to do so. Therefore, the cash flows from the license are expected to continue indefinitely. The broadcast license is deemed to have an indefinite useful life because cash flows are expected to continue indefinitely. Therefore, the license will not be amortized until its useful life is deemed to be no longer indefinite, in which case the license would be tested for impairment.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost at the date of acquisition or, if acquired by gift, at fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 39 years. The cost and related accumulated depreciation of sales and disposals are removed from the accounts, and any gain or loss is reflected in the current year's operations. Expenditures which substantially increase useful lives are capitalized, while maintenance and repairs are expensed as incurred.

Tuition and Fees
Tuition and fee revenues are recognized in the year during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are reported as deferred revenue. Student aid provided by the College for tuition and fees is reflected as a reduction of gross tuition and fee revenue.

Contributions In-Kind
Donated buildings, equipment, services and other donated goods are recorded at their estimated fair value as of the date of the donation. Certain volunteer services provided throughout the year were not recognized as contributions because the recognition criteria were not met.

Income Taxes
The College is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the College’s tax-exempt purpose is subject to taxation as unrelated business income. The College’s reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the College has determined it does not have unrelated business taxable income.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts reported in 2015 have been reclassified to conform to 2016 financial statement presentation. These reclassifications did not affect change in net assets for 2015.

3. CONTRIBUTIONS RECEIVABLE:
The College has recognized certain pledges to the College's restricted and unrestricted donor funds. Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Unconditional promises to give are expected to be realized in the following periods as of June 30, 2016:

In one year or less	$	4,508,418
Between one and five years		9,971,303
More than five years		2,154,380
Less:		
Allowance for uncollectible pledges		600,352
Discount for future pledges		558,488
Net pledges receivable	$	15,475,261

4. INVESTMENTS:
The fair value of investments as of June 30, 2016 and 2015 were as follows:

		2016	2015
Money market funds	$	8,626,426	9,530,200
Mutual fund fixed income		2,247,423	2,435,061
Mutual fund equities		1,260,962	2,127,478
Equity securities		154,971	202,164
Alternative investments		-	2,907,559
	$	12,289,782	17,202,462

The vast majority of the College's investments at June 30, 2016, approximately 95% (97% at June 30, 2015), are held for the purpose of the endowment and can only be spent in accordance with donor-imposed restrictions.

Endowment Funds
The College's endowment includes donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original 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 (or negative unrestricted, if the permanent endowment exceeds the non-endowment loan investment balance).

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) the purposes of the College and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College, and (7) the investment policies of the College.

The changes in endowment net assets for the year ended June 30, 2016 and 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016				
Endowment net assets, July 1, 2015	$ (3,147,703)	-	18,351,222	15,203,519
Contributions	-	-	488,039	688,448
Investment income:				
Investment income, less fees	12,146	-	-	12,146
Net appreciation	8,193	-	-	8,193
Donor releases from restrictions	447,874	-	(447,874)	-
Borrowing of assets for expenditure	(5,277,926)	-	-	(5,478,335)
Endowment net assets, June 30, 2016	$ (7,957,416)	-	18,391,387	10,433,971

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015				
Endowment net assets, July 1, 2014, as restated	$ -	3,060,396	18,113,543	21,173,939
Contributions	-	-	12,679	12,679
Investment income:				
Investment income, less fees	-	(21,629)	-	(21,629)
Net appreciation	-	279,917	-	279,917
Net asset reclassification	-	(225,000)	225,000	-
Borrowing of assets for expenditure	(3,147,703)	(3,093,684)	-	(6,241,387)
Endowment net assets, June 30, 2015	$ (3,147,703)	-	18,351,222	15,203,519

Return Objectives and Risk Parameters
The College has adopted investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build capital for future use while providing a predictable level of funding to meet current needs. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in manner that is intended to produce results with a moderate level of investment risk.

Strategies Employed for Achieving Objectives
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 within both equity and fixed income securities, so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The College has a policy of appropriating for distribution each year between 5% and 7% of the value of the endowment investments. In establishing this policy, the College considered the long-term expected return on its endowment, including endowment loans.

Endowment Loans
The College has borrowed from its endowment funds for campus renovations and to cover certain operating expenses of the College prior to and immediately following its accreditation and approval to participate in federal student financial aid programs. As such, the fair value of assets associated with the donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. According to UPMIFA, a responsible organization may nevertheless spend below the original gift amount as long as the spending is prudent and is in fulfillment of the mission of the organization. Such deficiencies are reported in unrestricted net assets in the amount of $7,307,765 and $3,147,703 at June 30, 2016 and 2015, respectively.

The Board of Trustees regularly evaluates repayment of borrowings to the endowment and places limits on amounts that may be borrowed. The College has borrowed funds from its endowment in the amount of $32,661,087 and $29,217,310 as of June 30, 2016 and 2015, respectively. Management believes that the borrowings from the endowment do not violate the intentions of the original donors and were done so consistent with the provisions of UPMIFA.

The College has developed long-term plans for maintaining and sustaining its financial stability and endowment, including full restoration of the endowment, through the following strategies:

- Increase earned net revenue due to participation in federal student financial aid programs and increasing enrollment;
- Increase unearned revenue through effective outreach to the alumni and community, including obtaining new donors, and increasing planned giving;
- Reduce expenses to the extent possible while still fulfilling the College's mission
- Through its Framework for Antioch College's Transition (FACT), the College offers a new, more affordable and highly entrepreneurial approach to funding operations by integrating and leveraging assets like Co-op, WYSO, the Wellness Center, the energy sustainability program, the Farm and Food program, Glen Helen, the Coretta Scott King Center, Antioch College Village and others, as major building blocks for learning and revenue generation.

5. CHARITABLE REMAINDER TRUSTS:
The College serves as trustee for various charitable remainder trusts. The College is obligated to make periodic payments, generally quarterly, to the respective trust annuitants. The College records the trust investments as temporarily restricted net assets and reclassifies them according to the trust's directive at the termination of the trust. Currently, the College is paying approximately $12,500 annually to the respective trust annuitants.

The College has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the trust, with a rate of 3.25% at June 30, 2016 and 2015, respectively, to calculate the present value of the future liability. At June 30, 2016 and 2015, the estimated liability was $146,133 and $162,468, respectively. The investments backing the trusts are managed by Morgan Stanley Smith Barney, and totaled $188,434 and $215,164 at June 30, 2016 and 2015, respectively. The College has no responsibility to continue making trust payments once the assets of the respective trust assets have expired.

6. GIFT ANNUITIES:

As part of the acquisition of Antioch College the College inherited 34 gift annuity contracts for which the College is obligated to make a periodic payment, generally quarterly, to the respective annuitant. The College records the gift annuities investments as temporarily restricted net assets and reclassifies them according to the donor's wishes at the termination of the annuity contract. Currently, the College is paying approximately $67,000 annually to the respective annuitants.

The College has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the annuity contract, with a rate of 3.25% at June 30, 2016 and 2015, respectively, to calculate the present value of the future liability. At June 30, 2016 and 2015, the estimated liability was $399,099 and $415,166, respectively. The investments backing the gift annuities are managed by Fifth Third Institutional Services, and totaled $268,793 and $342,596 at June 30, 2016 and 2015, respectively. The College is responsible for continuing to pay the annuitants under the contract even if there are no remaining investment assets.

7. BENEFICIAL INTEREST IN PERPETUAL AND REMAINDER TRUSTS:

As part of the acquisition of Antioch College, the College also inherited a beneficial interest in three charitable remainder trusts which are administered by outside parties. Two of the trusts are perpetual trusts which provide the College with the irrevocable right to income, approximately $12,000 annually, in perpetuity from the trusts. The College is the beneficiary (remainder designee) of the final trust in which it is to receive a 15% interest in the remainder upon termination of the trust. The beneficial interests are valued at the fair value of the underlying investments of each trust multiplied by the College's ownership or remainder percentage. At year end June 30, 2016 and 2015, the College's beneficial interest in these trusts was $486,033 and $521,282, respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

The components of the College's property, plant and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Land	$ 3,722,880	3,708,768
Building and improvements	32,945,308	32,274,185
Furniture and equipment	1,753,917	1,795,474
Construction in progress	4,816,456	4,913,349
	43,238,561	42,691,776
Less accumulated depreciation	4,060,495	2,773,249
Net property, plant and equipment	$ 39,178,066	39,918,527

Depreciation expense was $1,315,043 and $1,026,260 for the years ended June 30, 2016 and 2015, respectively.

9. LONG-TERM DEBT:
Long-term debt at June 30, 2016 and 2015 consisted solely of a $6,200,000 note payable through The Huntington National Bank at a variable interest rate. Interest only payments are due monthly with the principal and any accrued interest due in full on August 31, 2017. In June 2015, The Morgan Family Foundation, who previously served as guarantor on the note, was released from the guaranty. Simultaneously, the Morgan Family Foundation released the lien on certain real assets associated with Antioch College as part of the loan guaranty. On June 24, 2015, as part of the release of the loan guaranty, the loan was rewritten under the same terms noted above, except that the College was required to deposit $6,200,000 into an account at The Huntington National Bank as cross-collateralization of the note payable to the Bank.

In conjunction with the refinancing, the College entered into an interest rate swap agreement with The Huntington National Bank that effectively fixed the interest rate of the note payable at 2.15%. This agreement requires monthly supplemental payments or credits that, when coupled with the variable rate interest expense, have the effect of fixing the cost of borrowing. The term of the swap agreement is the same as the promissory note. If terminated early, there would be a payment made or received by the College depending on the variable rate of interest at the time of termination. As of June 30, 2016 and 2015, the interest rate swap is at a liability position with a fair value of $31,337 and $13,330, respectively.

10. LOAN COSTS PAYABLE:
During 2015, the College paid the Morgan Family Foundation in full for costs related the loan guarantee. The related expense was amortized over the life of the loan. For the year ended June 30, 2015, amortization expense was $45,725.

11. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the College has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at June 30, 2016 Using:			
		Level 1	Level 2	Level 3	Total
Investments:					
Money market funds	$	8,626,426	-	-	8,626,426
Equity mutual funds		1,260,962			1,260,962
Fixed income mutual funds		2,247,423	-	-	2,247,423
Equity securities		154,971	-	-	154,971
Alternative investments		-	-	-	-
Total Investments	$	12,289,782	-	-	12,289,782
Investments held in trust	$	188,434	-	-	188,434
Beneficial interest in trusts	$	-	-	486,033	486,033

		Fair Value Measurements at June 30, 2015 Using:			
		Level 1	Level 2	Level 3	Total
Investments:					
Money market funds	$	9,530,200	-	-	9,530,200
Equity mutual funds		2,127,478			2,127,478
Fixed income mutual funds		2,435,061	-	-	2,435,061
Equity securities		202,164	-	-	202,164
Alternative investments		-	2,907,559	-	2,907,559
Total Investments	$	14,294,903	2,907,559	-	17,202,462
Investments held in trust	$	215,164	-	-	215,164
Beneficial interest in trusts	$	-	-	521,282	521,282

The following is a reconciliation of activity for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2016 and 2015:

		2016	2015
Trusts:			
Beginning balance	$	521,282	541,418
Change in value of interest in trusts		(35,249)	(20,136)
Ending balance	$	486,033	521,282

The fair value of alternative investments funds were estimated by the respective fund managers using the estimated net asset value (NAV) of the investments. In using NAV, certain attributes of the investment that may impact the fair value of the investment are not considered in measuring fair value. The estimated NAV may differ from the values that would have been used had a ready market for the securities existed, and the difference could be material.

Beneficial interests in trusts were valued based upon the College’s proportional share of the underlying assets and is valued on a recurring basis. However, because there is not currently an active market to observe quoted prices for beneficial interest in trusts, the assets are considered to be valued using unobservable inputs and are therefore considered to be levels 3 assets.

12. BOARD DESIGNATED FUNDS - GENERAL:

As part of the asset purchase agreement with the University, the College also agreed to designate future unrestricted funds of the College to honor the donor stipulations for $928,425 at June 30, 2016 and 2015 for which the principal had been previously spent by the University, but not necessarily in conjunction with the original donor stipulations. The Board of Trustees of the College has designated that future unrestricted funds, when available, will be spent as necessary to honor the original donor's stipulations.

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

		2016	2015
Contributions receivable at end of year	$	15,475,261	17,299,973
Unexpended bequests		1,061,857	1,131,404
Capital projects		197,178	333,768
Faculty Fund		525,161	524,944
Glen Helen		220,970	205,109
Other		574,091	482,247
Total temporarily restricted net assets	$	18,054,518	19,977,445

Permanently restricted net assets consisted of the following at June 30, 2016 and 2015:

		2016	2015
Endowment:			
Scholarships	$	8,470,394	8,871,012
General purpose		5,152,185	5,152,185
Library		219,732	219,732
Faculty		2,275,935	2,275,935
Antioch Review		239,928	239,778
Glen Helen		948,029	947,529
Other		1,085,184	645,051
		18,391,387	18,351,222
Beneficial interest in perpetual trusts		486,033	521,282
Total permanently restricted net assets	$	18,877,420	18,872,504

14. RETIREMENT PLAN:

The College maintains a 401(k) defined contribution retirement plan for its eligible employees who elect to participate. The College's plan contribution match expense for the years ended June 30, 2016 and 2015 was $211,872 and $191,162, respectively. Prior to 2015, the College did not keep proper documentation of employees' elections to not participate in the plan. Therefore, at June 30, 2016 and 2015, the College has estimated that $115,311 and $119,076, respectively, will be due to the plan in correction of the error. This liability is included in accounts payable and accrued liabilities on the statements of financial position.

15. TUITION AND FEES, NET

The following is included in tuition and fees, net as of June 30:

		2016			
		Tuition	Room and Board	Other Fees	Total
Gross revenue	$	7,882,542	2,109,389	247,939	10,239,870
Scholarships and fellowships		(7,717,649)	(1,058,227)	-	(8,775,876)
Net revenue	$	164,893	1,051,162	247,939	1,463,994

		2015			
		Tuition	Room and Board	Other Fees	Total
Gross revenue	$	6,423,088	1,892,853	182,671	8,498,612
Scholarships and fellowships		(6,423,088)	(1,124,241)	-	(7,547,329)
Net revenue	$	-	768,612	182,671	951,283

16. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the College's various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

17. FEDERAL DIRECT LENDING PROGRAM:

The College distributed $498,919 and $0 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2016 and 2015, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

18. RISKS AND CONTINGENCIES:

Credit Risk

Financial instruments which potentially subject the College to a concentration of credit risk consist principally of interest-bearing cash and cash equivalents, certificates of deposit, and investments. The College places cash and cash equivalents with high credit quality financial institutions. The College has not experienced any losses on such accounts.

The College's investments are managed by independent asset management firms whose performance is reviewed by the Finance Committee of the Board of Trustees on a periodic basis.

Contingencies
State and federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The College is involved in legal matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the College's future financial position or results from operations.

19. NET ASSET RESTATEMENT:

The College determined that, although total net assets were not misstated, due to the endowment borrowings described in Note 4, temporarily restricted net assets were overstated (and unrestricted net assets were understated) by $24,127,326 at July 1, 2014. This amount represents the portion of endowment loans related to accumulated gains in the endowment and are now reported as board designated net assets on the statements of financial position.

July 1, 2014		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances as previously reported	$	7,665,581	43,943,952	18,654,961	70,264,494
Restatement		24,127,326	(24,127,326)	-	-
Balances, as restated	$	31,792,907	19,816,626	18,654,961	70,264,494

20. SUBSEQUENT EVENTS:
The College evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 17, 2016, the date on which the financial statements were available to be issued.

In July 2016, the College received accreditation from the Higher Learning Commission.

		2016	2015
Operating expenses:			
Compensation:			
Salaries and wages	$	8,974,335	8,337,342
Benefits		1,606,851	1,526,940
Payroll taxes		774,197	696,340
Total compensation		11,355,383	10,560,622
Administrative expenses:			
Investment and banking fees		105,111	217,506
Information technology		215,577	247,462
Office and other administrative		418,282	537,141
Insurance and taxes		256,833	329,812
Utilities		943,012	1,019,667
Instructional supplies		71,755	96,358
Student services		295,489	311,627
Equipment		104,345	159,791
Maintenance and repairs		591,165	584,020
Dining		392,504	429,038
Meetings and travel		188,047	201,868
Memberships and subscriptions		361,201	320,688
Contract labor and consulting		667,526	1,163,319
Marketing and communications		914,417	1,180,324
Legal		76,603	127,703
Accounting		54,600	44,450
Depreciation and amortization		1,315,049	1,071,984
Bad debt		1,242,367	202,160
Other		598,351	367,636
Total administrative expenses		8,812,234	8,612,554
Total operating expenses	$	20,167,617	19,173,176

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