KPMG

COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2015 and 2014

Table of Contents

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
College of the Holy Cross:

We have audited the accompanying financial statements of the College of the Holy Cross, which comprise the balance sheets as of June 30, 2015 and 2014, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the College of the Holy Cross as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 6, 2015

COLLEGE OF THE HOLY CROSS

Balance Sheets

June 30, 2015 and 2014

(In thousands)

Assets		**2015**	**2014**
Cash and cash equivalents	$	55,299	37,898
Short-term investments		1,550	6,813
Contributions receivable, net		80,643	31,194
Accounts and loans receivable, net		7,758	7,784
Long-term investments		729,344	733,636
Land, buildings and equipment, net		209,147	206,165
Other assets		5,062	4,566
Total assets	$	1,088,803	1,028,056
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	23,195	22,767
Deferred revenue and student deposits		5,450	4,594
U.S. Government refundable advances		4,952	4,975
Split-interest obligations		3,862	3,698
Accrued pension liability		851	3,078
Interest rate swap		8,962	8,306
Long-term debt		137,968	144,979
Total liabilities		185,240	192,397
Net assets:			
Unrestricted		405,086	400,755
Temporarily restricted		306,825	257,450
Permanently restricted		191,652	177,454
Total net assets		903,563	835,659
Total liabilities and net assets	$	1,088,803	1,028,056

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2015

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 133,817	—	—	133,817
Auxiliary enterprises – residence and dining fees	30,753	—	—	30,753
Less scholarship aid to students	(49,068)	—	—	(49,068)
Net student fees	115,502	—	—	115,502
Contributions – annual fund	7,777	—	—	7,777
Other auxiliary enterprises	10,934	—	—	10,934
Other revenues	4,035	—	—	4,035
Operating revenues before nonoperating net assets used in operations	138,248	—	—	138,248
Nonoperating net assets used in operations:				
Long-term investment income used in operations	25,421	—	—	25,421
Restricted and designated net assets used in operations	5,940	—	—	5,940
Total operating revenues	169,609	—	—	169,609
Operating expenses:				
Instruction	62,579	—	—	62,579
Academic support	12,882	—	—	12,882
Student services	29,359	—	—	29,359
Institutional support	26,780	—	—	26,780
Auxiliary enterprises	34,326	—	—	34,326
Total operating expenses	165,926	—	—	165,926
Increase in net assets from operations	3,683	—	—	3,683
Nonoperating:				
Contributions	636	66,976	13,930	81,542
Net return on long-term investments	5,754	6,779	(33)	12,500
Net loss on interest rate swap	(656)	—	—	(656)
Nonoperating net assets used in operations	(31,361)	—	—	(31,361)
Net assets released from restrictions	24,460	(24,460)	—	—
Pension related changes, other than net periodic benefit cost	1,588	—	—	1,588
Other changes, net	227	80	301	608
Increase in net assets from nonoperating activities	648	49,375	14,198	64,221
Increase in net assets	4,331	49,375	14,198	67,904
Net assets, beginning of year	400,755	257,450	177,454	835,659
Net assets, end of year	$ 405,086	306,825	191,652	903,563

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2014

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 127,918	—	—	127,918
Auxiliary enterprises – residence and dining fees	30,022	—	—	30,022
Less scholarship aid to students	(46,035)	—	—	(46,035)
Net student fees	111,905	—	—	111,905
Contributions – annual fund	7,728	—	—	7,728
Other auxiliary enterprises	11,149	—	—	11,149
Other revenues	3,459	—	—	3,459
Operating revenues before nonoperating net assets used in operations	134,241	—	—	134,241
Nonoperating net assets used in operations:				
Long-term investment income used in operations	24,000	—	—	24,000
Restricted and designated net assets used in operations	5,444	—	—	5,444
Total operating revenues	163,685	—	—	163,685
Operating expenses:				
Instruction	59,798	—	—	59,798
Academic support	12,317	—	—	12,317
Student services	26,746	—	—	26,746
Institutional support	24,880	—	—	24,880
Auxiliary enterprises	33,467	—	—	33,467
Total operating expenses	157,208	—	—	157,208
Increase in net assets from operations	6,477	—	—	6,477
Nonoperating:				
Contributions	633	32,683	12,309	45,625
Net return on long-term investments	47,286	49,396	73	96,755
Net gain on interest rate swap	50	—	—	50
Nonoperating net assets used in operations	(29,444)	—	—	(29,444)
Net assets released from restrictions	16,772	(16,772)	—	—
Pension related changes, other than net periodic benefit cost	(7,406)	—	—	(7,406)
Other changes, net	306	(381)	29	(46)
Increase in net assets from nonoperating activities	28,197	64,926	12,411	105,534
Increase in net assets	34,674	64,926	12,411	112,011
Net assets, beginning of year	366,081	192,524	165,043	723,648
Net assets, end of year	$ 400,755	257,450	177,454	835,659

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statements of Cash Flows

Years ended June 30, 2015 and 2014

(In thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 67,904	112,011
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and accretion	13,140	12,976
Net realized and unrealized gains on investments	(9,349)	(94,403)
Contributions for long-term investment and facilities	(69,163)	(36,777)
Net loss (gain) on interest rate swap	656	(50)
Pension related changes, other than net periodic benefit cost	(1,588)	7,406
Increase in operating assets, net	(2,920)	(4,463)
Decrease in operating liabilities, net	284	744
Net cash used in operating activities	(1,036)	(2,556)
Cash flows from investing activities:		
Net loans advanced to students and others	(55)	(104)
Purchase of land, buildings, and equipment	(16,152)	(13,703)
Proceeds from sale of short-term investments	5,263	668
Proceeds from sale of long-term investments	196,776	137,482
Purchase of long-term investments	(183,135)	(135,106)
Net cash provided by (used in) investing activities	2,697	(10,763)
Cash flows from financing activities:		
Payments on long-term debt	(6,620)	(5,690)
Decrease in U.S. Government refundable advances	(23)	(50)
Proceeds from contributions for long-term investment	7,967	8,583
Proceeds from grants and contributions for facilities	14,416	11,475
Net cash provided by financing activities	15,740	14,318
Net increase in cash and cash equivalents	17,401	999
Cash and cash equivalents, beginning of year	37,898	36,899
Cash and cash equivalents, end of year	$ 55,299	37,898
Supplemental data:		
Interest paid	$ 6,350	6,768

See accompanying notes to financial statements.

(1) Background

College of the Holy Cross (the College or Holy Cross) is a not-for-profit educational institution committed to the principle of educating men and women for others. As a Jesuit college, Holy Cross takes its place in a 450-year tradition of Catholic education that has distinguished itself for intellectual rigor, high academic standards, and religious and moral sensitivity. Top-ranked nationally, Holy Cross is a coeducational liberal arts college with a community of approximately 2,900 students, situated on a 174-acre campus. Holy Cross was founded in 1843 by the second bishop of Boston, Benedict Joseph Fenwick, S. J., making it the oldest Catholic college in New England.

(2) Summary of Significant Accounting Policies

(a) Basis of Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(b) Classification of Net Assets

Unrestricted net assets – Net assets not subject to donor-imposed stipulations and available for the general operations of the College. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment funds.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs subject to the College's endowment spending policy and any restrictions on use imposed by donors.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations requiring they be maintained in perpetuity by the College. The College classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

(c) Statements of Activities

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's undergraduate education program, grants for research conducted by the academic departments, auxiliary enterprise activities and contributions to the annual fund. Nonoperating net assets used in operations includes endowment income appropriated by the College to support operating activities and nonoperating contributions expended in support of operations or made available for operations by virtue of the expiration of a time restriction.

(Continued)

Nonoperating activities include investment return on short and long-term investments, contributions received other than for the annual fund, grant income to fund capital acquisitions, any gains or losses on debt-related derivative instruments, pension adjustments other than net periodic benefit cost and miscellaneous items not related to the College's academic or research activities. To the extent nonoperating contributions, investment income and gains are used for operations, they are reclassified as "nonoperating net assets used in operations" on the statements of activities.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

- Student fees are recorded at established rates, net of financial aid and scholarships provided directly to students.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statement of activities. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.
- Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired.
- Auxiliary enterprises include a variety of services that enhance the quality of student life on campus. Revenues are displayed in two sections. Fees for housing and dining services are displayed along with tuition and fees net of scholarship aid to arrive at net student fee revenue. Other auxiliary service enterprise revenues, which include college retail operations, cash dining, catering, intercollegiate athletics and graphic arts, are displayed separately. Expenses associated with auxiliary enterprise activities are reported as a single total and include an allocated portion of the cost of operating and maintaining the College's plant assets, interest and depreciation expense.
- Dividends, interest, and net gains on investments of endowments are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains; and as increases in unrestricted net assets in all other cases.

(Continued)

Expenses are reported as decreases in unrestricted net assets. Expenses associated with the operation and maintenance of the College's plant assets, including interest and depreciation expense, are allocated on the basis of square footage utilized by the functional categories. Expenses associated with fundraising activities of the College were $8,392 and $7,445 in 2015 and 2014, respectively, and are included in institutional support in the statements of activities.

(d) Cash Equivalents

For the purpose of the statements of cash flows, the College considers investments with maturities at date of purchase of three months or less to be cash equivalents, except that any such investments purchased by external investment managers are classified as long-term investments.

(e) Fair Value Measurements

Short-term and long-term investments and the interest rate swap are reported at their respective fair values. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value the College uses a three-tiered hierarchy to categorize those assets and liabilities carried at fair value based on the valuation methodologies employed. The hierarchy is defined as follows:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Valuations based on unobservable inputs are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

(f) Accounts and Loans Receivable

Accounts and loans receivable include amounts primarily due from students and employees, as well as reimbursements due from sponsors of externally funded research.

(g) Land, Buildings, and Equipment

Constructed and purchased property and equipment are carried at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Expenditures for library books are charged to operations in the period acquired. Long-lived fixed assets, with the exception of land and artwork, are depreciated using the straight-line method over the assets' estimated useful lives.

(h) Other Assets

Other assets consist of prepaid expenses, inventories, and investments held in a nonqualified deferred compensation plan.

(i) Refundable Advances

The College holds certain amounts advanced by the U.S. Government under the Federal Perkins Loan Program (the Program). Such amounts may be re-loaned by the College after collection; however, in the event that the College no longer participates in the Program, the amounts are generally refunded to the U.S. Government.

(j) Split-Interest Obligations

The College's split-interest obligations consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the College serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at the fair value of the estimated future payments to be made to the beneficiaries. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts and other considerations that affect the estimates of future payments.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

(l) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes under Section 501(a) of the Code and applicable state laws. The College believes it has taken no significant uncertain tax positions.

(In thousands)

(3) Contributions Receivable

Contributions receivable consist of the following at June 30:

		2015	2014
Unconditional promises expected to be collected in:			
Less than one year	$	20,238	6,932
One to five years		54,701	25,347
Thereafter		12,800	1,000
Less allowances for uncollectible pledges and pledge discounts (0.11% – 2.43%)		(7,096)	(2,085)
	$	80,643	31,194

(4) Investments

(a) Strategy

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The College's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity, fixed income, real estate, commodities, and private equity markets. Global equities cover the U.S. as well as both developed and emerging markets overseas, and long/short hedge funds. Absolute return and marketable alternative funds invest in a broad range of investments that are less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. These funds may employ the use of leverage and derivatives to achieve their return. Private equity strategies include distressed investments which includes entities involved in financial reorganizations or workout situations, buyout and venture capital as well as fund of funds vehicles used to more broadly diversify the pool of investments. The real asset classification includes investments in public and private real estate, energy, and commodities.

The majority of the College's investments are managed in a pooled fund that consists primarily of endowment assets. Other investments are managed separately from the pool. These investments consist primarily of fixed income securities, principally government securities and money market funds held for the College's working capital needs, and various fixed income, equity and real asset holdings associated with split-interest agreements and short-term investments.

(b) Reporting Basis

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of nonpublicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market values of the underlying securities.

(In thousands)

Investments whose fair values are estimated using NAV or its equivalent as the practical expedient include shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. In addition, investments in marketable alternatives, absolute return, private equities and real assets, and certain equity and fixed income investments are valued using current estimates of fair value based upon the NAV of the fund as determined by the general partner or investment manager of the respective fund. These general partner valuations consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of each fund's underlying assets or liabilities. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. The College has assessed the value provided by the external managers and believes the amounts reported represent a reasonable estimate of fair value. The following table summarizes the valuation of investments as of June 30, 2015:

		NAV or equivalent	Level 1	Level 2	Level 3	Total
Short-term investments	$	—	—	1,550	—	1,550
Long-term investments:						
Cash equivalents		—	11,998	—	—	11,998
Fixed income:						
U.S. government		28,521	—	—	—	28,521
Global		22,050	—	—	—	22,050
Global equities:						
US		116,623	20,043	—	—	136,666
International developed		108,752	10,822	—	—	119,574
Emerging markets		42,980	19,119	—	—	62,099
Long-short		95,585	—	—	—	95,585
Absolute return		112,795	—	—	—	112,795
Private equities:						
Buyout		21,815	—	—	—	21,815
Distressed		12,408	—	—	—	12,408
Diversified		13,129	—	—	—	13,129
Venture capital		20,811	—	—	—	20,811
Real assets:						
Commodities		10,540	13,394	—	—	23,934
Energy		17,447	—	—	—	17,447
Real estate		21,813	—	—	—	21,813
Split-interest agreements		—	4,795	1,541	2,363	8,699
Total long-term investments		645,269	80,171	1,541	2,363	729,344
Total	$	645,269	80,171	3,091	2,363	730,894

(In thousands)

The following table presents additional information about investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2015:

	Beginning balance	Acquisitions	Dispositions	Net realized unrealized gains	Ending balance
Split-interest agreements	$ 2,520	87	(244)	—	2,363

The following table summarizes the valuation of investments as of June 30, 2014:

	NAV or Equivalent	Level 1	Level 2	Level 3	Total
Short-term investments	$ —	—	6,813	—	6,813
Long-term investments:					
Cash equivalents	—	6,627	—	—	6,627
Fixed income:					
U.S. government	27,584	—	—	—	27,584
Global	24,011	—	—	—	24,011
Global equities:					
US	89,023	13,165	—	—	102,188
International developed	99,680	20,851	—	—	120,531
Emerging markets	60,441	31,495	—	—	91,936
Long-short	67,300	—	—	—	67,300
Marketable alternatives	13,001	—	—	—	13,001
Absolute return	86,391	—	—	—	86,391
Private equities:					
Buyout	29,638	—	—	—	29,638
Distressed	22,709	—	—	—	22,709
Diversified	18,071	—	—	—	18,071
Venture capital	23,283	—	—	—	23,283
Real assets:					
Commodities	36,938	11,439	—	—	48,377
Energy	18,575	—	—	—	18,575
Real estate	24,945	—	—	—	24,945
Split-interest agreements	—	4,854	1,095	2,520	8,469
Total long-term investments	641,590	88,431	1,095	2,520	733,636
Total	$ 641,590	88,431	7,908	2,520	740,449

Effective in the year ended June 30, 2015, the College retrospectively adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07). Among other things, ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV or its equivalent as a practical expedient to estimate fair value. As a result of the adoption of

(In thousands)

ASU No. 2015-07, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $292,348 from Level 2 and $349,242 from Level 3. The adoption did not impact the College's balance sheet, statement of activities, or statement of cash flow and resulted only in changes to the College's investment footnote disclosures.

The following table presents additional information about investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014 after restating the beginning balance to reflect the removal of NAV-measured investments aggregating $295,700:

	Beginning balance	Acquisitions	Dispositions	Net realized unrealized gains	Ending balance
Split-interest agreements	$ 2,594	—	(96)	22	2,520

Net return on long-term investments consists of the following for the years ended June 30:

	2015	2014
Interest, dividends and other income	$ 6,982	6,145
Unrealized (losses) gains, net	(24,101)	68,795
Realized gains, net	33,450	25,608
Direct management fees and other	(3,831)	(3,793)
Net return on investments	$ 12,500	96,755

(c) Commitments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the College is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real asset investments is $78,240 as of June 30, 2015.

(In thousands)

(d) Liquidity

Absolute return and certain global equity and fixed income investments are redeemable at NAV under the terms of the subscription and/or partnership agreements. Investments, including short-term investments, with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The long-term investments' fair values are broken out below by their redemption frequency as of June 30, 2015.

		Daily	Monthly	Quarterly	Annual	Illiquid	Total
Cash equivalents	$	11,998	—	—	—	—	11,998
Fixed income		—	22,050	—	—	28,521	50,571
Global equities		59,908	110,938	120,377	28,144	94,557	413,924
Absolute return		—	—	—	42,364	70,431	112,795
Private equities		—	—	—	—	68,163	68,163
Real assets		13,394	—	—	—	49,800	63,194
Split-interest agreements		—	—	—	—	8,699	8,699
Total	$	85,300	132,988	120,377	70,508	320,171	729,344

Investments with a redemption frequency of illiquid include lock-ups with definite expiration dates, restricted shares, side pockets, gates or funds in liquidation which have suspended normal liquidity terms, as well as private equity and real assets funds where the College has no liquidity terms until the investments are sold by the fund manager. The College is in the process of liquidating $2,927 of investments at June 30, 2015 for which it has not received cash. Investments associated with split-interest agreements have been categorized as illiquid because they are not available to support operations. Investments totaling $131,190 are subject to side pockets or redemption lock-ups which will expire between December 2015 and March 2020.

(5) Endowment

The College's endowment consists of approximately 800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the Board of Trustees to exercise its discretion in determining the appropriate level of expenditure from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. The accounting standards define permanently restricted funds as those that must be held in perpetuity even though the historic-dollar-value may be appropriated on a temporary basis. In accordance with appropriate accounting standards, the College classifies permanently restricted net assets as (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 as permanently restricted net assets is classified as temporarily restricted net assets, until appropriated for spending by the Board of Trustees.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies generally are the result of unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the original contributed value are classified as an increase in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2015 and 2014.

(c) Return Objectives and Risk Parameters

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 as well as board-designated funds. The primary investment objective of the endowment fund is to maintain and grow the fund’s real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee, a standing Committee of the Board of Trustees, intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk and to reduce portfolio risk through asset allocation and diversification.

(d) 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 Investment Committee (the Committee) is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board of Trustees and the Committee have the broadest flexibility as to the selection of investments for the endowment fund.

The College targets a diversified asset allocation that places emphasis on investments in global equities, fixed income, real assets, private equity and absolute return strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures and risk profile on an ongoing basis.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's spending policy is 4.5% of the endowment's fair value applied to a three year moving average with a one year lag. The amount appropriated for operations is $25,421 and $24,000 for the years ended June 30, 2015 and 2014, respectively.

In establishing these policies, the College considers the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return or additions designated by the Board of Trustees.

(Continued)

(In thousands)

Changes in endowment net assets and net asset composition, not including pledges, consist of the following at June 30:

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2014	$ 356,043	201,112	168,898	726,053
Investment return:				
Investment income, net	1,646	1,820	—	3,466
Net gains	4,343	5,016	—	9,359
Total investment return	5,989	6,836	—	12,825
Contributions	447	15	7,391	7,853
Appropriated for expenditure	(13,658)	(11,763)	—	(25,421)
Endowment net assets, June 30, 2015	$ 348,821	196,200	176,289	721,310
Composition of endowment net assets:				
Donor-restricted endowment funds	$ —	196,200	176,289	372,489
Board-designated endowment funds	348,821	—	—	348,821
Total endowment net assets	$ 348,821	196,200	176,289	721,310

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2013	$ 310,714	163,142	161,056	634,912
Investment return:				
Investment income, net	1,756	887	—	2,643
Net gains	45,271	48,387	20	93,678
Total investment return	47,027	49,274	20	96,321
Contributions	477	—	7,822	8,299
Transfer from operations	10,521	—	—	10,521
Appropriated for expenditure	(12,696)	(11,304)	—	(24,000)
Endowment net assets, June 30, 2014	$ 356,043	201,112	168,898	726,053
Composition of endowment net assets:				
Donor-restricted endowment funds	$ —	201,112	168,898	370,010
Board-designated endowment funds	356,043	—	—	356,043
Total endowment net assets	$ 356,043	201,112	168,898	726,053

(In thousands)

(6) Land, Buildings, and Equipment

The following is a summary of the College's property and equipment as of June 30:

	Estimated lives		2015	2014
Land	—	$	3,953	3,830
Land improvements	20–30		42,932	41,810
Buildings	5–55		322,671	316,158
Equipment and furniture	5–20		58,346	54,638
Construction in progress	—		13,116	8,163
Artwork	—		853	853
			441,871	425,452
Less accumulated depreciation			(232,724)	(219,287)
		$	209,147	206,165

(7) Retirement Plans

The College's contributory retirement plan covers exempt employees. Participating employees contribute a minimum of 2% to a maximum of 5% of their base salary. The College makes a matching contribution equal to 10% of compensation up to the taxable wage base and 12% of compensation in excess of the taxable wage base. The College contributed $4,899 and $4,671, respectively, for the years ended June 30, 2015 and 2014, respectively.

The College's noncontributory defined benefit retirement plan covers nonexempt employees. The College recognizes the funded status, the difference between the fair value of the plan assets and the projected benefit obligation, as an asset or liability in its balance sheet and recognizes the change in that funded status in the year in which the change occurred through changes in nonoperating unrestricted net assets.

The benefit obligation is determined by using a cash flow matching methodology that determines a single rate based on discounted projected cash flows for the plan. Each year the projected cash flow is discounted at a spot rate that is appropriate for that maturity; the discount rate is the single equivalent rate that produces the same discounted present value.

(In thousands)

The following table sets forth the defined benefit pension plan's obligations, fair value of plan assets and funded status for the years ended June 30:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 61,772	47,495
Service cost	2,247	1,755
Interest cost	2,677	2,460
Benefits paid	(1,971)	(1,840)
Actuarial (gain) loss	(2,720)	11,902
Benefit obligation at end of year	62,005	61,772
Change in plan assets:		
Fair value of plan assets at beginning of year	58,694	50,772
Actual return on plan assets	2,261	7,592
Employer contribution	2,170	2,170
Benefits paid	(1,971)	(1,840)
Fair value of plan assets at end of year	61,154	58,694
Funded status – net obligation recognized in the balance sheets	$ (851)	(3,078)
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	4.62%	4.44%
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost for year ending June 30:		
Discount rate	4.44	5.08
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	3.50	3.50

(In thousands)

The accumulated benefit obligation was $57,152 at June 30, 2015 and $56,639 at June 30, 2014. The benefits expected to be paid after June 30, 2015 are as follows: $2,383 in 2016, $2,484 in 2017, $2,607 in 2018, $2,725 in 2019, $2,901 in 2020 and aggregate benefits for years 2021 through 2025 are expected to be $17,157. The College plans to make a nonmandatory employer contribution of $1,500 for fiscal year 2016. The measurement date used to determine pension assets and benefit obligations was June 30, 2015.

The following table sets forth the components of net periodic benefit cost and the nonoperating charge (credit) reported in the statements of activities for the years ended June 30:

		2015	2014
Components of net periodic benefit cost:			
Service cost – benefits earned	$	2,247	1,755
Interest cost on projected benefit obligation		2,677	2,460
Expected return on plan assets		(4,094)	(3,545)
Amortization of prior service cost		375	449
Recognized actuarial loss		326	—
Net periodic benefit cost		1,531	1,119
Changes recognized in nonoperating:			
Net (gain) loss arising during the year		(887)	7,855
Amortization of prior service cost		(375)	(449)
Recognized actuarial loss		(326)	—
Total recognized as nonoperating		(1,588)	7,406
Total recognized in the statements of activities	$	(57)	8,525

Amounts not yet reflected in net periodic benefit cost and included in the balance sheets are as follows:

		2015	2014
Accumulated net loss	$	(9,624)	(10,837)
Prior service costs		(126)	(501)
Accumulated other nonoperating loss		(9,750)	(11,338)
Accumulated contributions in excess of net periodic benefit cost		8,899	8,260
Net obligation recognized in the balance sheets	$	(851)	(3,078)

The estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in 2015 are unrecognized prior service cost of $126 and an accumulated net loss of $255.

(In thousands)

The retirement plan's investment policy includes the following asset allocation guidelines:

Cash and fixed income	20–45%
Domestic equities	7.5–35%
International equities	5–25%
Hedge funds	5–20%
Real assets	5–15%
Multi-asset	5–20%

The investment strategy of the noncontributory retirement plan is to allocate assets among investment classes that will provide for stability and growth of plan assets in varying market environments. To that end, the plan has adopted policies that require each asset class to be diversified and that multiple managers with differing styles of management are employed. On a quarterly basis the plan reviews progress toward achieving its and individual managers' performance objectives. The fair value of the College's defined benefit pension plan assets by asset class are as follows at June 30 (2014 restated for the adoption of ASU No. 2015-07):

	2015		
	Level 1	**NAV or Equivalent**	**Total**
Cash and fixed income	$ 11,650	—	11,650
Domestic equities	14,596	—	14,596
International equities	—	12,583	12,583
Hedge funds	—	6,880	6,880
Real assets	—	6,363	6,363
Multi-asset	—	9,082	9,082
	$ 26,246	34,908	61,154

	2014		
	Level 1	**NAV or equivalent**	**Total**
Cash and fixed income	$ 14,898	—	14,898
Domestic equities	13,400	—	13,400
International equities	—	12,575	12,575
Hedge funds	—	6,557	6,557
Real assets	—	5,755	5,755
Multi-asset	—	5,509	5,509
	$ 28,298	30,396	58,694

(In thousands)

The nonexchange traded investments above are valued using NAV or its equivalent and have daily, monthly or quarterly liquidity with one to thirty days notice requirements.

(8) Long-Term Debt

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

		2015	2014
Massachusetts Development Finance Agency Revenue Bonds:			
5.25%, 2002 Issue maturing in 2032	$	26,175	26,175
4% – 5%, 2007 Issue, Series B maturing serially through 2023		19,465	21,170
Floating Rate Revenue Bonds, 2008 Issue, Series A maturing serially through 2037		39,090	40,100
4% – 5%, 2008 Issue, Series B maturing serially through 2026		48,330	52,235
		133,060	139,680
Unamortized premium		4,908	5,299
	$	137,968	144,979

Maturities of bonds for the fiscal years after June 30, 2015 are as follows:

2016	$	6,485
2017		6,230
2018		6,520
2019		6,835
2020		7,165
Thereafter		99,825

Interest expense charged to operations was $6,260 and $6,562 in 2015 and 2014, respectively.

The Massachusetts Development Finance Agency Revenue Bonds are tax-exempt issues and are general obligations of the College. The floating or variable rate for the 2008 Series A Issue is determined on a daily basis by the Remarketing Agent for each rate period to be the lowest rate which in its judgment would permit the sale of the Series 2008A Bonds. In the event that the variable rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the variable rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal the SIFMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal. The interest rate on the

Series 2008A Bonds may be converted to a fixed rate at the election of the College and upon the satisfaction of certain requirements. The average interest rate was 0.04% and 0.05% in 2015 and 2014, respectively.

In the event that the College receives notice of any optional tender on its variable rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will have a general obligation to purchase the bonds tendered. The College maintains a direct-pay letter of credit with a commercial bank to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event that the bonds are unable to be remarketed. Financing obtained through a letter of credit facility to fund the repurchase of the bonds would bear interest rates different from those associated with the original bond issues. The credit facility in effect at June 30, 2015 expires in December 2015.

The College has one interest rate swap agreement related to the Series 2008A Bonds with a current notional amount of $38,975 that reduces at approximately the same rate as the outstanding principal amount of the Series 2008A Bonds. The swap provides for the College to pay a fixed rate of 3.881% in exchange for the financial institution paying a variable rate equal to 68% of 1-month USD-LIBOR on the notional amount. Neither party has an obligation to post collateral with respect to the swap. However, in the event the College's credit ratings were downgraded below a specified level, the counterparty could elect to terminate the swap which could require a termination payment to the counterparty. The fair value of the liability associated with the swap was $8,962 and $8,306 as of June 30, 2015 and 2014, respectively. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 for purposes of valuation disclosure.

The College established an unsecured line of credit in the amount of $15,000 with a commercial bank primarily for working capital purposes. The line of credit expires in May 2016 and may be renewed. The line of credit was not utilized during the years ended June 30, 2015 or 2014 and has no outstanding balance as of June 30, 2015 or 2014.

The College determined that the estimated fair value of its total indebtedness was $137,920 and $138,562 as of June 30, 2015 and 2014, respectively. The fair value of long-term debt is based on significant observable inputs and is categorized as Level 2 for purposes of valuation disclosure. The College further determined that the differences between the carrying values and estimated fair values of its other financial assets and liabilities at June 30, 2015 and 2014 were not significant.

(Continued)

(In thousands)

(9) Restricted Net Assets

The College's donor-restricted net assets consist of the following at June 30:

		2015		2014	
		Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Scholarships	$	117,938	83,073	119,795	78,142
Instruction		65,824	68,865	65,944	67,556
Student services		7,895	7,605	7,776	7,366
Academic support		4,602	5,684	4,622	5,439
Capital		29,604	—	20,937	—
Other		12,398	11,062	12,727	10,395
Annuity agreements		1,349	1,935	1,353	1,667
Pledges:					
Time		3,266	—	2,736	—
Capital purposes		59,195	—	18,758	—
Other purpose		4,754	13,428	2,802	6,889
Total net assets	$	306,825	191,652	257,450	177,454

The temporarily restricted net assets at June 30, 2015 and 2014 include $196,200 and $201,112, respectively, of appreciation on donor-restricted endowment funds available to support College programs through the spending appropriation.

(10) Related-Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy.

(In thousands)

The College has investments in funds where members of the Board of Trustees serve as a manager, director or partner. These investments include limited partnerships that provide investment management services for a portion of the College's absolute return portfolio and several funds for cash and cash equivalents. These investments were made in compliance with the College's conflict of interest policy. As of June 30, 2015, the College held $87,718 in these funds, which are included in the College's long-term investment portfolio and its cash and cash equivalents. The College has no commitment to contribute or invest any additional funds to these investments. The College took measures to mitigate any actual or perceived conflict, including requiring that these transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interest of the College, and in accordance with applicable conflict of interest laws.

(11) Natural Classification of Expenses

Operating expenses presented by natural classification are as follows for the fiscal years ended June 30:

		2015	2014
Salaries	$	74,063	69,965
Fringe benefits		26,841	25,262
Depreciation		13,531	13,366
Cost of goods sold		6,948	6,773
Interest		6,260	6,562
Utilities		5,042	4,815
Study abroad		4,384	3,754
Travel		3,599	3,347
Library		1,901	1,603
Other operating		23,357	21,761
	$	165,926	157,208

(12) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2015 and through October 6, 2015, the date on which the financial statements were issued.