MOUNT HOLYOKE

ANNUAL FINANCIAL REPORT
June 30, 2015 and 2014

Michael Malyszko

Mount Holyoke College
South Hadley, Massachusetts

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KPMG LLP
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Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying financial statements of Mount Holyoke College, which comprise the statements of financial position 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 Mount Holyoke College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 30, 2015

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

MOUNT HOLYOKE COLLEGE
Balance Sheets
June 30, 2015 and 2014
(in thousands)

	2015	2014
Assets		
Cash and cash equivalents	$ 26,704	$ 41,450
Short-term investments	125	1,809
Accounts and notes receivable, net	2,489	3,230
Contributions receivable, net	17,536	20,088
Student loans, net	18,535	18,723
Funds held by bond trustee	4,672	4,570
Land, buildings, equipment and collections, net	171,775	176,896
Investments	712,759	702,275
Other assets	9,051	8,359
Total assets	$ 963,646	$ 977,400
Liabilities and net assets		
Accounts payable and accrued liabilities	9,546	9,155
Deposits and deferred revenue	1,594	1,901
Split-interest obligations	20,262	17,161
Bonds payable	105,113	108,157
Other liabilities	29,696	27,895
Refundable advances — government student loan funds	4,662	4,650
Total liabilities	170,873	168,919
Net assets		
Unrestricted	126,044	131,771
Temporarily restricted	387,340	401,739
Permanently restricted	279,389	274,971
Total net assets	792,773	808,481
Total liabilities and net assets	$ 963,646	$ 977,400

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2015
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 94,148			$ 94,148
Residence and dining	25,821			25,821
Less student aid	(48,088)			(48,088)
	71,881			71,881
Contributions	9,420	$ 6,832		16,252
Grants and contracts	3,570	26		3,596
Other revenue	4,439	530		4,969
Endowment return distributed for operations	5,329	28,122	$ 72	33,523
Amounts transferred from/(to) endowment funds	117	(1,662)		(1,545)
Other auxiliary income	6,559			6,559
Net assets released from restrictions	32,628	(32,628)		
	133,943	1,220	72	135,235
Expenses				
Instruction and research	55,142			55,142
Academic support and libraries	19,055			19,055
Student services, residence halls and food service	37,111			37,111
Fund raising and alumnae relations	7,965			7,965
Institutional support	10,986			10,986
Other auxiliary expense	7,409			7,409
	137,668			137,668
	(3,725)	1,220	72	(2,433)
Nonoperating activity:				
Contributions for long-term investment	1,869	102	4,998	6,969
Total endowment investment return	2,137	13,729	14	15,880
Endowment return distributed for operations	(5,329)	(28,194)		(33,523)
Transfers (to)/from operations	(117)	1,662		1,545
Change in split interest obligations	(1,115)	(1,697)	(404)	(3,216)
Change in value of interest rate swaps	701			701
Change in pension benefit obligation other than net periodic cost	(1,646)			(1,646)
Other changes	(23)	300	(262)	15
Net assets released from restrictions	1,521	(1,521)		
	(2,002)	(15,619)	4,346	(13,275)
Total change in net assets	(5,727)	(14,399)	4,418	(15,708)
Net assets, beginning of year	131,771	401,739	274,971	808,481
Net assets, end of year	$ 126,044	$ 387,340	$ 279,389	$ 792,773

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 90,153			$ 90,153
Residence and dining	24,644			24,644
Less student aid	(45,560)			(45,560)
	69,237			69,237
Contributions	11,333	$ 5,020		16,353
Grants and contracts	4,273	13		4,286
Other revenue	4,584	740		5,324
Endowment return distributed for operations	4,979	27,166	$ 71	32,216
Amounts transferred (to)/from endowment funds	(49)	1,167		1,118
Other auxiliary income	6,404			6,404
Net assets released from restrictions	31,722	(31,722)		
	132,483	2,384	71	134,938
Expenses				
Instruction and research	55,073			55,073
Academic support and libraries	18,562			18,562
Student services, residence halls and food service	36,691			36,691
Fund raising and alumnae relations	7,799			7,799
Institutional support	10,852			10,852
Other auxiliary expense	7,343			7,343
	136,320			136,320
	(3,837)	2,384	71	(1,382)
Nonoperating activity:				
Contributions for long-term investment	189	429	9,944	10,562
Total endowment investment return	15,005	79,615	327	94,947
Endowment return distributed for operations	(4,979)	(27,237)		(32,216)
Transfers from/(to) operations	49	(1,167)		(1,118)
Change in split interest obligations	856	875	2,355	4,086
Change in value of interest rate swaps	507			507
Change in pension benefit obligation other than net periodic cost	(488)			(488)
Other changes	5,643	(725)	(4,899)	19
Net assets released from restrictions	934	(934)		
	17,716	50,856	7,727	76,299
Total change in net assets	13,879	53,240	7,798	74,917
Net assets, beginning of year	117,892	348,499	267,173	733,564
Net assets, end of year	$ 131,771	$ 401,739	$ 274,971	$ 808,481

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

MOUNT HOLYOKE COLLEGE
Statements of Cash Flows
June 30, 2015 and 2014
(in thousands)

	2015	2014
Cash flow from operating activities		
Change in net assets	$ (15,708)	$ 74,917
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	11,094	10,806
Change in value of interest rate swaps	(701)	(507)
Contributions restricted for long-term investment	(9,794)	(13,818)
Gifts in kind	114	(1,305)
Realized and unrealized gain on split-interest agreements	(438)	(1,990)
Realized and unrealized gain on investments	(18,393)	(87,153)
Gain on disposal of plant assets	(11)	(48)
Changes in operating assets and liabilities		
Accounts and notes receivable, net	741	(905)
Contributions receivable, net	2,552	1,612
Other assets and liabilities	1,770	306
Accounts payable and accrued liabilities	88	(717)
Deposits and deferred revenue	(307)	87
Net cash used in operating activities	(28,993)	(18,715)
Cash flow from investing activities		
Purchase of plant and equipment	(4,096)	(11,487)
Proceeds from sale of plant assets	11	48
Change in student loans, net	188	92
Change in split-interest obligations	3,101	(1,478)
Purchases of investments	(78,683)	(41,992)
Proceeds from sales and maturities of investments	87,030	62,001
Purchases of short-term investments	(3)	
Net cash provided by investing activities	7,548	7,184
Cash flow from financing activities		
Proceeds from contributions for:		
Investment in endowment	9,786	13,471
Investment in planned giving	8	115
Plant and equipment		232
Change in federal student loan funds	12	1
Change in funds deposited with trustee	(102)	12,214
Payments on bonds payable	(3,005)	(2,895)
Net cash provided by financing activities	6,699	23,138
Net change in cash and cash equivalents	(14,746)	11,607
Cash and cash equivalents, beginning of year	41,450	29,843
Cash and cash equivalents, end of year	$ 26,704	$ 41,450
Supplemental disclosure:		
Interest paid	$ 5,161	$ 5,272
Change in plant and equipment purchases included in accounts payable	303	(1,195)
Change in short-term investments for non-cash contributions	(1,687)	1,216

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

1. Accounting Policies

a. Description of Organization

Mount Holyoke College (the "College") is an independent, residential, liberal arts college. A pioneer and leader in the world-wide education of women since its founding in 1837, the College is the oldest continuing institution of higher learning for women in the nation.

b. Basis of Financial Presentation

The financial statements have been prepared on the accrual basis of accounting. 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. The College's significant estimates include the valuation of its investments and interest rate swaps, allowances for uncollectible contributions, student loans and accounts receivable, the useful lives of buildings, equipment and collections, and assumptions related to its pension benefit obligations and its liability for split-interest agreements.

c. Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted — Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College.

Temporarily Restricted — Net assets whose use by the College is subject to legal or donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time.

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

d. Classification of Revenues, Expenses, Gains and Losses

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Unspent gains on donor-restricted endowments are included in temporarily restricted net assets until appropriated by the College's

Board of Trustees for spending. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Amounts reflected as operating revenues and expenses on the Statement of Activities include activities that relate to ongoing operations of the College. Distributions from the endowment used in support of current year expenditures are reported as operating revenue. Other income, consisting of total endowment investment return net of amounts distributed for operations, gains and losses on interest rate swap agreements, adjustments for pension benefit obligations other than net periodic cost, contributions to be used for facilities and equipment or to be invested by the College to provide future revenue to the College to support its programs and activities, and other items not related to the College's ongoing operations are reported as nonoperating activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received with donor-imposed restrictions are reported as permanently or temporarily restricted revenues depending upon the specific restriction. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a risk-adjusted rate appropriate for the expected payment term. Amortization of the discount is recorded as contribution revenue in the appropriate net asset category. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant information.

e. Cash Equivalents

For purposes of the Statements of Cash Flows, the College considers investments acquired with an original maturity date of three months or less to be cash equivalents, unless they are part of short-term investments or long-term investment funds.

f. Investments

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interest in alternative investment funds, which include investments in hedge funds and private equity funds, are generally reported at net asset value (NAV) or its equivalent provided by the fund managers. NAV is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

The determination of NAV by the fund managers considers variables such as the financial performance of underlying investments, including comparisons of comparable companies' earnings multiples, cash flow analyses, recent sales prices of investments, and other pertinent information. The estimates of fair values, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

Included in the College's investments are 100% ownership interests in Center Redevelopment Corporation (CRC) and Center Business Corporation (CBC). The corporations were formed in 1986 (CRC) and 1987 (CBC) to develop and lease retail, residential and office space at the Village Commons in South Hadley, Massachusetts.

g. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value, requires certain disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. 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. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Effective for the year ended June 30, 2015, the College retrospectively adopted the provisions of 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 as a practical expedient to estimate fair value. The adoption did not impact the College's statement of financial position, statement of activities, or statement of cash flow and resulted only in changes to the College's investment disclosures.

At June 30, 2015 and 2014, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximated their fair values.

h. Land, Buildings, Equipment and Collections

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets under the following guidelines: buildings (50 years), building improvements (20 years), land improvements and infrastructure (20 years), furniture, equipment and vehicles (5 years), and library acquisitions (10 years).

The College recognizes the fair value of its liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the College capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statement of Activities.

i. Income Taxes

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2015 and through October 30, 2015, the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2014 have been reclassified to conform to the current year presentation.

2. Accounts and Notes Receivable

Accounts receivable, including student accounts and notes receivable, are net of an allowance for doubtful accounts of $600,000 and $575,000 at June 30, 2015 and June 30, 2014, respectively.

3. Contributions Receivable

Contributions receivable at June 30, 2015 and 2014 are summarized as follows (in thousands):

Contributions to be collected:	2015	2014
Within one year	$ 1,587	$ 2,175
In one to five years	2,300	3,341
After five years	782	660
External trusts	16,391	18,740
	21,060	24,916
Less: discount to present value	(2,468)	(3,582)
	18,592	21,334
Less: allowance for uncollectible contributions	(1,056)	(1,246)
	$ 17,536	$ 20,088

Discount rates for contributions receivable range from 0.7% to 6.0%, depending upon the expected date of collection and the fiscal year in which the pledge was made.

4. Student Loans Receivable

Student loans are net of an allowance for doubtful accounts of $3,250,000 and $3,225,000 at June 30, 2015 and 2014, respectively.

5. Land, Buildings, Equipment and Collections

Land, buildings, equipment and collections consist of the following (in thousands) at June 30:

	2015	2014
Land and land improvements	$ 26,937	$ 26,618
Buildings	238,408	237,444
Vehicles, equipment and furnishings	70,486	69,281
Art and library collections	41,879	39,323
	377,710	372,666
Less accumulated depreciation	(207,295)	(196,518)
	170,415	176,148
Construction in progress	1,360	748
	$ 171,775	$ 176,896

The College capitalized approximately $61,000 of interest on various construction projects during the year ended June 30 2014.

Depreciation expense for the College was $11,091,531 and $10,803,642 for the years ended June 30, 2015 and 2014, respectively.

Conditional asset retirement obligations of approximately $10,245,000 and $9,875,000 are included within other liabilities on the Balance Sheets for the years ended June 30, 2015 and 2014, respectively.

6. Investments and Fair Value

The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate-of-return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies, and managers. The College's Board of Trustees' Investment Committee oversees the College's investments and authorizes major investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private equity funds generally employ buyout, venture capital, and debt related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values.

The College's assets and liabilities at June 30, 2015 are as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Investments Measured at Net Asset Value or Equivalent	Total
Assets				
Investments:				
Fixed income	$ 42,264		$ 13,176	$ 55,440
Equity securities	50,772		220,997	271,769
Hedge Funds:				
Equity long/short			61,498	61,498
Other strategies			139,324	139,324
Private Equity:				
Buyout			58,160	58,160
Real Assets			66,419	66,419
Venture capital			41,351	41,351
Other strategies			15,622	15,622
Faculty mortgages		$ 3,176		3,176
Total investments	93,036	3,176	616,547	712,759
Other assets:				
Short-term investments	125			125
Interest rate swap		2,881		2,881
Total other assets	125	2,881		3,006
Total assets	$ 93,161	$ 6,057	$ 616,547	$ 715,765
Liabilities				
Interest rate swaps		$ (14,003)		
Total liabilities		$ (14,003)		

The College's assets and liabilities at June 30, 2014 are as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Investments Measured at Net Asset Value or Equivalent	Total
Assets				
Investments:				
Fixed income	$ 43,019		$ 5,079	$ 48,098
Equity securities	92,503		188,345	280,848
Hedge Funds:				
Equity long/short			45,847	45,847
Other strategies			136,469	136,469
Private Equity:				
Buyout			57,315	57,315
Real Assets			69,654	69,654
Venture capital			36,489	36,489
Other strategies			24,423	24,423
Faculty mortgages		$ 3,132		3,132
Total investments	135,522	3,132	563,621	702,275
Other assets:				
Short-term investments	1,809			1,809
Interest rate swap		1,996		1,996
Total other assets	1,809	1,996		3,805
Total assets	$ 137,331	$ 5,128	$ 563,621	$ 706,080
Liabilities				
Interest rate swaps		$(13,819)		
Total liabilities		$(13,819)		

As a result of the adoption of ASU 2015-07, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $224,077,590 in Level 2 and $339,543,625 in Level 3.

Detailed liquidity of the College's investments are as follows:

Liquidity as of June 30, 2015

	Daily	Weekly	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total
Investments:								
Fixed income	$42,264	$13,176						$ 55,440
Equity securities	58,540	54,177	$94,875	$53,482			$ 10,695	271,769
Hedge Funds:								
Equity long/short					$9,755	$17,967	33,776	61,498
Other strategies				15,744	6,657	40,632	76,291	139,324
Private Equity:								
Buyout							58,160	58,160
Real assets							66,419	66,419
Venture capital							41,351	41,351
Other strategies							15,622	15,622
Other							3,176	3,176
Total investments	$100,804	$67,353	$94,875	$69,226	$16,412	$58,599	$305,490	$712,759

At June 30, 2015, the College's remaining outstanding commitments to private equity partnerships totaled $104,900,237 based on the provisions of the individual agreements, with adjustments as to amounts and timing based on prior actions of the partnerships and expectations as to future opportunities. There can be no assurance that the timing or amounts of the capital calls will materialize as expected. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the following table (in thousands):

Fiscal Year	Capital Calls
2016	$ 25,967
2017	21,741
2018	14,438
2019	11,100
2020	8,687
Thereafter	22,967
Total	$ 104,900

The private equity partnerships have terms of 4 to 15 years, with extensions of two to five years. As of June 30, 2015, the weighted average remaining life of the private equity partnerships is approximately four years. In addition, $158,955,418 of the College's other investment funds are subject to redemption lock up periods. The expirations of these lock up periods are between one and three years.

Interest and dividends and gains on the College's investments are summarized in the table below (in thousands):

	2015	2014
Interest and dividends	$ 5,253	$ 17,735
Realized and unrealized gains	18,393	87,153
Fees	(7,766)	(9,941)
Total	$ 15,880	$ 94,947

7. Endowment Funds

The College's endowment consists of approximately 1,618 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the College to function as endowments (quasi-endowment).

Endowment funds share in an investment pool on a unit market value basis. Funds are added to and withdrawn from the pool at the then current unit market value of the pooled assets. Life income funds are invested and also accounted for on a unit market value basis in two separate investment pools.

The College uses a total return approach to managing endowment investments. Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses. Asset allocation parameters are established for investments and holdings are periodically rebalanced to the target allocations. The College compares the performance of its investments against several benchmarks.

The College's Board of Trustees approves the annual spending distribution per unit. Units are assigned when gifts and transfers enter/exit the investment pool, based on the then market value of a unit in the pool. The pool is valued monthly. The spending policy limits the annual distribution of return to a 5% increase over the preceding annual distribution, within a range of 4.5% to 5.5% of a twelve quarter average market value. For fiscal years 2015 and 2014, the College elected to distribute 5.5% of the average of the prior twelve quarter-end market values, as of December 31, 2013 and December 31, 2012, respectively.

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts. The College has prepared these financial statements on the basis that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. As a result, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

a) Duration and preservation of the endowment fund
b) Purposes of the College and the endowed fund
c) General economic conditions
d) Possible effects of inflation or deflation
e) Expected total return from income and the appreciation of investments
f) Other resources of the College
g) Investment policy of the College

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. At June 30, 2015, this dollar amount was approximately $35,000 (less than $1,000 as of June 30, 2014). These unrealized losses have been recorded as reductions of unrestricted net assets. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the historic cost of such funds increases temporarily restricted net assets.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted amounts reported below include term endowments reported as temporarily restricted net assets; and appreciation, reported as temporarily restricted net assets.

Endowment funds consisted of the following at June 30, 2015 and 2014 (in thousands):

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted	$ (35)	$ 340,627	$ 259,871	$ 600,463
Board designated (quasi)	81,556	20,992		102,548
Total	$ 81,521	$ 361,619	$ 259,871	$ 703,011

Note: Permanently Restricted endowment funds include $2,707 contributions receivable (in thousands)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted		$ 355,863	$ 252,730	$ 608,593
Board designated (quasi)	$ 84,307	20,615		104,922
Total	$ 84,307	$ 376,478	$ 252,730	$ 713,515

Note: Permanently Restricted endowment funds include $3,885 contributions receivable (in thousands)

Changes in endowment funds for the fiscal years ended June 30, 2015 and 2014 were as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2014 balance	$ 84,307	$ 376,478	$ 252,730	$ 713,515
Contributions	296	102	6,596	6,994
Interest and dividends	1,120	4,131	4	5,255
Realized/unrealized gains net of fees	1,017	9,598	10	10,625
Distributions	(5,329)	(28,217)	23	(33,523)
Transfers	(117)	2,405	170	2,458
Other changes	227	(2,878)	338	(2,313)
June 30, 2015 balance	$ 81,521	$ 361,619	$ 259,871	$ 703,011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013 balance	$ 67,059	$ 324,678	$ 246,814	$ 638,551
Contributions	189	282	8,918	9,389
Interest and dividends	2,953	14,764	18	17,735
Realized/unrealized gains net of fees	12,051	64,851	309	77,211
Distributions	(4,979)	(27,514)	277	(32,216)
Transfers	49	431	1,597	2,077
Other changes	6,985	(1,014)	(5,203)	768
June 30, 2014 balance	$ 84,307	$ 376,478	$ 252,730	$ 713,515

8. Line of Credit

The College has an uncollateralized demand line of credit available through December 31, 2015, in the amount of $20,000,000 at an interest rate of prime less 25 basis points. There was no amount outstanding on the line of credit at June 30, 2015 and 2014.

9. Bonds Payable

The College's bonds payable, including unamortized discount, as of June 30, 2015 and 2014 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2015	2014
Massachusetts Development Finance Authority (MDFA):				
2008	2015-2037	4.75%-5.00%	$ 34,840	$ 35,720
Unamortized premium			350	366
2011A	2015-2032	Variable	40,955	42,530
2011B	2015-2042	3.5%-5.0%	28,395	28,945
Unamortized premium			573	596
			$ 105,113	$ 108,157

Debt service payments are initially made to a Trustee under the terms of the bond agreements. Amounts paid to the Trustee but not yet paid to bondholders are included in funds held by bond trustee on the Balance Sheets.

U.S. Bank National Association entered into an agreement with the College dated June 9, 2011 to purchase the 2011A bonds for a term of six years. The agreement expires on June 9, 2017 (mandatory tender date) and may be extended at the option of U.S. Bank National Association and the College. Under terms of the purchase agreement, in the event the mandatory tender date is not extended, the College may request U.S. Bank National Associates to agree to convert the amount of the Bonds outstanding into a term loan, for a term of 180 days beginning on the date immediately following the mandatory tender date. If the agreement is not extended by U.S. Bank National Association, the College has the ability to remarket the outstanding bond per the bond purchase agreement.

The College’s bonds trade periodically in a limited market. Utilizing available market pricing information provided by a third-party, the College estimated that the aggregate fair value of its fixed rate debt as of June 30, 2015 was approximately $67.6 million. The fair value is estimated using significant observable inputs at June 30, 2015 and would be considered to be Level 2 in the fair value hierarchy.

Principal payments due on these bonds during each of the next five fiscal years ending June 30 and thereafter are as follows (in thousands):

2016	$ 3,130
2017	3,270
2018	3,330
2019	3,500
2020	3,675
Thereafter	87,285
Principal maturities	$ 104,190
Unamortized premium	923
Bonds payable, net	$ 105,113

On July 1, 2004, in connection with the 2001 Massachusetts Development Finance Authority bonds, the College entered into an interest rate swap agreement with a notional amount of $44,246,000. Under the terms of the agreement, each month from August 1, 2011 through July 1, 2031, the College will receive a variable rate of interest equal to 68% of LIBOR, and the College will pay a fixed rate of interest of 4.38%. The fair value of the swap agreement was a liability of approximately $8,862,000 and $8,978,000 at June 30, 2015 and 2014, respectively. This is included in other liabilities on the Balance Sheets.

On November 4, 2005, the College entered into a forward starting fixed payer swap agreement with a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2007 through July 1, 2036, the College will pay a fixed rate of interest of 3.785%, and the College will receive a variable rate of interest equal to 68% of LIBOR. The fair value of the swap agreement was a liability of approximately $5,142,000 and $4,841,000 at June 30, 2015 and 2014, respectively. This is included in other liabilities on the Balance Sheets.

On October 22, 2009, the College entered into a fixed receiver swap agreement with a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2010 through July 1, 2036, the College will pay a variable rate of interest equal to the Securities Industry and Financial Markets Association Municipal Swap Index rate, and the College will receive a fixed rate of interest of 3.145%. The fair value of the swap agreement was an asset of approximately $2,881,000 and $1,996,000 at June 30, 2015 and 2014, respectively. This is included in other assets on the Balance Sheets.

The value of the derivative interest rate swaps noted above represent the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates, credit quality, and other market factors. Interest rate volatility, remaining outstanding principal and time to maturity will affect the swaps' fair value at subsequent reporting dates. If the College repays the debt on schedule, the value of the swaps will reach zero at their final maturity. The swaps are general obligations of the College and are unsecured except that the agreements require collateral posting by the College and the counterparty under certain conditions. To date, the College has not been required to post collateral with respect to these swap agreements.

10. Defined Contribution Retirement Plan

The College sponsors a defined contribution retirement plan covering all faculty and administrative employees. Benefits are administered by ING Financial Partners. The College contributed approximately $5,436,000 in 2015 and $5,335,000 in 2014 to the plan.

11. Defined Benefit Pension Plan

The College maintains a defined benefit pension plan for bargaining unit employees. The plan is noncontributory.

Obligations and Funded Status

The following table sets forth changes in the College's pension benefit obligation, plan assets, and funded status at June 30 (in thousands):

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 17,149	$ 15,057
Service cost	412	285
Interest cost	667	680
Actuarial loss	272	1,547
Benefits paid	(1,273)	(420)
Benefit obligation at end of year	$ 17,227	$ 17,149
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 13,480	$ 11,897
Actual return on plan assets net of expenses	(768)	1,595
Benefits paid	(1,273)	(420)
Employer contribution	909	408
Fair value of plan assets at end of year	$ 12,348	$ 13,480
Funded status	$ (4,879)	$ (3,669)

To determine the benefit obligations, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 4.25% and 4.0% at June 30, 2015 and 2014, respectively, and a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% for the years ended June 30, 2015 and 2014. The excess of the benefit obligation over the fair value of plan assets is included in other liabilities on the Balance Sheets.

Components of Net Periodic Benefit Cost

To determine net periodic pension costs, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 4.0% and 4.5% for the years ended June 30, 2015 and 2014, respectively; a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% for the years ended June 30, 2015 and 2014; and an expected long-term rate of return on plan assets, which is the estimated rate of earnings generated on the assets of the plan, of 7.5% and 8.0% for the years ended June 30, 2015 and 2014, respectively.

Net periodic pension cost for the years ended June 30, 2015 and 2014 includes the following components (in thousands):

	2015	2014
Service cost earned during the period	$ 412	$ 285
Interest cost on projected benefit obligation	667	680
Amortization of prior service cost	(2)	6
Amortization of net loss	394	386
Expected return on assets	(998)	(928)
Net periodic pension cost	$ 473	$ 429
Increase in liability included in change in net assets	$ 1,646	$ 488

Plan Assets

The plan's asset allocations at June 30, 2015 and 2014 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2015	2014	2015	2014
Equity securities	55.5 %	56.9 %	55 %	58 %
Debt securities	21.1	27.8	20	30
Cash	5.3	4.7	7	2
Other	18.1	10.6	18	10
Total	100.0 %	100.0 %	100 %	100 %

The plan assets are invested in a well-diversified investment portfolio which includes domestic and international equity and fixed income securities. The plan's expected return is based on the projected long-term returns for the asset classes represented in the investment portfolio.

The following are descriptions of the valuation methodologies used to measure plan assets at fair value:

Mutual funds: Valued at net asset value (NAV) of shares held by the plan at year end.
Other: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2015 and 2014 (in thousands)**:**

	2015			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual and other funds	$ 11,027			$ 11,027
Money market funds	651			651
Deposit administration contract			$ 670	670
Total	$ 11,678	$	$ 670	$ 12,348

	2014			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual and other funds	$ 11,813	$		$ 11,813
Money market funds	626			626
Deposit administration contract			$ 1,041	1,041
Total	$ 12,439	$	$ 1,041	$ 13,480

The following tables present activity for the fiscal years ended June 30, 2015 and 2014 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

Fair value as of June 30, 2014	$ 1,041
Annuity premiums	(341)
Participant distributions	(69)
Service fees	(16)
Investment return	55
Fair value as of June 30, 2015	$ 670

Fair value as of June 30, 2013	$ 1,076
Participant distributions	(77)
Service fees	(16)
Investment return	58
Fair value as of June 30, 2014	$ 1,041

Cash Flows

The College has an estimated minimum required contribution of $940,000 to the defined benefit pension plan for the year ending June 30, 2016.

Benefit payments, which reflect expected future service, are expected to be paid as follows (in thousands):

2016	$ 712
2017	671
2018	448
2019	1,071
2020	935
2021-2025	$ 5,814

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