Hampshire College

Financial Report | 2015–2016

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HAMPSHIRE COLLEGE
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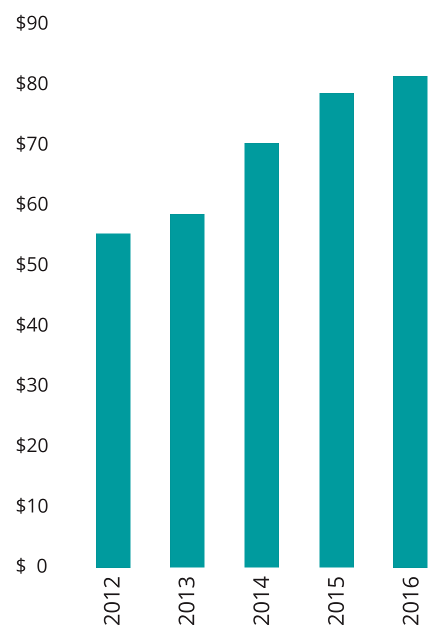
IN FISCAL YEAR 2016, Hampshire College continued its mission to foster a lifelong passion for learning, inquiry and ethical citizenship that inspires students to contribute to knowledge, justice and positive change in the world and by doing so, to transform higher education. Hampshire's unique pedagogy and emphasis on hands-on learning yields a graduate who is prepared, agile and ready to contribute to an ever-changing world.

Hampshire College ranks among the top 1% of colleges whose students go on to attain a doctoral degree. The College appears on the Forbes Top 10 list of colleges for entrepreneurs and is a top producing bachelor's degree institution for the 2016-2017 Fulbright Scholars Program.

Hampshire College also continued its strong financial performance in FY 16 with growth in net assets totaling $3.25 million. Other financial achievements include the issuance of a $15 million privately placed tax exempt bond, the proceeds of which were used to refinance an $8.1 million commercial paper borrowing, improvements to campus infrastructure and to finish construction of the R.W. Kern Center, the college's newest building. Annual fundraising activities for this year, totaling $13.2 million, continues to add new initiatives and support to the campus and the annual operating budget. In FY 16, the college received endowment funding to establish its first ever endowed academic chair.

Net Assets (in millions)

FISCAL YEAR ENDED JUNE 30, 2016



STATEMENT OF FINANCIAL POSITION

The college's total net assets at the end of the year increased by a total of $3.25 million. This increase reflects a -1.5% loss in the performance of the marketable endowment. The College continues to exercise strong financial restraint in annual operations through careful management of resources and judicious reductions in expenses.

Cash improved over the period due to payments on pledges and proceeds from debt financing, which replenished operating funds spent on capital projects in FY15. Prepaid expenses increased due primarily to the 2016 bond closing costs as recorded. Property Plant and Equipment increased by a total of $9.4 million as the college finished construction on its newest building, the R.W. Kern Center. Depreciation on capitalized assets of $2.6 million continues to increase as the capital projects from the past few years are completed. The college does not budget for depreciation. The increase in total liabilities reflected the $15 million bond closed in FY 16 that added $6.9 million to the college's long term debt.

STATEMENT OF ACTIVITIES

Total operating revenues for the 2015-2016 school year decreased from $57.1 million to $56.8 million. The college has been very responsive to changes in net tuition, room and board and is commitment to an annual balanced operating budget. While the nominal price of tuition, room and board increased by 2.5%, financial aid provided by the college (not including federal grants, loans or scholarships) increased by a total of $4.1 million. The overall discount rate for students was 49% for all classes. Student debt, last measured in 2015, shows that students are graduating Hampshire College with an average debt load of just over $25,000.

Enrollment grew from 1298 in 2015 to 1328 in 2016.

INVESTMENTS

The net change in the valuation of the college's investments was a decrease of $2.65 million. During FY 16, the college withdrew the customary 4.5% draw on its endowment and an additional $1.3 million in support of Board of Trustees approved improvements to the campus and support for early retirements.

Unrestricted net assets were decreased by a total of $278,740 as of June 30, 2016 to reflect individual endowed funds that have fallen below the original contributed value.

Subsequent to the issuance of the FY 16 financial statements, the college's illiquid private equity holding experienced an increase in value of more than $5 million.

FACILITIES

Fiscal Year 16 brought a renewal of campus facilities and grounds, led by the new R.W. Kern center which formally opened in April, 2016. The college also invested in improvements and renovations that included new roofs, generators, and new heating and cooling systems for the dormitories.

The college also continued its efforts toward a sustainable campus by installing 15 acres of solar panels via a power purchase agreement with Solar City that is estimated to save the college $.5 million per year for the next twenty years. Once on-line, this system will deliver 100% of the campus' electric needs on an annual basis.

Respectfully submitted,

Mary E. McEneany
Vice President for Finance and Administration
and Treasurer

Michael Ford
Controller

KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Hampshire College:

We have audited the accompanying financial statements of Hampshire College, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Hampshire College as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information
We have previously audited the Hampshire College 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statement from which it has been derived.

KPMG LLP

February 17, 2017

Statements of Financial Position

JUNE 30, 2016 AND 2015

ASSETS		2016	2015
Cash and cash equivalents	$	6,834,217	3,660,102
Accounts and loans receivable, net (note 2)		665,428	798,898
Contributions receivable, net (note 3)		11,785,228	11,854,044
Prepaid expenses, inventories and other assets		652,587	381,959
Deposits with bond trustee (note 4)		341,001	304,000
Investments – at fair value (note 4)		38,238,751	41,103,640
Funds held in trust by others (notes 4 and 6)		2,467,276	2,291,934
Property, plant and equipment, net (note 7)		55,552,125	46,104,565
Total assets	$	116,536,613	106,499,142
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	$	1,698,217	1,515,224
Deposits and deferred income		1,770,692	1,511,053
Short term debt (note 8)		—	8,100,000
Conditional asset retirement obligation		3,173,270	3,175,463
Long term debt (note 8)		28,510,297	14,063,346
Total liabilities		35,152,476	28,365,086
Net assets:			
Unrestricted		30,561,118	24,461,017
Temporarily restricted (note 9)		19,256,006	26,275,310
Permanently restricted (note 9)		31,567,013	27,397,729
Total net assets		81,384,137	78,134,056
Total liabilities and net assets	$	116,536,613	106,499,142

See accompanying notes to financial statements.

Statement of Activities

YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2016	2015
OPERATING ACTIVITIES					
Revenues and other additions					
Tuition, room, board and other fees	$ 77,187,254	—	—	77,187,254	73,774,333
Less student aid awarded	(31,836,559)	—	—	(31,836,559)	(27,719,592)
Net tuition and fees	45,350,695	—	—	45,350,695	46,054,741
Contributions, gifts, and grants	2,417,381	4,601,068	—	7,018,449	7,120,499
Other income	791,841	—	—	791,841	699,693
Investment income for operations (note 4)	658,946	1,256,319	—	1,915,265	1,726,675
Other auxiliary enterprises	1,680,260	—	—	1,680,260	1,527,071
Net assets released from restrictions for operating purposes	5,402,346	(5,402,346)	—	—	—
Total operating revenues and other support	56,301,469	455,041	—	56,756,510	57,128,679
Expenses					
Instruction and related activities	20,811,521	—	—	20,811,521	21,039,226
Research and sponsored programs	4,453,081	—	—	4,453,081	3,398,434
Student services	8,395,813	—	—	8,395,813	9,090,948
Administration and general	12,522,473	—	—	12,522,473	13,243,829
Academic support	3,316,696	—	—	3,316,696	3,247,782
Auxiliary enterprises	7,547,670	—	—	7,547,670	6,507,583
Total operating expenses	57,047,254	—	—	57,047,254	56,527,802
Change in net assets from operating activities	(745,785)	455,041	—	(290,744)	600,877
NONOPERATING ACTIVITIES					
Contributions for long-term investment	5,000	2,047,843	4,148,840	6,201,683	8,088,681
Net return on long-term investments (note 4)	(2,488)	(551,956)	(18,417)	(572,861)	979,290
Investment income for operations (note 4)	(1,146,303)	(748,766)	—	(1,895,069)	(1,694,654)
Other additions and deductions	125,117	(356,906)	38,861	(192,928)	(203,612)
Net assets released from restictions for non-operating purposes	7,864,560	(7,864,560)	—	—	—
Change in net assets from nonoperating activities	6,845,886	(7,474,345)	4,169,284	3,540,825	7,169,705
Total change in net assets	6,100,101	(7,019,304)	4,169,284	3,250,081	7,770,582
Net assets, beginning of year	24,461,017	26,275,310	27,397,	729 78,134,056	70,363,474
Net assets, end of year	$ 30,561,118	19,256,006	31,567,013	81,384,137	78,134,056

See accompanying notes to financial statements.

Statements of Cash Flows

YEARS ENDED JUNE 30, 2016 AND 2015

		2016	2015
Cash flows from operating activities			
Change in net assets	$	3,250,081	7,770,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		2,602,741	2,379,422
Net realized and unrealized losses/(gains)		924,234	(661,011)
Contributions for permanently restricted endowment		(3,849,266)	(1,007,721)
Contributions for long term capital		(369,186)	(1,017,660)
Change in accounts and loans receivable		67,036	(31,573)
Change in funds held in trust by others		(175,342)	7,161
Change in contributions receivable		68,816	(4,191,394)
Change in prepaid expenses, inventories, and other assets		(270,628)	37,052
Change in accounts payable and accrued expenses		338,018	(614,569)
Change in deposits payable and deferred revenues		259,639	(73,269)
Change in conditional asset retirement obligation		(2,193)	2,794
Net cash provided by operating activities		2,843,950	2,599,814
Cash flows from investing activities:			
Purchase of property, plant and equipment		(12,199,366)	(8,181,603)
Change in employee mortgages and notes receivable		66,434	(251,321)
Purchase of investments		(5,231,819)	(3,185,581)
Sales and maturities of investments		7,172,474	4,848,154
Change in actuarial liability for life income obligation		(5,960)	15,848
Net cash used in investing activities		(10,198,237)	(6,754,503)
Cash flows from financing activities:			
Repayment of long term debt		(8,653,049)	(533,409)
Issuance of new bonds		15,000,000	—
Change in deposits with bond trustee		(37,001)	46,001
Contributions for permanently restricted endowment		3,849,266	1,007,721
Contributions for long term investments		369,186	1,017,660
Net cash provided by financing activities		10,528,402	1,537,973
Net change in cash and cash equivalents		3,174,115	(2,616,716)
Cash and cash equivalents, beginning of year		3,660,102	6,276,818
Cash and cash equivalents, end of year	$	6,834,217	3,660,102
Supplemental disclosures			
Interest paid	$	565,070	458,055
Change in purchases of plant and equipment included inaccounts payable		(149,065)	(434,492)

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Hampshire College (the College) is a residential, coeducational, liberal arts college, which offers an academic program leading to the Bachelor of Arts degree. The College was founded in 1965 and commenced academic classes in September 1970. The average student enrollment was 1,328 and 1,298 during fiscal years 2016 and 2015, respectively.

(b) Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

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

Unrestricted: Net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's permanent endowment funds.

Contributions are reported as increases in the appropriate category of net assets, based on the existence or absence of donor restriction or inherent time restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments based on the existence or absence of donor-imposed restrictions, are reported as increases or decreases in temporarily restricted or unrestricted net assets generally based on the donor imposed restriction or the use of gains or losses as well as by the College's interpretation of relevant state law. 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 temporarily restricted net assets to unrestricted net assets. 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. Exchange transactions are recorded as unrestricted revenues when they are earned.

(c) Operating Activities

The statement of activities includes all of the College's revenues and expenses as part of operating activities except for realized and unrealized gains (losses) on investments, net of amount appropriated for operations, changes in value of split interest agreements, and gifts for long-term investment.

(d) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

(e) Prepaid Expenses, Inventories, and Other Assets

Prepaid expenses, inventories, and other assets include costs of issuance under debt agreements, which are amortized on a straight line basis over the term of the bonds, supplies and inventory for sale, and amounts paid in advance for future services.

(f) Investments

Investments are reported at fair value. If an investment is held directly by the College and an active market with quoted prices exists, the College reports the fair value as the market price of an identical security. The College also holds shares or units in alternative investments such as private equity, hedge funds and real asset strategies. Such funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, those investments may hold assets, which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

A portion of the College's investments use net asset value or its equivalent (NAV) reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investments. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interest in the funds. Furthermore, changes in the liquidity provisions of the funds may significantly impact the fair value of the College's interests in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

(g) Fair Value of Financial Instruments

The fair value of investments is disclosed in note 4. Fair value for marketable securities is based upon quoted market prices. Fair values for trusts held by others, and other alternative investments are valued based upon net asset values as reported by third parties responsible for administering and/or managing such investments. 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 or its equivalent (NAV) as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets carried at fair value based on the valuation methodologies employed. The hierarchy is defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at measurement date.
- **Level 2:** Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.
- **Level 3:** No observable quoted prices, reliance on assumptions market participants would use if a market existed for the assets or liabilities.

The level in the fair value hierarchy used to classify an item is based on the lowest level that is significant to the fair value being established.

The College utilizes the NAV as its estimate of fair value for those funds whose value is determined by the appropriate fund manager. The majority of investments report at NAV consisting of shares or units in funds as opposed to direct interest in the funds' underlying securities, which may be readily marketable and not difficult to value.

The private equity amount included in level three is stock for a privately held company. Annually the private Company is valued by a third party and the valuation is provided to all shareholders. The College uses the valuation provided to determine the value of its investment as of June 30.

h) Investment in Plant

Constructed and purchased property, equipment and library books are carried at cost. Land, buildings, or equipment donated to the College are generally carried in the accounts at appraised value at the date of the gift. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives.

The College recognizes the fair value of a 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, the 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) Deposits and Deferred Revenues

Deposits and deferred revenues represent amounts collected through June 30, from outside groups for summer conferences and from students relating to student registration for the upcoming fall semester. Such amounts are reported as revenue during the subsequent fiscal year.

(j) Tax Status

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

(k) Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(l) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenues and expenses. These estimates include the allowance for uncollectible accounts, pledges and loans receivable, and the fair value of certain investments. Actual results could differ from these estimates.

(2) ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable are summarized as follows at June 30:

	2016	2015
Student accounts	$ 363,679	480,230
Other	492,389	558,823
Student loans	53,793	47,636
	909,861	1,086,689
Less allowance for uncollectible accounts	(244,433)	(287,791)
	$ 665,428	798,898

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	2016	2015
In one year or less	$ 5,606,257	3,863,056
Between one and five years	6,418,890	7,371,453
In more than five years	10,000	1,056,250
	12,035,147	12,290,759
Less unamortized discount and allowance for uncollectible accounts	(249,919)	(436,715)
	$ 11,785,228	11,854,044

Discount rates used to calculate the present value of pledges receivable ranged from 0.58% to 1.29%.

(4) FAIR VALUE AND INVESTMENTS

The following table summarizes the valuation of the College's investments and other assets at June 30, 2016.

	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1	SIGINIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3	INVESTMENTS MEASURED AT NET ASSET VALUE	2016 TOTAL	REDEMPTION
Long term investments						
Cash and cash equivalents	$ 880	—	—	—	880	Daily
U.S. equity:						
Large Cap	3,230,560	—	—	—	3,230,560	Daily
Small Cap	793,670	—	—	—	793,670	Daily
Exchange Traded Treasury Administered Fund	854,648	—	—	—	854,648	Daily
Non-U.S. equity funds	—	—	—	11,428,524	11,428,524	Monthly/quarterly
Fixed income	2,742,389	—	—	—	2,742,389	Daily
Hedge Funds	—	—	—	6,992,003	6,992,003	Quarterly
Real asset	1,381,315	—	—	1,147,508	2,528,823	Daily/Monthly
Private equity	—	—	8,891,792	—	8,891,792	Illiquid
Private partnerships	—	—	—	524,104	524,104	Illiquid
Pooled life income funds and other	—	—	251,358	—	251,358	N/A
Total investments	9,003,462	—	9,143,150	20,092,139	38,238,751	
Other assets						
Funds held in trust by others	—	—	2,467,276	—	2,467,276	N/A
Funds held by bond trustee [1]	341,001	—	—	—	341,001	Daily
Total	$ 9,344,463	—	11,610,426	20,092,139	41,047,028	

[1] Funds held by bond trustee are primarily cash, cash equivalents and U.S. Treasury securities.

(4) FAIR VALUE AND INVESTMENTS (CONTINUED)

The following table summarizes the valuation of the College's investments and other assets at June 30, 2015.

	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1	SIGINIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3	INVESTMENTS MEASURED AT NET ASSET VALUE	2015 TOTAL	REDEMPTION
Long term investments						
Cash and cash equivalents	$ 873	—	—	—	873	Daily
U.S. equity:						
Large Cap	3,270,536	—	—	—	3,270,536	Daily
Small Cap	773,335	—	—	—	773,335	Daily
Exchange Traded Treasury Administered Fund	984,433	—	—	—	984,433	Daily
Non-U.S. equity funds	—	—	—	13,000,692	13,000,692	Monthly/quarterly
Fixed income	2,969,632	—	—	—	2,969,632	Daily
Hedge Funds	—	—	—	7,950,004	7,950,004	Quarterly
Real asset	888,393	—	—	1,573,316	2,461,709	Daily/Monthly
Private equity	—	—	8,891,792	—	8,891,792	Illiquid
Private partnerships	—	—	—	542,519	542,519	Illiquid
Pooled life income funds and other	—	—	258,115	—	258,115	N/A
Total investments	8,887,202	—	9,149,907	23,066,531	41,103,640	
Other assets						
Funds held in trust by others	—	—	2,291,934	—	2,291,934	N/A
Funds held by bond trustee [(1)]	304,000	—	—	—	304,000	Daily
Total	$ 9,191,202	—	11,441,841	23,066,531	43,699,574	

[(1)] Funds held by bond trustee are primarily cash, cash equivalents and U.S. Treasury securities.

There were no changes in methodologies used at June 30, 2016 and 2015 and there were no transfers among levels during the year end June 30, 2016 and 2015. The 2015 fair value table above was amended to present certain investments previously disclosed as being measured using NAV as a practical expedient to estimate fair value but for which a readily determinable fair value exist, in accordance with ASU 2015-10, *Technical Corrections and Improvements*. These changes resulted in a decrease in investments measured at NAV and a corresponding increase in Level 1 investments of $888,393.

(4) FAIR VALUE AND INVESTMENTS (CONTINUED)

The following table presents the College's activity for the fiscal years ended June 30, 2016 and 2015 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	PRIVATE EQUITY	FUNDS HELD BY OTHERS	TOTAL
Fair value June 30, 2015	$ 8,891,792	2,550,049	11,441,841
Acquisitions	—	101,622	101,622
Dispositions	—	(3,791)	(3,791)
Unrealized gains	—	70,754	70,754
Fair value June 30, 2016	$ 8,891,792	2,718,634	11,610,426
Fair value June 30, 2014	$ 8,574,228	2,559,111	11,133,339
Acquisitions	—	4,618	4,618
Dispositions	—	(5,519)	(5,519)
Unrealized gains/(losses)	317,564	(8,161)	309,403
Fair value June 30, 2015	$ 8,891,792	2,550,049	11,441,841

At June 30, 2016, the College did not have any remaining outstanding commitments to private partnerships 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. The College's total investment return is summarized below:

	2016	2015
Dividends and interest	$ 687,303	594,885
Realized/unrealized (losses)/gains on investments	(924,234)	661,011
Management fees and other costs	(315,734)	(244,585)
Total return on investments	(552,665)	1,011,311
Investment income used in operations	(1,915,265)	(1,726,675)
Nonoperating investment income	$ (2,467,930)	(715,364)

Investment income used in operations reflected in the table above includes the annual draw of 4.5% in addition to the Vanguard revenue used for CLPP operations. This CLPP investment revenue represents the difference between the Non-Operating and Operating Investment Income for Operations on the Statement of Activities.

(5) ENDOWMENT FUNDS

The College's endowment consists of approximately 218 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 endowments).

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. 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.

Giving consideration 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: duration and preservation of the endowment fund, purposes of the College and the endowed fund, general economic conditions, possible effects of inflation or deflation, expected total return from income and the appreciation of investments, other resources of the College, and the investment policy of the College.

Investment return is distributed for operations on a unit share basis. The spending policy limits the annual distribution of return based upon a twelve quarter average market value. For 2016 and 2015, the percentage distributed was 4.5%.

In addition to the 4.5% draw, there was a board approved draw of $250,000 for the year ended June 30, 2016 and $150,000 for the year ended June 30, 2015 to support a fundraising campaign. The board also approved a $2.3 million endowment special draw to support capital projects and early retirements. The College drew $1.05 million for the year ended June 30, 2016 and $950,000 for the year ended June 30, 2015. The draw was a transfer of money out of quasi endowment to operations.

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. Deficiencies of this nature were reported as reductions of unrestricted net assets in the amount of $278,740 and $95,573 at June 30, 2016 and 2015, respectively. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the UPMIFA or donor required value 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 cumulative unspent appreciation, reported as temporarily restricted net assets.

(5) ENDOWMENT FUNDS (CONTINUED)

Endowment funds, which include pooled endowment funds but exclude split interest agreements and pledges, consisted of the following at June 30, 2016 and 2015.

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2016				
Donor restricted	$ (278,740)	2,189,767	26,826,676	28,737,703
Board designated (quasi)	10,868,568	—	—	10,868,568
Total	$ 10,589,828	2,189,767	26,826,676	39,606,271
June 30, 2015				
Donor restricted	$ (95,573)	3,490,489	23,039,294	26,434,210
Board designated (quasi)	12,873,501	—	—	12,873,501
Total	$ 12,777,928	3,490,489	23,039,294	39,307,711

Changes in endowment funds for the fiscal year ended June 30, 2016 were as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2015	$ 12,777,928	3,490,489	23,039,294	39,307,711
Other transfers	—	—	(61,884)	(61,884)
Investment return	(1,797)	(551,956)	—	(553,753)
Contributions	10,000	—	3,849,266	3,859,266
Appropriated to operations	(1,146,303)	(748,766)	—	(1,895,069)
Appropriated to operations – special draw	(1,050,000)	—	—	(1,050,000)
June 30, 2016	$ 10,589,828	2,189,767	26,826,676	39,606,271

Changes in endowment funds for the fiscal year ended June 30, 2015 were as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2014	$ 12,168,565	3,832,911	21,565,573	37,567,049
Other transfers	1,909,435	21,550	466,000	2,396,985
Investment return	419,418	541,192	—	960,610
Contributions	20,000	—	1,007,721	1,027,721
Appropriated to operations	(789,490)	(905,164)	—	(1,694,654)
Appropriated to operations – special draw	(950,000)	—	—	(950,000)
June 30, 2015	$ 12,777,928	3,490,489	23,039,294	39,307,711

(6) FUNDS HELD IN TRUST BY OTHERS

The College is irrevocably named as a beneficiary of funds held by third-party trustees, the purpose of which may be restricted by the donor. Generally, the College will receive a specified portion of the assets remaining when the third-party trusts are terminated. The present value of the amount to be received upon termination is recorded by the College as funds held in trust on the statements of financial position and as contribution revenue on the statement of activities using a discount rate of 3.79% for 2016 and 2015, respectively. Funds held in trust by others totaled $2,467,276 and $2,291,934 at June 30, 2016 and 2015, respectively.

(7) PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at June 30:

	USEFUL LIFE	2016	2015
Land	—	$ 3,877,606	3,877,606
Land improvements	30	6,519,329	5,526,775
Library collection	10	7,639,588	7,583,880
Vehicles	10	994,016	1,032,945
Equipment	3–5	22,489,562	22,088,380
Building and building improvements	10–50	83,416,749	69,497,640
		124,936,850	109,607,226
Accumulated depreciation		(71,124,769)	(68,592,600)
		53,812,081	41,014,626
Construction in progress		1,740,044	5,089,939
		$ 55,552,125	46,104,565

Depreciation expense was $2,602,741 and $2,379,422 at June 30, 2016 and 2015, respectively.

(8) DEBT

The College has debt agreements with the Massachusetts Development Finance Agency (MDFA), the Department of Housing and Urban Development (HUD), a realty trust, and banks for the financing of certain buildings and equipment.

The details of the long term debt outstanding as of June 30 are as follows:

ISSUE	MATURITY DATE	INTEREST RATE AT JUNE 30, 2016	AMOUNT OUTSTANDING 2016	AMOUNT OUTSTANDING 2015
HUD Project 136(D)	2019	3.00%	$ 180,000	240,000
Realty Trust Note	2022	6.01	540,232	606,203
Series 2012 Bond	2032	2.76	12,790,065	13,217,143
Series 2016 Bond	2046	2.80	15,000,000	—
			$ 28,510,297	14,063,346

TThe HUD project, Series 2012, Series 2016 Bonds and Realty Trust note are collateralized by certain facilities, equipment and premises. The College is required to meet various covenants on an annual basis with respect to its long term debt.

The MDFA Commercial Paper was supported with an irrevocable Letter of Credit dated May 2, 2006 issued by JPMorgan Chase Bank, National Association with a termination date of May 2, 2015. The College received notification from JPMorgan Chase Bank, National Association that they would not extend the Letter of Credit and it will terminate on May 2, 2015 in accordance with the terms of the agreement. The College was granted its first extension of the termination date to November 2, 2015 and a second extension to February 2, 2016. The MDFA Commercial Paper is classified as short term debt in 2015 for $8,100,000. In February 2016, the College issued $15 million of series 2016 bonds in order to refund the MDFA Commercial paper totaling $8,102,853, and to provide additional financing for capital projects.

Effective in the year ended June 30, 2016, the College retrospectively adopted the provisions of the FASB Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments – Overall* (ASU 2016-01). ASU 2016-01 eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for nonpublic entities.

Principal payments on all short term and long term debt are as follows:

	AMOUNT
2017	$ 570,229
2018	736,604
2019	964,740
2020	931,197
2021	962,528
Thereafter	24,344,999
	$ 28,510,297

(9) NET ASSETS

The composition of the categories of net assets as of June 30, 2016 and 2015 consists of:

	2016	2015
Temporarily restricted net assets:		
Accumulated net gains on permanently endowed funds	$ 2,189,765	3,490,489
Restricted by donors for capital	167,496	7,631,173
Restricted by donors for programs	6,862,474	4,823,586
Contributions receivable for programs	10,036,271	10,330,062
	$ 19,256,006	26,275,310
Permanently restricted net assets:		
Morgan Venture Fund	$ 524,102	542,519
Contributions receivable for permanent endowment	1,748,957	1,523,982
Funds Held in Trust by Others	2,467,276	2,291,934
Permanent endowment and similar funds	26,826,678	23,039,294
	$ 31,567,013	27,397,729

(10) COMMITMENTS UNDER OPERATING LEASES

The College has entered into certain operating lease agreements. Lease expense in 2016 and 2015 amounted to $323,522 and $332,985, respectively.

Payments under these agreements are as follows:

	AMOUNT
2017	$ 230,326
2018	142,562
2019	140,839
	$ 513,726

(11) RETIREMENT PLAN

Contributions made by the College for the TIAA-CREF Retirement Plan were $2,159,539 and $2,228,592 during fiscal years 2016 and 2015, respectively, for eligible and enrolled employees based on a portion of salaries from 9.5% to 10%. In addition, the employees enrolled in the plan contributed a portion of their salaries ranging from 3% to 5%.

(12) LINE OF CREDIT

The College has an uncollateralized demand line of credit in the amount of $2,500,000 at an interest rate of 25 basis points above prime rate. There was no amount outstanding on the line of credit at June 30, 2016 and 2015. The line of credit expires in February 2017.

(13) SUBSEQUENT EVENTS

The College evaluated subsequent events for potential recognition or disclosure through February 17, 2017, the date on which the financial statements were issued.

Trustees and Officers

JUNE 30, 2016