

# **Bryn Mawr College**

**Financial Statements**  
**May 31, 2014 and 2013**

**Bryn Mawr College**  
**Index**  
**May 31, 2014 and 2013**

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## Independent Auditor's Report

To the Board of Trustees  
Bryn Mawr College

We have audited the accompanying financial statements of Bryn Mawr College (the "College"), which comprise the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities and of cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the University'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 University'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 Bryn Mawr College at May 31, 2014 and 2013, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

September 22, 2014

**Bryn Mawr College**  
**Statement of Financial Position**  
**Year Ended May 31, 2014**  
(in thousands)

	<u>May 2014</u>	<u>May 2013</u>
<b>Assets:</b>		
Cash	\$ 10,820	\$ 35,372
Short-term investments	5,271	6,882
Accounts receivable (less allowance of \$278 in 2014 & \$217 in 2013)	6,188	3,961
Other assets	895	3,295
Contributions receivable (less allowance of \$862 in 2014 & \$814 in 2013)	6,758	8,346
Student loans receivable (less allowance of \$909 in 2014 & \$658 in 2013)	3,160	2,792
Deposits with trustees of debt obligations	1,700	4,866
Plant and equipment, net of accumulated depreciation	193,854	199,673
Long term investments	881,448	754,595
Total assets	<u>\$ 1,110,094</u>	<u>\$ 1,019,782</u>
<b>Total Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,360	\$ 2,844
Accrued expenses	5,276	5,745
Student deposits	2,155	2,360
Deferred revenue	2,250	2,435
Annuity obligations	7,952	8,064
Debt	106,502	109,895
Other long-term liabilities	2,417	2,407
Advances from US government for student loans	1,778	1,772
Total Liabilities	<u>131,690</u>	<u>135,522</u>
<b>Net Assets:</b>		
Unrestricted	483,813	436,890
Temporarily restricted	272,853	231,003
Permanently restricted	221,738	216,367
Total net assets	<u>978,404</u>	<u>884,260</u>
Total Liabilities and Net Assets	<u>\$ 1,110,094</u>	<u>\$ 1,019,782</u>

See accompanying notes to the financial statements

**Bryn Mawr College**  
**Statements of Activities**  
**As of May 31, 2014**

(with comparative totals for 2013, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
<b>Operating revenues:</b>					
Tuition and fees, net of discount of \$31,005 in 2014 and \$31,403 in 2013	\$ 39,037			\$ 39,037	\$ 36,427
Private contributions	5,163	4,185		9,348	9,589
Government grants	9,560			9,560	7,997
Endowment payout under spending formula	17,545	17,215		34,760	33,800
Other	5,637			5,637	4,261
Auxiliary enterprises, net of discount of \$549 in 2014 and \$836 in 2013	20,292			20,292	20,380
Interest income on cash and short-term investments	1,046			1,046	1,930
Satisfaction of program restrictions	19,113	(19,113)		-	-
Total operating revenues	117,393	2,287	-	119,680	114,384
<b>Operating expenses:</b>					
Instruction	45,018			45,018	42,237
Research	1,883			1,883	2,228
Public service	2,014			2,014	1,977
Academic support	15,050			15,050	15,514
Student services	11,339			11,339	11,014
Institutional support	22,471			22,471	22,612
Scholarships and fellowships	3,626			3,626	3,833
Auxiliary enterprises	15,903			15,903	16,391
Total operating expenses	117,304	-	-	117,304	115,806
Net changes from operations	89	2,287	-	2,376	(1,422)
<b>Non-operating items:</b>					
Private contributions	13,559	338	4,629	18,526	18,964
Actuarial changes, interest and payments	(593)	(140)	(167)	(900)	(1,272)
Net assets whose restrictions have changed	1,187	(1,080)	(107)	-	-
Other	(167)			(167)	2,483
Realized and unrealized gains (losses) on investments, net of \$23,531 in 2014 and \$20,726 in 2013 appropriated for endowment spending payout	32,848	40,445	1,016	74,309	57,130
Net changes from non-operating activities	46,834	39,563	5,371	91,768	77,305
Change in net assets	46,923	41,850	5,371	94,144	75,883
Net assets at beginning of year	\$ 436,890	\$ 231,003	\$ 216,367	\$ 884,260	\$ 808,377
Net assets at end of year	\$ 483,813	\$ 272,853	\$ 221,738	\$ 978,404	\$ 884,260

See accompanying notes to the financial statements

**Bryn Mawr College**  
**Statements of Activities**  
**As of May 31, 2013**

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
<b>Operating revenues:</b>				
Tuition and fees, net of discount of \$31,403	\$ 36,427			\$ 36,427
Private contributions	5,404	4,185		9,589
Government grants	7,997			7,997
Endowment payout under spending formula	17,817	15,983		33,800
Other	4,261			4,261
Auxiliary enterprises, net of discount of \$836	20,380			20,380
Interest income on cash and short-term investments	1,930			1,930
Satisfaction of program restrictions	18,455	(18,455)		-
Total operating revenues	112,671	1,713	-	114,384
<b>Operating expenses:</b>				
Instruction	42,237			42,237
Research	2,228			2,228
Public service	1,977			1,977
Academic support	15,514			15,514
Student services	11,014			11,014
Institutional support	22,612			22,612
Scholarships and fellowships	3,833			3,833
Auxiliary enterprises	16,391			16,391
Total operating expenses	115,806	-	-	115,806
Net changes from operations	(3,135)	1,713	-	(1,422)
<b>Non-operating items:</b>				
Private contributions	4,369	159	14,436	18,964
Actuarial changes, interest and payments	(824)	(212)	(236)	(1,272)
Net assets whose restrictions have changed	1,052	(3,976)	2,924	-
Other	(1,436)		3,919	2,483
Realized and unrealized gains (losses) on investments, net of \$20,726 appropriated for endowment spending payout	24,897	30,831	1,402	57,130
Net changes from non-operating activities	28,058	26,802	22,445	77,305
Change in net assets	24,923	28,515	22,445	75,883
Net assets at beginning of year	\$ 411,967	\$ 202,488	\$ 193,922	\$ 808,377
Net assets at end of year	\$ 436,890	\$ 231,003	\$ 216,367	\$ 884,260

See accompanying notes to the financial statements

**Bryn Mawr College**  
**Statements of Cash Flows**

(in thousands)

For fiscal years ended May 31	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 94,144	\$ 75,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,965	9,613
(Gain)/Loss on disposal of equipment	662	31
Asset Impairment		640
Provision for losses/(benefits) on accounts/loans receivable	360	285
Contributions designated for long-term investment	(19,128)	(16,212)
Net realized and unrealized (gains) losses on investments	(96,960)	(78,197)
Other non-operating losses		1,967
Change in net present value of annuities	(112)	314
Change in asset retirement obligation	10	91
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(2,173)	532
Accounts payable, accruals, deferred revenue and student deposits	(343)	1,433
Contributions receivable	1,540	(4,235)
Other		(3,993)
Net cash used in operating activities	<u>(12,035)</u>	<u>(11,848)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	88,004	209,630
Purchase of long-term investments	(115,389)	(204,593)
Payments on student loans and employee mortgages	1,749	2,496
Student loans and employee mortgages advanced	(981)	(820)
Purchase of property, plant and equipment	(6,060)	(6,793)
Decrease(increase) in deposits held by trustees of debt obligations	3,166	27,142
Net cash provided by (used in) investing activities	<u>(29,511)</u>	<u>27,062</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions designated for long-term investment	19,128	16,212
Proceeds from long-term borrowing		13,100
Debt issuance costs		1,771
Repayment of debt	(2,140)	(39,840)
Government advance for loans	6	(84)
Net cash provided by financing activities	<u>16,994</u>	<u>(8,841)</u>
Net decrease in cash and cash equivalents	(24,552)	6,373
Cash and cash equivalents at beginning of year	<u>35,372</u>	<u>28,999</u>
Cash and cash equivalents at end of year	<u>\$ 10,820</u>	<u>\$ 35,372</u>
Supplemental data for financing activities:		
Non-cash gifts-in-kind	82	253
Interest paid	4,477	5,260
Construction related payables	119	129

See accompanying notes to the financial statements.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**

(Dollars in thousands)

1 Organization

Bryn Mawr College (the College) is a private institution of higher education located in Bryn Mawr, Pennsylvania.

The Undergraduate College offers a four-year, liberal arts curriculum to women and has cooperative exchanges for academic courses, library use and certain other administrative functions with other area schools. Undergraduate full-time equivalent enrollment for the fiscal year was 1,310 students. Geographically, 31% of undergraduate students come from the Middle Atlantic region of the United States, 45% from states in other regions, and 24% from foreign countries. Bryn Mawr also has coeducational graduate schools of Arts and Sciences and of Social Work and Social Research. The graduate school full-time equivalent enrollment was 289.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis. Resources are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

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.

Temporarily restricted: Net assets whose use by the College is subject to donor-imposed restrictions which can be fulfilled by actions of the College in accordance with those restrictions or by the passage of time. Endowment income and spendable contributions with donor-imposed restrictions are reported as temporarily restricted. Such net assets are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

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

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as satisfaction of program restrictions and treated as reclassifications between the applicable classes of net assets.

Investments

The College's investments are reported at fair value. 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. Financial instruments are measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:



**Bryn Mawr College**  
**Notes to the Financial Statements**  
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(Dollars in thousands)

- Level I – Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price is data generally obtained from relevant exchange or dealer markets.
- Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.
- Level III – Pricing inputs are unobservable for the investment and includes situations where a) there is minimal, if any, market activity for the investment and b) the inputs used in determination of fair value require significant management judgment or estimation.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The College considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The College's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level III inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

As a practical expedient, the College is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). The College's investments in private equity, real assets and certain hedge funds are generally valued based on the most current NAV adjusted for cash flows when the reported NAV is not at the measurement date. This amount represents fair value of these investments at May 31, 2014.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US Generally Accepted Accounting Principles (GAAP). The College has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

Bryn Mawr's investment policy goal is primarily to maintain the purchasing power of the endowment and secondarily, to increase the portion of the College's operating budget that comes from endowment over time. The College utilizes a highly diversified investment portfolio to reduce the risk and increase the return over a full market cycle. Protecting assets from risk increases the investment returns and reduces the risk over time. The College's spending policy and investment strategy are intended to reduce volatility of investment returns and endowment spending.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**

(Dollars in thousands)

*Short-Term Investments*

Short-term investments include cash equivalents and fixed income investments with maturities between three and twelve months. Short-term investments are valued using observable market data to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are fixed income instruments.

*Equity Funds*

Equity investments consist of separate accounts, daily traded mutual funds, commingled funds and limited partnerships. Securities held in separate accounts and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets with no valuation adjustment applied. Commingled funds and limited partnership interests are valued at NAV by the respective external investment managers.

*Real Assets*

Real assets primarily represent real estate, commodity and energy related interests held through limited partnerships. These investments are valued at NAV by the respective general partners and adjusted for subsequent cash flow activity if applicable.

*Private Equity*

Investments in private equity are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV as reported by the general partners and adjusted for subsequent cash flow activity if applicable.

*Hedge Funds*

Investments in hedge funds, also known as marketable alternatives, represent multi-strategy, global and US equity interests. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV as reported by the general partners and adjusted for subsequent cash flow activity if applicable.

*Split Interest Agreements*

Split interest agreements represent a variety of funds including pooled growth, pooled income, charitable gift annuity, charitable remainder unitrust and annuity trusts and income trusts. Where the College is trustee, liabilities associated with third party interests are reported on the Statement of Financial Position at fair value. Discount rates range between 3-6%. The College is the beneficiary of Trusts held by others, these are income trusts where the College will receive income payments in perpetuity or a defined term as defined in the trust.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**

(Dollars in thousands)

Endowment Spending

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, between 2% and 7%, is elected annually.

Bryn Mawr College uses a constant growth spending policy as follows: a 4.5% increase over the prior year spending plus 5% of gifts received in the most recently closed fiscal year; subject to a floor/ceiling band of 4.5% and 5.5% of the trailing three-year average of the fiscal year-end market value.

New Accounting Standards

In May 2011, the FASB issued new guidance regarding fair value measurement and disclosure requirements. The amendments included expanded disclosures about Level III measurements. This standard is effective for interim and annual periods beginning after December 15, 2011, the College's fiscal year 2013, and is applied prospectively. On adoption, the amendment expanded the disclosure of Level III inputs.

In October 2012, the FASB issued a new cash flow disclosure requirement related to the disclosure of the classification of sale of proceeds of donated assets. The new guidance requires entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if the sale of donated financial assets were without any NFP-imposed limitations for sale and were converted nearly immediately into cash. This standard is effective for the College's fiscal year 2014. On adoption, the College does not expect a material effect on its financial statements.

In April 2013, the FASB issued a new requirement related to the recognition of contribution services received from personnel of an affiliate. The new guidance requires entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. This standard is effective for the College's fiscal year 2015. On adoption, the College does not expect a material effect on its financial statements.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: building shell (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and library books (20 years). Depreciation expense is allocated to functional categories in the statement of operations based on building square footage. Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on sale or retirement of plant assets are recorded in the year of disposition.

Works of art, special collections and similar assets have been capitalized at their estimated fair value at the date of acquisition, based upon appraisals or similar valuations. Such assets are not depreciated.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**  
**(Dollars in thousands)**

Long-lived assets to be held and used are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. During fiscal year 2013 Haffner Residence Hall was deemed partially impaired. \$640 of the remaining value was written down in 2013. The building will be extensively renovated, and there will be a significant addition, during fiscal years 2014, 2015 and 2016.

Cash and Cash Equivalents

Cash and other investments with a maturity of three months or less at the time of purchase are reported as cash equivalents. Cash and cash equivalents representing assets of endowment and similar funds are included in long-term investments.

Deferred Revenue

Revenues received prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected in student deposits and deferred revenue.

Deposit with Trustees of Debt Obligations

Deposits with trustees of debt obligations are invested in cash, money market and various government securities according to the requirements established by the associated bond agreements.

Fund Raising Expenses

Direct expenses for fundraising were \$4,195 in 2014 and \$4,551 in 2013.

Income Tax

The College has been granted tax-exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code, and accordingly, files federal tax Form 990 (Return of Organization Exempt from Income Tax) annually. The College also files federal tax Form 990-T (Exempt Organizations Business Income Tax Return). No adjustments to the financial statements were required. The College will continue to monitor and evaluate its unrelated business income activity.

Non-operating items

Endowment and other non-operating activity reflect increases and decreases in net assets associated with long-term investments.

Other Assets

Other assets include prepaid expenses and inventories which are valued at the lower of cost or market.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**  
(Dollars in thousands)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value, less an allowance for estimated uncollectible amounts.

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 5.0% and 4.0% at May 31, 2014 and 2013, respectively.

Contributions receivable in:	2014	2013
Less than one year	\$ 2,098	\$ 2,804
One to five years	6,143	7,061
More than five years	5	1
	<hr/> 8,246	<hr/> 9,866
Less allowance for doubtful contributions	(862)	(814)
	<hr/> 7,384	<hr/> 9,052
Less discount to present value	(626)	(706)
	<hr/> <hr/> \$ 6,758	<hr/> <hr/> \$ 8,346

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**  
(Dollars in thousands)

4 Property, Plant and Equipment

At May 31 property, plant and equipment consisted of the following:

	2014	2013
Land and land improvements	\$ 10,465	\$ 9,791
Buildings and fixed equipment	269,362	270,496
Information systems	4,847	3,834
Equipment and library books	47,042	45,558
Fine arts and special collections	5,455	5,455
Construction in progress	2,890	1,066
	<hr/>	<hr/>
	340,061	336,200
Accumulated depreciation	(146,207)	(136,527)
	<hr/>	<hr/>
Net property, plant and equipment	<u>\$ 193,854</u>	<u>\$ 199,673</u>

Depreciation expense was \$11,215 and \$10,862 at May 31, 2014 and 2013, respectively.

5 Investments

Endowment and similar funds are classified as long-term investments and include the College's permanent endowment funds, term endowment funds, and quasi-endowment funds. Quasi-endowment funds have been established by the Board of Trustees for the same purposes as endowment funds; however, any portion of quasi-endowment funds may be expended.

Annuity, life income, and trust agreements are also classified as long-term investments. The College pays periodically either the income earned or a fixed percentage of the assets to the beneficiary designated by the donor. Upon termination of an annuity, life income, or trust agreement the College's remainder interest in the assets is available for use by the College as restricted by the donor or designated by the Board of Trustees. The College has recorded an accrued liability and deferred revenue of \$7,952 at May 31, 2014 and \$8,064 at May 31, 2013 representing gift annuities payable and pooled income fund liabilities.

Long-term investments include mortgages held on residences for eligible employees that amount to \$4,815 and \$6,203 as of May 31, 2014 and 2013 respectively. The portfolios 4.8% average interest rate approximates the market rates and the assets are fully collateralized with a zero deficiency and default rate, therefore the face value approximates market value.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2014**  
(Dollars in thousands)

A summary of investments, measured at fair value in accordance with the *Fair Value Measurements* standard on a recurring basis, as of May 31, 2014 and 2013 is as follows:

Assets:	2014			Total
	Level I	Level II	Level III	
<b>Endowment</b>				
Cash and cash equivalents	\$ 26,324			\$ 26,324
Equity funds				
Domestic	65,221	7,662		72,883
Global	28,960	114,159		143,119
Fixed income funds (domestic)		74,602		74,602
Real assets		6,419	130,087	136,506
Private equity				
Buyout			15,796	15,796
Venture Capital			52,469	52,469
Other			88,398	88,398
Hedge Funds				
Global Equity (long/short)		19,977	34,387	54,364
Multi-Strategy			81,859	81,859
US Equity (long/short and event driven)			92,906	92,906
<b>Total Endowment</b>	\$ 120,505	\$ 222,819	\$ 495,902	\$ 839,226
<b>Trusts</b>	13,131		24,276	37,407
<b>Faculty Mortgages</b>		4,815		4,815
<b>Subtotal Long Term Investments</b>	\$ 133,636	\$ 227,634	\$ 520,178	\$ 881,448
<b>Short Term Investments (Fixed Income)</b>	158	5,113		5,271
<b>Total Assets</b>	\$ 133,794	\$ 232,747	\$ 520,178	\$ 886,719

Assets:	2013			Total
	Level I	Level II	Level III	
<b>Endowment</b>				
Cash and cash equivalents	\$ 1,347			\$ 1,347
Equity funds				
Domestic	40,490	4,191		44,681
Global	19,252	98,105		117,357
Fixed income funds (domestic)		77,570		77,570
Real assets		5,512	119,501	125,013
Private equity				
Buyout			16,998	16,998
Venture Capital			32,978	32,978
Other			86,333	86,333
Hedge Funds				
Global Equity (long/short)		18,949	32,458	51,407
Multi-Strategy			76,334	76,334
US Equity (long/short and event driven)			80,150	80,150
<b>Total Endowment</b>	\$ 61,089	\$ 204,327	\$ 444,752	\$ 710,168
<b>Trusts</b>	12,403		25,821	38,224
<b>Faculty Mortgages</b>		6,203		6,203
<b>Subtotal Long Term Investments</b>	\$ 73,492	\$ 210,530	\$ 470,573	\$ 754,595
<b>Short Term Investments (Fixed Income)</b>	67	6,815		6,882
<b>Swaps</b>			2,286	2,286
<b>Total Assets</b>	\$ 73,559	\$ 217,345	\$ 472,859	\$ 763,763

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Changes to the reported amounts of investments measured at fair value on a recurring basis listing Level III (unobservable) inputs as of May 31 are as follows:

	Private					Total
	Real Assets	Equity	Hedge Funds	Trusts	Swaps	
Balance, May 31, 2013	\$ 119,501	\$ 136,309	\$ 188,942	\$ 25,821	\$ 2,286	\$ 472,859
Purchases	10,207	20,610	21,000			51,817
Sales and settlements	(910)		(21,919)	(2,537)		(25,366)
Net Interest, dividends and fees	3,646	193	5,515	121		9,475
Net Distributions	(19,557)	(34,144)		(311)	(1,905)	(55,917)
Net change in realized/unrealized gains/(losses)	17,200	33,695	15,614	1,182	(381)	67,310
Balance, May 31, 2014	\$ 130,087	\$ 156,663	\$ 209,152	\$ 24,276	\$ -	\$ 520,178

	Private					Total
	Real Assets	Equity	Hedge Funds	Trusts	Swaps	
Balance, May 31, 2012	\$ 111,978	\$ 136,264	\$ 167,559	\$ 23,151	\$ 1,670	\$ 440,622
Purchases	17,252	15,809	13,800			46,861
Sales and settlements	(3,735)		(20,267)	1,206		(22,796)
Net Interest, dividends and fees	2,256	936	7,283	143		10,618
Net Distributions	(9,232)	(30,398)		(272)		(39,902)
Net change in realized/unrealized gains/(losses)	982	13,698	20,567	1,593	616	37,456
Balance, May 31, 2013	\$ 119,501	\$ 136,309	\$ 188,942	\$ 25,821	\$ 2,286	\$ 472,859

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2014 and 2013 there were no transfers between Levels I, II, or III.

The realized and unrealized gains and losses of the Level III investments for fiscal years 2014 and 2013 are included in Realized and unrealized gains (losses) on investments in the Non-operating section of the Statement of Activities. Realized and unrealized gains (losses) of \$65,908 and \$1,377 are attributable to assets held at year end in investments and trusts respectively for 2014 and \$34,944 and \$1,570 for 2013.

Deposits with trustees of debt obligations of \$1,700 and \$4,866, as of May 31, 2014 and 2013 respectively, are considered Level II investments.

Liquidity risk is the risk that the College will not be able to meet its obligations due to restrictions on ability to redeem investments. The College has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that limit its ability to initiate redemptions due to notice periods, lock-ups, side-pocket investments and investment periods. \$417,908 or 47% of the College's assets are redeemable within 6 months, 58% or \$514,402 within one year, approximately \$9,300 or 1% of College assets are designated illiquid investments. The College closely monitors liquidity and has a \$30,000 available line of credit.



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Details on current redemption terms and restrictions by asset class and type of investment are provided below. Standard redemption notices are between 30 and 60 days.

Liquidity of Assets	Value
<b>1 to 7 days</b>	
Cash & cash equivalents	\$ 26,324
Equity (domestic)	65,221
Real Assets	6,419
Fixed income (domestic)	74,602
	\$ 172,566
<b>Between 1 week and 1 month</b>	
Equity	
Domestic	7,662
International	154,228
Fixed income	5,272
	\$ 167,162
<b>1 to 3 months</b>	
Equity - International	8,867
Hedge Funds	
Global Equity (long/short)	3,890
Multi-Strategy	24,522
US Equity (long/short and event driven)	40,901
Real Assets	-
	\$ 78,180
<b>6 months to 1 year</b>	
Hedge Funds	
Global Equity (long/short)	14,989
Multi-Strategy	45,695
US Equity (long/short and event driven)	34,774
Real Assets	1,036
	\$ 96,494
<b>Long-Term greater than 1year</b>	
Hedge Funds	
Global Equity (long/short)	15,507
Multi-Strategy	11,642
US Equity (long/short and event driven)	17,232
Real Assets	129,051
Private Equity	156,663
Trusts	37,407
	\$ 367,502
<b>TOTAL</b>	<b>\$ 881,904</b>

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Endowment investment activity for 2014 and 2013 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2014	2013
Investments at beginning of year	\$ 710,168	\$ 31,751	\$ 6,473	\$ 748,392	\$ 675,445
Contributions restricted by donor	4,880	1,129		6,009	13,180
Contributions designated for long term investment	13,119			13,119	3,031
Payout returned to long-term investments	440			440	297
Other increases	38,832			38,832	704
	<u>767,439</u>	<u>32,880</u>	<u>6,473</u>	<u>806,792</u>	<u>692,657</u>
Investment returns net of expenses of \$6,877 in 2014 and \$6,086 in 2013.					
Investment dividends and interest	11,715			11,715	12,242
Realized/Unrealized gains/losses	94,832	2,125	397	97,354	78,688
	<u>106,547</u>	<u>2,125</u>	<u>397</u>	<u>109,069</u>	<u>90,930</u>
Endowment spending payout	(34,760)			(34,760)	(33,800)
	<u>71,787</u>	<u>2,125</u>	<u>397</u>	<u>74,309</u>	<u>57,130</u>
Annuity and trust income		287		287	290
Payments to annuitants and trust expenses		(1,299)		(1,299)	(1,248)
Maturities of annuities		(3,456)		(3,456)	(437)
Investments at end of year	<u>\$ 839,226</u>	<u>\$ 30,537</u>	<u>\$ 6,870</u>	<u>\$ 876,633</u>	<u>\$ 748,392</u>

6 Debt

Long-term debt, net of unamortized issuance costs, discounts, or premiums at May 31, consisted of the following:

	Maturity Date	Interest Rate	Original Issue, Net	2014	2013
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012A	12/1/2022	1.94%	\$ 15,245	\$ 14,876	\$ 15,098
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012	12/1/2017	1.26%	28,228	25,721	26,985
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010A	12/1/2019	2.72%	31,549	29,580	30,849
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010	12/1/2029	3.78%	15,665	13,452	14,059
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2007	12/1/2037	4.79%	23,162	22,873	22,904
				<u>\$ 106,502</u>	<u>\$ 109,895</u>

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Principal payments on long-term debt are as follows:

	Series 2012A	Series 2012	Series 2010A	Series 2010	Series 2007	Total
2015		\$ 645	\$ 945	\$ 625		\$ 2,215
2016		670	985	640		2,295
2017		695	1,020	670		2,385
2018		21,780	1,065	695		23,540
2019			1,105	715		1,820
Thereafter	13,100		22,360	9,995	22,170	67,625
Total principal payments						\$ 99,880
Net bond premium and discounts						6,622
Total outstanding debt						\$ 106,502

Under the terms of its various debt documents, the College is required to comply with various financial covenants. The College was in compliance with such covenants as of May 31, 2014 and May 31, 2013.

Hedging Activity

In conjunction with the interest rate swap, the College adopted the Statement of Financial Accounting Standard on *Accounting for Derivative Instruments and Hedging Activities* as amended.

Swap Agreement

On May 29, 2014, the College terminated two basis swaps related to the Series 1997 and Series 1999 Bonds. The realized losses of \$381 for fiscal year 2014 are included in Other Non-operating Income in the Statement of Activities. As of May 31, 2014 there are no remaining swap agreements.

In December 2010, UBS exercised a swap option and put the College into a swap pursuant to which the College was required to pay a fixed rate of 5.104% to UBS and received from UBS a variable rate based on the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index plus 26 basis points on certain notional principal amounts related to the 1999 Bonds.

The basis swaps provided for the College to exchange variable rate payments in amounts and for time periods tied to the College’s 1997 Bonds (subsequently refunded by the 2007 Bonds) and 1999 Bonds (subsequently refunded by the 2010 Bonds). The variable rate payments paid by the College were based on a tax-exempt index. The basis swaps exposed the College to basis risk based on the future relationship between the tax-exempt index paid by the College and the taxable index paid by UBS.

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7 Net Assets

Net assets at May 31, 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ (21,115)	\$ 13,804		\$ (7,311)
Loan funds:	538	671		1,209
Endowment and similar funds:				
True endowment		245,872	201,249	447,121
Quasi endowment	388,846	5,253		394,099
Term endowment		1,757		1,757
Annuities and trusts	4,134	4,832	20,489	29,455
Plant funds:				
Unexpended Plant	19,370			19,370
Capital projects		664		664
Net investment in plant	92,040			92,040
<b>Total</b>	<b>\$ 483,813</b>	<b>\$ 272,853</b>	<b>\$ 221,738</b>	<b>\$ 978,404</b>

Net assets at May 31, 2013 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ 11,043	\$ 13,369		\$ 24,412
Loan funds:	539	935		1,474
Endowment and similar funds:				
True endowment		206,331	193,967	400,298
Quasi endowment	308,590	4,034		312,624
Term endowment		1,599		1,599
Annuities and trusts	3,276	4,484	22,400	30,160
Plant funds:				
Unexpended Plant	22,975			22,975
Capital projects		251		251
Net investment in plant	90,467			90,467
<b>Total</b>	<b>\$ 436,890</b>	<b>\$ 231,003</b>	<b>\$ 216,367</b>	<b>\$ 884,260</b>

During FY 2014 the College unitized \$34,933 of operating funds as an unrestricted quasi endowment. This joint decision of the Finance Committee and Investment Sub-Committee was made to invest these funds for the long-term. This change is reflected as a decrease in Cash and an increase in Long Term Investments in the Statement of Financial Position and a decrease in Unrestricted Current and an increase in Quasi endowment funds above.

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Changes to the reported amount of the College's endowment net assets as of May 31 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2013	\$ 308,590	\$ 211,964	\$ 193,967	\$ 714,521
Investment return:				
Investment income	5,164	6,550		11,714
Net appreciation (depreciation) (realized and unrealized)	41,805	53,022	4	94,831
Total investment return	46,969	59,572	4	106,545
New gifts	12,900	338	4,159	17,397
Appropriation of endowment assets for spending	(15,324)	(19,436)		(34,760)
Transfers	35,711	444	3,119	39,274
Net assets, May 31, 2014	<u>\$ 388,846</u>	<u>\$ 252,882</u>	<u>\$ 201,249</u>	<u>\$ 842,977</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2012	\$ 281,802	\$ 184,028	\$ 173,025	\$ 638,855
Investment return:				
Investment income	5,302	6,940		12,242
Net appreciation (realized and unrealized)	32,606	42,683	(2)	75,287
Total investment return	37,908	49,623	(2)	87,529
New gifts	3,014	9	13,994	17,017
Appropriation of endowment assets for spending	(14,638)	(19,162)		(33,800)
Transfers	504	(2,534)	3,032	1,002
Alumnae Association			3,918	3,918
Net assets, May 31, 2013	<u>\$ 308,590</u>	<u>\$ 211,964</u>	<u>\$ 193,967</u>	<u>\$ 714,521</u>

The aggregate amount of all donor-related endowment funds for which the fair value of assets at May 31 is less than the level required by donor stipulations was \$0 in 2014 and \$189 in 2013.

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8 Employee Benefits

Eligible faculty, administration, and staff are provided retirement benefits under the College's defined contribution retirement program administered by TIAA/CREF and Vanguard. The policy of the College is to pay its share of the annual premium accrued in connection with this program; there are no unfunded benefits. The College's expense for the program was \$4,473 in 2014 and \$4,233 in 2013.

9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately \$99,177 at May 31, 2014.

The College has outstanding construction contracts totaling approximately \$20,211. Completion of these projects is estimated to extend through August 2015.

The College is a defendant in various legal actions. While the final amount of these claims cannot be determined at this time, management does not expect that the resolution of the outstanding claims and litigation will have a material adverse effect upon the College's financial position.

10 Expenses by Natural Classifications

Expenses were incurred in the following categories for the years ended May 31:

	2014	2013
Salaries and wages	\$ 49,831	\$ 49,929
Benefits	16,417	15,905
Scholarships and fellowships	3,626	3,833
Services and contracting	16,965	16,742
Supplies and minor equipment	4,638	3,809
Travel and entertainment	3,554	3,408
Auxiliaries' cost of goods sold	2,979	2,586
Utilities	2,749	2,826
Insurance	853	646
Depreciation	11,215	10,862
Interest	4,477	5,260
Total	\$ 117,304	\$ 115,806

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11 Disclosures about the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Bonds Payable

The fair value of the College's bonds payable approximates \$110,952 and \$113,643 at May 31, 2014 and 2013 respectively. The fair value of bonds is estimated based on quoted market prices for the same or similar issues. The market prices utilized reflect the rate that the College would have to pay to a credit worthy third party to assume its obligation and to not reflect an additional liability to the College. The College considers the fair value of the debt to be a Level II measurement.

Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Student Loan Receivables

Determination of the fair value of student loan receivables, which are primarily federally-sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

12 Line of Credit

The College holds two lines of credit, with varying terms, totaling \$30,000 of which \$15,000 expires in November 2014 and the remaining \$15,000 expires February 2015. As of May 31, 2014 there was no outstanding balance on either line of credit.

13 Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2014 through its distribution date of September 22, 2014. In July 2014 the College was issued \$51,670 in new debt (Series 2014) of which \$24,425 will be placed in escrow for refunding the Series 2012 bond issue and the remaining funds are designated as capitalized interest and for various construction, renovation and capital improvement projects.