Bryn Mawr College

Financial Statements
May 31, 2015 and 2014

Bryn Mawr College
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May 31, 2015 and 2014

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Independent Auditor's Report

To the Trustees of 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, 2015 and 2014, 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bryn Mawr College as of May 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 5, 2015

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Bryn Mawr College
Statement of Financial Position
Years Ended May 31, 2015 and 2014
(in thousands)

	May 2015	May 2014
Assets:		
Cash	$ 15,847	$ 10,820
Short-term investments	5,062	5,271
Accounts receivable (less allowance of $234 in 2015 & $278 in 2014)	5,290	6,188
Other assets	2,052	895
Contributions receivable (less allowance of $45 in 2015 & $862 in 2014)	8,051	6,758
Student loans receivable (less allowance of $1,336 in 2015 & $909 in 2014)	3,090	3,160
Deposits with trustees of debt obligations	21,922	1,700
Plant and equipment, net of accumulated depreciation	195,938	193,854
Long term investments	908,934	881,448
Total assets	$ 1,166,186	$ 1,110,094
Total Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 5,106	$ 3,360
Accrued expenses	5,482	5,276
Student deposits	2,310	2,155
Deferred revenue	2,670	2,250
Annuity obligations	7,869	7,952
Debt	136,725	106,502
Other long-term liabilities	2,454	2,417
Advances from US government for student loans	1,579	1,778
Total Liabilities	164,195	131,690
Net Assets:		
Unrestricted	481,757	483,813
Temporarily restricted	268,278	272,853
Permanently restricted	251,956	221,738
Total net assets	1,001,991	978,404
Total Liabilities and Net Assets	$ 1,166,186	$ 1,110,094

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

(continued)

Bryn Mawr College
Statements of Activities
As of May 31, 2015
(with comparative totals for 2014, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Operating revenues:					
Tuition and fees, net of discount of $31,469 in 2015 and $31,005 in 2014	$ 40,431			$ 40,431	$ 39,037
Private contributions	5,063	2,528		7,591	9,348
Government grants	7,863			7,863	9,560
Endowment payout under spending formula	18,223	18,966		37,189	34,760
Other	4,808			4,808	5,637
Auxiliary enterprises, net of discount of $704 in 2015 and $549 in 2014	20,332			20,332	20,292
Interest income on cash and short-term investments	1,248			1,248	1,046
Satisfaction of program restrictions	22,016	(22,016)		-	-
Total operating revenues	119,984	(522)	-	119,462	119,680
Operating expenses:					
Instruction	43,642			43,642	45,018
Research	2,490			2,490	1,883
Public service	1,902			1,902	2,014
Academic support	16,058			16,058	15,050
Student services	12,735			12,735	11,339
Institutional support	20,614			20,614	22,471
Scholarships and fellowships	4,124			4,124	3,626
Auxiliary enterprises	16,301			16,301	15,903
Total operating expenses	117,866	-	-	117,866	117,304
Net changes from operations	2,118	(522)	-	1,596	2,376
Non-operating items:					
Private contributions	2,681	226	25,420	28,327	18,526
Actuarial changes, interest and payments	(596)	(92)	(311)	(999)	(900)
Net assets whose restrictions have changed	(2,945)	(1,955)	4,900	-	-
Other	(1,350)			(1,350)	(167)
Realized and unrealized gains (losses) on investments, net of $30,211 in 2015 and $23,531 in 2014 appropriated for endowment spending payout	(1,964)	(2,232)	209	(3,987)	74,309
Net changes from non-operating activities	(4,174)	(4,053)	30,218	21,991	91,768
Change in net assets	(2,056)	(4,575)	30,218	23,587	94,144
Net assets at beginning of year	$ 483,813	$ 272,853	$ 221,738	$ 978,404	$ 884,260
Net assets at end of year	$ 481,757	$ 268,278	$ 251,956	$ 1,001,991	$ 978,404

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

(continued)

Bryn Mawr College
Statements of Activities
As of May 31, 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
Operating revenues:				
Tuition and fees, net of discount of $31,005 in 2014 and $31,403 in 2013	$ 39,037			$ 39,037
Private contributions	5,163	4,185		9,348
Government grants	9,560			9,560
Endowment payout under spending formula	17,545	17,215		34,760
Other	5,637			5,637
Auxiliary enterprises, net of discount of $549 in 2014 and $836 in 2013	20,292			20,292
Interest income on cash and short-term investments	1,046			1,046
Satisfaction of program restrictions	19,113	(19,113)		-
Total operating revenues	117,393	2,287	-	119,680
Operating expenses:				
Instruction	45,018			45,018
Research	1,883			1,883
Public service	2,014			2,014
Academic support	15,050			15,050
Student services	11,339			11,339
Institutional support	22,471			22,471
Scholarships and fellowships	3,626			3,626
Auxiliary enterprises	15,903			15,903
Total operating expenses	117,304	-	-	117,304
Net changes from operations	89	2,287	-	2,376
Non-operating items:				
Private contributions	13,559	338	4,629	18,526
Actuarial changes, interest and payments	(593)	(140)	(167)	(900)
Net assets whose restrictions have changed	1,187	(1,080)	(107)	-
Other	(167)			(167)
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
Net changes from non-operating activities	46,834	39,563	5,371	91,768
Change in net assets	46,923	41,850	5,371	94,144
Net assets at beginning of year	$ 436,890	$ 231,003	$ 216,367	$ 884,260
Net assets at end of year	$ 483,813	$ 272,853	$ 221,738	$ 978,404

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

(continued)

Bryn Mawr College
Statements of Cash Flows
Years Ended May 31, 2015 and 2014
(in thousands)

For fiscal years ended May 31	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 23,587	$ 94,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,560	9,965
Loss on disposal of equipment	3,645	662
Provision for losses/(benefits) on accounts/loans receivable	(435)	360
Contributions designated for long-term investment	(26,988)	(19,128)
Net realized and unrealized (gains)/ losses on investments	(26,398)	(96,960)
Change in net present value of annuities	(83)	(112)
Change in asset retirement obligation	36	10
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(215)	(2,173)
Increase/(decrease) in accounts payable, accruals, deferred revenue and student deposits	2,527	(343)
Decrease/(increase) in contributions receivable	(476)	1,540
Net cash used in operating activities	(16,240)	(12,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	232,429	88,004
Purchase of long-term investments	(233,512)	(115,389)
Payments on student loans and employee mortgages	1,222	1,749
Student loans and employee mortgages advanced	(1,373)	(981)
Purchase of property, plant and equipment	(17,046)	(6,060)
Decrease/(increase) in deposits held by trustees of debt obligations	(20,222)	3,166
Net cash provided by (used in) investing activities	(38,502)	(29,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions designated for long-term investment	26,988	19,128
Proceeds from long-term borrowing, Par	51,670	
Debt issue premium, net of discount and issue costs	5,305	
Repayment of debt	(23,995)	(2,140)
Increase/(decrease) in government advance for loans	(199)	6
Net cash provided by financing activities	59,769	16,994
Net increase/(decrease) in cash and cash equivalents	5,027	(24,552)
Cash and cash equivalents at beginning of year	10,820	35,372
Cash and cash equivalents at end of year	$ 15,847	$ 10,820
Supplemental data for financing activities:		
Non-cash gifts-in-kind	47	82
Interest paid	5,514	4,477
Construction related payables	1,346	119

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

(continued)

1 Organization

Bryn Mawr College (the College) is a private institution of higher education founded in 1885 and located in Bryn Mawr, Pennsylvania on an historic and picturesque suburban campus less than ten miles from the downtown center of Philadelphia.

The Undergraduate College offers a four-year, residential experience to approximately 1,365 women representing 45 different states and 57 different countries with an expansive, customizable liberal arts curriculum of over 37 majors and 41 minors. Bryn Mawr was the first women's college to offer graduate education through the Ph.D., defying the limitations imposed on women's intellectual achievement at other institutions of the time. The College continues its support of master and doctoral programs via its Graduate School of Arts and Sciences and its Graduate School of Social Work and Social Research. Both graduate schools are coeducational and their full-time equivalent enrollment was approximately 280 in academic year 2014-2015.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis and in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Net assets 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. These donor-imposed restrictions neither expire by the passage of time nor can they be otherwise removed by the College. Generally, the donors of these assets permit the College to spend all or part of the investment return of these assets.
>
> Temporarily restricted: Net assets whose use by the College is subject to donor-imposed restrictions that can be fulfilled by actions of the College in compliance with those restrictions or by the passage of time. Realized and unrealized gains and losses on the permanently restricted endowment and current spendable contributions (non-endowment) 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 ("Quasi Endowment") 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.

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.

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 the endowment and similar funds are included in long-term investments.

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.

Fair Value of Financial Instruments

The College's investments and other financial instruments 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. Investments are then 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:

- 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 the fund managers using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

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As a practical expedient, the College estimates 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, 2015.

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.

Cash and Equivalents

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

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.

Real Assets

Real assets primarily represent real estate, commodity and energy related interests held through limited partnerships. These investments are valued at NAV 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 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 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.

Bonds Payable

The fair value of the College's bonds payable approximates $139,915 and $110,952 at May 31, 2015 and 2014, respectively. The College's bonds trade periodically. To estimate the fair value, the College uses information provided by a third party for market price on May 31 of its bonds in the secondary market or bonds with similar maturity dates and credit profile. The College considers the fair value of the debt to be a Level II measurement.

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.

<u>Endowment Investment and Spending Policies and Objectives</u>

The College's endowment is comprised of approximately 1,350 individual funds established for a variety of reasons, including donor restrictions as well as funds designated by the Board to function as endowments (i.e. the quasi-endowment). 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.

In determining the annual spending amount, Bryn Mawr College's policy uses a constant growth factor in combination with incremental spending from new gifts and a market-value-based collar. The spending amount for a given fiscal year is calculated using a 4.5% increase over the prior fiscal year's spending amount plus 5% of new gifts that were received in the most recently closed fiscal year. The draw amount is then tested against the set collar: a floor or minimum draw amount of 4.5% of the trailing three-year average of the fiscal year-end market values and a ceiling or maximum draw amount of 5.5% of the same trailing three-year average of the fiscal year-end market values.

Commonwealth of Pennsylvania law (Act 141) permits the College to allocate to income each year a portion of endowment net realized gains. In accordance with the law, the College spends between 2% and 7% of the fair market value of the endowment funds, averaged over a period of three or more preceding years.

New Accounting Standards

In October 2012, the FASB issued a new cash flow disclosure requirement related to the disclosure of the classification of the sale 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 not-for profit-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 did not realize 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 did not realize 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 the 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.

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.

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

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

(continued)

(Dollars in thousands)

Fund Raising Expenses

Direct expenses for fundraising were $4,207 in 2015 and $4,195 in 2014.

Tax Status

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). The College monitors and evaluates its activities for unrelated business income.

Other Assets

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

Reclassifications

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

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 4.5% and 5.0% at May 31, 2015 and 2014, respectively.

Contributions receivable in:	2015	2014
Less than one year	$ 990	$ 2,098
One to five years	8,396	6,143
More than five years	25	5
	9,411	8,246
Less allowance for doubtful contributions	(45)	(862)
	9,366	7,384
Less discount to present value	(1,315)	(626)
Contributions Receivable	$ 8,051	$ 6,758

(Dollars in thousands)

4 Property, Plant and Equipment

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

	2015	2014
Land and land improvements	$ 6,676	$ 10,465
Buildings and fixed equipment	272,040	269,362
Information systems	4,847	4,847
Equipment and library books	48,362	47,042
Fine arts and special collections	5,455	5,455
Construction in progress	15,637	2,890
	353,017	340,061
Accumulated depreciation	(157,079)	(146,207)
Net property, plant and equipment	$ 195,938	$ 193,854

Depreciation expense was $11,314 and $11,215 at May 31, 2015 and 2014, respectively.

5 Long Term 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, quasi-endowment funds may be expended in their entirety at the discretion of the Board.

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 $7,869 at May 31, 2015 and $7,952 at May 31, 2014 representing gift annuities payable and pooled income fund liabilities.

Long-term investments also include outstanding balances on residential mortgages held for eligible employees. The outstanding balances amounted to $4,610 and $4,815 as of May 31, 2015 and 2014, respectively. The portfolio's 4.7% average interest rate approximates the market rates and the assets are fully collateralized with a zero deficiency and default rate.

(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, 2015 and 2014 is as follows:

	2015			
Assets:	Level I	Level II	Level III	Total
Endowment				
Cash and cash equivalents	$ 29,918	$ 65,166		$ 95,084
Equity funds				
Domestic	144	8,790		8,934
Global	23,814	140,905		164,719
Fixed income funds (domestic)		75,459		75,459
Real assets		5,019	108,718	113,737
Private equity				
Buyout			15,084	15,084
Venture Capital			62,633	62,633
Other			91,850	91,850
Hedge Funds				
Global Equity (long/short)		27,334	34,576	61,910
Multi-Strategy			82,576	82,576
US Equity (long/short and event driven)			95,742	95,742
Total Endowment	$ 53,876	$ 322,673	$ 491,179	$ 867,728
Trusts	12,554		24,042	36,596
Residential Mortgages		4,610		4,610
Subtotal Long Term Investments	$ 66,430	$ 327,283	$ 515,221	$ 908,934
Short Term Investments (Fixed Income)	56	5,006		5,062
Total Assets	$ 66,486	$ 332,289	$ 515,221	$ 913,996

	2014			
Assets:	Level I	Level II	Level III	Total
Endowment				
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
Total Endowment	$ 120,505	$ 222,819	$ 495,902	$ 839,226
Trusts	13,131		24,276	37,407
Residential Mortgages		4,815		4,815
Subtotal Long Term Investments	$ 133,636	$ 227,634	$ 520,178	$ 881,448
Short Term Investments (Fixed Income)	158	5,113		5,271
Total Assets	$ 133,794	$ 232,747	$ 520,178	$ 886,719

(continued)

(Dollars in thousands)

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:

	Real Assets	Private Equity	Hedge Funds	Trusts	Total
Balance, May 31, 2014	$ 130,087	$ 156,663	$ 209,152	$ 24,276	$ 520,178
Purchases	8,747	21,800	8,000		38,547
Sales and settlements	(811)		(8,618)	(118)	(9,547)
Net Interest, dividends and fees	4,082	409	296	121	4,908
Net Distributions	(29,812)	(36,125)		(339)	(66,276)
Net change in realized/unrealized gains/(losses)	(3,575)	26,820	4,064	102	27,411
Balance, May 31, 2015	$ 108,718	$ 169,567	$ 212,894	$ 24,042	$ 515,221

	Real Assets	Private Equity	Hedge Funds	Trusts	Swaps	Total
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

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2015 and 2014 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 2015 and 2014 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 $27,309 and $102 are attributable to assets held at year end in investments and trusts respectively for 2015 and $66,509 and $1,182 for 2014.

Deposits with trustees of debt obligations of $21,922 and $1,700, as of May 31, 2015 and 2014, 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. Of the College's assets, 50%, or $454,389, are redeemable within 6 months; 60%, or $549,353, are redeemable within one year; and approximately 1%, or $9,049, are designated as illiquid. The College closely monitors liquidity and has approximately $30,000 available in credit lines.

(Dollars in thousands)

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
1 to 7 days		
Cash & cash equivalents	$	95,084
Equity (domestic & international)		50,710
Real Assets		5,019
Fixed income (domestic)		62,273
	$	213,086
Between 1 week and 1 month		
Equity (domestic & international)		150,277
Hedge Funds		
Global Equity (long/short)		5,137
Multi-Strategy		9,858
US Equity (long/short and event driven)		20,457
	$	185,729
1 to 3 months		
Fixed income		18,248
Hedge Funds		
US Equity (long/short and event driven)		482
	$	18,730
3 to 6 months		
Hedge Funds		
Global Equity (long/short)		6,111
Multi-Strategy		23,348
US Equity (long/short and event driven)		7,385
	$	36,844
6 months to 1 year		
Hedge Funds		
Global Equity (long/short)		15,384
Multi-Strategy		30,009
US Equity (long/short and event driven)		49,571
	$	94,964
Long-Term greater than 1year		
Hedge Funds		
Global Equity (long/short)		7,944
Multi-Strategy		19,360
US Equity (long/short and event driven)		17,848
Real Assets		108,718
Residential Mortgages		4,610
Private Equity		169,567
Trusts		36,596
	$	364,643
Total	$	913,996

(Dollars in thousands)

Endowment investment activity for 2015 and 2014 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2015	2014
Investments at beginning of year	$ 839,226	$ 30,537	$ 6,870	$ 876,633	$ 748,392
Contributions restricted by donor	23,591	810		24,401	6,009
Contributions designated for long term investment	2,587			2,587	13,119
Payout returned to long-term investments	477			477	440
Other increases	6,406			6,406	38,832
	872,287	31,347	6,870	910,504	806,792
Investment returns net of expenses of $6,602 in 2015 and $6,877 in 2014.					
Investment dividends and interest	6,961			6,961	11,715
Realized/Unrealized gains/losses	25,669	531	41	26,241	97,354
	32,630	531	41	33,202	109,069
Endowment spending payout	(37,189)			(37,189)	(34,760)
	(4,559)	531	41	(3,987)	74,309
Annuity and trust income		258		258	287
Payments to annuitants and trust expenses		(1,340)		(1,340)	(1,299)
Maturities of annuities		(1,111)		(1,111)	(3,456)
Investments at end of year	$ 867,728	$ 29,685	$ 6,911	$ 904,324	$ 876,633

6 Debt

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

	Maturity Date	Coupon Rates	2015	2014
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2014	12/1/2044	3.0-5.0%	$ 56,798	
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012A	12/1/2022	4.0%	14,654	$ 14,876
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012	12/1/2017	3.0%	1,326	25,721
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010A	12/1/2019	4.0-5.0%	28,285	29,580
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010	12/1/2029	3.0-5.0%	12,820	13,452
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2007	12/1/2037	5.0%	22,842	22,873
			$ 136,725	$ 106,502

(Dollars in thousands)

Principal payments on long-term debt are as follows:

	Series 2014	Series 2012A	Series 2012	Series 2010A	Series 2010	Series 2007	Total
2016			$ 670	$ 985	$ 640		$ 2,295
2017	$ 520		695	1,020	670		$ 2,905
2018	1,105			1,065	695		$ 2,865
2019	1,145			1,105	715		$ 2,965
2020	1,195			22,360	745		$ 24,300
Thereafter	47,705	13,100			9,250	22,170	$ 92,225
Total principal payments							$ 127,555
Net bond premium and discounts							9,170
Total outstanding debt							$ 136,725

The long-term debt includes various tax-exempt bond issues. All of the bonds bear interest at fixed rates that were determined on their original sale date. Interest is payable semi-annually. In all cases, the bonds were issued by the Pennsylvania Higher Educational Facilities Authority pursuant to an indenture with a bond trustee. The Authority then loaned the proceeds to the College via a loan agreement. For the purpose of securing the payments to bondholders, in these agreements the College had pledged its unrestricted revenues. In addition, under the terms of the agreements, the College is required to comply with various financial covenants. The College was in compliance with such covenants as of May 31, 2015 and May 31, 2014.

In May 2007, the College issued the Series 2007 bonds primarily to currently refinance the Series 1997 bond issue.

In May 2010, the College issued the Series 2010 bonds primarily to currently refinance the Series 1999 bond issue.

In November 2010, the College issued the Series 2010A bonds primarily to refinance a portion of the Series 2002 bond issue.

In February 2012, the College issued the Series 2012 bonds primarily to currently refinance the Series 2009 bond issue.

In November 2012, the College issued the Series 2012A bonds primarily to currently refinance the remainder of the Series 2002 bond issue. There was also approximately $5,000 of proceeds used for the construction, improvement, renovation and equipping of various College facilities.

In July 2014, the College issued the Series 2014 bonds to refinance a portion of the Series 2012 bond issue and to fund various construction, improvement, renovation and equipping projects expected to include the renovation and expansion of a student residential facility and the College's primary science facility. The Series 2014 Bonds legally defeased $21,780 of the outstanding Series 2012 Bonds.

Derivative Activity

In 2006, the College entered into two swap agreements by which the College and counterparty exchanged payments based on variable interest rates. The swaps were originally associated with the College's 1997 Bonds (subsequently refunded by the 2007 Bonds) and its 1999 Bonds (subsequently refunded by the 2010 Bonds). The payments paid by the College were based on a tax-exempt variable rate index while the amounts the College received from the counterparty were based on a taxable variable rate index. The swaps exposed the College to risk based on the relationship between the tax-exempt index paid by the College and the taxable index paid by the counterparty, among others.

On May 29, 2014, the College terminated these two swaps. At that time, the College received a payment equal to the present value of the projected future cash flows under the contracts. The realized loss of $381 for fiscal year 2014 is included in Other Non-operating Income in the Statement of Activities. As of May 31, 2015 the College has no swap agreements or other derivatives.

(Dollars in thousands)

7 Net Assets

Net assets at May 31, 2015 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	$ (19,877)	$ 11,754		$ (8,123)
Loan funds:	538	382		920
Endowment and similar funds:				
True endowment		243,572	231,781	475,353
Quasi endowment	390,126	5,573		395,699
Term endowment		1,766		1,766
Annuities and trusts	3,595	4,957	20,175	28,727
Plant funds:				
Unexpended Plant	24,655			24,655
Capital projects		274		274
Net investment in plant	82,720			82,720
Total	$ 481,757	$ 268,278	$ 251,956	$ 1,001,991

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
Total	$ 483,813	$ 272,853	$ 221,738	$ 978,404

During 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 was 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 funds and an increase in Quasi endowment funds.

(continued)

(Dollars in thousands)

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, 2014	$ 388,846	$ 252,882	$ 201,249	$ 842,977
Investment return:				
Investment income	3,410	3,546		6,956
Net appreciation (depreciation) (realized and unrealized)	12,576	13,080	14	25,670
Total investment return	15,986	16,626	14	32,626
New gifts	2,529	17	24,970	27,516
Appropriation of endowment assets for spending	(18,229)	(18,959)		(37,188)
Transfers	994	345	5,548	6,887
Net assets, May 31, 2015	$ 390,126	$ 250,911	$ 231,781	$ 872,818

	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 (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	$ 388,846	$ 252,882	$ 201,249	$ 842,977

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 $69 in 2015 and $0 in 2014.

(Dollars in thousands)

8 Employee Retirement 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 participants' contributions, which are permitted but not required, are fully vested, and the College funds its contributions to the plan on an ongoing basis. There are no unfunded benefits. The College's expense for the program was $4,526 in 2015 and $4,473 in 2014.

9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately $138,304 at May 31, 2015.

The College has outstanding construction contracts totaling approximately $8,272. Completion of these projects is estimated to extend through May 2016.

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:

	2015	2014
Salaries and wages	$ 50,385	$ 49,831
Benefits	17,019	16,417
Scholarships and fellowships	4,124	3,626
Services and contracting	16,257	16,965
Supplies and minor equipment	2,745	4,638
Travel and entertainment	3,645	3,554
Auxiliaries' cost of goods sold	2,973	2,979
Utilities	2,705	2,749
Insurance	1,185	853
Depreciation	11,314	11,215
Interest	5,514	4,477
Total	$ 117,866	$ 117,304

11 Line of Credit

The College has access to lines of credit with two banks, with varying terms, through which it can borrow approximately $30,000 or $15,000 from each bank. One line of credit commitment is currently scheduled to expire on November 30, 2015 and the other on February 1, 2018. As of May 31, 2015 and May 31, 2014 there was no outstanding balance on either line of credit.

12 Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2015 through its distribution date of October 5, 2015. No subsequent events were noted during this period.