UNION COLLEGE

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

UNION COLLEGE

Financial Statements

June 30, 2015 and 2014

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

We have audited the accompanying financial statements of Union College, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 14, 2015

UNION COLLEGE

Statements of Financial Position

June 30, 2015 and 2014

Assets		2015	2014
Cash and cash equivalents	$	22,912,449	27,137,280
Pledges receivable, net		17,691,320	12,605,814
Notes and accounts receivable, net		10,688,844	8,919,921
Deposits with bond trustees		4,524,860	4,861,941
Other assets		4,165,126	4,839,355
Investments		480,775,402	455,111,062
Receivable for investments sold		3,000,000	1,183,915
Beneficial interest in irrevocable trusts		5,419,021	5,518,648
Land, buildings, and equipment, net		163,088,603	146,640,133
Total assets	$	712,265,625	666,818,069
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	13,315,865	13,034,132
Construction costs payable		5,324,907	699,544
Deposits and advances		2,022,564	1,997,581
Pooled life income and charitable gift annuities payable		4,545,311	4,632,110
Asset retirement obligations		1,488,190	1,478,390
Refundable federal student loan funds		2,372,311	2,401,334
Accrued postretirement benefits		12,072,491	10,607,170
Long-term debt		120,366,134	112,635,769
Total liabilities		161,507,773	147,486,030
Net assets:			
Unrestricted		216,018,613	205,245,276
Temporarily restricted		170,040,783	157,547,519
Permanently restricted		164,698,456	156,539,244
Total net assets		550,757,852	519,332,039
Total liabilities and net assets	$	712,265,625	666,818,069

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2015
(with summarized information for the year ended June 30, 2014)

	2015				2014
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating activities:					
Revenue and reclassifications:					
Tuition and fees	$ 105,943,301	—	—	105,943,301	102,572,832
Room and board	23,320,839	—	—	23,320,839	22,194,811
Less student aid	(41,645,708)	—	—	(41,645,708)	(40,778,101)
Net tuition, fees, room, and board	87,618,432	—	—	87,618,432	83,989,542
Investment return	18,809,115	—	—	18,809,115	17,869,765
Government grants	2,085,987	5,896	—	2,091,883	2,859,859
Private gifts and grants	14,903,430	5,111,922	—	20,015,352	11,166,532
Intercollegiate athletics and other sources	3,579,761	—	—	3,579,761	2,288,150
Auxiliaries enterprises	3,865,344	—	—	3,865,344	4,517,005
Net assets released from restrictions	2,519,651	(2,519,651)	—	—	—
Total revenue and reclassifications	133,381,720	2,598,167	—	135,979,887	122,690,853
Expenses:					
Instructional and departmental research	46,818,781	—	—	46,818,781	44,550,470
Sponsored research programs	979,680	—	—	979,680	1,245,987
Academic support	11,119,610	—	—	11,119,610	10,332,184
Student services	8,774,837	—	—	8,774,837	8,458,464
Institutional support	23,514,775	—	—	23,514,775	22,630,960
Auxiliaries operations	23,299,165	—	—	23,299,165	22,861,449
Intercollegiate athletics and other	11,585,560	—	—	11,585,560	11,420,663
Total expenses	126,092,408	—	—	126,092,408	121,500,177
Increase in net assets from operating activities	7,289,312	2,598,167	—	9,887,479	1,190,676
Endowment and other net assets:					
Investment return	10,644,398	21,641,049	—	32,285,447	63,235,583
Endowment gains used to meet spending policy	(5,837,430)	(11,700,031)	—	(17,537,461)	(14,781,193)
Private gifts and grants	131,213	56,271	8,159,212	8,346,696	5,174,600
Other	(1,556,348)	—	—	(1,556,348)	(242,509)
Net assets released from restrictions	102,192	(102,192)	—	—	—
Increase in endowment and other net assets	3,484,025	9,895,097	8,159,212	21,538,334	53,386,481
Increase in net assets	10,773,337	12,493,264	8,159,212	31,425,813	54,577,157
Net assets at beginning of year	205,245,276	157,547,519	156,539,244	519,332,039	464,754,882
Net assets at end of year	$ 216,018,613	170,040,783	164,698,456	550,757,852	519,332,039

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2014

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:				
Revenue and reclassifications:				
Tuition and fees	$ 102,572,832	—	—	102,572,832
Room and board	22,194,811	—	—	22,194,811
Less student aid	(40,778,101)	—	—	(40,778,101)
Net tuition, fees, room, and board	83,989,542	—	—	83,989,542
Investment return	17,869,765	—	—	17,869,765
Government grants	2,856,197	3,662	—	2,859,859
Private gifts and grants	9,847,951	1,318,581	—	11,166,532
Intercollegiate athletics and other sources	2,288,150	—	—	2,288,150
Auxiliaries enterprises	4,517,005	—	—	4,517,005
Net assets released from restrictions	2,589,522	(2,589,522)	—	—
Total revenue and reclassifications	123,958,132	(1,267,279)	—	122,690,853
Expenses:				
Instructional and departmental research	44,550,470	—	—	44,550,470
Sponsored research programs	1,245,987	—	—	1,245,987
Academic support	10,332,184	—	—	10,332,184
Student services	8,458,464	—	—	8,458,464
Institutional support	22,630,960	—	—	22,630,960
Auxiliaries operations	22,861,449	—	—	22,861,449
Intercollegiate athletics and other	11,420,663	—	—	11,420,663
Total expenses	121,500,177	—	—	121,500,177
Increase (decrease) in net assets from operating activities	2,457,955	(1,267,279)	—	1,190,676
Endowment and other net assets:				
Investment return	17,525,211	45,710,372	—	63,235,583
Endowment gains used to meet spending policy	(5,051,863)	(9,729,330)	—	(14,781,193)
Private gifts and grants	127,216	276,805	4,770,579	5,174,600
Other	(242,509)	—	—	(242,509)
Net assets released from restrictions	52,794	(52,794)	—	—
Increase in endowment and other net assets	12,410,849	36,205,053	4,770,579	53,386,481
Increase in net assets	14,868,804	34,937,774	4,770,579	54,577,157
Net assets at beginning of year	190,376,472	122,609,745	151,768,665	464,754,882
Net assets at end of year	$ 205,245,276	157,547,519	156,539,244	519,332,039

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 31,425,813	54,577,157
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and change in asset retirement obligations	9,408,654	10,480,572
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net	(31,922,935)	(63,674,309)
Change in gifts of securities	(51,710)	47,601
Change in present value of pooled life income annuities payable	159,792	(110,968)
Contributions for endowment or long-lived assets	(8,278,372)	(10,575,445)
Loss on disposal of equipment	27,027	24,522
Amortization of discount/premium of long-term debt, net	(96,108)	(16,976)
Changes in assets and liabilities:		
Accounts receivable	(1,670,206)	777,942
Pledges receivable, net	(5,085,506)	3,400,775
Irrevocable trusts	99,627	(456,228)
Other assets	674,229	(347,315)
Accounts payable and accrued expenses	281,733	1,254,010
Deposits and advances	24,983	350,794
Accrued postretirement benefits	1,465,321	147,907
Net cash used in operating activities	(3,537,658)	(4,119,961)
Cash flows from investing activities:		
Purchases of investments	(167,765,355)	(340,452,110)
Proceeds from the sales and maturities of investments	170,905,487	312,368,947
Change in deposits with bond trustees	1,691,169	(544,224)
Purchases of land, buildings, and equipment	(21,248,988)	(10,077,692)
Student loans issued	(884,796)	(1,172,597)
Proceeds from student loans collections	786,079	855,895
Net cash used in investing activities	(16,516,404)	(39,021,781)
Cash flows from financing activities:		
Decrease in federal student loan funds	(29,023)	(59,950)
Payments of long-term debt	(2,181,156)	(2,736,029)
Issuance of new debt, net of discount	10,215,000	42,724,221
Debt issuance costs	(207,371)	(411,275)
Contributions for:		
Investment in endowment	5,487,367	7,471,968
Investment in long-lived assets	2,714,322	2,874,409
Investment in life income and charitable gift annuity agreements	76,683	229,068
Change in charitable gift annuities payable	(246,591)	(38,190)
Net cash provided by financing activities	15,829,231	50,054,222
Net (decrease) increase in cash and cash equivalents	(4,224,831)	6,912,480
Cash and cash equivalents, beginning of year	27,137,280	20,224,800
Cash and cash equivalents, end of year	$ 22,912,449	27,137,280
Supplemental data:		
Interest paid	$ 5,243,787	4,079,102
Change in construction costs payable	4,625,363	238,745
Change in receivable for investments sold	1,816,085	1,320,866

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts, and engineering college located in Schenectady, New York. The College is a scholarly community dedicated to shaping the future and to understanding the past. Faculty, staff and administrators welcome diverse and talented students into the community, work closely with them to provide a broad and deep education, and guide them in finding and cultivating their passions. The College does this with a wide range of disciplines and interdisciplinary programs in Liberal Arts and Engineering, as well as academic, athletic, cultural, and social activities, including opportunities to study abroad and to participate in undergraduate research and community service. The College develops in its students the analytic and reflective abilities needed to become engaged, innovative, and ethical contributors to an increasingly diverse, global and technologically complex society.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles. Permanently restricted net assets are those that are subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets to support program activities such as financial aid and instruction. Such assets primarily include the College’s permanent endowment funds. Temporarily restricted net assets carry specific, donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets are generally available for program purposes such as financial aid, specified operating activities, facilities, and equipment. Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the College’s Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues and net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when the College satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Endowment net assets include permanently restricted net assets and certain unrestricted and temporarily restricted net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College’s spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

The statement of activities reflects a subtotal for the change in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations and all expenses. Nonoperating activity reflects all other activity, including, but not limited

(Continued)

to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of certain nonmarketable investments, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(d) Cash and Cash Equivalents

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less.

(e) Investments

Investments are reported in the financial statements at fair value. Investment return includes interest income and dividends and net realized and unrealized gains (losses). The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the College accounts for investments on a trade-date basis.

The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets, or observable prices that are based on inputs not in quoted markets, but corroborated by market data, as applicable. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at fair values provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The College utilizes the net asset value or its equivalent (NAV) reported by the managers of each of the alternative investment funds as a practical expedient for estimating the fair value of each investment. These investments are redeemable 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 interests in the funds. Changes to the liquidity provisions of the funds may also significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, 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 a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Investment Committee of the College's Board of Trustees continually monitors investment market conditions and the impact on the College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(f) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

(g) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. The College's policy is to capitalize assets of $2,000 and over. Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	40 years
Equipment:	
Furniture and other improvements	10 years
Vehicles	7 years
Computer equipment	3 years
Library books	10 years

(h) Deposits and Advances

Deposits and advances include student fees related to the College's summer session and other unearned revenue.

(i) Federal Student Loan Funds

This liability represents Perkins Loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

(j) Pooled Life Income and Charitable Gift Annuities Payable

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods.

(k) Derivative Instruments and Hedging Activities

The College recognizes derivative instruments in the financial statements at fair value regardless of the purpose or intent for holding them. As of June 30, 2015 and 2014, the College had two interest rate swaps that are adjusted to fair value, based upon information provided by a financial institution.

(l) Revenue Recognition

Tuition and fees and certain auxiliary enterprise revenues are earned over the academic year as services are provided. Funds received in advance of services provided are included in deposits and advances.

(m) Sponsored Research and Programs

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations.

(n) Auxiliary Operations

Auxiliary operations include dining services, residence halls, the College bookstore and ice hockey rink.

(o) Functional Expenses

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

(p) Tax Status

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

(Continued)

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the relevant tax authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(q) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College’s financial statements.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2015 and 2014, the College has recorded a liability of $1,488,190 and $1,478,390, respectively, representing the estimated present value of these conditional asset retirement obligations.

Other conditional asset retirement obligations may exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence of a range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College’s financial statements.

(2) Notes and Accounts Receivable

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Notes receivable for student loans are expected to be collected within 15 years and interest rates average approximately 7%.

Additionally, notes receivable include employee housing programs, which are expected to be collected within 30 years with interest rates averaging approximately 5.50%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Notes and accounts receivable consist of the following at June 30:

		2015	2014
Notes receivable	$	8,613,700	8,542,208
Accounts receivable		4,363,206	2,675,429
		12,976,906	11,217,637
Less allowance for doubtful accounts		2,288,062	2,297,716
	$	10,688,844	8,919,921

(3) Pledges Receivable

Pledges receivable are expected to be collected as follows at June 30:

		2015	2014
Less than one year	$	2,066,556	3,309,392
Between one year and five years		9,719,793	9,177,456
Greater than five years		8,000,200	582,779
		19,786,549	13,069,627
Less:			
Present value discount (0.72%– 3.34%)		1,669,291	260,859
Allowance for doubtful pledges		425,938	202,954
	$	17,691,320	12,605,814

(4) Investments and Fair Value

The fair value and cost of investments by type are as follows at June 30:

	2015		2014	
	Fair value	**Cost**	**Fair value**	**Cost**
Cash and cash equivalents	$ 4,965,902	4,965,902	2,601,175	2,601,175
Common stocks, mutual and commingled funds	179,718,675	133,381,201	158,721,195	120,686,277
Fixed income – bonds	38,538,670	38,229,601	47,077,767	45,634,920
International private equity	740,621	786,758	1,104,822	897,797
Venture capital	2,727,801	2,323,101	2,925,416	1,729,909
Private equity	46,823,136	30,374,455	40,223,573	32,069,715
Mortgages and other	392,046	390,938	532,317	506,698
Multistrategy funds	17,377,974	13,022,305	17,480,708	13,037,084
Debt-related funds	28,266,500	28,361,567	39,511,182	39,073,562
Hedged equity funds	95,682,692	60,517,619	88,006,800	60,484,307
Emerging markets funds	18,963,334	15,523,360	22,398,089	19,468,356
Distressed debt	16,973,089	9,350,915	16,825,487	9,526,281
Real assets	29,604,962	27,159,194	17,702,531	15,718,152
	$ 480,775,402	364,386,916	455,111,062	361,434,233

The College utilizes an endowment spending policy that emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's Board of Trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2015 and 2014, was approximately 8.6% and 17.9%, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities:

	2015	2014
Interest income and dividends	$ 1,271,654	3,088,572
Net realized and unrealized gains	32,285,447	63,235,583
Total return on investments	33,557,101	66,324,155
Investment return designated for current operations	18,809,115	17,869,765
Investment return net of amounts designated for current operations	$ 14,747,986	48,454,390

Investment management fees (including any incentive fees) were approximately \$7,985,000 and \$8,563,000 in 2015 and 2014, respectively. In 2015, fees paid of approximately \$1,007,000 were netted against interest income and dividends. The remaining fees are netted against endowment returns.

(a) 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. 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 and liabilities carried at fair value based on the valuation methodologies employed. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

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

Due from broker represents amounts receivable from unsettled sales and is classified as Level 1 in the fair value hierarchy.

Effective in the year ended June 30, 2015, the College retrospectively adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-07, Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent) (ASU 2015-07). ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV or its equivalent as a practical expedient to estimate fair value.

The College's investments at fair value as of June 30, 2015, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Cash and cash equivalents	$ 4,965,902	4,965,902	—	Daily	1
Common stocks and mutual funds:	36,621,466	36,621,466	—	Daily	4
Fixed income – bonds	38,538,670	38,538,670	—	Daily	1
Mortgages and other	392,046	—	392,046	Daily	1
Debt-related funds	19,082,723	19,082,723	—	Daily	15
Hedged equity funds	748,059	—	748,059	Daily	1
Emerging markets funds	2,185,827	—	2,185,827	Daily	1
Real assets	13,422,177	13,422,177	—	Daily	1
Total investments at fair value	115,956,870	112,630,938	3,325,932		
Investments measured at NAV:					
Mutual and commingled funds:					
U.S.	109,492,701			Monthly-Rolling 5 years	30-90
International	33,604,508			Monthly	6-10
International private equity	740,621			Illiquid	N/A
Venture capital	2,727,801			Illiquid	N/A
Private equity	46,823,136			Illiquid	N/A
Multistrategy funds	17,377,974			Quarterly-Illiquid	60-N/A
Debt-related funds	9,183,777			Monthly	30-60
Hedged equity funds	94,934,633			Monthly-Rolling 3 years	60-90
Emerging markets funds	16,777,507			Daily-Illiquid	6-N/A
Distressted debt	16,973,089			Quarterly-Illiquid	60-N/A
Real assets	16,182,785			Illiquid	N/A
Total investments measured at NAV	364,818,532				
Total investments	$ 480,775,402				

The College's investments reported at fair value as of June 30, 2014, are summarized in the following table by their fair value hierarchy classification:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Cash and cash equivalents	$ 2,601,175	2,601,175	—	Daily	1
Common stocks and mutual funds	27,731,346	27,731,346	—	Daily	4
Fixed income – bonds	47,077,767	17,109,860	29,967,907	Daily	1
Mortgages and other	532,317	—	532,317	Daily	1
Debt-related funds	30,459,487	30,459,487	—	Daily	15
Hedged equity funds	714,746	—	714,746	Daily	1
Emerging markets funds	2,138,462	—	2,138,462	Daily	1 - 28
Real assets	10,577,498	10,577,498	—	Daily	1
Total investments at fair value	121,832,798	88,479,366	33,353,432		
Investments measured at NAV:					
Mutual and commingled funds:					
U.S.	97,343,174			Monthly-Rolling 5 years	30-90
International	33,646,675			Monthly	6-10
International private equity	1,104,822			Illiquid	
Venture capital	2,925,416			Illiquid	
Private equity	40,223,573			Illiquid	
Multistrategy funds	17,480,708			Quarterly-Illiquid	
Debt-related funds	9,051,695			Monthly	30-60
Hedged equity funds	87,292,054			Monthly-Rolling 3 years	60-90
Emerging markets funds	20,259,627			Daily-Illiquid	6-N/A
Distressted debt	16,825,487			Quarterly-Illiquid	60-N/A
Real assets	7,125,033			Illiquid	N/A
Total investments measured at NAV	333,278,264				
Total investments	$ 455,111,062				

As a result of the adoption of ASU 2015-07, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $115,900,228 from Level 2 and $211,855,091 from Level 3. The adoption did not impact the College's balance sheet, statement of activities, or statement of cash flows and resulted only in changes to the College's investment disclosures.

There were no transfers between Level 1 and Level 2 investments during the fiscal year ended June 30, 2015.

(b) Liquidity

The limitations and restrictions on the College's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests. Based upon the terms and conditions in effect at June 30, 2015, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:		
Daily	$	124,442,586
Monthly		60,769,539
Quarterly		49,076,893
Semi-annual		748,059
1 year		47,101,710
3 years		110,812,489
5 years		21,001,096
Lock-up until liquidated		66,823,030
Total	$	480,775,402

Investment funds that are in the lock-up until liquidation category are primarily related to private equity and venture capital investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable fund's investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds, which date back as far as 2002.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2015, the College had commitments of approximately $19,412,000, due through June 2025, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(5) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the laws of the State of New York.

College designated endowment funds are unrestricted net assets that may be redesignated for authorized expenditures. At June 30, 2015 and 2014, endowment and similar funds balances are approximately $441,000,000 and $415,800,000, respectively, which includes pooled endowment net assets of approximately $410,400,000 and $385,700,000, respectively.

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. The portion of a 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 spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee of the College's Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

The following is a summary of the changes in the endowment net assets for the year ended June 30, 2015:

	Board designated	Donor restricted		
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Pooled endowment net assets, June 30, 2014	$ 110,221,664	137,210,257	138,254,266	385,686,187
Gifts and other additions:				
Contributions (excluding pledges)	131,213	456	4,605,698	4,737,367
Investment income added to principal	377,169	—	—	377,169 —
Transfers from other funds	5,803,803	—	711,623	6,515,426
Subtotal	6,312,185	456	5,317,321	11,629,962
Investment income:				
Interest and dividends	632,289	—	—	632,289
Net realized and unrealized gains	8,998,393	21,641,050	—	30,639,443
Subtotal	9,630,682	21,641,050	—	31,271,732
Income distributed for operating purposes:				
Cash and accrued interest and dividends	632,289	—	—	632,289
Gains used to meet endowment spending	5,837,430	11,700,031	—	17,537,461
Subtotal	6,469,719	11,700,031	—	18,169,750
Pooled endowment net assets, June 30, 2015	119,694,812	147,151,732	143,571,587	410,418,131
Other endowment and similar, net assets, June 30, 2014	10,796,499	5,562,692	13,798,672	30,157,863
Investment income:				
Interest and dividends	223,853	—	—	223,853
Net realized and unrealized gains	1,062,489	—	—	1,062,489
Subtotal	1,286,342	—	—	1,286,342

	Board designated	Donor restricted		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Contributions (excluding pledges)	$ —	55,815	770,868	826,683
Actuarial adjustments	359,664	—	—	359,664
Other changes	(1,248,438)	(102,192)	(688,982)	(2,039,612)
Other endowment and similar net assets June 30, 2015	11,194,067	5,516,315	13,880,558	30,590,940
Total endowment and similar net assets, June 30, 2015	$ 130,888,879	152,668,047	157,452,145	441,009,071

The following is a summary of the changes in the endowment net assets for the year ended June 30, 2014:

	Board designated	Donor restricted		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Pooled endowment net assets, June 30, 2013	$ 100,089,749	99,809,544	130,781,859	330,681,152
Gifts and other additions:				
Contributions (excluding pledges)	127,216	304	7,279,696	7,407,216
Investment income added to principal	226,620	—	—	226,620
Transfers from other funds	327,920	—	192,711	520,631
Subtotal	681,756	304	7,472,407	8,154,467
Investment income:				
Interest and dividends	1,129,286	—	—	1,129,286
Net realized and unrealized gains	14,502,022	47,129,739	—	61,631,761
Subtotal	15,631,308	47,129,739	—	62,761,047
Income distributed for operating purposes:				
Cash and accrued interest and dividends	1,129,286	—	—	1,129,286

	Board designated	Donor restricted		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Gains used to meet endowment spending	$ 5,051,863	9,729,330	—	14,781,193
Subtotal	6,181,149	9,729,330	—	15,910,479
Pooled endowment net assets, June 30, 2014	110,221,664	137,210,257	138,254,266	385,686,187
Other endowment and similar net assets, June 30, 2013	5,461,440	6,758,354	15,707,793	27,927,587
Investment income:				
Interest and dividends	220,746	—	—	220,746
Net realized and unrealized losses	—	(1,419,368)	—	(1,419,368)
Subtotal	220,746	(1,419,368)	—	(1,198,622)
Contributions (excluding pledges)	—	276,501	17,319	293,820
Actuarial adjustments	2,802,444	—	—	2,802,444
Other changes	2,311,869	(52,795)	(1,926,440)	332,634
Other endowment and similar net assets June 30, 2014	10,796,499	5,562,692	13,798,672	30,157,863
Total endowment and similar net assets, June 30, 2014	$ 121,018,163	142,772,949	152,052,938	415,844,050

Endowment net assets are classified as follows at June 30:

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (868,942)	152,668,047	157,452,145	309,251,250
Board designated	131,757,821	—	—	131,757,821
Total	$ 130,888,879	152,668,047	157,452,145	441,009,071

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (499,029)	142,772,949	152,052,938	294,326,858
Board designated	121,517,192	—	—	121,517,192
Total	$ 121,018,163	142,772,949	152,052,938	415,844,050

(a) Spending Policy

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment based on the three-year average market value as of June 30, with a two-year lag. For the year ended June 30, 2015, the three fiscal years used in the calculation are the fiscal years ended June 30, 2011, 2012, and 2013. For the year ended June 30, 2014, the three fiscal years used in the calculation are the fiscal years ended June 30, 2010, 2011, and 2012.

The total pooled endowment spending was 5.63% and 5.40% for the fiscal years ended June 30, 2015 and 2014, respectively. This rate includes the base spending rate of 4.91% and 4.98% for the fiscal years ended June 30, 2015 and 2014, respectively, as well as additional spending that was undertaken to launch the College's Minerva Houses (the U2K initiative). The Board of Trustees approved in 2001 additional endowment spending to cover the debt service and other costs associated with the Minerva House System project, one of the College's most important academic initiatives.

As described in the College's Strategic Plan, the College plans to reduce total spending. The goal of reducing the spending rate has prompted measures including the dedication of a significant segment of the current capital campaign to endowment support, in order to provide income to support the College's operating budget and reinvestment of a significant portion of recent variances from budget into the endowment.

(b) Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and the preservation of the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee of the College's Board of Trustees meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) Funds with Deficiencies

As of June 30, 2015 and 2014, certain endowment funds have a current market value per share that is less than the original market value per share at the time of gift. Where normal investment performance has driven the endowment fund below the historic dollar value, the account is commonly termed "underwater".

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other board designated endowments and accumulated realized gains on these board designated endowments or other unrestricted funds. At June 30, 2015, 37 endowment accounts (approximately 3% of the total number of pooled endowment accounts), totaling approximately $11,000,000, were underwater with total market value less than book of approximately $870,000. At June 30, 2014, 33 endowment accounts (approximately 3% of the total number of pooled endowment accounts), totaling approximately $6,000,000, were underwater with total market value less than book of approximately $500,000.

(6) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

		2015	2014
Land	$	101	101
Buildings		152,556,392	151,736,726
Improvements		84,986,383	77,185,438
Equipment		89,851,063	88,163,617
Library books		39,183,086	38,022,468
Construction in progress		20,565,222	6,691,687
		387,142,247	361,800,037
Less accumulated depreciation		(224,053,644)	(215,159,904)
	$	163,088,603	146,640,133

Capitalized interest was $0 and $72,991 during the years ended June 30, 2015 and 2014, respectively. Depreciation expense and change in asset retirement obligation was $9,408,654 and $10,480,572 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, fixed assets (original cost) disposed were $532,141 and $506,782, respectively, resulting in losses on disposal of $27,027 and $24,522, respectively.

At June 30, 2015, the College has outstanding contracts totaling approximately $13,606,000 for the purchase and renovation of certain properties. Completion of these projects is expected to occur within the next two years.

(7) Long-Term Debt

The following is a summary of long-term debt:

	Maturity date	Interest rate	Outstanding at June 30 2015	2014
NYS Dormitory Authority Bonds:				
1995 Issue – Family Loan	2015	—	$ —	575,000
1965 Dormitory Bonds:				
Fox and Davidson	2015	3.00%	135,000	265,000
Industrial Development Agency Bonds:				
2005 Issue – Industrial Development Agency	2016	3.595% fixed portion and variable portion	2,392,083	2,621,382
2006 Issue – Industrial Development Agency	2032	4.00% – 5.00%	30,169,796	31,325,409
2010 Issue – JPMorgan Chase Deferred Maintenance	2040	(30-day LIBOR +1.5%) x 67%	15,030,253	15,011,408
2012A Issue – Refunding Revenue Bond	2032	3.82%	23,380,790	23,562,601
2013 Taxable Bonds – M&T Trust Company	2043	5.642%	38,943,591	38,913,488
2013 Capital Lease – First American	2019	4.006%	306,992	361,481
2015 Taxable Bonds - M&T Trust Company	2036	4.877%	10,007,629	—
Total debt			$ 120,366,134	112,635,769

Effective in the year ended June 30, 2015, the College retrospectively adopted the provisions of the FASB Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU is limited to simplifying the presentation of debt issuance costs, and the recognition and measurement guidance for debt issuance costs is not affected by the ASU. As a result of the adoption, the College has reclassified unamortized bond issuance costs in the amount of $1,384,425 from other assets on the accompanying statement of financial position for the year ended June 30, 2014, and presented the amount as a reduction of long-term debt, as required by the ASU. The adoption had no effect on the College's net assets, statement of activities or statement of cash flows for the year ended June 30, 2014.

Interest expense on the above long-term debt was $4,970,957 and $3,900,908 for 2015 and 2014, respectively.

The face value of the long-term debt was $119,835,259 and $111,801,416 at June 30, 2015 and 2014, respectively. The estimated fair value of long-term debt at June 30, 2015 and 2014 is approximately $116,800,000 and $103,400,000, respectively. The fair value of long-term debt is based on observable rates currently available to the College for debt with similar terms and maturities and would be classified as Level 2 within the fair value hierarchy.

Proceeds of long-term debt have been used by the College to primarily finance building and construction programs, as well as student loan programs. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees on the statements of financial position. Deposits with bond trustees are classified as Level 1 in the fair value hierarchy. Certain debt is collateralized by municipal bond insurance.

The College had an interest rate swap related to the 2005 issue as of June 30, 2015 and 2014, which requires the College to pay a fixed rate of interest (3.595%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was $3,630,149 and decreases as the associated outstanding borrowings decrease. Included within accounts payable in the statements of financial position at June 30, 2015 and 2014, the fair value of the swap was $1,664 and $8,533, respectively. The swap agreement matured on July 1, 2015. The counterparty to the swap arrangement was a major financial institution with which the College also has other financial relationships.

In December 2010, the College borrowed $15,310,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. JPMorgan Chase acted as the purchaser of the bond. The debt will be used to finance $15,000,000 of the College’s $30,000,000 Deferred Maintenance Program. The proceeds have been used for the renovation and rehabilitation of portions of existing buildings and other improvements located on the campus, as well as the acquisition and installation of certain machinery and equipment in order to upgrade existing educational facilities, and other directly or indirectly related activities for use by the College, as well as pay for costs of issuance. The final maturity of the bond will be December 1, 2040, subject to optional tender by JPMorgan Chase on December 1, 2017. The interest rate is variable at 67% multiplied by one-month LIBOR + 100.5 basis points. As of June 30, 2015, the College had drawn down approximately $15,292,000 against this borrowing.

In connection with this tax-exempt financing, the College entered into a forward starting interest rate swap with JPMorgan Chase. The effective date of the swap was December 1, 2011. The original notional amount was $15,310,000 and the fixed rate of 2.358% is paid to JPMorgan Chase. Included within accounts payable in the statements of financial position at June 30, 2015 and 2014, the fair value of the swap was $637,492 and $876,526, respectively. The College receives the variable rate of 67% of 1-month LIBOR. The termination date is December 1, 2017. The interest rate swap is classified as Level 2 in the fair value hierarchy.

In April 2012, the College borrowed $21,640,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. The debt was used to refinance the College’s outstanding 2001 and 2003 Bonds. The interest rate is fixed at 3.82%. The final maturity of the bond will be July 1, 2032, subject to an optional redemption on June 1, 2022.

In November 2013, the College borrowed $40,410,000 through taxable financing, with JPMorgan acting as the underwriter. The debt will be used for the project costs of various building renovation/construction projects happening over the next five years. The interest rate is fixed at 5.642%. The final maturity of the bond will be November 15, 2043 with a balloon payment due.

In June 2015, the College borrowed $10,215,000 through taxable financing, with JPMorgan acting as the underwriter. The debt will be used for the project costs of various building renovation/construction projects occuring over the next five years. The interest rate is fixed at 4.877%. The final maturity of the bond will be July 1, 2035 with a balloon payment due.

Principal payments and maturities of bonds payable at June 30, 2015 are summarized as follows:

Year ending June 30:		
2016	$	4,078,756
2017		1,988,943
2018		2,436,304
2019		2,528,759
2020		2,621,313
Thereafter		106,181,185
Principal maturities		119,835,260
Add unamortized bond premium		3,124,842
Less unamortized bond discounts		(1,071,243)
Less deferred cost of issuance		(1,522,725)
Total long-term debt	$	120,366,134

Line of Credit

The College has an unsecured line of credit in the amount of $5,000,000 with Bank of America, which expires March 21, 2016. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 0.70% (adjusted each month). During the years ended June 30, 2015 and 2014, the College had not borrowed against this line of credit.

(8) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees.

The College's contribution expense under this plan was $5,277,684 and $5,130,577 for the years ended June 30, 2015 and 2014, respectively.

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and recognizes changes in that funded status in the year they occur. The College uses a June 30 measurement date for its postretirement healthcare plan (the Plan).

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid as of and for the years ended June 30, 2015 and 2014 are as follows:

		2015	2014
Change in benefit obligations:			
Benefit obligation at beginning of year	$	10,607,170	10,459,263
Service cost		360,377	301,289
Interest cost		432,954	423,883
Actuarial loss (gain)		1,075,437	(212,373)
Benefits paid		(403,447)	(364,892)
Benefit obligation at end of year	$	12,072,491	10,607,170

		2015	2014
Accrued benefit cost:			
Funded status	$	(12,072,491)	(10,607,170)
Weighted average assumptions as of June 30:			
Discount rate – benefit obligation		4.09%	3.94%
Discount rate – periodic postretirement benefit cost		3.94	4.36

For measurement purposes, a 6.7% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2015. The rate was assumed to decrease to 6.2% in 2016, and then decrease gradually from 5.7% to 4.4% for 2017 and thereafter.

		2015	2014
Components of net periodic benefit cost:			
Service cost	$	360,377	301,289
Interest cost		432,954	423,883
Amortization of loss		122,105	49,310
Amortization of prior service credit		(160,729)	(160,729)
Net periodic postretirement benefit cost	$	754,707	613,753

Amounts recorded in unrestricted net assets as of June 30, 2015 and 2014, but not yet amortized as components of net periodic benefit costs are as follows:

		2015	2014
Unamortized prior service credit	$	384,958	545,687
Unamortized actuarial loss		(2,700,674)	(1,747,342)
Amount recognized as a reduction in unrestricted net assets	$	(2,315,716)	(1,201,655)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2016 is ($8,000).

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in the healthcare trend rates would have the following effect:

		One-percentage-point	
		Increase	Decrease
Effect on total of service and interest cost components	$	37,056	(32,354)
Effect on postretirement benefit obligation		403,190	(355,239)

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

		Postretirement benefit payments
2016	$	472,070
2017		525,691
2018		582,530
2019		663,881
2020		684,266
2021–2025		4,028,927
Total	$	6,957,365

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

		2015	2014
Pledges for instruction, scholarship, facilities, and other departmental support	$	10,445,009	8,119,508
Capital projects		2,011,462	2,019,509
Pooled term endowments		147,151,732	137,210,258
Life income and annuity agreements		2,126,008	2,172,385
Funds in trust and other nonpooled endowments		3,390,307	3,390,307
Annual restricted scholarships and other funds		4,916,265	4,635,552
Total	$	170,040,783	157,547,519

Permanently restricted net assets consist of the following at June 30:

		2015	2014
Pledges to endowment for scholarship and other departmental support	$	7,246,311	4,486,306
Pooled endowments		143,571,587	138,254,266
Nonpooled endowments		7,634,140	6,884,140
Life income and annuity agreements		853,793	1,035,401
Funds in trust		5,392,625	5,879,131
Total	$	164,698,456	156,539,244

(10) Expenses and Discounts Prior to Allocation

The following table compares expenses and student aid, reported as a discount in the statements of activities, for the years ended June 30, 2015 and 2014, prior to the allocation of operations and maintenance of plant, employee benefits, depreciation, and interest expense:

		2015	2014
Instructional and departmental research	$	29,956,389	28,944,477
Sponsored research programs		979,680	1,245,987
Academic support		7,253,164	6,815,819
Student services		5,630,848	5,458,514
Institutional support		15,921,728	15,797,402
Intercollegiate athletics		5,695,478	5,374,821
Student aid		41,645,708	40,627,465
Auxiliaries operations		12,813,952	12,524,731
Other		808,681	1,124,391
Total expenses and discounts prior to allocation		120,705,628	117,913,607

		2015	2014
Operations and maintenance of plant	$	10,522,690	10,229,422
Employee benefits		22,022,215	19,568,721
Depreciation and change in asset retirement obligations		9,408,654	10,480,572
Interest on long-term debt		4,970,957	3,900,908
Amortization of issuance costs		107,972	185,048
Total allocated expenses		47,032,488	44,364,671
Total	$	167,738,116	162,278,278

Included in institutional support are $4,161,070 and $3,992,620 of fund-raising expenses for the years ended June 30, 2015 and 2014, respectively. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

(11) Collections

The College's collections are made up of approximately 19,000 objects and their estimated fair value is approximately $18,200,000. The College's policy is not to capitalize its collections. The College's collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College's collections are held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccession of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2015 and 2014, no objects were deaccessioned.

(12) Subsequent Events

On October 1, 2015, the College issued taxable bonds in the amount of $28,325,000. The proceeds were utilized to redeem in full the Series 2006 Bonds.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2015 and through October 14, 2015 the date on which the financial statements were available to be issued.