UNION COLLEGE

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

UNION COLLEGE

Financial Statements

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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, 2016 and 2015, 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, 2016 and 2015, 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 26, 2016

UNION COLLEGE

Statements of Financial Position

June 30, 2016 and 2015

Assets		**2016**	**2015**
Cash and cash equivalents	$	3,661,299	22,912,449
Pledges receivable, net		38,755,831	17,691,320
Notes and accounts receivable, net		10,044,486	10,688,844
Deposits with bond trustees		3,247,126	4,524,860
Other assets		3,891,379	4,165,126
Investments		428,128,109	480,775,402
Receivable for investments sold		79,313	3,000,000
Beneficial interest in irrevocable trusts		5,153,495	5,419,021
Land, buildings, and equipment, net		185,777,449	163,088,603
Total assets	$	678,738,487	712,265,625
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	14,095,994	13,315,865
Construction costs payable		1,730,223	5,324,907
Deposits and advances		2,396,940	2,022,564
Pooled life income and charitable gift annuities payable		4,428,582	4,545,311
Asset retirement obligations		1,386,690	1,488,190
Refundable federal student loan funds		2,357,491	2,372,311
Accrued postretirement benefits		13,271,312	12,072,491
Long-term debt, net		116,867,759	120,366,134
Total liabilities		156,534,991	161,507,773
Net assets:			
Unrestricted		194,997,332	215,898,400
Temporarily restricted		159,326,556	170,040,783
Permanently restricted		167,879,608	164,818,669
Total net assets		522,203,496	550,757,852
Total liabilities and net assets	$	678,738,487	712,265,625

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2016
(with summarized information for the year ended June 30, 2015)

	2016				2015
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating activities:					
Revenue and reclassifications:					
Tuition and fees	$ 109,849,991	—	—	109,849,991	105,943,301
Room and board	24,500,636	—	—	24,500,636	23,320,839
Less student aid	(43,856,560)	—	—	(43,856,560)	(41,645,708)
Net tuition, fees, room, and board	90,494,067	—	—	90,494,067	87,618,432
Investment return	20,484,097			20,484,097	18,809,115
Government grants	3,040,374	6,238	—	3,046,612	2,091,883
Private gifts and grants	8,118,141	26,759,078	—	34,877,219	20,015,352
Intercollegiate athletics and other sources	4,995,615	—	—	4,995,615	3,579,761
Auxiliaries enterprises	3,623,624	—	—	3,623,624	3,865,344
Net assets released from restrictions	2,285,836	(2,285,836)	—	—	—
Total revenue and reclassifications	133,041,754	24,479,480	—	157,521,234	135,979,887
Expenses:					
Instructional and departmental research	47,434,021	—	—	47,434,021	46,818,781
Sponsored research programs	1,628,177	—	—	1,628,177	979,680
Academic support	11,951,919	—	—	11,951,919	11,119,610
Student services	8,889,969	—	—	8,889,969	8,774,837
Institutional support	25,205,290	—	—	25,205,290	23,514,775
Auxiliaries operations	23,392,952	—	—	23,392,952	24,355,608
Intercollegiate athletics and other	10,870,185	—	—	10,870,185	10,529,117
Total expenses	129,372,513	—	—	129,372,513	126,092,408
Increase in net assets from operating activities	3,669,241	24,479,480	—	28,148,721	9,887,479
Endowment and other net assets:					
Investment return	(17,696,227)	(22,573,964)	—	(40,270,191)	32,285,447
Endowment gains used to meet spending policy	(5,923,360)	(12,646,532)	—	(18,569,892)	(17,537,461)
Private gifts and grants	501,000	64,346	3,060,939	3,626,285	8,346,696
Loss on refunding of debt	(579,230)	—	—	(579,230)	—
Other	(910,049)	—	—	(910,049)	(1,556,348)
Net assets released from restrictions	37,557	(37,557)	—	—	—
(Decrease) increase in endowment and other net assets	(24,570,309)	(35,193,707)	3,060,939	(56,703,077)	21,538,334
(Decrease) increase in net assets	(20,901,068)	(10,714,227)	3,060,939	(28,554,356)	31,425,813
Net assets at beginning of year	215,898,400	170,040,783	164,818,669	550,757,852	519,332,039
Net assets at end of year	$ 194,997,332	159,326,556	167,879,608	522,203,496	550,757,852

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2015

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating activities:				
Revenue and reclassifications:				
Tuition and fees	$ 105,943,301	—	—	105,943,301
Room and board	23,320,839	—	—	23,320,839
Less student aid	(41,645,708)	—	—	(41,645,708)
Net tuition, fees, room, and board	87,618,432	—	—	87,618,432
Investment return	18,809,115	—	—	18,809,115
Government grants	2,085,987	5,896	—	2,091,883
Private gifts and grants	14,903,430	5,111,922	—	20,015,352
Intercollegiate athletics and other sources	3,579,761	—	—	3,579,761
Auxiliaries enterprises	3,865,344	—	—	3,865,344
Net assets released from restrictions	2,519,651	(2,519,651)	—	—
Total revenue and reclassifications	133,381,720	2,598,167	—	135,979,887
Expenses:				
Instructional and departmental research	46,818,781	—	—	46,818,781
Sponsored research programs	979,680	—	—	979,680
Academic support	11,119,610	—	—	11,119,610
Student services	8,774,837	—	—	8,774,837
Institutional support	23,514,775	—	—	23,514,775
Auxiliaries operations	23,299,165	—	—	23,299,165
Intercollegiate athletics and other	11,585,560	—	—	11,585,560
Total expenses	126,092,408	—	—	126,092,408
Increase in net assets from operating activities	7,289,312	2,598,167	—	9,887,479
Endowment and other net assets:				
Investment return	10,644,398	21,641,049	—	32,285,447
Endowment gains used to meet spending policy	(5,837,430)	(11,700,031)	—	(17,537,461)
Private gifts and grants	11,000	56,271	8,279,425	8,346,696
Other	(1,556,348)	—	—	(1,556,348)
Net assets released from restrictions	102,192	(102,192)	—	—
Increase in endowment and other net assets	3,363,812	9,895,097	8,279,425	21,538,334
Increase in net assets	10,653,124	12,493,264	8,279,425	31,425,813
Net assets at beginning of year	205,245,276	157,547,519	156,539,244	519,332,039
Net assets at end of year	$ 215,898,400	170,040,783	164,818,669	550,757,852

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (28,554,356)	31,425,813
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and change in asset retirement obligations	9,636,784	9,408,654
Realized losses (gains) and change in unrealized depreciation (appreciation) from investments and deposits with bond trustees, net	39,510,750	(31,922,935)
Change in gifts of securities	4,361	(51,710)
Change in present value of pooled life income annuities payable	(70,722)	159,792
Contributions for endowment or long-lived assets	(8,975,106)	(8,278,372)
Loss on disposal of equipment	19,064	27,027
Amortization of discount/premium of long-term debt, net	(1,706)	(96,108)
Changes in assets and liabilities:		
Accounts receivable	411,857	(1,670,206)
Pledges receivable, net	(21,064,511)	(5,085,506)
Irrevocable trusts	265,526	99,627
Other assets	273,747	674,229
Accounts payable and accrued expenses	780,129	281,733
Deposits and advances	374,376	24,983
Accrued postretirement benefits	1,198,821	1,465,321
Net cash used in operating activities	(6,190,986)	(3,537,658)
Cash flows from investing activities:		
Purchases of investments	(68,947,538)	(167,765,355)
Proceeds from the sales and maturities of investments	83,724,025	170,905,487
Change in deposits with bond trustees	2,554,119	1,691,169
Purchases of land, buildings, and equipment	(36,040,881)	(21,248,988)
Student loans issued	(779,682)	(884,796)
Proceeds from student loans collections	1,012,184	786,079
Net cash used in investing activities	(18,477,773)	(16,516,404)
Cash flows from financing activities:		
Decrease in federal student loan funds	(14,820)	(29,023)
Payments of long-term debt	(4,078,756)	(2,181,156)
Issuance of new debt, net of discount	28,080,780	10,215,000
Extinguishment of long-term debt	(27,209,797)	—
Debt issuance costs	(288,897)	(207,371)
Contributions for:		
Investment in endowment	4,207,297	5,487,367
Investment in long-lived assets	4,606,187	2,714,322
Investment in life income and charitable gift annuity agreements	161,622	76,683
Change in charitable gift annuities payable	(46,007)	(246,591)
Net cash provided by financing activities	5,417,609	15,829,231
Net decrease in cash and cash equivalents	(19,251,150)	(4,224,831)
Cash and cash equivalents, beginning of year	22,912,449	27,137,280
Cash and cash equivalents, end of year	$ 3,661,299	22,912,449
Supplemental data:		
Interest paid	$ 4,506,563	5,243,787
Change in construction costs payable	(3,594,684)	4,625,363
Change in receivable for investments sold	(2,920,688)	1,816,085

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 (GAAP). 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

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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. GAAP 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 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 net asset values (or its equivalent) (NAV) 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 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, 2016 and 2015, the College had one interest rate swap that is adjusted to fair value, based upon information provided by the financial institution. The interest rate swap would be classified as Level 2 in the fair value hierarchy.

(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.

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

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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, 2016 and 2015, the College has recorded a liability of $1,386,690 and $1,488,190, 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.

(r) Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

(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:

	2016	2015
Notes receivable	$ 7,859,718	8,613,700
Accounts receivable	3,948,286	4,363,206
	11,808,004	12,976,906
Less allowance for doubtful accounts	1,763,518	2,288,062
	$ 10,044,486	10,688,844

(3) Pledges Receivable

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

	2016	2015
Less than one year	$ 2,429,244	2,066,556
Between one year and five years	25,688,616	9,719,793
Greater than five years	12,900,126	8,000,200
	41,017,986	19,786,549
Less:		
Present value discount (0.72%–4.92%)	2,127,635	1,669,291
Allowance for doubtful pledges	134,520	425,938
	$ 38,755,831	17,691,320

Pledges receivable at June 30, 2016, includes pledges from four donors that comprise approximately 75% of the balance before the impact of the present value discount and allowance for doubtful pledges.

(4) Investments and Fair Value

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

	2016		2015	
	Fair value	**Cost**	**Fair value**	**Cost**
Short term investments	$ 7,904,624	7,904,624	4,965,902	4,965,902
Common stocks, mutual and commingled funds	160,130,784	132,737,499	179,718,675	133,381,201
Fixed income – bonds	39,274,784	38,221,388	38,538,670	38,229,601
Private equity and venture capital	37,840,848	33,913,261	50,291,558	33,484,314
Mortgages and other	358,516	334,939	392,046	390,938
Multistrategy funds	17,435,766	13,010,656	17,377,974	13,022,305
Debt-related funds	14,681,595	14,112,200	28,266,500	28,361,567
Hedged equity funds	83,330,804	57,370,238	95,682,692	60,517,619
Emerging markets funds	17,649,174	15,535,158	18,963,334	15,523,360
Distressed debt	17,713,273	9,291,735	16,973,089	9,350,915
Real assets	31,807,941	30,597,147	29,604,962	27,159,194
	$ 428,128,109	353,028,845	480,775,402	364,386,916

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, 2016 and 2015, was approximately (9.8%) and 8.6%, respectively.

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

	2016	2015
Interest income and dividends	$ 1,914,205	1,271,654
Net realized and unrealized (losses) gains	(40,270,191)	32,285,447
Total return on investments	(38,355,986)	33,557,101
Investment return designated for current operations	20,484,097	18,809,115
Investment return net of amounts designated for current operations	$ (58,840,083)	14,747,986

Investment management fees (including any incentive fees) were approximately $5,598,000 and $7,985,000 in 2016 and 2015, respectively. In 2016, fees paid of approximately $1,172,000 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 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.

The College's investments as of June 30, 2016, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Short term investments	$ 7,904,624	7,904,624	—	Daily	1
Common stocks and	32,583,206	32,583,206	—	Daily	4
Fixed income – bonds	39,274,784	39,274,784	—	Daily	1
Mortgages and other	358,516	—	358,516	Daily	1
Debt-related funds	7,265,228	7,265,228	—	Daily	15
Hedged equity funds	600,678	—	600,678	Daily	1
Emerging markets funds	2,055,390	—	2,055,390	Daily	1
Real assets	10,657,941	10,657,941	—	Daily	1
Total investments at fair value	100,700,367	97,685,783	3,014,584		
Investments measured at NAV:					
Commingled funds:					
U.S.	98,714,606			Quarterly Rolling 5 years	30–90
International	28,832,972			Monthly	6–10
Private equity and venture capital	37,840,848			Illiquid	N/A
Multistrategy funds	17,435,766			Quarterly Illiquid	60-N/A
Debt-related funds	7,416,367			Monthly	30-60
Hedged equity funds	82,730,126			Monthly Rolling 3 years	60-90
Emerging markets funds	15,593,784			Daily Illiquid	6–N/A
Distressed debt	17,713,273			Quarterly Illiquid	60–N/A
Real assets	21,150,000			Illiquid	N/A
Total investments measured at NAV	327,427,742				
Total investments	$ 428,128,109				

The College's investments 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:						
Short term investments	$	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:						
Commingled funds:						
U.S.		109,492,701			Monthly Rolling 5 years	30–90
International		33,604,508			Monthly	6–10
Private equity and venture capital		50,291,558			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
distressed deb		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				

There were no Level 3 investments, nor were there transfers between Level 1 and Level 2 investments during the fiscal year ended June 30, 2016.

(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, 2016, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:		
Daily	$	107,425,139
Monthly		52,425,940
Quarterly		42,381,271
Semi-annual		600,678
Annual		35,887,525
1 year		45,463,968
3 years		72,221,660
5 years		12,403,069
Lock-up until liquidated		59,318,859
Total	$	428,128,109

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, 2016, the College had commitments of approximately $19,837,000, due through June 2026, 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 re-designated for authorized expenditures. At June 30, 2016 and 2015, endowment and similar funds balances are approximately $389,200,000 and $441,000,000, respectively, which includes pooled endowment net assets of approximately $360,000,000 and $410,400,000, 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

Total endowment net assets are classified as follows at June 30:

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (5,341,749)	117,474,340	161,463,732	273,596,323
Board designated	115,629,729	—	—	115,629,729
Total	$ 110,287,980	117,474,340	161,463,732	389,226,052

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (989,155)	152,668,047	157,572,358	309,251,250
Board designated	131,757,821	—	—	131,757,821
Total	$ 130,768,666	152,668,047	157,572,358	441,009,071

(Continued)

The following is a summary of the changes in the endowment net assets for the year ended June 30, 2016:

	Board designated	Donor restricted		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Pooled endowment net assets, June 30, 2015	$ 119,574,599	147,151,732	143,691,800	410,418,131
Gifts and other additions:				
Contributions (excluding pledges)	501,000	52	3,706,245	4,207,297
Investment income added to principal	512,321	—	—	512,321
Transfers from other funds	1,457,910	—	102,725	1,560,635
Subtotal	2,471,231	52	3,808,970	6,280,253
Investment income:				
Interest and dividends	1,015,819	—	—	1,015,819
Net realized and unrealized losses	(15,498,994)	(22,573,964)	—	(38,072,958)
Subtotal	(14,483,175)	(22,573,964)	—	(37,057,139)
Income distributed for operating purposes:				
Cash and accrued interest and dividends	1,015,819	—	—	1,015,819
Gains used to meet endowment spending	5,923,360	12,646,532	—	18,569,892
Subtotal	6,939,179	12,646,532	—	19,585,711
Pooled endowment net assets, June 30, 2016	100,623,476	111,931,288	147,500,770	360,055,534
Other endowment and similar, net assets, June 30, 2015	11,194,067	5,516,315	13,880,558	30,590,940
Investment income:				
Interest and dividends	223,186	—	—	223,186
Net realized and unrealized gains	(1,868,779)	—	—	(1,868,779)
Subtotal	(1,645,593)	—	—	(1,645,593)
Contributions (excluding pledges)	$ —	64,294	97,328	161,622
Actuarial adjustments	(551,639)	—	—	(551,639)
Other changes	667,669	(37,557)	(14,924)	615,188
Other endowment and similar net assets, June 30, 2016	9,664,504	5,543,052	13,962,962	29,170,518
Total endowment and similar net assets, June 30, 2016	$ 110,287,980	117,474,340	161,463,732	389,226,052

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)	11,000	456	4,725,911	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	6,191,972	456	5,437,534	11,629,962
Investment income:				
Interest and dividends	632,289	—	—	632,289
Net realized and unrealized losses	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	119,574,599	147,151,732	143,691,800	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
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	$ 130,768,666	152,668,047	157,572,358	441,009,071

(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, 2016, the three fiscal years used in the calculation are the fiscal years ended June 30, 2012, 2013, and 2014. 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.

The total pooled endowment spending was 5.68% and 5.63% for the fiscal years ended June 30, 2016 and 2015, respectively. This rate includes the base spending rate of 4.97% and 4.91% for the fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016, 265 endowment accounts (approximately 22% of the total number of pooled endowment accounts), totaling approximately $48,600,000, were underwater with total market value less than book of approximately $5,000,000. At June 30, 2015, 37 endowment accounts (approximately 3% of the total number of

(Continued)

pooled endowment accounts), totaling approximately $11,000,000, were underwater with total market value less than book of approximately $870,000.

(6) Land, Buildings, and Equipment

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

		2016	2015
Land	$	101	101
Buildings		152,822,715	152,556,392
Improvements		107,412,965	84,986,383
Equipment		93,710,900	89,851,063
Library books		39,785,630	39,183,086
Construction in progress		25,217,985	20,565,222
		418,950,296	387,142,247
Less accumulated depreciation		(233,172,847)	(224,053,644)
	$	185,777,449	163,088,603

Capitalized interest was $803,958 and $0 during the years ended June 30, 2016 and 2015, respectively. Depreciation expense and change in asset retirement obligation was $9,636,784 and $9,408,654 for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, fixed assets (original cost) disposed were $638,147 and $532,141, respectively, resulting in losses on disposal of $19,064 and $27,027, respectively.

At June 30, 2016, the College has outstanding contracts totaling approximately $7,500,000 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 2016	2015
1965 Dormitory Bonds:				
Fox and Davidson	2015	3.00%	$ —	135,000
Industrial Development Agency Bonds:				
2005 Issue – Industrial Development Agency	2016	3.595% fixed portion and variable portion	—	2,392,083
2006 Issue – Industrial Development Agency	2032	4.00%–5.00%	1,630,000	30,169,796
2010 Issue – JPMorgan Chase Deferred Maintenance	2040	(30-day LIBOR +1.5%) x 67%	15,049,099	15,030,253
2012A Issue – Refunding Revenue Bond	2032	3.82%	23,108,979	23,380,790
2013 Taxable Bonds – M&T Trust Company	2043	5.642%	38,995,962	38,943,591
2013 Capital Lease – First American	2019	4.006%	250,319	306,992
2015 Taxable Bonds – M&T Trust Company	2036	4.877%	10,017,998	10,007,629
2015A Taxable Bonds – M&T Trust Company	2032	3.95%	27,815,402	—
Total debt			116,867,759	120,366,134

Interest expense on the above long-term debt was $4,266,562 and $4,970,957 for 2016 and 2015.

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.

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,

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2040, subject to optional tender by JPMorgan Chase on December 1, 2017. The interest rate is variable at 67% multiplied by one-month LIBOR plus 100.5 basis points. As of June 30, 2016, 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, 2016 and 2015, the fair value of the swap was $393,166 and $637,492, 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 amounts outstanding on prior debt issues. 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 through 2019. 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 occurring 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.

In October 2015, the College borrowed $28,325,000 through taxable financing, with JP Morgan Chase acting as the underwriter. The debt was used to refinance amounts outstanding on prior debt issue. The interest rate is fixed at 3.950%. The final maturity of the bond will be July 1, 2031.

Principal payments and maturities of long-term debt at June 30, 2016 are summarized as follows:

Year ending June 30:		
2017	$	1,988,943
2018		2,661,304
2019		2,738,759
2020		2,816,313
2021		2,830,000
Thereafter		104,486,185
Principal maturities		117,521,504
Add unamortized bond premium		2,082,091
Less unamortized bond discounts		(1,309,136)
Less deferred cost of issuance		(1,426,700)
Total long-term debt	$	116,867,759

Line of Credit

The College has an unsecured line of credit in the amount of $5,000,000 with Bank of America, which was renewed and expires March 21, 2017. 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, 2016 and 2015, 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 $5,396,052 and $5,277,684 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 are as follows:

		2016	2015
Change in benefit obligations:			
Benefit obligation at beginning of year	$	12,072,491	10,607,170
Service cost		432,755	360,377
Interest cost		459,343	432,954
Actuarial loss (gain)		738,133	1,075,437
Benefits paid		(431,410)	(403,447)
Benefit obligation at end of year	$	13,271,312	12,072,491

		2016	2015
Accrued benefit cost:			
Funded status	$	(13,271,312)	(12,072,491)
Weighted average assumptions as of June 30:			
Discount rate – benefit obligation		3.20%	4.09%
Discount rate – periodic postretirement benefit cost		4.09	3.94

For measurement purposes, a 6.7% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2016. The rate was assumed to decrease to 6.2% in 2017, and then decrease gradually from 5.7% to 4.4% for 2018 and thereafter.

		2016	2015
Components of net periodic benefit cost:			
Service cost	$	432,755	360,377
Interest cost		459,343	432,954
Amortization of loss		94,716	122,105
Amortization of prior service credit		(156,966)	(160,729)
Net periodic postretirement benefit cost	$	829,848	754,707

Amounts recorded in unrestricted net assets as of June 30, 2016 and 2015, but not yet amortized as components of net periodic benefit costs are as follows:

		2016	2015
Unamortized prior service credit	$	227,992	384,958
Unamortized actuarial loss		(3,344,091)	(2,700,674)
Amount recognized as a reduction in unrestricted net assets	$	(3,116,099)	(2,315,716)

(Continued)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2017 is $111,000.

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	$	40,533	(35,406)
Effect on postretirement benefit obligation		406,540	(359,690)

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
2017	$	500,888
2018		558,950
2019		650,137
2020		682,359
2021		715,837
2022–2026		4,233,726
Total	$	7,341,897

(9) Temporarily and Permanently Restricted Net Assets

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

		2016	**2015**
Pledges for instruction, scholarship, facilities, and other departmental support	$	32,339,955	10,445,009
Capital projects		4,674,055	2,011,462
Pooled term endowments		111,931,288	147,151,732
Life income and annuity agreements		2,152,747	2,126,008
Funds in trust and other nonpooled endowments		3,390,305	3,390,307
Annual restricted scholarships and other funds		4,838,206	4,916,265
Total	$	159,326,556	170,040,783

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

	2016	2015
Pledges to endowment for scholarship and other departmental support	$ 6,415,876	7,246,311
Pooled endowments	147,179,213	143,571,587
Nonpooled endowments	7,948,888	7,754,353
Life income and annuity agreements	943,007	853,793
Funds in trust	5,392,624	5,392,625
Total	$ 167,879,608	164,818,669

(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, 2016 and 2015, prior to the allocation of operations and maintenance of plant, employee benefits, depreciation, and interest expense:

	2016	2015
Instructional and departmental research	$ 30,412,013	29,956,389
Sponsored research programs	1,628,177	979,680
Academic support	7,552,153	7,253,164
Student services	5,599,763	5,630,848
Institutional support	17,605,376	15,921,728
Intercollegiate athletics	5,848,643	5,695,478
Student aid	43,856,560	41,645,708
Auxiliaries operations	12,496,868	12,813,952
Other	860,871	808,681
Total expenses and discounts prior to allocation	125,860,424	120,705,628
Operations and maintenance of plant	11,432,116	10,522,690
Employee benefits	22,033,187	22,022,215
Depreciation and change in asset retirement obligations	9,636,784	9,408,654
Interest on long-term debt	4,266,562	4,970,957
Amortization of issuance costs	—	107,972
Total allocated expenses	47,368,649	47,032,488
Total	$ 173,229,073	167,738,116

(Continued)

Included in institutional support are $4,577,129 and $4,161,070 of fund-raising expenses for the years ended June 30, 2016 and 2015, 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 $19,200,000. 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, 2016 and 2015, no objects were deaccessioned.

(12) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2016 and through October 26, 2016, the date on which the financial statements were issued.