Smith College

Financial Report 2014–15

Office of the Vice President for Finance and Administration
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Financial Report 2014–15

Michael W. Howard
Vice President for Finance and Administration

Laura Smiarowski
Controller and Associate Treasurer

Fiscal year 2014–15 was an exciting and successful year at Smith on all accounts.

Admission

For the eighth year in a row, Smith surpassed its application record, receiving 5,006 applications for the class of 2019, a 12 percent growth in the current year alone. Those accepted are as strong and diverse as ever, coming to us from 37 states and 44 countries.

In May, the board of trustees voted to clarify Smith's undergraduate admission policy to include self-identified transgender women. This resulted from a yearlong study that involved the campus community, alumnae, parents and outside experts.

Fundraising

Fiscal year 2015 was the college's most successful fundraising year in its history. The Women for the World campaign, which has a goal of $450 million by the end of 2016, has at its core a major focus on financial aid as well as capital and programmatic investment to help align a Smith education with the demands of an increasingly complex world. In fiscal year 2015, alumnae giving accounted for 65 percent of total giving and the undergraduate participation rate among alumnae was 34 percent. The college received total gifts, grants and pledges of $72.4 million during fiscal year 2015.

Faculty and student achievements

As part of the alignment of a Smith education with the world, Smith provided approximately 1,200 student research opportunities during the academic year. Such opportunities allow 78 percent of all students to participate in internships across the globe at some point during their Smith experience. Smith also produced 19 Fulbright scholars in 2014–15—a 45 percent success rate of winners to applicants that far exceeds the national average. Twenty-six members of the faculty received national honors and awards during the year.

Academic program

Smith also made advances in the academic program to better suit the ever-changing needs of the student body and the world in which they live. In collaboration with the Tuck School of Business at Dartmouth College, Smith announced the Smith-Tuck Business Bridge Program in October 2014. The program provides a world-class grounding in practical business skills to highly qualified students in the liberal arts, sciences and engineering. The inaugural class had 38 students.

In partnership with Mount Holyoke College and MassMutual Insurance Company, Smith students interested in the emerging field of data science—which deals with the extraction of knowledge from big data—will have an opportunity beginning in the fall 2015 semester to study the topic through a new Women in Data Science collaboration.

As part of the college's mission to create future leaders, the Jill Ker Conway Center for Innovation, Entrepreneurship and Leadership will be the college's new state-of-the-art innovation lab. It will offer programs and support for students to work collaboratively on entrepreneurial ventures that address real-world challenges.

The college also celebrated two special anniversaries this year. First, 15 years after its

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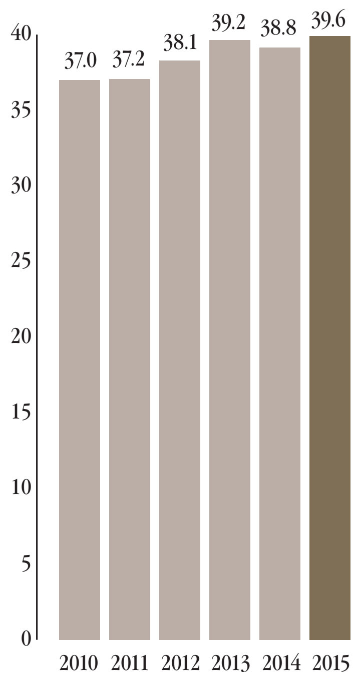
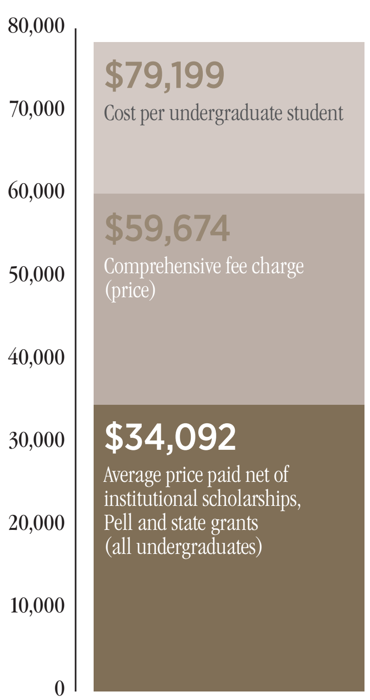
Undergraduate Discount Rate
Scholarships/Gross Comprehensive Fee Revenues, in percentages



Cost vs. Price of a Smith Education
2014–15



launch, the Picker Engineering Program is expanding on its vision to bring more women into the field, ensuring that women's perspectives are part of all aspects of engineering, from applied research to innovative technology and product creation. Second, the Ada Comstock Scholars Program celebrated its 40th anniversary. The program, established in 1975 under President Jill Ker Conway, enables women of nontraditional college age to complete their undergraduate degrees; by offering flexible schedules and special academic and social supports.

Statements of Financial Position

The college's continued commitment to fiscal discipline has resulted in its strongest balance sheet position ever, with assets of $2.5 billion and liabilities of approximately $258 million as of the end of fiscal year 2015. Net assets grew by over 3 percent for the year to $2.2 billion, largely driven by a $14 million increase in pledges receivable associated with the comprehensive campaign and growth of $57.0 million in the college's investments portfolio.

Total liabilities remained largely unchanged from last year. The college's general payables balance increased by $9.4 million, while interest rate swap agreements and bonds payable declined by a collective $10.3 million. The college commenced the largest taxable bond issue in its history in June. The transaction included the issuance of $192 million of debt subsequent to year-end. The college also terminated the swap agreements previously associated with the Series 2001 and 2002 bonds resulting in a swap liability decrease of approximately $7 million at June 30, 2015. The remaining proceeds refinanced three existing bonds issues and are intended to fund the campus renewal efforts over the next five years including the renovation of Neilson Library.

Statements of Activities

The college generated record-level operating revenues for fiscal year 2015 of $238 million for the year. Of that amount, 44 percent was derived from net tuition and fee income, 39 percent from investment activity and net assets released from restrictions and 14 percent from unrestricted gifts and government grants. There was a 4 percent increase in operating expenses during the year to a total of $222 million.

Smith's long-standing promise to provide educational access to its world-class education is evidenced by its commitment to meet the full demonstrated need of all admitted students. The college awarded over $60 million in undergraduate financial aid during the fiscal year. Of that amount, nearly $31 million was funded from general operations, $27 million was funded from endowments for financial aid and the balance was derived from temporarily restricted gifts and unrestricted sources. Approximately 62 percent of all Smith students (approximately 1,700 undergraduate students) received financial aid for the 2014–15 academic year. The average institutional grant was approximately $23,000 or 40 percent of the total comprehensive fee. Financial aid packages include standard loan and work-study amounts with scholarship grants from government and institutional sources used to meet remaining need. The overall discount rate, which compares institutional dollars spent on financial aid to comprehensive fee revenue, increased to 39.6 percent for academic year 2014–15 (38.8 percent for 2013–14).

Investments

Smith's long-term investment portfolio continues to be one of the largest among liberal arts colleges with a market value of $1.9 billion at June 30, 2015; an increase of $57 million over the prior year. The long-term investment horizon allows for a largely equity-oriented investing strategy where the potential for long-term capital appreciation exists. Other asset management strategies—including but not limited to hedging, derivative or diversification—are also used to reduce risk and overall portfolio volatility. The portfolio, which is managed by Investure LLC, was allocated 33 percent in global equity, 32 percent in private partnerships, 27 percent in alternative equity, 6 percent in fixed income and 2 percent in cash.

The college's investment returns continue to rank competitively among its peer group and when compared nationally to other colleges and universities. Returns for the year ended June 30, 2015, were 6.7 percent; and 12.4 percent, 11.5 percent and 9.5 percent for the three-, five- and 10-year periods, respectively.

The college's endowment spending rate is set annually by the board of trustees and provides a responsible contribution in support of financial aid, academic programs, professorships and facilities. The board approved a spending per share increase of 3.75 percent for fiscal year 2014–15, a level consistent with the intent to preserve the endowment for future generations. As a result of this action together with strong market performance and new gifts, the endowment per student has increased to approximately $583,000 as of June 30, 2015; an increase of $17,000 over the prior year.

Facilities

Since the dedication of College Hall in 1875, the campus has grown to more than 110 residential, academic and administrative buildings with more than three million gross square feet of space on 147 acres. The college's facilities have a replacement value of approximately $1.2 billion, making them the college's second most valuable asset after the endowment. In order to maintain these vital assets, the college continues its commitment to their ongoing repair and maintenance through an approximately 2 percent annual reinvestment in them that is funded through the operating budget.

During FY 2015, the college completed several major capital projects. The three-year renovation of Cutter-Ziskind residences was completed in August. The Schacht Center for Health and Wellness was dedicated in fall 2014. The construction of a new residential complex, the Paradise Road Apartments, was begun and is expected to be completed during the 2015–16 academic year.

The college's future capital plan includes a major renovation to the college's main library, which will be designed by Maya Lin Studios in partnership with Shepley Bulfinch. This will be the largest capital project in the college's history. With an anticipated completion date of 2019, the library renovation is expected to transform the academic life of the campus.

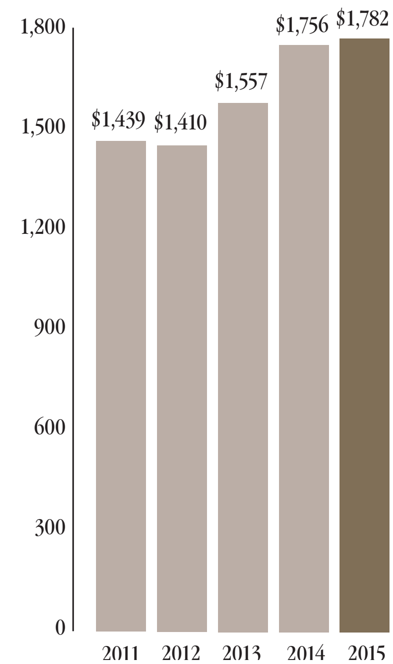
Smith enters the new year in a strong financial position, continuing to invest in its highest priorities. In every way, Smith continues to advance its mission of access, opportunity and leadership. Smith's graduates are prepared and inspired to address the world's greatest challenges and to extend the college's impact far beyond its campus.

Endowment Spending Rate

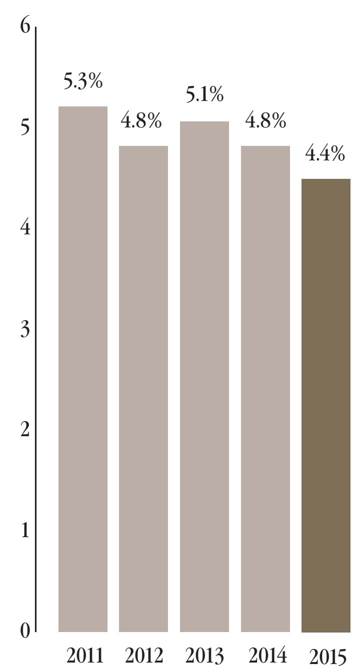
	Begin-of-year Market Value	Distributed to Operations	Spending Rate	Growth in Spending
2005–06	$1,035.5	$47.7	4.6%	3.6%
2006–07	$1,156.3	$50.1	4.3%	5.0%
2007–08	$1,361.0	$59.9	4.4%	19.6%
2008–09	$1,365.8	$67.9	5.0%	13.4%
2009–10	$1,096.3	$62.0	5.7%	(8.7%)
2010–11	$1,243.6	$65.6	5.3%	5.8%
2011–12	$1,439.5	$69.0	4.8%	5.2%
2012–13	$1,409.8	$71.8	5.1%	4.1%
2013–14	$1,557.4	$75.0	4.8%	4.5%
2014–15	$1,755.8	$77.3	4.4%	3.1%
Ten-year totals		$646.3	4.8%	62.1%

Dollar values reflect millions

Endowment Market Value
in millions



Endowment Spending Rate
percentage of beginning market value



Ten Years in Review

	2015	2014	2013	2010	2005
Assets, Liabilities and Net Assets (in thousands)					
Total Assets	$2,455,868	$2,374,681	$2,174,842	$1,833,836	1,585,630
Total Plant Assets - Cost Net of Depreciation	420,421	415,127	405,436	385,929	271,862
Endowment Funds Market Value	1,781,763	1,755,755	1,557,407	1,243,560	1,035,542
Life Income Funds Market Value	50,627	52,117	48,517	41,281	49,271
Long-Term Debt	156,758	159,711	162,536	170,288	72,916
Net Assets	2,198,221	2,116,850	1,916,874	1,577,397	1,332,637
Income and Expense (in thousands)					
Undergraduate Comprehensive Fees	$151,829	$148,724	$144,313	$132,927	$105,577
Undergraduate Scholarships	60,265	57,651	56,936	48,964	38,209
Net	91,564	91,073	87,377	83,963	67,368
Unrestricted Gifts and Grants	32,293	23,497	22,573	30,891	20,823
Restricted Gifts and Grants	40,096	15,289	16,797	14,009	17,826
Total Operating Expenses	222,384	213,252	211,320	191,787	157,007
Salaries and Wages	98,707	94,884	92,264	86,099	75,537
Staff Benefits	32,056	29,742	28,361	26,043	21,503
Other Statistics					
Undergraduate:					
Student FTE*	2,601	2,636	2,673	2,688	2,776
Faculty FTE	281	283	283	289	294
Student-Faculty Ratio	8.8	8.9	9.1	8.8	8.8
Comprehensive Fee	$59,674	$57,524	$55,320	$50,380	$38,886
Net Cost Per Student	79,200	73,400	71,500	64,000	50,500
Comprehensive Fee as Percent of Cost Per Student	75.3%	78.4%	77.4%	78.7%	77.0%
Students Receiving Scholarships	64.6%	64.3%	64.9%	64.7%	65.4%
Operations Supported by Endowment	33.4%	33.5%	33.5%	31.0%	28.7%
Total FTE*	3,054	3,104	3,153	3,154	3,229
Endowment Per Student (in thousands)	583	566	494	394	321
Endowment Spending as Percent of Market Value	4.4%	4.8%	5.1%	5.7%	5.0%

* Includes students attending independent study-abroad programs paying comprehensive fee to the college.

Independent Auditors' Report

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

Independent Auditors' Report

The Board of Trustees
Smith College:

We have audited the accompanying financial statements of Smith 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 Smith 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 22, 2015

Statements of Financial Position

June 30, 2015 and 2014

(In Thousands)

See accompanying notes to financial statements.

		2015		2014
Assets				
Cash and cash equivalents	$	22,322	$	19,888
Short-term investments		42,942		42,995
Receivables, net and other assets		53,252		36,835
Long-term investments		1,916,931		1,859,836
Property and collections, net		420,421		415,127
Total assets	$	2,455,868	$	2,374,681
Liabilities				
Accounts payable and accrued liabilities	$	33,580	$	24,094
Interest rate swap agreements		11,556		18,923
Deferred income, deposits, and agency funds		16,207		15,717
Liability for split-interest agreements		19,703		19,625
Asset retirement obligations		19,843		19,761
Bonds payable		156,758		159,711
Total liabilities	$	257,647	$	257,831
Net Assets				
Unrestricted		681,701		663,111
Temporarily restricted		1,072,792		1,036,145
Permanently restricted		443,728		417,594
Total net assets	$	2,198,221	$	2,116,850
Total liabilities and net assets	$	2,455,868	$	2,374,681

Statements of Activities

For the years ended June 30, 2015 and 2014

(In Thousands)

See accompanying notes to financial statements.

		2015		2014
Changes in Unrestricted Net Assets				
Operating Revenues and Other Additions				
Student income: Tuition and other fees	$	133,918	$	130,427
Residence and dining fees		36,961		36,415
Student aid		(66,049)		(63,260)
Student income, net		104,830		103,582
Gifts and grants		32,293		23,497
Investment return supporting operations		21,592		27,084
Other income		15,096		11,638
Net assets released from restrictions		64,414		60,363
Total operating revenues and other additions	$	238,225	$	226,164
Operating Expenses				
Instruction		94,900		93,002
Academic support		31,503		30,456
Student services		25,377		24,576
Auxiliary enterprises		34,382		31,833
General and administrative		36,222		33,385
Total expenses		222,384		213,252
Operating subtotal	$	15,841	$	12,912
Non-Operating Revenues and Other Changes				
Realized and unrealized loss, interest and fees on interest rate swap agreements		(5,864)		(4,666)
Net investment return increasing long-term investments		8,613		40,282
Other net asset reclassifications		0		(12,962)
Non-operating revenues and other changes	$	2,749	$	22,654
Increase in unrestricted net assets	$	18,590	$	35,566
Changes in Temporarily Restricted Net Assets				
Gifts and grants		14,726		2,411
Investment return		86,671		188,205
Change in life income funds		(336)		2,999
Net assets released from restrictions		(64,414)		(60,363)
Other net asset reclassifications		0		8,604
Increase in temporarily restricted net assets	$	36,647	$	141,856
Changes in Permanently Restricted Net Assets				
Gifts and grants		25,370		12,878
Investment return		(265)		1,869
Change in life income funds		1,029		3,445
Other net asset reclassifications		0		4,358
Increase in permanently restricted net assets	$	26,134	$	22,550
Total increase in net assets	$	81,371	$	199,972
Net assets, beginning of year		2,116,850		1,916,878
Net assets, end of year	$	2,198,221	$	2,116,850

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

(In Thousands)

See accompanying notes to financial statements.

	2015	2014
Cash Flows From Operating Activities		
Increase in net assets	$ 81,371	$ 199,972
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	21,519	21,473
Unrealized loss in market value on interest rate swap agreements	1,720	367
Net unrealized and realized gains on investments	(113,129)	(251,185)
Actuarial change in life income obligation	78	(171)
Contributions restricted for long-term investment	(16,916)	(9,876)
Contributions of property and securities	(6,565)	(9,439)
Net change in operating assets and liabilities:		
Receivables, net and other assets	(16,573)	7,187
Accounts payable, accrued liabilities, and asset retirement obligations	1,735	56
Deferred income, deposits and agency funds	490	820
Net cash used in operating activities	$ (46,270)	$ (40,796)
Cash Flows From Investing Activities		
Purchases of plant and equipment	$ (25,707)	$ (27,781)
Change in funds held by bond trustee	32	7
Change in short-term investments	52	11,392
Proceeds from student and other loan collections	1,378	1,744
Student and other loans issued	(1,304)	(1,303)
Purchases of investments	(275,841)	(93,625)
Sales and maturities of investments	336,059	145,179
Net cash provided by investing activities	$ 34,670	$ 35,613
Cash Flows From Financing Activities		
Contributions restricted for long-term investment	$ 16,916	$ 9,877
Payments on long-term debt	(2,882)	(2,754)
Net cash provided by financing activities	$ 14,034	$ 7,123
Net change in cash and cash equivalents	$ 2,434	$ 1,940
Cash and cash equivalents, beginning of year	$ 19,888	$ 17,948
Cash and cash equivalents, end of year	$ 22,322	$ 19,888
Supplemental disclosure:		
Interest paid	$ 6,106	$ 6,240
Gifts in kind	2,381	1,784
Purchases of plant and equipment (decreasing) increasing accounts payable	(1,254)	1,620

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The Trustees of the Smith College is a private liberal arts college for women providing academic, residential and other services to a diverse student population. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) on the accrual basis of accounting and include the accounts of the Trustees of the Smith College (college), as well as the Alumnae Association of Smith College.

(b) Net Asset Classes

The accompanying financial statements present information regarding the college's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the college or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor stipulations that expire with the passage of time or can be fulfilled or removed by actions pursuant to the stipulations.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained in perpetuity.

Changes in unrestricted net assets are classified as operating and non-operating. Non-operating changes in net assets are: net realized and unrealized gains and losses on long-term investments, less amounts distributed for operating purposes; the change in the market value of interest rate swap agreements plus interest received on the swaps, market to market differentials paid on the swaps and losses on unwinding swaps; and reclassifications of net assets received in prior periods. All other unrestricted net assets activity is reported as operating.

(c) Contributions

Contributions, including unconditional promises from donors, are recognized as revenues when received. Conditional pledges are recognized as revenues when conditions are substantially met. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values and are classified as either permanently restricted or temporarily restricted. Gifts and endowed income whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted revenues. Contributions restricted for the acquisition of property and collections are reported as temporarily restricted gifts and are reclassified to unrestricted net assets at the time the assets are acquired and placed in service.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, investments acquired with a maturity date of three months or less are reported as cash equivalents, unless they are part of short-term investments or long-term investment funds.

(e) Investments and Fair Value

The college's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate-of-return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The college uses a diversified investment approach incorporating multiple asset classes, strategies and managers. The college's board of trustees' investment committee oversees the college's investments and authorizes major investment decisions.

In addition to equity and fixed income investments, the college may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private equity funds generally employ buyout, venture capital and debt-related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values.

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Nonmarketable securities, which include alternative investments in hedge funds and private equity funds, are valued using net asset value (NAV), or its equivalent, provided by fund managers as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015 and 2014, the college had no specific plans or intentions to sell investments at amounts different than NAV.

Investments include beneficial interests in trusts. A beneficial interest in a limited-term or perpetual trust represents resources neither in the possession of, nor under the control of the college, but held and administered by an outside fiscal agent, with the college deriving income from the trust. Assets of the Alumnae Association of Smith College, the Smith Students' Aid Society, Inc., and the Smith College Club of New York City, which are not part of Smith College, are invested with the college's pooled investments.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the college has the ability to access at measurement date.

Level 2: Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.

Level 3: No observable quoted prices, reliance on assumptions market participants would use if a market existed for the assets or liabilities.

The level in the fair value hierarchy 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.

During the year ended June 30, 2015, the college retrospectively adopted the provisions of the FASB Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent) (ASU 2015-07). Among other things, 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 net asset value (NAV) or its equivalent as a practical expedient to estimate fair value. The adoption did not impact the college's statement of financial position, statement of activities, or statement of cash flow and resulted only in changes to the college's investment footnote disclosures.

The fair value amounts presented as NAV are intended to permit reconciliation of the fair value hierarchy disclosure to the amounts presented in the statement of financial position.

(f) Property and Collections

Property, which includes land, land improvements, buildings, equipment and collections are recorded at cost or fair value at date of donation. Depreciation is recognized using the straight-line method.

(g) Asset Retirement Obligation

An asset retirement obligation (ARO) is a conditional legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the college records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations, and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the ARO and the liability recorded will be recognized in the statement of activities as an expense.

(h) Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based on square footage. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which the equipment is located, and depreciation expense for collections is allocated to the academic support functional classification. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

(i) Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include valuation of alternative investments, receivables, interest rate swap agreements and asset retirement obligations. Actual results could differ from estimates.

(j) Tax Status
The college is an organization described under Internal Revenue Code (IRC) Section 501(c)(3) and is generally exempt from federal and state taxes under the Section 501(a) of the Code and applicable state laws. The college believes it has taken no significant uncertain tax positions.

(k) Reclassifications
Certain reclassifications have been made to 2014 information to conform with the 2015 presentation.

2. Receivables, Net and Other Assets

Contributions, accounts receivable and loans consist of the following items at June 30 (in thousands):

	2015	2014
Contributions expected to be collected within:		
One year	$13,523	$7,586
One to five years	13,089	4,096
Over five years	53	95
Less: Discount (0.50% to 3.50%)	(350)	(103)
Less: Allowance for uncollectibles	(1,216)	(730)
Subtotal	$25,099	$10,944
Charitable Trusts	26,226	23,703
Less: Discount (3.00% to 6.00%)	(11,824)	(11,147)
Subtotal	$14,402	$12,556
Students, employees, other receivables	2,156	2,181
Student loans	6,023	6,192
Employee loans and mortgages	3,065	2,938
Less: Allowance for uncollectibles	(2,019)	(1,987)
Subtotal	$9,225	$9,324
Other assets	4,526	4,011
Total	$53,252	$36,835

The college incurred fundraising expenses of $7.8 million for the year ended June 30, 2015 ($7.0 million for the year ended June 30, 2014), which are included in general and administrative expense in the accompanying statement of activities.

3. Fair Value

The college's assets and liabilities at June 30, 2015, are summarized in the following table (in thousands):

	Total	Level 1	Level 2	Level 3	Investments Measured at NAV	Redemption or Liquidation
Assets						
Long-term investments						
Money market fund	$54,053	$54,053				Daily
Fixed income	50,423	50,423				Daily
Hedge fund						
Equity and equity long/short	578,764				$578,764	Daily/monthly/quarterly
Multi-strategy	483,498				483,498	Quarterly
Credit-driven	30,727				30,727	Annually
Fixed income	55,597				55,597	Annually
Private equity investments						
Venture capital	11,021				11,021	Illiquid
Buyout	68				68	Illiquid
Multi-strategy	557,375				557,375	Illiquid
Real asset investments	52,980			$21,119	31,861	Illiquid
Equity securities	6,523	1,288		5,235		Not redeemable
Third party perpetual trusts and other	35,902	170	$157	35,575		Not redeemable
Total long-term investments	$1,916,931	$105,934	$157	$61,929	$1,748,911	
Short-term investments						
US Treauries money market fund	14,527	14,527				
Low duration bond fund	28,415	28,415				
Total short-term investments	$42,942	$42,942				
Total	$1,959,873	$148,876	$157	$61,929	$1,748,911	
Liabilities						
Interest rate swap agreements	(11,556)		(11,556)			
Total	$(11,556)		$(11,556)			

The college's assets and liabilities at June 30, 2014, are summarized in the following table by their fair value hierarchy (in thousands):

	Total	Level 1	Level 2	Level 3	Investments Measured at NAV	Redemption or Liquidation
Assets						
Long-term investments						
Money market fund	$34,423	$34,423				Daily
Fixed income	46,709	46,709				Daily
Hedge fund						
Equity and equity long/short	611,849				$611,849	Daily/monthly/quarterly
Multi-strategy	435,302				435,302	Quarterly
Credit-driven	36,180				36,180	Annually
Fixed income	51,584				51,584	Annually
Private equity investments						
Venture capital	9,808				9,808	Illiquid
Buyout	5,812				5,812	Illiquid
Multi-strategy	525,936				525,936	Illiquid
Real asset investments	59,920			$24,664	35,256	Illiquid
Equity securities	5,651	117		5,534		Not redeemable
Third party perpetual trusts and other	36,662	164	$95	36,403		Not redeemable
Total long-term investments	$1,859,836	$81,413	$95	$66,601	$1,711,727	
Short-term investments						
US Treasuries money market fund	14,679	14,679				
Low duration bond fund	28,316	28,316				
Total short-term investments	$42,995	$42,995				
Total	$1,902,831	$124,408	$95	$66,601	$1,711,727	
Liabilities						
Interest rate swap agreements	(18,923)		(18,923)			
Total	$(18,923)		$(18,923)			

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 $1.077 billion from Level 2 and $665 million from Level 3.

The limitations and restrictions on the college's ability to redeem or sell investments vary by investment and range from none for publicly traded securities, to required notice periods (generally 30 to 90 days after initial lock-up periods) for certain hedge funds, to dependency on the disposition of portfolio positions and return of capital by the investment manager for private equity, venture capital, commodity fix income related, and real estate limited partnership interests. Investments with daily liquidity generally do not require any notice prior to withdrawal.

The "illiquid" category is related to private equity, real estate related, and certain limited partnership investments, where the college has no liquidity until the investments are sold and the monies are distributed by the fund manager.

The following tables present the college's activity for the fiscal years ended June 30, 2015, and June 30, 2014, for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

2015

	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains (losses)	Unrealized Gains (Losses)	Fair Value End of Year
Third party trusts and other	$36,403		$(459)		$(369)	$35,575
Equity securities	5,534				(299)	5,235
Real asset investments	24,664		(1,269)	$732	(3,008)	21,119
	$66,601		$(1,728)	$732	$(3,676)	$61,929

2014

	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains (losses)	Unrealized Gains (Losses)	Fair Value End of Year
Third party trusts and other	$33,893	$616	$(878)		$2,772	$36,403
Equity securities	4,546				988	5,534
Real asset investments	19,318	546	(3,311)	$1,157	6,954	24,664
	$57,757	$1,162	$(4,189)	$1,157	$10,714	$66,601

Within each asset class, the college achieves diversification through allocations to several investment strategies and market capitalizations. The college has outsourced its investment office. This outsourced investment office has established limited partnership vehicles to facilitate the management of its clients' accounts. These limited partnership investments represent 83.6% of the college's investments at June 30, 2015 (83.5% at June 30, 2014).

The college enters into derivative instruments such as futures for trading purposes. The college may enter into equity or index option contracts to speculate on the price movements of the financial instrument or index underlying the option. The college is required to disclose derivative and hedging activities and thereby improve the transparency of financial reporting.

The fair market value of derivatives held by the fund at June 30, 2015, are summarized in the following table (in thousands):

Derivatives	Consolidated Statements of Financial Position	Fair Value
Index futures contracts	Long-term investments	$(331)

As of June 30, 2015, there were 204 futures contracts open. The volume of futures is based on the quarterly number of contracts held during the year. For the year ended June 30, 2015, the average number of contracts for futures was 119.5.

The net gains and losses on derivatives held by the college for the year ended June 30, 2015, are summarized below (in thousands):

Derivatives	Consolidated Statements of Activity Location	Net Realized or Unrealized Gain (Loss)
Net realized gain		
Index futures contracts	Net realized gain on transactions in futures contracts	$153
Net unrealized loss		
Index futures contracts	Net unrealized loss on transactions in futures contracts	$(331)

At June 30, 2015 and 2014, the college's remaining outstanding commitments to private equity partnerships totaled $282.6 million and $292.6 million, respectively, based on the provisions of the individual agreements, with adjustments as to amounts and timing based on prior actions of the partnerships and expectations as to future opportunities.

The private equity partnerships have varying terms. As of June 30, 2015, the average remaining life of the private equity partnerships is approximately two years.

Investment income and gains on the college's investments are summarized below (in thousands):

	2015	2014
Dividends and interest	$8,205	$10,447
Realized gains	117,526	59,190
Unrealized (losses)/gains	(4,397)	191,995
Fees and other, net	(4,723)	(4,192)
	$116,611	$257,440

The total return as presented in the statements of activities is summarized below (in thousands):

	2015	2014
Unrestricted net assets operating	$21,592	$27,084
Unrestricted net assets non-operating	8,613	40,282
Temporarily restricted net assets	86,671	188,205
Permanently restricted net assets	(265)	1,869
	$116,611	$257,440

4. Endowment Funds

The college's endowment consists of approximately 2,000 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the college to function as endowments (quasi-endowment).

The college manages the endowment to maximize annualized returns net of all costs over rolling ten-year periods while adhering to stated risk parameters that seek to avoid greater than 25 percent peak-to-trough declines in the inflation adjusted endowment unit value. Asset allocation parameters are established for investments with lock-up periods. The strategy allows for a significant allocation to equity-oriented investments offering long-term capital appreciation, diversified across asset classes and managers. The college compares the performance of its investments against several benchmarks.

The college's board of trustees approves the annual spending distribution per unit. Units are assigned when gifts and transfers enter or exit the investment pool, based on the then market value of a unit in the pool. The pool is valued monthly. The endowment spending policy provides that the income distributed per unit will increase by 4.0% annually as long as the resulting amount is more than 4.0% and less than 6.0% of the preceding December 31 endowment market value. For fiscal year 2014–15, the Board of Trustees increased the distribution per unit by 3.75% in an effort to reduce spending over time.

The college has interpreted the Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the college to appropriate for expenditure or accumulate so much of an endowment fund as 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. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure. As a result of this interpretation, the college has not changed the way permanently restricted net assets are classified. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the college considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

a) Duration and preservation of the endowment fund
b) Purposes of the college and the endowed fund
c) General economic conditions
d) Possible effects of inflation or deflation
e) Expected total return from income and the appreciation of investments
f) Other resources of the college
g) Investment policy of the college

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include term endowments reported as temporarily restricted net assets as well as unexpended investment return, reported as temporarily restricted net assets.

Effective July 1, 2014, the college reclassified the capital reserve fund in the amount of $30.5 million from endowment to co-invested to more properly reflect its purpose.

Endowment funds consisted of the following at June 30, 2015 and 2014 (in thousands):

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted		$997,545	$394,276	$1,391,821
Quasi (board designated)	$389,942			389,942
Total	$389,942	$997,545	$394,276	$1,781,763

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted		$970,374	$377,379	$1,347,753
Quasi (board designated)	$408,002			408,002
Total	$408,002	$970,374	$377,379	$1,755,755

Changes in endowment funds for the fiscal years ended June 30, 2015 and 2014 were as follows (in thousands):

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance June 30, 2014	$408,002	$970,374	$377,379	$1,755,755
Interest and dividends, net of fees	487	1,939		2,426
Realized/unrealized gains	24,223	85,048	(345)	108,926
Contributions and donor requested tranfers	2,705		15,113	17,818
Distributions	(17,145)	(60,196)		(77,341)
Transfers	(28,330)	380	2,129	(25,821)
Balance June 30, 2015	$389,942	$997,545	$394,276	$1,781,763

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance June 30, 2013	$372,637	$830,624	$354,166	$1,557,427
Change in net asset classification	(12,726)	8,368	4,358	
Interest and dividends, net of fees	1,124	4,130		5,254
Realized/unrealized gains	56,757	184,589	1,930	243,276
Contributions and donor requested tranfers	34		16,305	16,339
Distributions	(17,599)	(57,439)		(75,038)
Transfers	7,775	102	620	8,497
Balance June 30, 2014	$408,002	$970,374	$377,379	$1,755,755

5. Property and Collections

Property and collections at June 30, 2015 and 2014 (in thousands):

	Useful Lives	2015	2014
Land		$7,107	$6,784
Land improvements	10–30 years	9,880	8,430
Buildings	40–70 years	552,607	513,134
Works of art	100 years	56,278	53,662
Library books	15 years	58,133	57,164
Equipment	5–12 years	19,305	18,104
		$703,310	$657,278
Accumulated depreciation		(291,879)	(273,385)
		$411,431	$383,893
Construction in progress		8,990	31,234
		$420,421	$415,127
Depreciation Expense		$21,540	$21,493
Capitalized Interest		$397	$790

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items at June 30 (in thousands):

	2015	2014
General payables	$7,483	$6,926
Facilities, construction, repairs	5,588	6,842
Payroll related	5,432	3,899
Compensated absences	4,238	3,869
Liability for unwinding interest rate swaps	9,087	
Interest on bonds payable	1,752	2,558
	$33,580	$24,094

7. Split Interest Agreements: Assets, Obligations, and Net Assets

Split interest agreements consist of the following at June 30 (in thousands):

	Annuities (Held by College)		Split Interest (College Trustee)		Life Income (Individual Trustee)	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash/investments	$37,765	$38,614	$12,894	$13,503		
Contributions receivable					$26,226	$23,703
Discount/allowance					(11,824)	(11,147)
Obligation:	(14,132)	(13,747)	(5,571)	(5,878)		
	$23,633	$24,867	$7,323	$7,625	$14,402	$12,556
Net assets:						
Temporary	$11,006	$11,256	$2,776	$2,839	$3,913	$4,030
Permanent	12,627	13,611	4,547	4,786	10,489	8,526
	$23,633	$24,867	$7,323	$7,625	$14,402	$12,556

Split interest assets, obligations and net assets result from annuity and split interest agreements, which are primarily irrevocable charitable remainder agreements. The college holds the assets for those classified as annuities and split interest agreements for which the college is trustee. The assets are reported as investments at their fair value. The college records contribution revenue for the gift portion and a liability for the present value of the estimated future payments to be made to the beneficiaries. For split interest agreements held by outside trustees the college recognizes the net realizable value as a contribution receivable. Adjustments during the term of the agreements are made for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

8. Deferred Income, Deposits and Agency Funds

Deferred income, deposits and agency funds consist of the following items at June 30 (in thousands):

	2015	2014
Deferred income	$5,738	$5,207
Student deposits	1,145	1,065
Associated Kyoto Program	295	570
Smith Students' Aid Society	5,233	5,125
Other deposits	2,147	2,051
Perkins loan program	1,649	1,699
	$16,207	$15,717

9. Bonds Payable and Interest Rate Swap Agreements

The college has the following general long-term obligations at June 30 (in thousands):

Series	Final Year of Maturity	Interest Rates	2015	2014
Massachusetts Development Finance Agency:				
2001	2024	Variable	$19,692	$21,214
2002	2029	Variable	29,620	30,980
2005	2035	5.00%	33,065	33,065
2007	2037	Variable	72,960	72,960
			$155,337	$158,219
Unamortized premium			1,421	1,492
			$156,758	$159,711

The Series 2001, 2002, and 2007 are variable rate demand revenue bonds. The rate is set weekly by the re-marketing agent at the lowest rate which would permit the sale of the bonds on such date at par. The college is obligated to re-purchase any bonds tendered when the rate is reset if the college's re-marketing agents fail to find a buyer. The college has secured liquidity through a standby liquidity support agreement for the 2001 and 2002 Bond Series that will expire in May 2016, and a standby bond purchase agreement for the 2007 Bond Series that will expire in February 2016.

The college's bonds trade periodically in a limited market. Utilizing available market pricing information provided by a third-party, the college estimates the fair value of the fixed rate Series 2005 bonds as of June 30, 2015 was $34 million. The fair value of the Series 2001, 2002, and 2007 bonds as of June 30, 2015, approximates the total outstanding principal balance given the variable-rate terms of these obligations.

On July 1, 2015, the college issued taxable bonds in the amount of $192 million. The proceeds were utilized to redeem in full the Series 2001, 2002 and 2005 bonds, and pay off swaps of $9 million. In addition, additional proceeds are intended to finance various capital projects, operating costs, investments and other activities, as outlined within the offering memorandum.

In connection with the issuance of the Series 2001, Series 2002 and Series 2007 revenue bonds, the college entered into interest rate swap agreements that effectively changed the interest rate exposure on the issues from a variable rate to a fixed rate. The interest rate swap agreement on the Series 2007 bond issue has a notional amount and termination date equal to the principal amount and maturity date of the Series 2007 bond. The continued effectiveness of the 2007 Series swap will be contingent upon the ability of the counterparty to meet its contractual obligations under these agreements. The 2001 and 2002 series bonds' swap agreements were unwound during June 2015 in anticipation of a July 2015 bond issue that refunded the 2001, 2002, 2005 Series bonds and the 2001 and 2002 swaps. The principal payments on the remaining issues of $265 million are due after fiscal year 2020.

The swaps are summarized as follows (in thousands):

2015

Series	Swap Fair Value	Avg Interest Rate	Swap Fixed Rate
2007	$(11,556)	0.04%	2.86%
	$(11,556)		

2014

Series	Swap Fair Value	Avg Interest Rate	Swap Fixed Rate
2001	$(3,734)	0.05%	4.39%
2002	(6,573)	0.05%	4.66%
2007	(8,616)	0.05%	2.86%
	$(18,923)		

The swaps' fair values are indicative values based on midmarket levels as of the close of business on June 30, 2015 and 2014, derived from models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The valuations do not represent the actual terms at which new transactions could be entered into or the actual terms at which existing transactions could be liquidated.

The college has a line of credit available with a total limit of $30 million; there were no amounts outstanding on the line as of June 30, 2015. The credit line expires in May 2016.

10. Net Assets

Net assets at June 30, 2015, are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Endowment	$389,942	$997,545	$394,276	$1,781,763
Split interest agreements		17,695	27,663	45,358
Plant funds	248,380	449		248,829
Loan funds			9,813	9,813
Other funds	43,379	57,103	11,976	112,458
	$681,701	$1,072,792	$443,728	$2,198,221

And net assets at June 30, 2014, are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
Endowment	$408,002	$970,374	$377,379	$1,755,755
Split interest agreements		18,125	26,923	45,048
Plant funds	235,912	73		235,985
Loan funds			9,392	9,392
Other funds	19,197	47,573	3,900	70,670
	$663,111	$1,036,145	$417,594	$2,116,850

Temporarily restricted net assets released to unrestricted net assets were as follows (in thousands):

	2015	2014
Total return distribution	$58,257	$51,567
Program services	6,157	8,796
	$64,414	$60,363

11. Retirement Plan

The college has a defined contribution retirement plan for substantially all of its employees who are eligible to participate after meeting certain eligibility requirements. College contributions to the plan are based upon a percentage of salaries. The college's contributions to the plan for the year ended June 30, 2015, amounted to $8.7 million (year ended June 30, 2014 was $8.5 million).

12. Subsequent Events

The college evaluated subsequent events for potential recognition or disclosure through October 22, 2015, the date on which the financial statements were available to be issued.

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