BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2013

(with summarized comparative information for June 30, 2012)

(with Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Bowdoin College:

We have audited the accompanying financial statements of Bowdoin College (the College), which comprise the statement of financial position as of June 30, 2013, the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 auditor considers internal control relevant to the organization'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 organization'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 Bowdoin College as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the College's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 11, 2013

BOWDOIN COLLEGE

Statement of Financial Position
June 30, 2013
(with comparative information as of June 30, 2012)
(In thousands)

Assets		2013	2012
Cash and cash equivalents	$	3,455	3,199
Student and other receivables		2,751	2,612
Other assets		7,731	6,668
Contributions receivable		12,441	11,907
Student loans receivable		4,997	5,649
Investments		1,258,145	999,144
Beneficial interest in trusts		11,881	14,913
Funds held by bond trustee		6,322	3,228
Property and equipment, net		251,746	244,622
Total assets	$	1,559,469	1,291,942
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	29,113	25,875
Split-interest obligations		13,679	13,715
Liability for postretirement benefits		13,839	14,281
U.S. government loan advances		4,208	4,208
Bonds and notes payable		280,337	155,278
Total liabilities		341,176	213,357
Unrestricted		172,230	162,250
Temporarily restricted		605,872	502,773
Permanently restricted		440,191	413,562
Total net assets		1,218,293	1,078,585
Total liabilities and net assets	$	1,559,469	1,291,942

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Activities
Year ended June 30, 2013
(with summarized comparative information for the year ended June 30, 2012)
(In thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
Operating activity:						
Revenue:						
Tuition and fees	$	79,327			79,327	76,041
Room and board		20,329			20,329	19,304
Gross tuition and fees		99,656	—	—	99,656	95,345
Less scholarships		(29,517)			(29,517)	(27,756)
Net student charges		70,139	—	—	70,139	67,589
Auxiliary enterprises		4,814			4,814	5,290
Contributions		11,910			11,910	12,200
Endowment return appropriated		7,108			7,108	7,107
Other investment income		5,412			5,412	771
Government grants and contracts		2,340			2,340	1,538
Other income		1,910			1,910	2,029
Net assets released from restrictions		36,429			36,429	37,656
Total operating revenue		140,062	—	—	140,062	134,180
Expenses:						
Instruction		47,516			47,516	44,625
Research		3,667			3,667	3,434
Academic support		16,569			16,569	17,055
Student services		24,015			24,015	22,795
Institutional support		19,802			19,802	19,196
Auxiliary enterprises		28,482			28,482	24,421
Total operating expenses		140,051	—	—	140,051	131,526
Increase in net assets from operating activity		11	—	—	11	2,654
Nonoperating activity:						
Contributions		—	8,786	19,505	28,291	10,516
Investment return (net of endowment return appropriated)		8,842	99,217	912	108,971	(15,284)
Endowment return appropriated		—	30,983	—	30,983	30,777
Government grants and contracts		—	2,026	—	2,026	3,173
Other income		—	725	45	770	588
Gain on disposal of property and equipment		319	—	—	319	4
Other changes		3,524	398	844	4,766	(7,331)
Net assets released from restrictions		550	(36,979)	—	(36,429)	(37,656)
Transfers between restrictions		(3,266)	(2,057)	5,323	—	—
Increase (decrease) in net assets from nonoperating activity		9,969	103,099	26,629	139,697	(15,213)
Total change in net assets		9,980	103,099	26,629	139,708	(12,559)
Net assets, beginning of year		162,250	502,773	413,562	1,078,585	1,091,144
Net assets, end of year	$	172,230	605,872	440,191	1,218,293	1,078,585

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Cash Flows
Year ended June 30, 2013
(with comparative information for the year ended June 30, 2012)
(In thousands)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	139,708	(12,559)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		9,593	10,026
Gain on disposal of property and equipment		(319)	(4)
Net realized and unrealized gains on investments and trusts		(144,382)	(18,103)
Change in fair value of interest rate swap		(2,116)	4,905
Change in contributions receivable		(534)	4,306
Contributions for endowment and other long-term purposes		(21,001)	(7,131)
Change in other assets, net		110	594
Change in other liabilities, net		2,787	2,404
Net cash used in operating activities		(16,154)	(15,562)
Cash flows from investing activities:			
Purchases of investments		(527,875)	(304,112)
Sales of investments		416,286	315,205
Net additions to property and equipment		(13,264)	(8,753)
Change in funds held by trustee for plant purposes		(3,094)	816
Changes in student loans receivable, net		652	805
Net cash (used in) provided by investing activities		(127,295)	3,961
Cash flows from financing activities:			
Borrowings on bonds payable		128,500	—
Borrowings on notes payable		13,664	18,273
Repayments on notes payable		(17,183)	(15,264)
Bond issuance costs		(1,538)	—
Cash paid for settlements under interest rate swap		(739)	(730)
Contributions for endowment and other long-term purposes		21,001	7,131
Net cash provided by financing activities		143,705	9,410
Net increase (decrease) in cash and cash equivalents		256	(2,191)
Cash and cash equivalents, beginning of year		3,199	5,390
Cash and cash equivalents, end of year	$	3,455	3,199

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Organization

Bowdoin College is a private co-educational nonsectarian institution located in Brunswick, Maine. Founded in 1794, the College was part of the Commonwealth of Massachusetts until Maine achieved statehood in 1820. Accredited by the New England Association of Schools and Colleges, Bowdoin is the oldest college in Maine and has educated many prominent figures including authors Nathaniel Hawthorne and Henry Wadsworth Longfellow; the 14th U.S. President Franklin Pierce; and Civil War General Joshua Lawrence Chamberlain. During fiscal 2013, Bowdoin enrolled 1,799 full-time equivalent (FTE) students, not including 122 FTE students who studied off campus.

Basis of Presentation

The College's financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) on the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Statement of Financial Position

Net Assets

The financial statements have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The College has classified its net assets as follows:

Permanently Restricted Net Assets

Contain donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the College and primarily consist of the corpus of donor-restricted endowment funds.

Temporarily Restricted Net Assets

Contain donor-imposed stipulations as to the timing of their availability or use for a particular purpose. These net assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. As further described in note 3, the College is subject to the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the College in accordance with the standard of prudence prescribed by UPMIFA. Net assets of such funds in excess of their historic dollar value are classified as temporarily restricted net assets until appropriated by the Board and spent in accordance with the standard of prudence imposed by UPMIFA.

Unrestricted Net Assets

Contain no donor-imposed restrictions and are available for the general operations of the College. Such net assets may be designated by the College for specific purposes, including to function as endowment funds.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents, except for those held for investment, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

Fair Value Measurements

Investments, beneficial interest in trusts, funds held by trustee, and swaps are reported at fair value in the College's financial statements. 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. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term (generally within 180 days).
- Level 3 – unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Most of the College's investments are held through limited partnerships and commingled funds for which fair value is estimated using NAVs reported by fund managers as a practical expedient. For such investments, GAAP requires that classification within the fair value hierarchy be based on the College's ability to timely redeem its interest rather than on inputs used. See note 3 for further discussion.

Contributions Receivable

Contributions receivable, excluding outside trusts held by third parties, expected to be collected within one year are recorded initially at fair value considering the time value of money and collectability, which are Level 3 inputs in the fair value hierarchy. Thereafter, they are reported at their net realizable value. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution.

Split-Interest Agreements

The College is party to various split-interest agreements including charitable trusts, charitable gift annuities and pooled life income funds. Assets held in pooled life income funds and charitable gift annuities are reported as Investments at the estimated fair value of the underlying assets.

Charitable trusts under which the College serves as trustee and perpetual trusts are reported as Beneficial interest in trusts at the estimated fair value of the College's share of the underlying assets. The present value of estimated future payments to beneficiaries is reported as a liability in the statement of financial position. Beneficial interests in trusts are categorized as Level 3 due to unobservable inputs used to estimate fair value.

Charitable trusts under which an outside party serves as trustee are included in Contributions receivable at the estimated fair value of the College's share of the underlying assets net of the present value of estimated future payments to beneficiaries. These trusts are categorized as Level 3 due to unobservable inputs used to estimate fair value.

Donor contributions to split-interest agreements are reported as Contributions in the nonoperating section of the statement of activities in the year the gift is made. Subsequent changes in value are included in Other changes in the statement of activities. Discount rates used to calculate the present value of estimated future payments to beneficiaries range from 3.8% to 7.0%.

Interest Rate Swap Agreements

Interest rate swap agreements are reported at fair value based on the present value of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract. Each floating-rate payment is calculated based on forward market rates at the valuation date for each respective payment. Because the inputs used to value the contract can generally be corroborated by market data, the College's only interest rate swap at June 30, 2013 and 2012 is categorized in Level 2 of the fair value hierarchy.

Bonds Payable

Certain items related to the issuance of debt, such as accounting, legal and underwriting fees, as well as original issue discounts, are capitalized and amortized over the lives of the respective debt issues.

Property and Equipment

Land, buildings, fixtures, and equipment are stated at cost, or estimated fair value at date of donation in the case of gifts.

Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

	Estimated useful lives
Land improvements	20 – 25
Buildings and building improvements	25 – 60
Furnishings and fixtures	5 – 15
Instructional and computer equipment	3 – 15
Vehicles and machinery	5 – 15
Operational equipment	3 – 15

The costs of repairs and maintenance are charged to expense as incurred; major renovations and projects that prolong an asset's useful life are capitalized as plant assets. The College recognizes the fair value of liabilities for legal obligations associated with future asset retirements in the period in which the obligation is incurred.

College Collections

The College does not capitalize collections, primarily art objects, as they are held for public exhibition and education rather than financial gain. Proceeds from the sale of collection items are generally used to acquire other items for collection.

Statement of Activities

Significant aspects of the presentation of the statement of activities include:

- The statement of activities reflects the change in net assets for three net asset categories: unrestricted, temporarily restricted and permanently restricted.
- Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, in which case they are reported as increases in temporarily or permanently restricted net assets.
- Expenses are reported as decreases in unrestricted net assets.
- When temporarily restricted resources (including endowment income appropriated under the spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from temporarily restricted revenue to unrestricted revenue. The reclassification appears either in the operating section or nonoperating section of the statement of activities as Net assets released from restrictions, depending on whether the donor restricted the assets to be used for operating purposes (e.g., student aid) or nonoperating purposes (e.g., long-term investment).
- Transfers between restriction categories represent reallocations of net assets to reflect clarifications by donors or other changes to such funds.

Operations

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 to the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula, contributions for endowment and plant purposes, and the change in present value of annuity and life income funds.

Contributions

The College reflects a receivable on the statement of financial position for unconditional promises (pledges), which are generally written agreements to contribute cash or other assets to the College. Contributions subject to donor-imposed stipulations that are met in the same reporting period are initially reported as temporarily restricted support and then reclassified to unrestricted net assets. Promises to give that are payable after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Allocation of Indirect Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation of plant assets are allocated to program and supporting activities based on the relative percentage of plant assets used to support the functional expense category. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

Fund-Raising Costs

All fund-raising costs including incremental costs incurred for major capital campaigns are expensed as incurred. Total fund-raising expenses were $6,379,000 and $5,967,000 for the years ended June 30, 2013 and 2012, respectively.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include the valuation of certain investments, the liability for postretirement benefits, split-interest obligations, an interest rate swap, and receivables. Actual results could differ from those estimates.

Income Taxes

The College is a not-for-profit organization and is generally exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code, as amended. The College assesses uncertain tax positions and has determined there were no such positions that have a material effect on the financial statements.

Reclassifications

Certain 2012 balances have been reclassified to conform with the 2013 presentation.

During 2013, based on instruction from donors, the College reclassified certain unrestricted and temporarily restricted net assets to permanently restricted net assets.

(2) Restricted Net Assets

The College's net assets, including appreciation on donor-restricted endowment funds, are available for the following purposes as of June 30 (in thousands):

		Temporarily restricted		Permanently restricted	
		2013	**2012**	**2013**	**2012**
Operations	$	142,103	122,786	44,871	44,143
Student aid		233,707	188,520	219,882	202,786
Other purposes		44,402	36,551	54,208	54,471
Professorships		70,681	58,576	49,292	45,590
Instruction		45,958	38,024	33,467	29,246
Library and museums		40,919	35,573	13,398	12,320
Technology		22,435	17,884	23,000	23,000
Lectureships		5,667	4,859	2,073	2,006
	$	605,872	502,773	440,191	413,562

(3) Investments

Basis of Reporting

Investments include endowment, charitable gift annuities, pooled life income funds, taxable bond proceeds and unrestricted operating investments. Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. The majority of the College's investments are in shares or units of institutional commingled funds and investment partnerships invested in equity, fixed income, absolute return, private equity, or real asset strategies. Absolute return 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 absolute return 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, and are valued by the investment manager accordingly. Private equity funds employ buyout, venture capital, and distressed credit strategies. Real asset and natural resources funds generally hold interests in private real estate, oil and gas partnerships and mineral holdings.

The College's interests in commingled investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the College, which is used as a practical expedient to estimate the fair value of the College's interest therein, 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, 2013, the College had no plans or intentions to sell investments at amounts different from NAV.

Although the College's non-marketable managers adhere to fair value accounting as required by ASC 820, *Fair Value Measurements and Disclosures*, because of inherent uncertainties in valuation assumptions, the estimated fair values for alternative investments such as private equity and private real estate may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information.

The following tables summarize the College's investments by class in the fair value hierarchy as of June 30, 2013 and 2012, as well as related strategy and liquidity (in thousands):

	Level 1	Level 2	Level 3	Total fair value	Redemption or liquidation	Days' notice
2013:						
Investments:						
Cash and cash equivalents	$ 63,420	—	—	63,420	Daily	1
Fixed income	43,771	258	15,813	59,842	Daily to Illiquid	1 – 60
Equities:						
Domestic	24,274	78,334	215	102,823	Daily to Illiquid	1 – 60
Emerging Markets	815	74,574	941	76,330	Daily to Illiquid	1 – 90
Global	4,324	101,720	384	106,428	Daily to Illiquid	1 – 90
Absolute return:						
Global macro	—	136,320	6,830	143,150	Monthly to Illiquid	30 – 90
Global long/short	—	93,598	28,256	121,854	Monthly to Illiquid	30 – 90
Opportunistic & Other	—	139,451	49,255	188,706	Quarterly to Illiquid	45 – 180
Alternative Investments						
Private Equity	—	—	281,705	281,705	Illiquid	N/A
Real Assets	—	—	113,887	113,887	Illiquid	N/A
Total investments	$ 136,604	624,255	497,286	1,258,145		

	Level 1	Level 2	Level 3	Total fair value	Redemption or liquidation	Days' notice
2012:						
Investments:						
Cash and cash equivalents	$ 20,905	—	—	20,905	Daily	1
Fixed income	25,614	3,949	—	29,563	Daily	1 – 60
Equities:						
Domestic	26,213	62,084	742	89,039	Daily to Illiquid	1 – 60
Emerging Markets	4,288	59,100	6,978	70,366	Daily to Illiquid	1 – 60
Global	798	69,756	973	71,527	Daily to Illiquid	1 – 60
Absolute return:						
Global macro	—	114,997	6,016	121,013	Monthly to quarterly	30 – 90
Global long/short	—	105,815	4,576	110,391	Monthly to Illiquid	30 – 90
Opportunistic & Other	—	90,287	23,531	113,818	Quarterly to Illiquid	45 – 180
Alternative Investments						
Private Equity	—	—	269,575	269,575	Illiquid	N/A
Real Assets	—	28	102,919	102,947	Mostly Illiquid	N/A
Total investments	$ 77,818	506,016	415,310	999,144		

Registered mutual funds are classified in Level 1 of the fair value hierarchy, as defined in note 1, as are securities custodied in the College's name because their fair values are based on quoted prices for identical securities. The College's fixed income investments include directly held U.S. corporate bonds, which although readily marketable are valued using matrix pricing and are classified as Level 2. Otherwise, investments classified in Levels 2 and 3 consist of shares or units in funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable and not difficult to value. The majority of these funds are now registered as required by the Securities and Exchange Commission.

The NAV reported by each fund categorized in Level 2 or 3 of the fair value hierarchy is used as a practical expedient to estimate the fair value of the College's interest therein. Its classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term (generally within 180 days), the investment is classified in Level 2. Accordingly, the inputs or methodology used for valuing or classifying investments for leveling purposes are not necessarily an indication of the risks associated with those investments or the degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

Certain marketable investment funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

The following tables present a summary of the College's activity for the years ended June 30, 2013 and 2012 for investments classified in Level 3 (in thousands):

	Fair value June 30, 2012	Realized and unrealized gains (losses)	Gross purchases	Gross sales and settlements	Transfers in (out) of Level 3	Fair value June 30, 2013
Investments:						
Equities						
Domestic	$ 742	45	57	(629)	—	215
Emerging Markets	6,978	(23)	—	(123)	(5,891)	941
Global	973	(8)	—	(581)	—	384
Fixed Income	—	813	15,000	—	—	15,813
Absolute return						
Global Macro	6,016	814	—	—	—	6,830
Global Long/Short	4,576	1,163	6,440	(812)	16,889	28,256
Opportunistic & Other	23,531	3,969	23,225	(1,796)	326	49,255
Alternative Investments						
Private Equity	269,575	35,962	41,638	(65,470)	—	281,705
Real Assets	102,919	14,418	23,605	(27,083)	28	113,887
Total	$ 415,310	57,153	109,965	(96,494)	11,352	497,286

	Fair value June 30, 2011	Realized and unrealized gains (losses)	Gross purchases	Gross sales and settlements	Transfers in (out) of Level 3	Fair value June 30, 2012
Investments:						
Equities						
Domestic	$ 1,027	(281)	—	(4)	—	742
Emerging Markets	8,058	(1,080)	—	—	—	6,978
Global	464	(66)	—	(4)	579	973
Fixed Income	—	—	—	—	—	—
Absolute return						
Global Macro	—	(234)	6,250	—	—	6,016
Global Long/Short	20,543	3,982	—	(3,253)	(16,696)	4,576
Opportunistic & Other	21,121	1,158	1,746	(264)	(230)	23,531
Alternative Investments						
Private Equity	242,335	18,050	41,930	(32,740)	—	269,575
Real Assets	86,421	4,155	25,347	(12,976)	(28)	102,919
Total	$ 379,969	25,684	75,273	(49,241)	(16,375)	415,310

The following summarizes investment return components for the years ended June 30 (in thousands):

		2013	2012
Investment return:			
Interest and dividends, net	$	5,904	4,422
Net realized and unrealized gains		146,570	18,949
Investment return	$	152,474	23,371

Investment returns are included in the statements of activities as follows for the years ended June 30 (in thousands):

Endowment return appropriated (operating)	$	7,108	7,107
Other investment income (operating)		5,412	771
Endowment return appropriated (nonoperating)		30,983	30,777
Investment return (nonoperating)		108,971	(15,284)
Investment return	$	152,474	23,371

Commitments

Private equity and real asset investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the College makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity and real asset funds are typically structured with investment periods of three-to-seven years. Subsequent to the expiration of the investment period, a fund is usually prohibited from calling capital for new investments. The aggregate amount of unfunded commitments associated with private limited partnerships as of June 30, 2013 was $193,749,000. Of this amount, approximately 11.1% of commitments were for funds whose investment period had expired. The timing and amount of future capital calls expected to be exercised in any particular future year is uncertain.

Endowment Funds

The College maintains 1,485 individual donor-restricted endowment funds and 123 Board-designated endowment funds.

Endowment net assets classified as unrestricted include funds designated by the Board as endowment (also referred to as quasi-endowment), including any accumulated return thereon. For donor-restricted endowment funds, the College follows the provisions of the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College reports as permanently restricted net assets an amount equal to the value of each permanent donor-restricted endowment fund at the time it became an endowment fund, and subsequent contributions and accumulations pursuant to the applicable gift instrument. Unless otherwise explicitly stipulated by the donor, return on investments in donor-restricted endowment funds is reported as temporarily restricted net assets until appropriated for expenditure by the College. Temporarily restricted endowment net assets also include donor-restricted, spendable gifts designated by the Board as endowment. The College considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the individual endowment fund's purpose, duration and preservation, the possible effect of inflation (or deflation), and expected total return.

Endowment net asset composition by type of fund as of June 30, 2013 and 2012 is as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2013:					
Donor-restricted endowment funds	$	—	550,228	409,566	959,794
Board-designated endowment funds		46,126	32,720	—	78,846
Total endowment funds	$	46,126	582,948	409,566	1,038,640

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2012:					
Donor-restricted endowment funds	$	(293)	452,296	379,900	831,903
Board-designated endowment funds		40,335	30,126	—	70,461
Total endowment funds	$	40,042	482,422	379,900	902,364

The College's net endowment return for the years ended June 30, 2013 and 2012 was 16.0% and 2.6%, respectively.

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2013					
Endowment net assets, beginning of year	$	40,042	482,422	379,900	902,364
Investment return:					
Investment income, net of investment expenses		175	3,664	5	3,844
Net realized and unrealized appreciation		6,487	131,553	18	138,058
Total investment return		6,662	135,217	23	141,902
Appropriation of endowment assets for expenditure		(1,718)	(36,373)	—	(38,091)
New gifts and other additions		1,140	1,682	29,643	32,465
Endowment net assets, end of year	$	46,126	582,948	409,566	1,038,640

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2012					
Endowment net assets, beginning of year	$	38,774	497,916	367,525	904,215
Investment return:					
Investment income, net of investment expenses		177	3,959	2	4,138
Net realized and unrealized appreciation		694	15,861	7	16,562
Total investment return		871	19,820	9	20,700
Appropriation of endowment assets for expenditure		(1,637)	(36,247)	—	(37,884)
New gifts and other additions		2,034	933	12,366	15,333
Endowment net assets, end of year	$	40,042	482,422	379,900	902,364

Return Objectives and Risk Parameters

The College's endowment is invested with the intent of balancing the often conflicting goals of generating a steady, stable stream of support for the current operations of the College while preserving the purchasing power of the endowment to support programs and initiatives for future generations of Bowdoin students. Using the basic tenets of modern portfolio theory, the endowment is diversified across multiple asset classes with differing correlations and risk and return characteristics. The endowment is managed with a total return goal of attaining an average annualized real return in excess of 5% in order to support spending and maintain or grow the endowment's purchasing power.

Strategies Employed for Achieving Investment Objectives

In order to achieve the long-term target return, the endowment is invested in asset classes and strategies with long-term return potential. Active management is pursued in areas where the College has a competitive advantage and access to top-quality investment management teams. In recognition of the potential for equities to generate strong returns, the portfolio is substantially invested in equity-oriented strategies. In order to mitigate risk, the College combines diversification across noncorrelated asset classes with a prudent spending policy.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The College employs a total return approach to endowment management. Interest and dividends are used to fund spending first, with net realized and unrealized appreciation providing incremental funds as needed. The College uses a twelve-quarter moving average to determine spending from endowment, with the yearly spending distribution determined on June 30 in the year preceding the fiscal year of spending. The smoothing function imposed by the twelve-quarter average effectively reduces the volatility of the spending distribution, allowing for a sustainable flow of funds to support the College. The College may spend in a range between 4% and 5.5%. The official spending rate, approved annually by the Board of Trustees, for each of the years ended June 30, 2013 and 2012 was 5%. The annual distribution amounted to $38,091,000 in 2013 and $37,884,000 in 2012. The fiscal year 2013 spending distribution of $38,091,000 was 4.22% of the endowment market value as of June 30, 2012. Annual distributions are expended in accordance with the terms or restrictions of the individual funds. The spending policy is reviewed annually by the Investment Committee in conjunction with the Financial Planning Committee in recognition of the interdependent relationship of investment policy and the financial needs of the College.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of permanently restricted contributions. Deficiencies of this nature are reported in unrestricted net assets and were $293,000 at June 30, 2012. There were no deficiencies at June 30, 2013.

(4) Contributions Receivable

Unconditional promises to give consist of the following at June 30, 2013 and 2012 (in thousands):

		Temporarily restricted	Permanently restricted	Total
2013:				
Unconditional promises to give	$	3,196	3,483	6,679
Contributions receivable held in outside trusts		9,385	4,075	13,460
Total unconditional promises to give		12,581	7,558	20,139
Less allowance for uncollectibles		(250)	(450)	(700)
Less unamortized discount (rates ranging from 1.6% to 5.0%)		(5,034)	(1,964)	(6,998)
Contributions receivable, net	$	7,297	5,144	12,441
Amounts due in:				
Less than one year	$	1,529	1,730	3,259
One to five years		1,667	1,754	3,421
More than five years		9,385	4,074	13,459
Gross amount due		12,581	7,558	20,139
Less allowance for uncollectibles and unamortized discount (rates ranging from 1.6% to 5.0%)		(5,284)	(2,414)	(7,698)
Contributions receivable, net	$	7,297	5,144	12,441

		Temporarily restricted	Permanently restricted	Total
2012:				
Unconditional promises to give	$	2,589	4,592	7,181
Contributions receivable held in outside trusts		8,692	3,884	12,576
Total unconditional promises to give		11,281	8,476	19,757
Less allowance for uncollectibles		(300)	(600)	(900)
Less unamortized discount (rates ranging from 1.6% to 5.4%)		(4,807)	(2,143)	(6,950)
Contributions receivable, net	$	6,174	5,733	11,907
Amounts due in:				
Less than one year	$	582	2,279	2,861
One to five years		2,007	2,313	4,320
More than five years		8,692	3,884	12,576
Gross amount due		11,281	8,476	19,757
Less allowance for uncollectibles and unamortized discount (rates ranging from 1.6% to 5.4%)		(5,107)	(2,743)	(7,850)
Contributions receivable, net	$	6,174	5,733	11,907

(5) Property and Equipment

A summary of property and equipment at June 30, 2013 and 2012 is as follows (in thousands):

		2013	2012
Land	$	4,646	4,253
Land improvements		5,598	5,051
Buildings		326,332	321,669
Furniture and fixtures		5,947	5,947
Instructional and computer equipment		7,540	7,223
Machinery and vehicles		2,606	2,508
Operational equipment		18,840	19,719
Construction in progress		14,386	4,589
		385,895	370,959
Accumulated depreciation		(134,149)	(126,337)
Land, buildings and equipment, net	$	251,746	244,622

The construction in progress balance at June 30, 2013 relates principally to an upgrade to the College's core network infrastructure and the renovation of a former public school building into a new academic building for the visual arts and dance programs.

(6) Retirement Plans

Defined Contribution Plan

Retirement benefits are provided under defined contribution plans. The College's expense under these plans is based on the qualifying salaries of the participants and was $6,098,000 and $6,038,000 in 2013 and 2012, respectively.

Postretirement Benefit Obligation

The College administers health care and life insurance plans for retired employees and their spouses.

A reconciliation of the Accumulated Postretirement Benefit Obligation (APBO) for the years ended June 30, 2013 and 2012 is as follows (in thousands):

		2013	2012
Change in benefit obligation:			
APBO, beginning of year	$	14,281	11,760
Service costs		671	467
Interest costs		479	603
Plan participant contributions		256	225
Medicare Part D subsidy received		13	16
Actuarial (gain) loss		(1,057)	1,923
Benefits paid		(804)	(713)
APBO and funded status, end of year	$	13,839	14,281
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		548	488
Plan participant contributions		256	225
Benefits paid		(804)	(713)
Fair value of plan assets at end of year	$	—	—

The discount rate used to value the APBO was 4.12% in 2013 and 3.58% in 2012 based on prevailing interest rates. As of June 30, 2013 and 2012, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $6,265,000 and $5,631,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 3.58% in 2013 and 5.01% in 2012. The net periodic postretirement benefit cost for fiscal years 2013 and 2012 (in thousands):

		2013	2012
Postretirement benefits earned during the year	$	671	467
Interest cost on accumulated postretirement benefit obligation		479	603
Amortization of prior service cost and actuarial loss		152	117
Total periodic postretirement benefit cost	$	1,302	1,187

The prior service cost that will be recognized as net periodic benefit cost in 2014 is $115,000.

The weighted average health care cost trend rate used in measuring the APBO and benefit cost is 9% in 2013, gradually declining to 5% in 2021. The effect of a 1% increase in the healthcare cost trend rate is an increase of $982,000 in the APBO and an increase of $108,000 in the service and interest cost components of the net periodic postretirement benefit. The effect of a 1% decrease in the healthcare cost trend rate is a decrease of $880,000 in the APBO and a decrease of $95,000 in the service and interest cost components of the net periodic postretirement benefit.

Estimated future benefit payments net of employee contributions and the Medicare subsidy are as follows (in thousands):

		Expected Medicare part D subsidy	Estimated benefit payments
Year ending June 30:			
2014	$	14	740
2015		13	797
2016		12	894
2017		11	954
2018		10	976
2019 – 2023		35	5,767

The College expects to make employer contributions of $740,000 for the year ending June 30, 2014.

Funded Status of the Postretirement Benefit Obligation

GAAP requires reporting of the funded status of benefit plans and requires recognition of benefit liabilities for under-funded plans and benefit assets for over-funded plans. The status of the Plan was a liability of $13,839,000 and $14,281,000 as of June 30, 2013 and 2012, respectively.

The amount not yet recognized as net periodic postretirement benefit cost and recognized in unrestricted net assets, and the changes therein, are as follows (in thousands):

		Net actuarial (gain) loss	Net prior service cost (credit)	Total
Unamortized amount as of June 30, 2011	$	1,066	734	1,800
New activity		1,923	—	1,923
Amortization		(2)	(115)	(117)
Total amount recognized in nonoperating activity, other changes		1,921	(115)	1,806
Unamortized amount as of June 30, 2012		2,987	619	3,606
New activity		(1,057)		(1,057)
Amortization		(37)	(115)	(152)
Total amount recognized in nonoperating activity, other changes		(1,094)	(115)	(1,209)
Unamortized amount as of June 30, 2013	$	1,893	504	2,397

(7) Bonds and Notes Payable

Bonds Payable

The following is a summary of bonds outstanding at June 30, 2013 (in thousands):

Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA)		
Series 2008, variable rate (0.08% at June 30, 2013), due 2032-3037, par value $20,700	$	20,629
Series 2009A, 5.00% - 5.125%, due 2035 - 2039, par value $98,750		96,908
Series 2009B, taxable, 6.667%, due 2035 - 2039, par value $19,750		19,648
Total MHHEFA		137,185
Series 2012, taxable, 4.693%, due 2112, par value $128,500		128,500
Bonds payable, net	$	265,685

On July 3, 2012, the College issued $128,500,000 Series 2012 Taxable Bonds at a rate of 4.693%. The Series 2012 Bonds are subject to a bullet maturity in 2112 and an optional make-whole redemption. The College established a refunding escrow with a portion of the proceeds to pay debt service, including the redemption price of all or a portion of the $98,750,000 Series 2009A Revenue Bonds at their first optional call date of July 1, 2019. The balance held in the escrow was $96,896,000 at June 30, 2013. Certain securities held in the escrow do not meet the definition of permitted investments for the purpose of legally defeasing the Series 2009A Revenue Bonds. Therefore, both the escrow investment assets and the Series 2009A Revenue Bond debt are included in the 2013 statement of financial position. The remaining Series 2012 Taxable Bond proceeds are expected to be used to finance certain capital projects.

The Series 2008 Revenue Bonds are supported by a direct-pay letter of credit which expires in March 2014. If the Bonds are unable to be remarketed, the Trustee will request purchase under the letter of credit scheduled repayment terms. Based on the existing repayment and maturity terms of the underlying letter of credit, if the maximum amount were drawn down the scheduled payments would be $6,900,000 in each of the years ending June 30, 2014, 2015 and 2016.

The Revenue Bond Agreements associated with the College's outstanding debt contain covenants regarding permitted dispositions, permitted reorganizations and continuing disclosure requirements.

In accordance with the terms of the Revenue Bond and Series 2012 Taxable Bond Agreements, the College has established certain principal, interest, and construction funds. These funds were $6,322,000 and $3,228,000 at June 30, 2013 and 2012, respectively, and were invested in a government agency money market fund.

Total interest expense incurred for the year ended June 30, 2013 was $12,188,000, net of amounts capitalized of $150,000. Total interest expense incurred for the year ended June 30, 2012 was $6,307,000, net of amounts capitalized of $19,000.

The estimated fair value of the College's bonds at June 30, 2013 approximates $259,545,000. The fair value is estimated using equivalent bond yields at June 30, 2013 to discount the debt service cash flows for each of the College's outstanding bond issues and utilizes observable inputs that would result in the measurement being classified in Level 2 of the fair value hierarchy.

Interest Rate Swap Agreements

The College has an interest rate swap agreement with a financial institution counterparty. The purpose of the agreement is to substantially convert the variable rate on the Series 2008 Revenue Bonds to an annual fixed rate. On the first business day of each month, the counterparty pays the College a variable rate of interest equal to 67% of the 3-month London Interbank Offered Rate (LIBOR) and the College pays the counterparty an annual fixed rate of 3.84% on the notional amount. The swap agreement expires upon maturity of the Series 2008 Revenue Bonds and the notional principal amount will reduce on the dates and in amounts similar to the amortization of the Series 2008 Revenue Bonds. As of June 30, 2013, the total notional amount of the interest rate swap was $20,500,000.

The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2013, the College's collateral posting threshold was $25,000,000. The threshold increases or decreases $5,000,000 for each incremental ratings adjustment assigned by Moody's Investor Services, Inc. The College was not required to post any collateral in connection with the swap during the year ended June 30, 2013. The College has the right to terminate the interest rate swap agreement at any time at the prevailing market rate.

The College reported the fair value of its interest rate swap agreement in the statement of financial position as a liability in Accounts payable and accrued liabilities of $5,247,000 and $8,102,000 at June 30, 2013 and 2012, respectively. The College recognized a realized loss related to swap settlements of $739,000 and $730,000 for the years ended June 30, 2013 and 2012, respectively. The College recognized an unrealized gain of $2,855,000 and an unrealized loss of $4,176,000 for the years ended June 30, 2013 and 2012, respectively. The activity is included in Other changes in the statement of activities.

Notes Payable

The College has $30,000,000 available under an uncollateralized, revolving line of credit with a financial institution expiring in June 2014, with interest payable monthly on outstanding advances at variable rates based upon LIBOR and/or a federal funds rate, as selected by the College on the date of the advance. The balance outstanding on the line of credit was $13,530,000 and $16,841,000 at June 30, 2013 and 2012, respectively.

The College is obligated under capital leases for the purchase of an electronic student information and admission system and fitness equipment. The lease terms range from 36 to 60 months. Interest is computed using incremental borrowing rates that range from 2.24% to 2.56%. The principal outstanding on these was $1,122,000 at June 30, 2013 and $1,330,000 at June 30, 2012.

Debt Maturities

The following is a schedule of principal maturities of bonds and notes payable for the next five years and thereafter as of June 30, 2013 (in thousands):

2014	$	13,857
2015		335
2016		309
2017		151
2018		—
Thereafter		267,700
	$	282,352

(8) Contingencies

The College is subject to certain legal proceedings and claims that arise in the ordinary course of conducting its activities. In the opinion of management, the College has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the College.

(9) Related Party Transactions

Certain of the College's investments are managed by entities in which the management or ownership of the entities includes members of the College's Board of Trustees or its Committees. The total amount of investments managed by such entities amounted to $111,877,000 and $79,417,000 at June 30, 2013 and 2012, respectively. In all cases, the College pays fees for these investments that are at or below market.

(10) Supplemental Disclosure of Cash Flow Information

Supplemental disclosure of cash flow information is as follows (in thousands):

		2013	2012
Cash paid for interest	$	9,394	6,449
Noncash activities:			
Increase in accounts payable from construction of buildings and purchase of equipment		2,828	662
Decrease in net fixed asset recognized related to asset retirement obligation		(11)	(8)

(11) Subsequent Events

The College considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 11, 2013, and subsequent events have been evaluated through that date.