BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2014

(with summarized comparative information for June 30, 2013)

(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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 17, 2014

BOWDOIN COLLEGE
Statement of Financial Position
June 30, 2014
(with comparative information as of June 30, 2013)
(In thousands)

Assets		2014	2013
Cash and cash equivalents	$	2,494	3,455
Student and other receivables		1,705	2,751
Other assets		7,665	7,731
Contributions receivable		17,342	12,441
Student loans receivable		4,436	4,997
Investments		1,427,802	1,258,145
Beneficial interest in trusts		11,389	11,881
Funds held by bond trustee		6,244	6,322
Property and equipment, net		256,805	251,746
Total assets	$	1,735,882	1,559,469
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	26,998	29,113
Split-interest obligations		14,900	13,679
Liability for postretirement benefits		14,428	13,839
U.S. government loan advances		4,208	4,208
Bonds and notes payable		272,846	280,337
Total liabilities		333,380	341,176
Unrestricted		176,618	172,230
Temporarily restricted		756,474	605,872
Permanently restricted		469,410	440,191
Total net assets		1,402,502	1,218,293
Total liabilities and net assets	$	1,735,882	1,559,469

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Activities
Year ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)
(In thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	2014 Total	2013 Total
Operating activity:						
Revenue:						
Tuition and fees	$	81,781			81,781	79,327
Room and board		20,925			20,925	20,329
Gross tuition and fees		102,706	—	—	102,706	99,656
Less scholarships		(31,462)			(31,462)	(29,517)
Net student charges		71,244	—	—	71,244	70,139
Auxiliary enterprises		4,749			4,749	4,814
Contributions		10,933			10,933	11,910
Endowment return appropriated		7,457			7,457	7,108
Designated net assets appropriated		2,650			2,650	—
Other investment income		4,678			4,678	5,412
Government grants and contracts		1,736			1,736	2,340
Other income		1,822			1,822	1,910
Net assets released from restrictions		38,726			38,726	36,429
Total operating revenue		143,995	—	—	143,995	140,062
Expenses:						
Instruction		49,075			49,075	47,516
Research		2,738			2,738	3,667
Academic support		17,910			17,910	16,569
Student services		25,752			25,752	24,015
Institutional support		21,952			21,952	19,802
Auxiliary enterprises		29,215			29,215	28,482
Total operating expenses		146,642	—	—	146,642	140,051
(Decrease) increase in net assets from operating activity		(2,647)	—	—	(2,647)	11
Nonoperating activity:						
Contributions		—	12,374	17,859	30,233	28,291
Investment return (net of endowment return appropriated)		12,031	146,925	2,046	161,002	108,971
Endowment return appropriated		—	34,101	—	34,101	30,983
Government grants and contracts		—	1,628	—	1,628	2,026
Other income		—	341	27	368	770
(Loss) gain on disposal of property and equipment		(609)	—	—	(609)	319
Other changes		(569)	567	1,511	1,509	4,766
Designated net assets appropriated		(2,650)	—	—	(2,650)	—
Net assets released from restrictions		1,995	(40,721)	—	(38,726)	(36,429)
Transfers between restrictions		(3,163)	(4,613)	7,776	—	—
Increase in net assets from nonoperating activity		7,035	150,602	29,219	186,856	139,697
Total change in net assets		4,388	150,602	29,219	184,209	139,708
Net assets, beginning of year		172,230	605,872	440,191	1,218,293	1,078,585
Net assets, end of year	$	176,618	756,474	469,410	1,402,502	1,218,293

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Statement of Cash Flows

Year ended June 30, 2014

(with comparative information for the year ended June 30, 2013)

(In thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	184,209	139,708
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		10,288	9,593
Loss (gain) on disposal of property and equipment		609	(319)
Net realized and unrealized gains on investments and trusts		(201,425)	(147,979)
Change in fair value of interest rate swap		1,002	(2,116)
Change in contributions receivable		(4,901)	(534)
Contributions for endowment and other long-term purposes		(20,008)	(21,730)
Change in other assets, net		2,991	3,707
Change in other liabilities, net		1,288	2,787
Net cash used in operating activities		(25,947)	(16,883)
Cash flows from investing activities:			
Purchases of investments		(302,632)	(527,875)
Sales of investments		332,988	416,286
Cash paid for property and equipment		(17,695)	(13,264)
Change in funds held by trustee for plant purposes		78	(3,094)
Change in student loans receivable, net		561	652
Net cash provided by (used in) by investing activities		13,300	(127,295)
Cash flows from financing activities:			
Borrowings on bonds payable		—	128,500
Borrowings on notes payable		6,549	13,664
Repayments on notes payable		(14,118)	(17,183)
Bond issuance costs		—	(1,538)
Cash paid for settlements under interest rate swap		(753)	(739)
Contributions for endowment and other long-term purposes		20,008	21,730
Net cash provided by financing activities		11,686	144,434
Net (decrease) increase in cash and cash equivalents		(961)	256
Cash and cash equivalents, beginning of year		3,455	3,199
Cash and cash equivalents, end of year	$	2,494	3,455

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 2014, Bowdoin enrolled 1,803 full-time equivalent (FTE) students, not including 130 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, 2013, 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 (determined by the College as 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, 2014 and 2013 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 and Board-designated net assets 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. Pledges that are receivable 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 $6,756,000 and $6,379,000 for the years ended June 30, 2014 and 2013, 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 2013 balances have been reclassified to conform with the 2014 presentation.

During 2014, 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	
		2014	2013	2014	2013
Instruction	$	56,147	45,958	32,363	33,467
Lectureships		7,611	5,667	3,140	2,073
Library and museums		47,967	40,919	13,586	13,398
Operations		171,256	142,103	47,305	44,871
Other purposes		54,993	44,402	62,135	54,208
Professorships		88,414	70,681	51,506	49,292
Student aid		301,029	233,707	236,375	219,882
Technology		29,057	22,435	23,000	23,000
	$	756,474	605,872	469,410	440,191

(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, 2014, 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, 2014 and 2013, as well as related strategy and liquidity (in thousands):

		Level 1	Level 2	Level 3	Total fair value
2014:					
Investments:					
Cash and cash equivalents	$	58,077	—	—	58,077
Fixed income		33,291	594	16,095	49,980
Equities:					
Domestic		26,905	100,214	152	127,271
Emerging Markets		1,076	78,506	3,394	82,976
Global		5,369	134,529	6,717	146,615
Absolute return:					
Global macro		—	120,391	7,699	128,090
Global long/short		—	100,671	39,361	140,032
Opportunistic & Other		—	156,746	38,764	195,510
Alternative Investments					
Private Equity		—	—	365,145	365,145
Real Assets		—	—	134,106	134,106
Total investments	$	124,718	691,651	611,433	1,427,802

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

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, 2014 and 2013 for investments classified in Level 3 (in thousands):

		Fair value June 30, 2013	Realized and unrealized gains (losses)	Gross purchases	Gross sales and settlements	Transfers in (out) of Level 3	Fair value June 30, 2014
Investments:							
Equities							
Domestic	$	215	4	—	(65)	(2)	152
Emerging Markets		941	(124)	2,500	—	77	3,394
Global		384	1,340	5,000	—	(7)	6,717
Fixed Income		15,813	1,792	—	(1,143)	(367)	16,095
Absolute return							
Global Macro		6,830	869	—	—	—	7,699
Global Long/Short		28,256	6,378	6,773	(794)	(1,252)	39,361
Opportunistic & Other		49,255	4,945	4,804	(8,076)	(12,164)	38,764
Alternative Investments							
Private Equity		281,705	96,087	50,697	(63,344)	—	365,145
Real Assets		113,887	13,749	22,997	(16,527)	—	134,106
Total	$	497,286	125,040	92,771	(89,949)	(13,715)	611,433

	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

Liquidity

Investment liquidity as of June 30, 2014 is aggregated below based on redemption or sale period (in thousands):

	Daily	Monthly	Quarterly	Semi-annually	Annual/ longer	Illiquid	Total
Cash and cash equivalents	$ 57,465	—	—	—	—	612	58,077
Fixed Income	21,418	—	—	—	—	28,562	49,980
Equities	45,875	71,028	176,132	—	44,962	18,865	356,862
Absolute return	—	45,236	303,163	28,329	74,156	12,748	463,632
Private equity	—	—	—	—	—	365,145	365,145
Real assets	—	—	—	—	—	134,106	134,106
	$ 124,758	116,264	479,295	28,329	119,118	560,038	1,427,802

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

	2014	2013
Investment return:		
Interest and dividends, net	$ 8,110	5,904
Net realized and unrealized gains	199,128	146,570
Investment return	$ 207,238	152,474

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

		2014	2013
Investment return:			
Endowment return appropriated (operating)	$	7,457	7,108
Other investment income (operating)		4,678	5,412
Endowment return appropriated (nonoperating)		34,101	30,983
Investment return (nonoperating)		161,002	108,971
Investment return	$	207,238	152,474

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, 2014 was $222,644,000. Of this amount, 12.9% 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 1,510 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, 2014 and 2013 is as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2014:					
Donor-restricted endowment funds	$	—	691,503	433,154	1,124,657
Board-designated endowment funds		52,978	38,395	—	91,373
Total endowment funds	$	52,978	729,898	433,154	1,216,030

		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

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2014					
Endowment net assets, beginning of year	$	46,126	582,948	409,566	1,038,640
Investment return:					
Investment income, net of investment expenses		259	5,584	9	5,852
Net realized and unrealized appreciation		8,304	180,650	—	188,954
Total investment return		8,563	186,234	9	194,806
Appropriation of endowment assets for expenditure		(1,837)	(39,721)	—	(41,558)
New gifts and other additions		126	437	23,579	24,142
Endowment net assets, end of year	$	52,978	729,898	433,154	1,216,030

		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

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.

The total return of the College's endowment (consisting of investment gains and losses and dividends and interest, net of expenses) was 19.2% and 16.0% for the fiscal years ending June 30, 2014 and 2013, respectively.

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, 2014 and 2013 was 5%. The annual distribution amounted to $41,303,000 in 2014 and $38,091,000 in 2013. In 2014, a supplemental draw of $255,000 was distributed from the accumulated gains of a donor-restricted endowment fund for plant purposes. The total fiscal year 2014 distribution of $41,558,000 was 4.00% of the endowment market value as of June 30, 2013. 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. There were no deficiencies at June 30, 2014 and 2013.

(4) Contributions Receivable

Unconditional promises to give consist of the following at June 30, 2014 and 2013 (in thousands):

		Temporarily restricted	Permanently restricted	Total
2014:				
Unconditional promises to give	$	4,014	7,007	11,021
Contributions receivable held in outside trusts		10,156	5,120	15,276
Total unconditional promises to give		14,170	12,127	26,297
Less allowance for uncollectibles		(250)	(450)	(700)
Less unamortized discount (rates ranging from 1.6% to 5.0%)		(5,299)	(2,956)	(8,255)
Contributions receivable, net	$	8,621	8,721	17,342
Amounts due in:				
Less than one year	$	1,695	2,276	3,971
One to five years		2,319	4,731	7,050
More than five years		10,156	5,120	15,276
Gross amount due		14,170	12,127	26,297
Less allowance for uncollectibles and unamortized discount (rates ranging from 1.6% to 5.0%)		(5,549)	(3,406)	(8,955)
Contributions receivable, net	$	8,621	8,721	17,342

		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

(5) Property and Equipment

A summary of property and equipment at June 30, 2014 and 2013 is as follows (in thousands):

		2014	2013
Land	$	4,937	4,646
Land improvements		7,025	5,598
Buildings		333,649	326,332
Furniture and fixtures		5,382	5,947
Instructional and computer equipment		7,782	7,540
Machinery and vehicles		2,623	2,606
Operational equipment		24,866	18,840
Construction in progress		3,986	14,386
		390,250	385,895
Accumulated depreciation		(133,445)	(134,149)
Land, buildings and equipment, net	$	256,805	251,746

The construction in progress balance at June 30, 2014 relates principally to student housing renovations and improvements and a new administrative building.

(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 $6,555,000 and $6,098,000 in 2014 and 2013, 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, 2014 and 2013 is as follows (in thousands):

		2014	2013
Change in benefit obligation:			
APBO, beginning of year	$	13,839	14,281
Service costs		714	671
Interest costs		585	479
Plan participant contributions		268	256
Medicare Part D subsidy received		—	13
Actuarial (gain) loss		(275)	(1,057)
Benefits paid		(703)	(804)
APBO and funded status, end of year	$	14,428	13,839
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		435	548
Plan participant contributions		268	256
Benefits paid		(703)	(804)
Fair value of plan assets at end of year	$	—	—

The discount rate used to value the APBO was 3.70% in 2014 and 4.12% in 2013 based on prevailing interest rates. As of June 30, 2014 and 2013, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $7,175,000 and $6,265,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 4.12% in 2014 and 3.58% in 2013. The net periodic postretirement benefit cost for fiscal years 2014 and 2013 (in thousands):

		2014	2013
Postretirement benefits earned during the year	$	714	671
Interest cost on accumulated postretirement benefit obligation		585	479
Amortization of prior service cost and actuarial loss		158	152
Total periodic postretirement benefit cost	$	1,457	1,302

The prior service cost that will be recognized as net periodic benefit cost in 2015 is $115,000.

The weighted average health care cost trend rate used in measuring the APBO and benefit cost is 9% in 2014, gradually declining to 5% in 2021. The effect of a 1% increase in the healthcare cost trend rate is an increase of $1,034,000 in the APBO and an increase of $126,000 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 $925,000 in the APBO and a decrease of $110,000 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:			
2015	$	13	797
2016		12	894
2017		11	954
2018		10	976
2019		9	1,067
2020 – 2024		30	6,046

The College expects to make employer contributions of $797,000 for the year ending June 30, 2015.

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 $14,428,000 and $13,839,000 as of June 30, 2014 and 2013, 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, 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
New activity		(275)	—	(275)
Amortization		(43)	(115)	(158)
Total amount recognized in nonoperating activity, other changes		(318)	(115)	(433)
Unamortized amount as of June 30, 2014	$	1,575	389	1,964

(7) Bonds and Notes Payable

Bonds Payable

The following is a summary of bonds outstanding at June 30, 2014 (in thousands):

Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA)		
Series 2008, variable rate (0.08% at June 30, 2014), due 2032-3037, par value $20,700	$	20,631
Series 2009A, 5.00% - 5.125%, due 2035 - 2039, par value $98,750		96,980
Series 2009B, taxable, 6.667%, due 2035 - 2039, par value $19,750		19,652
Total MHHEFA		137,263
Series 2012, taxable, 4.693%, due 2112, par value $128,500		128,500
Bonds payable, net	$	265,763

In July 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 $97,685,000 at June 30, 2014. 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 statement of financial position.

The Series 2008 Revenue Bonds are supported by a direct-pay letter of credit which expires in March 2017. 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 principal payments would be $6,900,000 in each of the years ending June 30, 2015, 2016 and 2017.

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 $6,244,000 and $6,322,000 at June 30, 2014 and 2013, respectively, and were invested in a government agency money market fund.

Total interest expense incurred for the year ended June 30, 2014 was $11,783,000, net of amounts capitalized of $581,000. Total interest expense incurred for the year ended June 30, 2013 was $12,188,000, net of amounts capitalized of $150,000.

The estimated fair value of the College's bonds at June 30, 2014 approximates $270,885,000. The fair value is estimated using equivalent bond yields at June 30, 2014 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, 2014, 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, 2014, 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 years ended June 30, 2014 and 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 $5,496,000 and $5,247,000 at June 30, 2014 and 2013, respectively. The College recognized a realized loss related to swap settlements of $753,000 and $739,000 for the years ended June 30, 2014 and 2013, respectively. The College recognized an unrealized loss of $248,000 and $2,855,000 for the years ended June 30, 2014 and 2013, respectively. The activity is included in Other changes in the statement of activities.

Notes Payable

The College has $50,000,000 available under an uncollateralized, revolving line of credit with a financial institution expiring in March 2016, 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 $5,750,000 and $13,530,000 at June 30, 2014 and 2013, respectively.

The College is obligated under three capital leases for the purchase of an electronic student information and admissions system, fitness equipment, and network infrastructure licensing and maintenance. The lease terms range from 36 to 60 months. Interest is computed using incremental borrowing rates that range from 2.01% to 2.56%. The principal outstanding on these was $1,333,000 and $1,122,000 at June 30, 2014 and 2013, respectively.

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, 2014 (in thousands):

2015	$	6,351
2016		580
2017		152
2018		—
2019		—
Thereafter		267,700
	$	274,783

(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 $137,993,000 and $111,877,000 at June 30, 2014 and 2013, 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):

		2014	2013
Cash paid for interest	$	12,413	9,394
Noncash activities:			
(Decrease) increase in accounts payable from construction of buildings and purchase of equipment		(1,843)	2,828
Increase (decrease) in net fixed asset recognized related to asset retirement obligation		12	(11)

(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 17, 2014, and subsequent events have been evaluated through that date.