BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2015

(with summarized comparative information for June 30, 2014)

(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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 16, 2015

BOWDOIN COLLEGE
Statement of Financial Position
June 30, 2015
(with comparative information as of June 30, 2014)
(In thousands)

Assets		**2015**	**2014**
Cash and cash equivalents	$	2,502	2,494
Student and other receivables		1,480	1,705
Other assets		6,192	5,756
Contributions receivable		26,264	17,342
Student loans receivable		4,190	4,436
Investments		1,585,606	1,427,802
Beneficial interest in trusts		8,104	11,389
Funds held by bond trustee		6,244	6,244
Property and equipment, net		257,234	256,805
Total assets	$	1,897,816	1,733,973
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	21,017	20,091
Split-interest obligations		16,859	14,900
Liability for postretirement benefits		16,253	14,428
Bonds and notes payable		268,196	270,937
Other long-term obligations		11,768	11,115
Total liabilities		334,093	331,471
Unrestricted		221,122	176,618
Temporarily restricted		836,538	756,474
Permanently restricted		506,063	469,410
Total net assets		1,563,723	1,402,502
Total liabilities and net assets	$	1,897,816	1,733,973

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Activities
Year ended June 30, 2015
(with summarized comparative information for the year ended June 30, 2014)
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Operating activity:					
Revenue:					
Tuition and fees	$ 83,614	—	—	83,614	81,781
Room and board	21,361	—	—	21,361	20,925
Gross tuition and fees	104,975	—	—	104,975	102,706
Less scholarships	(31,710)	—		(31,710)	(31,462)
Net student charges	73,265	—	—	73,265	71,244
Auxiliary enterprises	4,567	—	—	4,567	4,749
Contributions	14,884	—	—	14,884	10,933
Endowment return appropriated	9,369	—	—	9,369	7,457
Designated net assets appropriated	3,214	—	—	3,214	2,650
Other investment income	4,675	—	—	4,675	4,678
Government grants and contracts	2,689	—	—	2,689	1,736
Other income	1,963	—	—	1,963	1,822
Net assets released from restrictions	39,338	—	—	39,338	38,726
Total operating revenue	153,964	—	—	153,964	143,995
Expenses:					
Instruction	53,056	—	—	53,056	49,946
Research	2,758	—	—	2,758	2,776
Academic support	15,970	—	—	15,970	14,627
Student services	27,359	—	—	27,359	26,594
Institutional support	23,661	—	—	23,661	21,760
Auxiliary enterprises	31,479	—	—	31,479	30,939
Total operating expenses	154,283	—	—	154,283	146,642
Decrease in net assets from operating activity	(319)	—	—	(319)	(2,647)
Nonoperating activity:					
Contributions	—	8,711	33,744	42,455	30,233
Investment return, net of endowment return appropriated	14,042	118,096	242	132,380	161,002
Endowment return appropriated	—	35,822	—	35,822	34,101
Government grants and contracts	—	780	—	780	1,628
Other income	—	285	30	315	368
Loss on disposal of property and equipment	(537)	—	—	(537)	(609)
Other changes	(2,151)	(1,846)	(3,126)	(7,123)	1,509
Designated net assets appropriated	(3,214)	—	—	(3,214)	(2,650)
Net assets released from restrictions	39,114	(78,645)	—	(39,531)	(38,726)
Transfers between restrictions	(2,431)	(3,139)	5,763	193	—
Increase in net assets from nonoperating activity	44,823	80,064	36,653	161,540	186,856
Total change in net assets	44,504	80,064	36,653	161,221	184,209
Net assets, beginning of year	176,618	756,474	469,410	1,402,502	1,218,293
Net assets, end of year	$ 221,122	836,538	506,063	1,563,723	1,402,502

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Cash Flows
Year ended June 30, 2015
(with comparative information for the year ended June 30, 2014)
(In thousands)

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	161,221	184,209
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		11,295	10,288
Loss on disposal of property and equipment		537	609
Net realized and unrealized gains on investments and trusts		(174,405)	(201,425)
Change in fair value of interest rate swap		689	249
Cash paid for settlements under interest rate swap		752	753
Change in contributions receivable		(8,922)	(4,901)
Contributions for endowment and other long-term purposes		(29,441)	(20,008)
Change in other assets, net		2,572	2,991
Change in other liabilities, net		5,348	1,288
Net cash used in operating activities		(30,354)	(25,947)
Cash flows from investing activities:			
Purchases of investments		(390,136)	(302,632)
Sales of investments		407,259	332,988
Cash paid for property and equipment		(12,845)	(17,695)
Change in funds held by trustee		—	78
Change in student loans receivable, net		246	561
Net cash provided by investing activities		4,524	13,300
Cash flows from financing activities:			
Borrowings on notes payable		3,500	6,549
Repayments on notes payable		(6,351)	(14,118)
Cash paid for settlements under interest rate swap		(752)	(753)
Contributions for endowment and other long-term purposes		29,441	20,008
Net cash provided by financing activities		25,838	11,686
Net increase (decrease) in cash and cash equivalents		8	(961)
Cash and cash equivalents, beginning of year		2,494	3,455
Cash and cash equivalents, end of year	$	2,502	2,494

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 year 2015, Bowdoin enrolled 1,785 full-time equivalent (FTE) students, not including 143 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, 2014, 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.
- Level 3 – unobservable inputs that are used when little or no market data is available.

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 net asset values (NAVs) reported by fund managers as a practical expedient. Such NAV-measured investments are not categorized in the fair value hierarchy.

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 split-interest obligations 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, 2015 and 2014 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. Unamortized issue costs are presented net of bonds payable.

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 operating 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 is allocated to program and supporting activities based on the relative square footage of buildings used to support the functional expense category. Depreciation expense is allocated to the program or supporting activity where the corresponding asset is utilized. 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 $6,571,000 and $6,756,000 for the years ended June 30, 2015 and 2014, 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 2014 balances have been reclassified to conform with the 2015 presentation.

Other Adjustments

During 2015, based on instruction from donors, the College reclassified certain unrestricted and temporarily restricted net assets to permanently restricted net assets. Also during 2015, in accordance with ASC 958-205, *Endowment of Not-for-Profit Organizations*, the College reclassified certain Board-designated endowment funds previously classified in temporarily restricted net assets to unrestricted net assets based on management's determination that the restrictions had been substantially met.

New Accounting Pronouncements

Effective in fiscal year 2015, the College retrospectively adopted the provisions of ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, Bonds and other debt obligations originally stated at $272,846,000 in the June 30, 2014 statement of financial position have been restated to $270,937,000 to reflect $1,909,000 of unamortized issuance costs previously included in Other assets. The adoption of ASU 2015-03 did not affect the College's net assets, statement of activities, or cash flows for the fiscal years ended June 30, 2015 and 2014.

Effective in fiscal year 2015, the College retrospectively adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*. Among other things, ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at net asset value (NAV) as a practical expedient to estimate fair value. The ASU also requires that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the statement of financial position. The adoption resulted only in changes to the College's investment disclosures. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $691,424,000 in Level 2 and $611,433,000 in Level 3.

(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	
		2015	**2014**	**2015**	**2014**
Instruction	$	64,955	56,147	35,473	32,363
Lectureships		8,776	7,611	3,184	3,140
Library and museums		41,557	47,967	19,574	13,586
Operations		181,342	171,256	47,840	47,305
Other purposes		59,051	54,993	65,112	62,135
Professorships		101,571	88,414	51,515	51,506
Student aid		345,884	301,029	260,365	236,375
Technology		33,402	29,057	23,000	23,000
	$	836,538	756,474	506,063	469,410

(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, 2015, 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 strategy and, as applicable, categorization in the fair value hierarchy as of June 30, 2015 and 2014 (in thousands):

	Investments measured at NAV	Investments categorized in the fair value hierarchy			Total fair value
		Level 1	Level 2	Level 3	
2015:					
Investments:					
Cash and cash equivalents	$ —	44,778	—	—	44,778
Fixed income	15,016	29,000	217	—	44,233
Equities:					
Domestic	111,294	29,027	—	—	140,321
Emerging Markets	83,171	1,096	—	—	84,267
Global	145,935	10,983	—	—	156,918
Absolute return:					
Global macro	148,686	—	—	—	148,686
Global long/short	181,801	—	—	—	181,801
Opportunistic & Other	239,261	—	—	—	239,261
Alternative Investments				—	
Private Equity	397,997	—	—	—	397,997
Real Assets	145,122	—	—	2,222	147,344
Total investments	$ 1,468,283	114,884	217	2,222	1,585,606

	Investments measured at NAV	Investments categorized in the fair value hierarchy			Total fair value
		Level 1	Level 2	Level 3	
2014:					
Investments:					
Cash and cash equivalents	$ —	58,077	—	—	58,077
Fixed income	16,461	33,291	227	—	49,979
Equities:					
Domestic	100,366	26,905	—	—	127,271
Emerging Markets	81,900	1,076	—	—	82,976
Global	141,246	5,369	—	—	146,615
Absolute return:					
Global macro	128,090	—	—	—	128,090
Global long/short	140,032	—	—	—	140,032
Opportunistic & Other	195,511	—	—	—	195,511
Alternative Investments				—	
Private Equity	365,145	—	—	—	365,145
Real Assets	134,106	—	—	—	134,106
Total investments	$ 1,302,857	124,718	227	—	1,427,802

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.

Liquidity

Investment liquidity as of June 30, 2015 and 2014 is aggregated in the tables below based on redemption or sale period (in thousands):

2015:		Daily	Monthly	Quarterly	Semi-annually	Annual/ longer	Illiquid	Total
Cash and cash equivalents	$	44,008	—	—	—	—	770	44,778
Fixed Income		18,121	—	—	—	—	26,112	44,233
Equities		54,012	68,010	185,668	—	56,133	17,685	381,508
Absolute return		—	63,618	382,111	27,767	83,933	12,318	569,747
Alternative assets		—	—	—	—	—	545,340	545,340
	$	116,141	131,628	567,779	27,767	140,066	602,225	1,585,606

2014:		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
Alternative assets		—	—	—	—	—	499,251	499,251
	$	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):

		2015	2014
Investment return:			
Interest and dividends, net	$	7,318	8,110
Net realized and unrealized gains		174,928	199,128
Investment return	$	182,246	207,238

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

		2015	2014
Investment return:			
Endowment return appropriated (operating)	$	9,369	7,457
Other investment income (operating)		4,675	4,678
Endowment return appropriated (nonoperating)		35,822	34,101
Investment return (nonoperating)		132,380	161,002
Investment return	$	182,246	207,238

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.

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, 2015 was $240,144,000. Of this amount, 14.2% 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 1,538 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. 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, 2015 and 2014 is as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
2015:				
Donor-restricted endowment funds	$ —	813,432	468,566	1,281,998
Board-designated endowment funds	109,768	994	—	110,762
Total endowment funds	$ 109,768	814,426	468,566	1,392,760

	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

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
2015					
Endowment net assets, beginning of year	$	52,978	729,898	433,154	1,216,030
Investment return:					
Investment income, net of investment expenses		380	4,740	24	5,144
Net realized and unrealized appreciation		12,443	155,150	—	167,593
Total investment return		12,823	159,890	24	172,737
Appropriation of endowment assets for expenditure		(3,344)	(41,847)	—	(45,191)
New gifts, other additions and transfers between restriction categories		47,311	(33,515)	35,388	49,184
Endowment net assets, end of year	$	109,768	814,426	468,566	1,392,760

		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, other additions and transfers between restriction categories		126	437	23,579	24,142
Endowment net assets, end of year	$	52,978	729,898	433,154	1,216,030

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 14.4% and 19.2% for the fiscal years ending June 30, 2015 and 2014, 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, 2015 and 2014 was 5%. The annual distribution amounted to $45,191,000 in 2015 and $41,303,000 in 2014. 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 2015 distribution of $45,191,000 was 3.72% of the endowment market value as of June 30, 2014. 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, 2015 and 2014.

(4) Contributions Receivable

Unconditional promises to give consist of the following at June 30, 2015 and 2014 (in thousands):

		Temporarily restricted	Permanently restricted	Total
2015:				
Unconditional promises to give	$	4,571	17,324	21,895
Contributions receivable held in outside trusts		9,583	4,965	14,548
Total unconditional promises to give		14,154	22,289	36,443
Less allowance for uncollectibles		(140)	(560)	(700)
Less unamortized discount (rates ranging from 1.6% to 5.8%)		(5,865)	(3,614)	(9,479)
Contributions receivable, net	$	8,149	18,115	26,264
Amounts due in:				
Less than one year	$	1,827	5,529	7,356
One to five years		2,744	11,795	14,539
More than five years		9,583	4,965	14,548
Gross amount due		14,154	22,289	36,443
Less allowance for uncollectibles and unamortized discount (rates ranging from 1.6% to 5.8%)		(6,005)	(4,174)	(10,179)
Contributions receivable, net	$	8,149	18,115	26,264

		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 6.1%)		(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 6.1%)		(5,549)	(3,406)	(8,955)
Contributions receivable, net	$	8,621	8,721	17,342

(5) Property and Equipment

A summary of property and equipment at June 30, 2015 and 2014 is as follows (in thousands):

		2015	2014
Land	$	5,083	4,937
Land improvements		7,718	7,025
Buildings		339,699	333,649
Furniture and fixtures		5,753	5,382
Instructional and computer equipment		8,247	7,782
Machinery and vehicles		2,640	2,623
Operational equipment		25,403	24,866
Construction in progress		2,775	3,986
		397,318	390,250
Accumulated depreciation		(140,084)	(133,445)
Land, buildings and equipment, net	$	257,234	256,805

The construction in progress balance at June 30, 2015 relates principally to student housing renovations and implementation of a new human resource capital management system.

(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 $6,859,000 and $6,555,000 in 2015 and 2014, 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, 2015 and 2014 is as follows (in thousands):

		2015	2014
Change in benefit obligation:			
APBO, beginning of year	$	14,428	13,839
Service costs		805	714
Interest costs		583	585
Plan participant contributions		261	268
Actuarial loss (gain)		957	(275)
Benefits paid		(781)	(703)
APBO and funded status, end of year	$	16,253	14,428
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		520	435
Plan participant contributions		261	268
Benefits paid		(781)	(703)
Fair value of plan assets at end of year	$	—	—

In 2015 the College began using the RP-2014 mortality tables issued by the Society of Actuaries in October 2014 to value the APBO. The discount rate used to value the APBO was 3.86% in 2015 and 3.70% in 2014 based on prevailing interest rates. As of June 30, 2015 and 2014, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $7,907,000 and $7,175,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 3.7% in 2015 and 4.12% in 2014. The net periodic postretirement benefit cost for fiscal years 2015 and 2014 (in thousands):

		2015	2014
Postretirement benefits earned during the year	$	805	714
Interest cost on accumulated postretirement benefit obligation		583	585
Amortization of prior service cost and actuarial loss		192	158
Total periodic postretirement benefit cost	$	1,580	1,457

The prior service cost that will be recognized as net periodic benefit cost in 2016 is $115,000.

The weighted average health care cost trend rate used in measuring the APBO and benefit cost is 8% in 2015, gradually declining to 5% in 2022. The effect of a 1% increase in the healthcare cost trend rate is an increase of $1,153,000 in the

APBO and an increase of $132,000 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 $1,031,000 in the APBO and a decrease of $115,000 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):

		Estimated benefit payments
Year ending June 30:		
2016	$	797
2017		880
2018		928
2019		1,034
2020		1,083
2021 – 2025		6,492

The College expects to make employer contributions of $797,000 for the year ending June 30, 2016.

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, 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
New activity		957	—	957
Amortization		(77)	(115)	(192)
Total amount recognized in nonoperating activity, other changes		880	(115)	765
Unamortized amount as of June 30, 2015	$	2,455	274	2,729

(7) Bonds and Other Debt Obligations

Bonds Payable

The following is a summary of bonds outstanding at June 30, 2015, net of unamortized discounts and issuance costs (in thousands):

Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA)		
Series 2008, variable rate (.09% at June 30, 2015), due 2032-2037, par value $20,700	$	20,505
Series 2009A, 5.00% - 5.125%, due 2035 - 2039, par value $98,750		96,838
Series 2009B, taxable, 6.667%, due 2035 - 2039, par value $19,750		19,613
Total MHHEFA		136,956
Series 2012, taxable, 4.693%, due 2112, par value $128,500		127,008
Bonds payable, net	$	263,964

The College administers a refunding escrow originating from a portion of the Series 2012 Taxable Bond proceeds for the purpose of paying 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 $96,419,000 at June 30, 2015. 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, 2016, 2017 and 2018.

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 at June 30, 2015 and 2014 and were invested in a government agency money market fund.

Total interest expense incurred for the year ended June 30, 2015 was $12,264,000, net of amounts capitalized of $82,000. Total interest expense incurred for the year ended June 30, 2014 was $11,783,000, net of amounts capitalized of $581,000.

The estimated fair value of the College's bonds at June 30, 2015 approximates $262,796,000. The fair value is estimated using equivalent bond yields at June 30, 2015 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, 2015, 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, 2015, 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, 2015 and 2014. 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 Other long-term obligations of $6,185,000 and $5,496,000 at June 30, 2015 and 2014, respectively. The College recognized a realized loss related to swap settlements of $752,000 and $753,000 for the years ended June 30, 2015 and 2014, respectively. The College recognized an unrealized loss of $689,000 and $249,000 for the years ended June 30, 2015 and 2014, respectively. The activity is included in Other changes in the statement of activities.

Other Debt Obligations

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 $3,500,000 and $5,750,000 at June 30, 2015 and 2014, 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 $732,000 and $1,333,000 at June 30, 2015 and 2014, 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, 2015 (in thousands):

2016	$	4,080
2017		152
2018		—
2019		—
2020		—
Thereafter		267,700
	$	271,932

(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 $149,840,000 and $137,993,000 at June 30, 2015 and 2014, 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):

		2015	2014
Cash paid for interest	$	12,383	12,413
Noncash activities:			
Decrease in accounts payable from construction of buildings and purchase of equipment		(674)	(1,843)
(Decrease) Increase in net fixed asset recognized related to asset retirement obligation		(24)	12

(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 16, 2015, and subsequent events have been evaluated through that date.