BENTLEY UNIVERSITY

Financial Statements

June 30, 2015

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
Bentley University:

We have audited the accompanying financial statements of Bentley University (the University), which comprise the balance sheet 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 Bentley University 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 Selected Comparative Information

We have previously audited the University's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 24, 2014. In our opinion, the selected 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 30, 2015

BENTLEY UNIVERSITY

Balance Sheet

June 30, 2015
(with comparative totals as of June 30, 2014)

(Dollars in thousands)

Assets		**2015**	**2014**
Cash and cash equivalents	$	38,662	29,399
Restricted cash		8,576	2,631
Pledge and accounts receivable, net		3,721	4,282
Other assets		3,567	5,259
Bond proceeds held for construction		—	10,180
Student loans, net		7,926	8,054
Investments		265,345	268,048
Property, plant, and equipment, net		242,728	236,290
Total assets	$	570,525	564,143
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	26,006	24,614
Student deposits and deferred income		6,452	5,364
Other liabilities		8,057	8,362
Interest rate swaps		24,195	22,836
Refundable U.S. government grants		6,559	6,559
Bonds and notes payable, net		141,367	144,597
Total liabilities		212,636	212,332
Net assets:			
Unrestricted – net investment in plant		101,361	101,015
Unrestricted – other		147,085	140,780
Total unrestricted		248,446	241,795
Temporarily restricted		63,637	65,177
Permanently restricted		45,806	44,839
Total net assets		357,889	351,811
Total liabilities and net assets	$	570,525	564,143

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Activities

June 30, 2015
(with comparative totals for the year ended June 30, 2014)

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Changes in unrestricted net assets:					
Operating activities:					
Revenues:					
Tuition and fees	$ 210,976	—	—	210,976	205,953
Residence hall and dining	45,639	—	—	45,639	44,025
Less scholarships and aid	(73,386)	—	—	(73,386)	(70,523)
Net student tuition and fees	183,229	—	—	183,229	179,455
Endowment return utilized in operations	9,742	—	—	9,742	9,350
Contributions and private grants	2,603	—	—	2,603	2,531
Government grants	1,247	—	—	1,247	1,498
Other sources	1,386	—	—	1,386	1,570
Other auxiliary enterprises	6,675	—	—	6,675	6,199
Net assets released from restrictions	1,310	—	—	1,310	1,804
Total operating revenues	206,192	—	—	206,192	202,407
Expenses:					
Salaries and wages	89,837	—	—	89,837	87,182
Employee benefits	23,854	—	—	23,854	23,542
Contracted services	13,188	—	—	13,188	12,764
Utilities and maintenance	10,024	—	—	10,024	10,110
All other supplies and services	31,233	—	—	31,233	30,510
Depreciation	18,980	—	—	18,980	18,501
Interest	6,397	—	—	6,397	7,222
Total expenses	193,513	—	—	193,513	189,831
Increase in net assets from operating activities	12,679	—	—	12,679	12,576
Nonoperating activities:					
Contributions and private grants	—	1,027	864	1,891	4,383
Investment return	3,046	2,230	84	5,360	43,057
Endowment return utilized in operations	(6,322)	(3,420)	—	(9,742)	(9,350)
Change in fair value of interest rate swaps	(1,359)	—	—	(1,359)	508
Net assets released from restrictions	—	(1,310)	—	(1,310)	(1,804)
Refinancing of long-term debt	—	—	—	—	(577)
Loss on disposal of property, plant and equipment	(2,201)	—	—	(2,201)	—
Other	808	(67)	19	760	(796)
Increase (decrease) in net assets from nonoperating activities	(6,028)	(1,540)	967	(6,601)	35,421
Change in net assets	6,651	(1,540)	967	6,078	47,997
Net assets at beginning of year	241,795	65,177	44,839	351,811	303,814
Net assets at end of year	$ 248,446	63,637	45,806	357,889	351,811

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Cash Flows

June 30, 2015
(with comparative totals for the year ended June 30, 2014)

(Dollars in thousands)

		2015	2014
Operating activities:			
Change in net assets	$	6,078	47,997
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		18,835	18,550
Net realized and unrealized gains on investments		(4,406)	(42,137)
Contributions restricted for long-term purposes		(735)	(926)
Change in fair value of interest rate swaps		1,359	(508)
Loss on disposal of property, plant & equipment		2,201	—
Refinancing of long-term debt		—	577
Changes in operating assets, net		2,378	(1,899)
Changes in operating liabilities, net		690	361
Net cash provided by operating activities		26,400	22,015
Investing activities:			
Proceeds from sales and maturities of investments		85,197	67,283
Purchases of investments		(78,088)	(66,133)
Additions of property, plant, and equipment		(26,131)	(13,737)
Net cash used in investing activities		(19,022)	(12,587)
Financing activities:			
Contributions restricted for long-term purposes		735	926
Repayments on bonds		(3,085)	(98,651)
Proceeds from long-term borrowings		—	108,300
Bond issuance costs		—	(818)
Change in bond proceeds held for construction		10,180	(10,180)
Net change in restricted cash		(5,945)	(369)
Net cash provided by (used in) financing activities		1,885	(792)
Change in cash and cash equivalents		9,263	8,636
Cash and cash equivalents at beginning of year		29,399	20,763
Cash and cash equivalents at of end of year	$	38,662	29,399
Supplemental disclosure:			
Cash paid for interest	$	6,415	7,424
Increase (decrease) in accounts payable from capital additions		1,490	(383)

See accompanying notes to financial statements.

(1) Description of the University

Bentley University (Bentley or the University) is a business university enrolling approximately 4,200 undergraduate students and 1,300 graduate students, including 30 PhD students. Bentley was founded in 1917 and is set on 163 acres in Waltham, Massachusetts, 10 miles west of Boston.

Academic programs at Bentley combine advanced business curriculum with rich, diverse arts and sciences programs. Bentley is dedicated to preparing a new kind of organizational leader – one with deep technical skills, broad global perspectives, and high ethical standards. The University offers 23 undergraduate majors and a comprehensive graduate program that includes PhD programs in Business and Accountancy, a professional and two cohort-based MBA programs, eight Masters of Science degrees and an integrated MS+MBA. Bentley also delivers custom executive education programs.

Bentley is accredited by the New England Association of Schools and Colleges (NEASC). Graduate and undergraduate business programs are accredited by the Association to Advance Collegiate Schools of Business (AACSB International), which also grants a separate accreditation to Bentley programs in accountancy. The University is also one of very few U.S. institutions to be accredited by EQUIS (European Quality Improvement System).

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions in the following three categories of net assets:

Unrestricted Net Assets – Represent those net assets that the University may use at its discretion. Within the Unrestricted Net Assets (UNA) category, net investment in plant (after accumulated depreciation and associated debt, net of bond proceeds held for construction) is reported separately from all other UNA to distinguish it as unexpendable.

Temporarily Restricted Net Assets – Result from contributions and other inflows of assets whose use by the University is limited by donor–imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations. Investment return on donor-restricted endowments is recognized within temporarily restricted net assets until appropriated for expenditure under the University's spending policy and a qualifying expenditure is incurred.

Permanently Restricted Net Assets – Result from contributions whose use by the University is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University. Such net assets consist primarily of the historical gift value of the University's donor-restricted endowment funds.

(b) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include treasuries and short-term instruments not held for future long-term investment with original maturities of three months or less.

(c) Restricted Cash

Restricted cash represents required deposits with a bond holder, in accordance with the bond covenants, and collateral cash for certain interest rate swaps, as described in notes 5 and 6.

(d) Tuition and Related Revenues

Tuition, fees, residence hall, and dining revenue are recorded at published rates. Financial aid and scholarships provided directly by the University for students is then netted against the student-derived revenue to arrive at net student tuition and fees.

(e) Contributions

Contributions, including unconditional promises from donors, are nonreciprocal, unconditional transfers of assets, or cancellations of liabilities, and are initially recognized at fair value. Contributions received without donor-imposed restrictions are recorded as unrestricted revenue. Contributions received with donor-imposed restrictions are reported as increases in temporary restricted or permanently restricted net assets based on donors' restrictions. Contributions of noncash assets are recorded at estimated fair value on the date of the contribution.

(f) Property, Plant, and Equipment

Land, buildings, plant renovations, and equipment are stated at cost at the date of acquisition or renovation or at estimated fair value at the date of donation in the case of gifts. Minor renovations and repairs are charged to operations as incurred. Depreciation of plant and equipment is computed on a straight-line basis over the useful lives of buildings (40 - 60 years), building and improvements (5–30 years), and equipment and furnishings (5–10 years). Interest incurred on tax-exempt debt used to finance building construction is added to the cost of the asset, net of any income earned on temporarily invested debt proceeds during construction.

(g) Student Loans

Student loans include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Student loans under the Program are subject to significant restrictions and generally have long-term maturities. Such funds are reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government and are reported as refundable advances. Accordingly, it is not practicable to determine the fair value of such amounts.

(h) Bond Premiums and Issuance Costs

Bond premiums and issuance costs are amortized through the final maturity date of the respective bond issues.

(i) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(j) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code, as amended. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University believes it has taken no significant uncertain tax positions as of June 30, 2015 or 2014.

(k) Statement of Activities

The statement of activities reports the changes in net assets from operating and nonoperating activities. Nonoperating activities reflect contributions for long-term investments and capital projects and the investment return in excess of the amount utilized in operations, as described in note 7. In addition, nonoperating activities include changes in the values of split-interest agreements and interest rate swaps, net assets released from restrictions for capital purposes, postretirement benefit obligation changes other than net periodic costs, and certain other nonrecurring transactions. All other activity is classified in operating activities.

All contributions are considered available for unrestricted use unless specifically restricted by donors. Amounts received that are restricted by the donor as to time or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted net assets are reduced and unrestricted net assets are correspondingly increased as net assets released from restrictions in the statement of activities.

Dividends, interest, and realized and unrealized gains (losses) on long-term investments are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift require these to be added to the principal
- Increases (decreases) in temporarily restricted net assets if the terms of the gift or relevant state law imposes restrictions on the use of the income and gains
- Increases (decreases) in unrestricted net assets in all other cases

(l) Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held by the University. For annuity contracts, the contributed assets are included as part of investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University and liabilities are recorded for the present value of the estimated future payments to the beneficiary(ies). These liabilities amounted to $2,405 and $2,745 at June 30, 2015 and 2014, respectively, and are reported within other liabilities on the balance sheet. The split-interest liabilities are adjusted during the term of the agreements consistent with changes in the value of the assets and actuarial assumptions.

(m) Derivative Instruments

The University utilized interest-rate swap agreements with counterparties to effectively convert its variable-rate debt to fixed rates. The swaps' fair values and changes therein are recognized in the University's financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The fair value of the swap instruments considers the estimated benefit or cost to the University to cancel the agreements as of the reporting dates, and is based on option pricing models that consider interest rates and other market factors, as well as the credit risks of the parties to the agreements. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair values at subsequent reporting dates.

(n) Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each Trustee and senior manager is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the audit committee. When such a relationship exists, the University requires that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University. For senior management, the University requires annual disclosure of significant financial interests in, or governance of employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the University.

(o) Fair Value Measurements

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 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 University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Investments measured using net asset value as a practical expedient to estimate fair value, as described in notes 2(q) and 3, are not classified in the fair value hierarchy.

The University discloses fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. The University's financial instruments not carried at fair value are generally carried at net realizable value, which approximates fair value. Such financial instruments consist of cash and cash equivalents, receivables from students, grantors and donors, and payables. The aggregate fair value of the University's fixed-rate bond was approximately $36,084 as of June 30, 2015. Fair value was estimated using available pricing data and equivalent bonds yields to discount expected debt service cash flows and was based predominantly on observable inputs. Accordingly, the measurement would be classified in Level 2 of the fair value hierarchy. The carrying value of the University's variable rate bonds approximated their fair value.

(p) Benefit Plans

Defined-Contribution Plan – Eligible faculty and staff of the University are participants in a defined-contribution 403(b) retirement plan. The University contributes, for the benefit of the participants, 10% of eligible earnings annually to the plan, up to the IRS maximum per employee. Total expense under this plan for the years ended June 30, 2015 and 2014 amounted to $6,608 and $6,480, respectively.

Postretirement Benefits – The University provides certain healthcare benefits for retired employees covered under the Bentley University Retiree Medical Benefits Plan (the Plan). This plan is closed to employees hired after December 31, 1999. Benefits are paid through an insurance company as claims are settled. The Plan is a noncontributory, defined-benefit plan. The liability as of June 30, 2015 and 2014 amounted to $5,652 and $5,617, respectively, and is reported as other liabilities on the balance sheet.

(q) Recently Issued Accounting Standards

Effective in fiscal 2015, the University retrospectively adopted the provisions of ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, bonds and notes payable originally stated at $145,455 in the June 30, 2014 balance sheet have been restated to $144,597 to reflect $858 of unamortized issuance costs previously included in other assets. The adoption of ASU 2015-03 did not affect the University's net assets, statement of activities, or cash flows for the fiscal years ended June 30, 2015 or 2014. Unamortized issuance costs are presented in note 5 to the financial statements.

Effective in fiscal 2015, the University 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)* (ASU 2015-07). Among other things, ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at net asset value (NAV) 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 balance sheet. The adoption resulted only in changes to the University's investment disclosures. In addition, the June 30, 2014 opening balance in the Level 3 roll forward has been restated to reflect the removal of NAV-measured investments aggregating $77,096.

(r) Prior Year Information and Reclassifications

Prior year information presented is not intended to constitute a full presentation in accordance with GAAP and has been derived from, and should be considered in conjunction with, the University's 2014 financial statements. Certain 2014 information has been reclassified to conform to the 2015 presentation.

(3) Investments

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation while providing adequate liquidity with reasonable risk. The University diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Investment Committee of the Board of Trustees, which oversees the University's investment program in accordance with established guidelines.

(a) Investment Strategies

In addition to traditional stocks and fixed income securities, the University may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments

for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITs) and commodities, including oil, gas, and gold. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

Investments are reported at estimated fair value. If an investment security is owned directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. 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, and may reflect discounts for the illiquid nature of certain investments held. As of June 30, 2015 and 2014, the University had no plans or intentions to sell investments at amounts different from NAV.

The following table summarizes the University's investments by strategy and level in the fair value hierarchy as of June 30:

	2015					
	Measured at NAV	Measured in Fair Value Hierarchy			Total	2014 Total
		Level 1	Level 2	Level 3		
Long-term investment strategies:						
Cash	$ —	3,307	—	—	3,307	3,541
U.S. Treasuries	—	18,531	—	—	18,531	15,563
Municipal bonds	—	—	3,187	—	3,187	3,026
Equities:						
Domestic	41,385	17,618	—	352	59,355	69,303
Global	51,233	29,255	—	—	80,488	68,867
U.S. real estate equity mutual funds	—	12,218	—	—	12,218	11,978
Hedged equity funds of funds	51,688	—	—	—	51,688	55,033
Private equity and venture capital funds	21,820	—	—	—	21,820	21,126
Commodities	9,795	2,463	—	—	12,258	16,945
Life insurance	—	—	—	2,493	2,493	2,666
Total investments	$ 175,921	83,392	3,187	2,845	265,345	268,048

The following table presents the University's activities for the year ended June 30, 2015 for investments classified in Level 3:

	Balance at June 30, 2014	Acquisitions	Dispositions	Net realized and unrealized losses	Balance at June 30, 2015
Domestic equities	$ 353	—	—	(1)	352
Life insurance	2,666	302	—	(475)	2,493
Total	$ 3,019	302	—	(476)	2,845

There were no transfers between levels in 2015 or 2014.

The following summarizes investment return components for the years ended June 30:

		2015	2014
Investment return:			
Interest and dividends	$	3,475	3,190
Net realized and unrealized gains		4,406	42,137
Investment management and advisory fees		(2,521)	(2,270)
Total return	$	5,360	43,057

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital is called by the manager. These partnerships have a limited term and, under such agreements, may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The University cannot anticipate such changes because they are based on unforeseen events, but should they occur, they might result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital calls in any particular future year are uncertain.

The following table presents liquidity information for investments at June 30, 2015:

		Daily	Monthly	Quarterly	Annual	Rolling lock-ups	Illiquid	Total
U.S. Treasuries and cash	$	21,838	—	—	—	—	—	21,838
Municipal bonds		3,187	—	—	—	—	—	3,187
Equity funds		62,628	33,314	43,479	—	—	423	139,844
U.S. real estate equities mutual funds		12,218	—	—	—	—	—	12,218
Hedged equity funds of funds		—	—	—	23,364	28,323	—	51,687
Private equity and venture capital funds		—	—	—	—	—	21,820	21,820
Commodities		11,773	—	—	—	—	485	12,258
Life insurance		—	—	—	—	—	2,493	2,493
	$	111,644	33,314	43,479	23,364	28,323	25,221	265,345

Included in the hedged equity funds of funds is $28,323 subject to two and three year rolling lockups from these funds, which currently expire December 31, 2015 and 2016. Private equity and venture capital funds are expected to liquidate within 5 to 10 years. The University had unfunded future commitments to invest in these funds at June 30, 2015 of $5,025. For redemption purposes, the equity funds require 1-60 days' notice, hedged equity funds require 90-100 days' notice, and all other liquid investments require one-day notice.

(4) Property, Plant, and Equipment

Property, plant, and equipment as of June 30 are as follows:

	Balance June 30, 2014	2015 Additions	2015 Retirements	Balance June 30, 2015
Land	$ 31,871	—	—	31,871
Buildings and building improvements	336,759	20,504	(1,965)	355,298
Equipment and furnishings	48,441	7,332	(11,256)	44,517
Library books	862	—	(862)	—
Construction in progress	1,635	(217)	—	1,418
	419,568	27,619	(14,083)	433,104
Less accumulated depreciation	(183,278)	(18,980)	11,882	(190,376)
Property, plant and equipment, net	$ 236,290	8,639	(2,201)	242,728

Depreciation expense was $18,980 and $18,501 for the years ended June 30, 2015 and 2014, respectively.

Prior to fiscal 2015, certain library books were capitalized upon purchase and depreciated over 10 years. Effective July 1, 2014, the University changed the capitalization policy to record the costs, as incurred, as an operating expense. The University wrote-off the net carrying value of all library books at that date, resulting in a loss of $662 which is reported in nonoperating activities.

(5) Bonds Payable

Outstanding bonds payable as of June 30 are as follows:

	2015	2014
Massachusetts Development Finance Agency (MDFA):		
Series 2010 Revenue Bonds, 3.5% to 5.00%, due serially through July 1, 2028	$ 32,875	34,310
MDFA: Series 2013A Issue Variable rate (0.78% as of June 30, 2015), due serially through July 1, 2030	69,493	71,143
MDFA: Series 2013B Issue Variable rate (0.59% as of June 30, 2015), due serially commencing July 1, 2030 through July 1, 2033	37,157	37,157
	139,525	142,610
Add unamortized bond premium net of bond issuance costs	1,842	1,987
Bonds payable, net	$ 141,367	144,597

The MDFA Series 2013 A and B bonds bear interest on a floating rate basis. The University's intention is to hold its existing interest rate swap agreements, described in note 6, through their scheduled expiration. Accordingly, the financing was designed to align the basis and amortization of its debt with its outstanding swap agreements, thereby synthetically fixing the rates of all of its floating rate debt, which aggregated $106,650 at June 30, 2015 and matched the swap notionals. The University pays a tax exempt equivalent of one-month LIBOR plus a spread on the Series 2013A Issue. On the Series 2013B Issue, the University pays the tax-exempt equivalent of the sum of the one-month LIBOR plus a fixed spread.

Bond indentures require the maintenance of certain financial covenants which, among other restrictions, require the University to maintain a deposit of $5,000 with the bond holder which is reported as restricted cash. The University was in compliance with all such covenants at June 30, 2015 and 2014.

As of June 30, 2015, the aggregate maturities for all bonds payable for the years ending June 30 were as follows:

	Amount due
Fiscal year:	
2016	$ 3,190
2017	3,350
2018	3,475
2019	4,250
2020	4,445
Thereafter	120,815
	$ 139,525

The University has a committed line of credit with a bank for a maximum amount of $25,000. There were no balances outstanding under the line at June 30, 2015 and 2014, and there were no borrowings during the years then ended. Borrowing rates on this line of credit are at one-month LIBOR plus 100 basis points. The line expires in November 2015.

(6) Interest Rate Swaps

As of June 30, the following interest rate swap agreements were outstanding:

Counterparty	Expiration date	Remaining notional balance	Swap fixed rate	Fair value of liability at June 30 2015	Fair value of liability at June 30 2014
JPMorgan	July 1, 2030	$ 25,000	3.690%	$ (6,016)	(5,482)
JPMorgan	July 1, 2033	20,000	3.505	(5,059)	(4,331)
Bank of America	July 1, 2033	10,100	3.505	(2,550)	(2,997)
Bank of America	July 1, 2028	15,000	3.630	(3,180)	(2,181)
Bank of New York	July 1, 2028	36,550	4.445	(7,390)	(7,845)
Total		$ 106,650		$ (24,195)	(22,836)

In each case, the counterparty pays the University 67% of one-month LIBOR. The swap agreements require the posting of collateral if the mark-to-market liability payable by the University exceeds $7,500 in the aggregate for the JPMorgan swaps and $12,000 for the Bank of New York swap. The two Bank of America swaps contain no collateral requirements. The University must deposit cash collateral to the extent these thresholds are exceeded. The counterparties are required to maintain a minimum credit rating based on provisions contained in the individual swap agreements. The University was required to post collateral for the JPMorgan swaps in the aggregate amount of $3,576 and $2,631 as of June 30, 2015 and 2014, respectively, which is reported as restricted cash on the balance sheet.

Interest rate volatility, remaining outstanding principal, and time to maturity will affect each swap's fair value at subsequent reporting dates. The University currently expects to hold the swaps through their expiration dates, at which point the swap's fair values will reach zero. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are classified as Level 2 of the fair value hierarchy.

(7) Endowment and Other Net Assets

The University's endowment consists of approximately 400 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

(a) Relevant Law

The University is subject to the Commonwealth of Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This law provides precise standards to invest in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions, and ensure investment decisions are made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the University. UPMIFA also permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby allowing a fund to be spent below its historical dollar value. Seven criteria are to be used to guide the University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the University; and 7) the investment policy of the University.

The University classifies as permanently restricted net assets (a) the original value of donor-restricted endowment contributions, (b) the original value of subsequent contributions thereto, and (c) accumulations of return thereon made in accordance with the direction of the applicable donor gift instrument, if any. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a mix of several traditional benchmarks reflecting the University's asset allocation while assuming an acceptable level of risk. These benchmarks include the S&P 500 index, Russell 2000, EAFE Index and Barclays Capital Aggregate Bond Index, among others.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, including marketable and nonmarketable equities, fixed income and cash, and real assets to achieve its long-term return objectives within acceptable risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University appropriates for distribution up to 5% of the 12 quarter moving average of the market value as of the preceding December 31. The University expects the total return to exceed the current spending policy over time, thereby maintaining the endowment purchasing power. Additional real growth is expected to be provided through new gifts and transfers from operations.

Endowment activities for the years ended June 30, 2015 and 2014 and net asset composition as of those dates are as follows:

	2015				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**2014 Total**
Endowment activities for the year ended June 30:					
Beginning fair value	$ 158,384	58,299	41,779	258,462	217,933
Investment return	3,593	2,234	—	5,827	43,058
Contributions	—	—	735	735	926
Endowment return utilized	(6,322)	(3,420)	—	(9,742)	(9,350)
Transfer in	1,248	11	89	1,348	5,895
Total endowment at June 30	$ 156,903	57,124	42,603	256,630	258,462
Total net assets at June 30:					
Donor-restricted endowment	$ —	54,124	42,603	96,727	97,078
Board-designated endowment	156,903	3,000	—	159,903	161,384
Net investment in plant	101,361	—	—	101,361	101,015
Net reduction from interest rate swap liabilities	(24,195)	—	—	(24,195)	(22,836)
Other	14,377	6,513	3,203	24,093	15,170
Total net assets	$ 248,446	63,637	45,806	357,889	351,811

(8) Functional Classification of Expenses

The University reports expenses by their natural classification in the Statement of Activities.

Operating expenses by their functional classification were as follows for the years ended June 30:

		2015	2014
Instruction	$	73,720	71,647
Academic support		15,757	15,267
Student services		33,215	33,889
Institutional support		30,692	28,942
Auxiliary enterprises		40,129	40,086
Total	$	193,513	189,831

Indirect costs such as depreciation, interest, and operations and maintenance expenses, including utilities, have been allocated to functional classifications based on square footage of building space used for that function.

Total fund-raising costs for the years ended June 30, 2015 and 2014 were $6,286 and $5,984, respectively, and are included in institutional support expense.

(9) Contingencies

The University is engaged in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

(10) Subsequent Events

Management has evaluated events subsequent to June 30, 2015 and through October 30, 2015, the date on which the financial statements were issued.