Swarthmore College

Consolidated Financial Statements

June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Managers

We have audited the accompanying consolidated financial statements of Swarthmore College, which comprise the consolidated statements of financial position as of June 30, 2015 and June 30, 2014 and the related consolidated statements of activities and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Swarthmore College's preparation and fair presentation of the consolidated 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 Swarthmore College'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swarthmore College at June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP (signed)
Philadelphia, PA
September 18, 2015

SWARTHMORE COLLEGE

STATEMENTS OF FINANCIAL POSITION

as of June 30, 2015 and 2014

(in thousands)

ASSETS	2015	2014
Cash and cash equivalents	$ 22,161	$ 28,130
Accounts receivable, net	1,776	2,908
Prepaid expenses and inventories	3,484	3,819
Contributions receivable	25,968	31,909
Student loans receivable, net	804	1,113
Employee mortgages receivable	12,797	13,228
Assets restricted to investment in property and equipment	8,051	19,211
Property and equipment, net	276,503	253,629
Investments, at fair value		
Endowment	1,845,799	1,876,669
Life income and annuity	43,363	45,760
Other	86,179	64,409
Total assets	**$ 2,326,885**	**$ 2,340,785**
LIABILITIES		
Accrued compensation	$ 7,864	$ 7,632
Payables and other accruals	12,497	8,743
Student deposits	2,415	2,148
Deferred payments and other liabilities	58,982	58,599
Refundable government loan funds	1,742	1,742
Bonds payable	210,257	217,762
Total liabilities	**293,757**	**296,626**
NET ASSETS		
Unrestricted	$ 795,869	$ 776,303
Temporarily restricted	1,034,686	1,060,356
Permanently restricted	202,573	207,500
Total net assets	**2,033,128**	**2,044,159**
Total liabilities and net assets	**$ 2,326,885**	**$ 2,340,785**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2015

(in thousands)

	Unrestricted	Restricted Temporarily	Restricted Permanently	Total 2015
Operating revenues:				
Student tuition and fees	$ 70,790	$ -	$ -	$ 70,790
Room and board	18,359			18,359
Less student aid	(29,999)			(29,999)
Net student tuition and fees	59,150	-	-	59,150
Revenues from investments				
Endowment spending distribution	58,166	2,479		60,645
Other	611			611
Private gifts and grants	7,875	2,230		10,105
Government grants	459	1,744		2,203
Other additions	5,918	846		6,764
Transfers among net asset classes	680	(680)		-
Net assets released from restrictions	6,486	(6,486)		-
Total operating revenue	**139,345**	**133**	**-**	**139,478**
Operating expenses:				
Instruction	50,665			50,665
Academic support	20,821			20,821
Student services	12,432			12,432
Institutional support	26,232			26,232
Auxiliary activities	22,471			22,471
Research and public service	5,342			5,342
Total operating expenses	**137,963**	**-**	**-**	**137,963**
Increase in net assets from operating activities	**1,382**	**133**	**-**	**1,515**
Nonoperating activities:				
Net realized and unrealized gain (loss) on investments, net of endowment spending	9,966	(29,731)	-	(19,765)
Private gifts and grants	445	2,036	2,344	4,825
Change in present value of life income funds		277		277
Maturities of annuity and life income funds	282	(476)	194	-
Change in other post retirement benefits	(1,165)			(1,165)
Other	832	2,416	34	3,282
Transfers among net asset classes	3,546	3,953	(7,499)	-
Net assets released from restrictions	4,278	(4,278)		-
Increase in net assets from nonoperating activities	**18,184**	**(25,803)**	**(4,927)**	**(12,546)**
Net increase in net assets for the year	**19,566**	**(25,670)**	**(4,927)**	**(11,031)**
Net Assets, June 30, 2014	**776,303**	**1,060,356**	**207,500**	**2,044,159**
Net Assets, June 30, 2015	**$ 795,869**	**$ 1,034,686**	**$ 202,573**	**$ 2,033,128**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2014

(in thousands)

	Unrestricted	Restricted Temporarily	Restricted Permanently	Total 2014
Operating revenues:				
Student tuition and fees	$ 68,121	$ -	$ -	$ 68,121
Room and board	17,500			17,500
Less student aid	(28,062)			(28,062)
Net student tuition and fees	57,559	-	-	57,559
Revenues from investments				
Endowment spending distribution	54,114	1,982		56,096
Other	685			685
Private gifts and grants	10,949	3,337		14,286
Government grants	462	1,606		2,068
Other additions	7,465	994		8,459
Transfers among net asset classes	12	(12)		-
Net assets released from restrictions	6,999	(6,999)		-
Total operating revenue	**138,245**	**908**	**-**	**139,153**
Operating expenses:				
Instruction	49,920			49,920
Academic support	20,357			20,357
Student services	12,401			12,401
Institutional support	26,066			26,066
Auxiliary activities	22,535			22,535
Research and public service	4,676			4,676
Total operating expenses	**135,955**	**-**	**-**	**135,955**
Increase in net assets from operating activities	**2,290**	**908**	**-**	**3,198**
Nonoperating activities:				
Net realized and unrealized gain on investments, net of endowment spending	76,653	161,304	-	237,957
Private gifts and grants	892	1,484	8,991	11,367
Change in present value of life income funds		(728)		(728)
Maturities of annuity and life income funds	1,150	(1,578)	428	-
Change in other post retirement benefits	(1,399)			(1,399)
Other	921	2,117	33	3,071
Transfers among net asset classes	(1,407)	1,307	100	-
Net assets released from restrictions	3,647	(3,647)		-
Increase in net assets from nonoperating activities	**80,457**	**160,259**	**9,552**	**250,268**
Net increase in net assets for the year	**82,747**	**161,167**	**9,552**	**253,466**
Net Assets, June 30, 2013	**693,556**	**899,189**	**197,948**	**1,790,693**
Net Assets, June 30, 2014	**$ 776,303**	**$ 1,060,356**	**$ 207,500**	**$ 2,044,159**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2015 and 2014

(in thousands)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (11,031)	$ 253,466
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	7,884	7,455
Amortization of bond premium	(1,400)	(1,725)
Donor restricted gifts	(5,295)	(6,759)
Receipt of contributed securities	(1,380)	(3,954)
Proceeds of contributed securities	688	1,368
Net unrealized and realized gains on investments	(35,660)	(284,071)
Change in student loan reserve	(16)	10
Changes in operating assets and liabilities		
Change in accounts receivable, contributions receivable, prepaid expenses and inventories	7,408	(6,345)
Change in deferred payments and other liabilities	383	(2,230)
Change in student deposits, payables and accruals	(1,600)	(972)
Net cash used by operating activities	**(40,019)**	**(43,757)**
Cash flows from investing activities		
Purchase of property and equipment	(24,907)	(11,765)
Proceeds from sale of investments	681,014	926,420
Purchase of investments	(633,844)	(876,757)
Student loans and employee mortgages advanced	(395)	(1,566)
Payments on students loans and employee mortgages	1,155	1,457
Net cash provided/used by investing activities	**23,023**	**37,789**
Cash flows from financing activities		
Donor restricted gifts	5,295	6,759
Proceeds from contributed securities designated for purchase of property and equipment and long-term investment	678	2,936
Change in assets restricted to investment in property and equipment	11,159	(12,795)
Proceeds from bonds and notes payable	0	52,616
Payments on bonds and notes payable	(6,105)	(38,761)
Net cash provided by financing activities	**11,027**	**10,755**
Change in cash and cash equivalents	**(5,969)**	**4,787**
Cash and cash equivalents, beginning of year	28,130	23,343
Cash and cash equivalents, end of year	**$ 22,161**	**$ 28,130**
Interest paid	$ 8,680	$ 8,765
Non-cash capital expenditures in accounts payable	$ 5,851	$ 2,386

See accompanying notes to consolidated financial statements.

Swarthmore College (the College) is a private coeducational college of liberal arts and engineering located in Swarthmore, Pennsylvania.

1. Summary of Significant Accounting and Reporting Policies

Reporting Entity

The consolidated financial statements of Swarthmore College include a wholly-owned, for-profit company, Marjay Productions, Inc., which was received as a bequest by a donor. The purposes of Marjay Productions, Inc. are to hold copyrights of the donor's works and to receive royalties. Its financial operations are immaterial to Swarthmore College as a whole.

The consolidated financial statements of Swarthmore College include a wholly-owned, for-profit, sole member Pennsylvania Limited Liability Corporation named Parrish LLC. The purpose of Parrish LLC is to acquire and operate a hotel/inn and restaurant facility in the Borough of Swarthmore, PA. Its financial operations are immaterial to Swarthmore College as a whole.

Basis of Presentation

The College's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The principles require that net assets, revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these net assets permit the College to use all or part of the income earned. Contributions of permanently restricted net assets are primarily invested in the College's permanent endowment funds.

Temporarily Restricted - Net assets whose use by the College is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Expiration of the restriction is reported by reclassification from temporarily restricted to unrestricted net assets.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Managers, as quasi endowment, or may otherwise be considered limited by contractual agreements with outside parties.

Revenues and net gains are reported as increases in unrestricted net assets unless the revenue is restricted by donor-implied restrictions. Expenses are reported as decreases in unrestricted net assets. Periodically donor restrictions related to net assets may be clarified or changed; such changes are reflected as fund transfers in the period in which they are identified.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the valuation of alternative investments, allowance for doubtful accounts and accrued employee benefits. Actual results could differ from those estimates.

Cash Equivalents
Cash equivalents are readily convertible to cash and have an original maturity date of three months or less from the date purchased. Pooled endowment fund cash equivalents invested with managers are classified as investments.

New Accounting Pronouncements
In October 2012, the FASB issued a standard on Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows. This standard defines the appropriate financial reporting for the receipt of donated securities in the Statement of Cash Flows. Donated securities with no donor-imposed restrictions are to be included in the operating section of the statement, while donated securities with donor-imposed long-term restrictions should be included in the financing section. The College has adopted this standard in Fiscal Year 2014 and disclosures pertaining to this topic have been included in the consolidated financial statements.

Accounting Pronouncements not yet adopted
In April 2015, the FASB issued a standard on Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs. This standard simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. The new standard is limited to the presentation of debt issuance costs and does not affect their recognition and measurement. The standard is effective for fiscal years beginning after December 15, 2015. The College will adopt this standard for the Fiscal Year 2017.

In May 2015, the FASB issued a standard on Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Under this new standard, investments measured at net asset value “NAV”, as a practical expedient for fair value, are excluded from the fair value hierarchy. This amendment is effective for fiscal years beginning after December 15, 2016 and will be applied retrospectively to all periods presented. The new standard is limited to disclosure and does not affect the recognition or measurement of investments. While early adoption of this new standard is permitted, the College has not yet adopted this guidance for the Fiscal Year 2015.

In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard is a comprehensive accounting model for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. Within the revenue model, revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. In July 2015, the FASB approved a one-year deferral of the effective date. This standard will become effective for the College beginning after December 15, 2018. The College is in the process of assessing the impact of the adoption of the standard to its consolidated financial statements.

Investments
Refer to the Investments footnote 3 for the investments reporting policy.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation. Expenditures for new construction, major renovations and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of buildings (60 years), improvements (15 years) and equipment (5 years). Depreciation is funded annually by internally designating funds for plant renewal and replacement. Amounts totaling $10,819 and $9,365 were so designated for the years ended June 30, 2015 and 2014, respectively.

Works of art, historical treasures and similar assets have been recognized at their estimated fair value at the time of gift based upon appraisals or similar valuations. All material items, whether contributed or purchased, have been capitalized. Works of art, historical treasures and similar assets are not subject to depreciation.

Contributions

Contributions and investment income with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues. Contributions and investment income with donor-imposed restrictions that are not met in the same year as received or earned are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when the donor-imposed restrictions are satisfied. Temporarily restricted revenues or net assets are used prior to utilizing unrestricted revenues or net assets. Contributions restricted for the acquisition of property and equipment are reported as temporarily restricted net assets within the non-operating section of the consolidated statement of activities until the asset is placed in service. These contributions are recorded in assets in the accompanying statement of financial position under the caption, “Assets restricted to investment in property and equipment” until utilized for their intended purpose.

Contributions receivable are stated at their present values and are net of any allowance for uncollectible contributions. Present values are determined using the applicable market rate in the period contributions are recognized, which ranges from 0.95% to 5.06%.

Compensated Absences

Accrued compensation includes vacation time earned by hourly and staff employees, but not yet taken as of fiscal year-end. A staff employee is entitled to receive pay in lieu of vacation upon termination. Employees may accrue a maximum of 240 hours of vacation. Accrued vacation payable amounted to $2,508 and $2,423 as of June 30, 2015 and 2014, respectively.

College Housing Programs

For employees who meet certain eligibility requirements, the College has a rental and mortgage assistance program. The goal of the programs is to encourage eligible faculty and staff to live close to campus for the enhancement of the community and greater access for students.

The College Mortgage Loan program permits 20, 25, 30 or 40 year monthly amortizing first mortgage loans of up to 100% of the College appraised value (subject to a cap) for homes which are within a specified distance to faculty, instructional staff and other staff members who meet certain eligibility requirements. All mortgages must be paid off in full within 360 days of the termination of employment for any reason (death, retirement or severance). The interest rate on such mortgage loans is reviewed and updated on a quarterly basis. Management evaluates current economic conditions and collection history to determine if an allowance is necessary. Currently, there is no associated allowance for the receivables held under this program.

The College owns a number of houses and apartments which are rented to faculty, instructional staff and other staff members who meet certain eligibility requirements.

Subsequent Events

The College evaluated the period from June 30, 2015, the date of the financial statements, through September 18, 2015, the date of the issuance of the financial statements for subsequent events. On July 14, 2015, the College issued $54,940 aggregate principal amount of 2015 Revenue Bonds (2015 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to fund various tax-exempt capital projects, and to fund the costs of issuing the 2015 Bonds. The College had no other reportable subsequent events between June 30, 2015 and September 18, 2015.

(dollars in thousands)

2. Contributions Receivable

Contributions receivable at June 30, 2015 and 2014 were as follows:

Due in:	2015	2014
Less than one year	$18,950	$20,049
One to five years	3,974	9,569
More than five years	3,833	3,788
	26,757	33,406
Unamortized discount	(208)	(753)
Allowance for doubtful contributions	(581)	(744)
	$25,968	$31,909

3. Investments

The College records its investments at fair value in accordance with generally accepted accounting principles. The value of publicly-traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. As a practical expedient, the College is permitted to record the fair value of an investment at the measurement date using the reported NAV or capital account balance without further adjustment in most cases. When the reported NAV or capital account balance is not at the measurement date, the most current NAV or capital account balance adjusted for subsequent cash flows is used. The College has determined that this fairly represents fair value as of June 30, 2015 and 2014.

The College's interests in private equity and real asset limited partnerships and other nonmarketable investments managed by investment companies are carried at the capital account balance or NAV as determined by the investment managers as of June 30, 2015 and 2014. The College performs additional due diligence and reviews these for reasonableness. The College has assessed factors including, but not limited to, managers' audited financial statements, price transparency, valuation policies, redemption conditions and restrictions.

Endowment investments include the College's permanent, term, and quasi-endowment funds. Although quasi-endowment funds have been established by the Board of Managers for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

Annuity, unitrust and life income funds periodically pay either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate at a designated time, usually upon the death of the last designated income beneficiary. The College's remainder interest is then available for use by the College as designated by either the donor or the Board of Managers. The actuarial liability for the charitable gift annuities as of June 30, 2015 and 2014 is based on the present value of future payments discounted at rates that vary by participant from 2.0% to 11.6% and the 2000CM Mortality Table. The actuarial liability for the unitrusts as of June 30, 2015 and 2014 is based on the present value of future payments discounted at rates that vary by trust from 5% to 9% and the Annuity 2000 Mortality Table. The fair value of life income assets, invested in Level 1 equity or debt securities, are measured at fair value on a recurring basis at quoted market prices.

The Board of Managers sets the level of distribution of endowment return annually. In fiscal years 2015 and 2014, distribution of endowment income exceeded the net yield (interest and dividends less fees) generated by endowment fund investments and therefore, $55,425 and $46,114 of net realized gains were allocated to the endowment spending distribution.

(dollars in thousands)

Net realized and unrealized gains on permanently restricted investments are included as either unrestricted or temporarily restricted revenues unless stipulated by the donor as restricted for perpetuity. The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the College's endowment funds. Commonwealth of Pennsylvania law permits the College to define as income each year a portion of these net realized gains. The amount so designated when added to net yield (interest and dividends less fees) cannot exceed 7% of the average of the past three fiscal years' fair values of the permanently restricted assets. Pursuant to this Commonwealth of Pennsylvania law and at the direction of the Board of Managers, $14,795 and $14,010 of net realized gains on endowments which has earnings distributed for general purposes were released from restriction and included in unrestricted revenues in fiscal years 2015 and 2014, respectively.

The College has various sources of internal liquidity at its disposal, including cash, cash equivalents, marketable debt and equity securities. If called upon at June 30, 2015, management estimates that it could have liquidated within 30 days approximately $861 million (unaudited) to meet short-term needs and provide investment flexibility.

A summary of investment activity for fiscal years 2015 and 2014 is as follows:

	Endowment and similar funds	Annuity and Life Income funds	Other	2015 Total	2014 Total
Investments, beginning of year	$ 1,876,669	$ 45,760	$ 64,409	$ 1,986,838	$ 1,752,780
Contributions	8,063	307		8,370	11,617
Maturities of annuity and life income funds		(1,683)		(1,683)	(2,260)
Other		(971)	13	(958)	(1,660)
Transfers in	461		21,861	22,322	6,834
Transfers out	(23,123)			(23,123)	(21,516)
	(14,599)	(2,347)	21,874	4,928	(6,985)
Interest and dividends	14,317	1,014		15,331	19,716
Unrealized and realized gains and (losses)	36,264	(500)	(104)	35,660	284,071
Investment management fees	(6,207)			(6,207)	(5,974)
	44,374	514	(104)	44,784	297,813
Payments to annuity and life income beneficiaries		(564)		(564)	(674)
Endowment spending distribution					
Unrestricted	(58,166)			(58,166)	(54,114)
Temporarily Restricted	(2,479)			(2,479)	(1,982)
	(60,645)	(564)	0	(61,209)	(56,770)
Investments, end of year	$ 1,845,799	$ 43,363	$ 86,179	$ 1,975,341	$ 1,986,838

The *Fair Value Measurement* accounting standard established a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value. Observable inputs reflect market data obtained from sources independent of the reporting entity, and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

- Level I- Quoted prices are available in active markets for identical investments as of the reporting date.

- Level II- Pricing inputs, including broker quotes, are generally those other than exchange-quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

- Level III- Pricing inputs are unobservable for the investment and include situations where there is minimal (if any) market activity for the investment or if inputs used in determination of fair value require significant judgment or estimation.

The endowment objective established by the Board of Managers is to provide a sustainable level of distribution in support of the College's annual operating budget while preserving the real purchasing power of the endowment before gifts. The endowment provides significant support of the College's operations; therefore, endowment policies seek to achieve stability and sustained growth in this support. The College aims for the distribution from the endowment for operations to grow over time at least as quickly as average annual increases in the College's costs. In furtherance of these objectives, the endowment is invested in a diversified investment portfolio of equity and fixed income securities in order to reduce volatility and achieve targeted risk-adjusted returns over complete market cycles.

The College's investment objectives guide its asset allocation policy and are achieved by investing with external investment management firms who utilize different investment strategies and who operate through a variety of investment vehicles, including separate accounts, commingled funds managed by investment companies and limited partnerships. The College has investments in six asset categories:

- Cash and Cash Equivalents are investments in short-term cash and money market instruments. These are able to be liquidated immediately or within 30 days.

- Fixed Income includes investment in fixed income securities, such as U.S. Treasury bonds and Treasury Inflation-Protected securities. Level I assets have immediate liquidity while Level III assets have liquidity provisions similar to those for marketable alternatives, as described below.

- Public Equity includes investment in publicly-traded stocks of domestic and international companies. Level I and Level II assets are able to be liquidated immediately or within 30 days. Level II assets are commingled funds valued at net asset value (NAV). Level III assets have liquidity provisions similar to those for marketable alternatives, as described below.

- Real Assets include investments in real estate and natural resources such as oil and gas and commodities. Level I and Level II assets are able to be liquidated within 30 days. Level II assets are commingled funds valued at net asset value (NAV). Level III assets are invested through limited partnerships which have stated terms of typically 10 to 12 years. The remaining terms of the College's private real estate and natural resource investments range from 1 to 10 years and 3 to 25 years respectively.

- Private Equity includes investments in buyouts, venture capital and distressed companies. These assets are considered to be Level III and are invested through limited partnerships which have stated terms of typically 10 to 12 years. The remaining terms of the College's private equity investments range from 1 to 20 years.

(dollars in thousands)

- Marketable Alternatives include investments in equity hedge funds, risk arbitrage and distressed securities. These are typically investments managed by investment companies which are subject to restrictions that limit 1/ the College's ability to redeem/withdraw capital from such investment during a specified period of time subsequent to the initial investments and/or 2/the amount of capital that investors may redeem/withdraw as of a given redemption/withdrawal date. Capital available for redemption/withdrawal may also be subject to redemption/withdrawal charges. Certain investments in illiquid securities may have additional liquidation restrictions. Investments in Marketable Alternatives generally limit redemptions to monthly, quarterly, semi-annually, annually or longer, at fair value and require between 45 and 180 days notice.

A summary of investments, measured in accordance with the *Fair Value Measurement* standard, as of June 30, 2015 is as follows:

	Quoted Prices In Active Markets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Endowment				
Cash and Cash Equivalents	$ 128,098	$ -	$ -	$ 128,098
Fixed Income	74,463		37,768	112,231
Public Equity	238,187	$ 351,572	281,375	871,134
Real Assets	10,404	8,280	158,742	177,426
Private Equity			313,721	313,721
Marketable Alternatives			243,189	243,189
Total Endowment	$ 451,152	$ 359,852	$ 1,034,795	$ 1,845,799
Life income	43,363			43,363
Other	84,348		1,831	86,179
Total Investments	$ 578,863	$ 359,852	$ 1,036,626	$ 1,975,341

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level III) inputs as of June 30, 2015 are as follows:

	Fixed Income	Public Equity	Real Assets	Private Equity	Marketable Alternatives	Other	Total
Fair Value, June 30, 2014	$37,475	$241,960	$160,358	$323,167	$229,661	$1,810	$994,431
Realized gains/(losses)			(677)	36,943	5,409	6	41,681
Unrealized gains/(losses)	293	29,415	(2,464)	(13,532)	(11,121)		2,591
Purchases		10,000	36,874	45,696	35,000	162	127,732
Sales			(35,349)	(78,553)	(15,760)	(147)	(129,809)
Fair Value, June 30, 2015	$37,768	$281,375	$158,742	$313,721	$243,189	$1,831	$1,036,626

(dollars in thousands)

A summary of investments, measured in accordance with the *Fair Value Measurement* standard, as of June 30, 2014 is as follows:

	Quoted Prices In Active Markets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Endowment				
Cash and Cash Equivalents	$ 167,980	$ -	$ -	$ 167,980
Fixed Income	73,666		37,475	111,141
Public Equity	268,382	$ 362,404	241,960	872,746
Real Assets		11,616	160,358	171,974
Private Equity			323,167	323,167
Marketable Alternatives			229,661	229,661
Total Endowment	$ 510,028	$ 374,020	$ 992,621	$ 1,876,669
Life income	45,760			45,760
Other	62,599		1,810	64,409
Total Investments	$ 618,387	$ 374,020	$ 994,431	$ 1,986,838

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level III) inputs as of June 30, 2014 are as follows:

	Fixed Income	Public Equity	Real Assets	Private Equity	Marketable Alternatives	Other	Total
Fair Value, June 30, 2013	$38,250	$164,346	$146,135	$316,383	$243,098	$1,777	$909,989
Realized gains/(losses)		3,952	5,945	44,220	11,803	7	65,927
Unrealized gains/(losses)	(775)	51,500	8,634	17,241	11,116		87,716
Purchases		38,769	29,865	34,457	18,250	199	121,540
Sales		(16,607)	(30,221)	(89,134)	(54,606)	(173)	(190,741)
Fair Value, June 30, 2014	$37,475	$241,960	$160,358	$323,167	$229,661	$1,810	$994,431

For the fiscal years ended June 30, 2015 and 2014 the College recorded no transfers between levels within the fair value hierarchy.

(dollars in thousands)

The College has made commitments to various limited partnerships. The College expects the majority of these funds to be called over the next four years with liquidity to be received over the next fifteen years. The fair value of outstanding commitments at June 30, 2015 and 2014 were:

	2015	2014
Private equity	$192,536	$166,392
Real estate	90,727	62,546
Natural resources	69,638	44,758
Total unfunded commitments	$352,901	$273,696

The College has a unitization system for the management of endowments. All endowments are invested in a single pool of investment assets. Each separate endowment owns units in the investment pool, and the College determines the fair value of a unit on a quarterly basis. Gifts to an endowment fund create new units at the unit value in effect at the time of the gift. Changes in the unit value reflect changes in the fair value of endowment assets. Such changes arise from investment income, gains and losses and from the annual distribution to support each endowment's intended purpose.

The following table shows the distribution and unit value for the investment pool at June 30, 2015 and 2014 respectively:

	Number of Units	Fair Value	Income Distribution
June 30, 2015	2,475,397	$764.83	$25.67
June 30, 2014	2,473,651	$772.65	$23.89

4. Property and Equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Land	$5,757	$5,757
Buildings and improvements	357,411	341,196
Construction in progress	22,192	8,684
Equipment	20,052	19,184
Works of art, historical treasures and similar assets	4,671	4,666
	410,083	379,487
Accumulated depreciation	(133,580)	(125,858)
	$276,503	$253,629

Interest payments totaling $408 and $235 were capitalized in 2015 and 2014, respectively.

(dollars in thousands)

5. Deferred Payments and Other Liabilities

Deferred payments and other liabilities at June 30, 2015 and 2014 consisted of the present value of future payments due to or on behalf of employees and former employees under retirement and postretirement programs, donors under annuity and life income programs, conditional asset retirement obligations and conditional gifts.

	2015	2014
Conditional gift liability	$24,759	$24,759
Donors	14,486	14,718
Postretirement health benefit	14,057	12,893
Employees and former employees	4,608	5,169
Conditional asset retirement obligation	1,072	1,060
	$58,982	$58,599

The College currently provides a postretirement health benefit in the form of a monthly stipend for the purchase of medical premiums to all employees who meet certain eligibility requirements. The components of the benefit as of June 30, 2015 and 2014 are as follows:

	2015	2014
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	$ 7,892	$ 6,559
Actives fully eligible to retire	3,614	3,414
Retirees	1,386	1,521
Total	12,892	11,494
Service cost	537	457
Interest cost	511	545
Actuarial (gain) / loss	334	603
Benefits paid	(217)	(206)
Postretirement benefit obligation at end of year		
Actives not fully eligible to retire	7,261	7,892
Actives fully eligible to retire	4,404	3,615
Retirees	2,392	1,386
Total	$ 14,057	$ 12,893

(dollars in thousands)

	2015	2014
Change in plan assets		
Employer contribution	$ 217	$ 206
Benefits paid	(217)	(206)
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Postretirement benefit obligation at end of year	$ 14,057	$ 12,893
Fair value of plan assets at end of year	-	-
Funded status end of year	14,057	12,893
Current liability	332	366
Non-current liability	13,725	12,527
Total	$ 14,057	$ 12,893
Components of the net periodic postretirement benefit cost		
Service cost	$ 537	$ 457
Interest cost	511	545
Amortization of actuarial (gain) / loss	38	0
Total	$ 1,086	$ 1,002
OPEB changes other than net periodic postretirement benefit cost		
New actuarial (gain) / loss	$ 333	$ 603
Amortization of unrecognized amounts	(38)	-
Total	$ 295	$ 603
Unrecognized amounts and amortization amounts in the following year:		
Net actuarial (gain) / loss	1,195	900
Total	$ 1,195	$ 900
Amortization amounts in following year (estimate)		
Net actuarial (gain) / loss	-	-
Total	$ -	$ -

Assumptions and effects:	2015	2014
Medical trend rate next year	6.00%	7.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2019	2016
Discount rate used to value end of year accumulated postretirement benefit obligation	4.33%	4.15%
Discount rate used to value net periodic postretirement benefit cost	4.15%	4.62%
Effect of a 1% increase in health care cost trend rate on:		
Interest cost plus service cost	$ 225	$ 203
Accumulated postretirement benefit obligation	$ 2,220	$ 2,346
Effect of a 1% decrease in health care cost trend rate on:		
Interest cost plus service cost	$ (178)	$ (161)
Accumulated postretirement benefit obligation	$ (1,787)	$ (1,893)
Measurement date	6/30/2015	6/30/2014

Year Beginning July 1st	Estimated Future Benefit Payment
2015	332
2016	405
2017	465
2018	552
2019	582
2020 - 2024	3,799

6. Bonds and Letters of Credit

Bonds and notes payable at June 30, 2015 and 2014 were:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Swarthmore Borough Authority				
2006A Revenue Bonds	78,303	77,297	81,638	78,333
2011 Revenue Bonds	29,406	28,391	30,266	28,923
2011B Revenue Bonds	15,897	15,273	16,472	15,902
2011C Revenue Bonds	40,296	39,215	43,473	42,335
2013 Revenue Bonds	52,075	50,081	54,510	52,269
Total bonds payable	$215,977	$210,257	$226,359	$217,762

The College bond ratings by Moody's and Standard & Poor's were Aaa/AAA for the years ended June 30, 2015 and 2014.

The fair value of the College's long-term debt is based on quoted market prices, Level 1 input, for all outstanding issues as of June 30, 2015 and 2014.

(dollars in thousands)

On July 31, 2013, the College issued $47,340 aggregate principal amount of 2013 Revenue Bonds (2013 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to refund the 2008 Revenue Bonds, par value of $25,360, which were scheduled to mature on September 15, 2013, to refund the 2009 Revenue Bonds, par value of $8,525, which were scheduled to mature on September 15, 2013, to fund various tax-exempt capital projects and to fund the costs of issuing the 2013 Bonds. The 2013 Bonds have interest rates of 4.0% to 5.0% depending upon the maturity dates, which range from 2015 to 2043 in annual amounts ranging from $745 to $2,375. Interest is payable semi-annually.

On December 21, 2011, the College issued $14,380 aggregate principal amount of 2011B Revenue Bonds (2011B Revenue Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used for various tax-exempt capital projects and to fund the costs of issuing the 2011B Bonds. The 2011B Bonds have interest rates of 3.0% to 5.0% depending upon the maturity dates, which range from 2015 to 2021 in annual amounts ranging from $295 to $11,595. Interest is payable semi-annually.

On December 21, 2011, the College issued $46,280 aggregate principal amount of taxable 2011C Revenue Bonds (2011C Revenue Bonds) through the Swarthmore Borough Authority. The proceeds were used for general operations, to advance refund a portion of the 2002 Revenue Bonds, par value of $19,665 and to fund the costs of issuing the 2011C Bonds. The 2011C Bonds have interest rates of 1.53% to 3.10% depending upon the maturity dates, which range from 2015 to 2021 in annual amounts ranging from $3,170 to $21,420. Interest is payable semi-annually.

On June 29, 2011, the College issued $26,665 aggregate principal amount of 2011 Revenue Bonds (2011 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to refund the 2001 Revenue Bonds, par value of $29,320, which were scheduled to mature on September 15, 2031 and to fund the costs of issuing the 2011 Bonds. The 2011 Bonds have interest rates of 3.0%, 4.0% and 5.0% (priced to yield 2.18%) and mature on September 15, 2018. Interest is payable semi-annually.

On December 20, 2006, the College issued $76,085 aggregate principal amount of 2006A Revenue Bonds (2006A Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund $10,375 of the 1998 Revenue Bonds, to advance refund $63,970 of the 2001 Revenue Bonds and to fund the costs of issuing the 2006A Bonds. The 2006A Revenue Bonds have interest rates from 4.0% to 5.0% depending upon the maturity dates, which range from 2015 to 2030 in annual amounts ranging from $450 to $22,915. Interest is payable semi-annually.

On August 21, 2014, the College took out a letter of credit in the amount of $2.4 million as required by the Pennsylvania Department of Public Transportation related to a road construction project. On September 11, 2014, the College took out a letter of credit in the amount of $3.1 million as required by the Borough of Swarthmore related to the College's new development and construction project.

Debt service payments for the next five fiscal years on all borrowings are as follows:

	Principal	Interest	Total
2015-2016	6,260	8,530	14,790
2016-2017	6,450	8,344	14,794
2017-2018	6,660	8,133	14,793
2018-2019	33,565	7,323	40,888
2019-2020	5,735	6,522	12,257

Interest paid on bonds and notes payable was $8,680 and $8,765 for the years ended June 30, 2015 and 2014, respectively. Amortization of bond premiums is based on an effective-interest method.

(dollars in thousands)

7. Retirement Benefits

Retirement benefits for all eligible employees of the College are individually funded and vested under a defined contribution Sec. 403(b) retirement plan with Teachers Insurance and Annuity Association of America (TIAA), or Vanguard Group of Investment Companies. Under this arrangement, the College makes monthly contributions as defined in the Plan to the accounts of all employees. The College's contributions under this Plan are included in operating expenses and were $5,436 in 2015 and $5,160 in 2014.

During fiscal year 2003 the College initiated a Sec. 457 non-qualified deferred compensation plan for senior management employees. Participants elect to defer compensation, which is invested with the Teachers Insurance and Annuity Association of America (TIAA) or the Vanguard Group of Investment Companies and is considered College property until the employee withdraws the funds due to emergency, termination or retirement. The participants' contributions are subject to the general creditors of the College, so the invested asset is offset by a corresponding liability in the amounts of $833 and $800 at June 30, 2015 and 2014 respectively. The College does not record transaction activity as revenue or expense. The investments are reported at fair value.

8. Net assets

Net assets at June 30, 2015 were designated or allocated to:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment				
True Endowment	$ -	$885,837	$185,181	$1,071,018
Term Endowment		101,445		101,445
Quasi Endowment	$673,336			673,336
Annuity and life income	9,181	19,078	2,327	30,586
Student loans	2,162			2,162
Property and equipment				
Unexpended		(1,890)		(1,890)
Net investment in property and Equipment	87,448			87,448
Other purposes	23,742	30,216	15,065	69,023
	$795,869	$1,034,686	$202,573	$2,033,128

(dollars in thousands)

Net assets at June 30, 2014 were designated or allocated to:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment				
True Endowment	$ -	$913,626	$180,819	$1,094,445
Term Endowment		100,310		100,310
Quasi Endowment	$681,915			681,915
Annuity and life income	10,824	19,894	2,392	33,105
Student loans	2,122			2,122
Property and equipment				
Unexpended		285		285
Net investment in property and equipment	70,917			70,917
Other purposes	10,525	26,241	24,289	61,055
	$776,303	$1,060,356	$207,500	$2,044,159

Certain amounts have been transferred out of unrestricted net assets and temporarily restricted net assets into permanently restricted net assets as a result of donor restrictions on matching gifts, unspent investment return added to principal, and clarifications of donors' restrictions.

As of June 30, 2015 there were no donor-related endowment funds for which the fair value of assets is less than the level required by donor stipulations.

Changes to the reported amount of the College's endowment as of June 30 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment total, June 30, 2013	$ 604,730	$ 856,502	$ 173,453	$ 1,634,685
Contributions	3,350	160	6,611	10,121
Transfers	(4,068)	4,197	749	878
Interest and dividends	18,529		6	18,535
Unrealized and realized gains (losses)	119,459	155,061		274,520
Investment management fees	(5,974)			(5,974)
Endowment spending distribution	(54,113)	(1,983)		(56,096)
Endowment total, June 30, 2014	$ 681,913	$ 1,013,937	$ 180,819	$ 1,876,669
Contributions	1,933	2,000	4,130	8,063
Transfers	(22,455)	(434)	228	(22,661)
Interest and dividends	14,312		4	14,316
Unrealized and realized gains (losses)	62,005	(25,741)		36,264
Investment management fees	(6,207)			(6,207)
Endowment spending distribution	(58,166)	(2,479)		(60,645)
Endowment total, June 30, 2015	$ 673,335	$ 987,283	$ 185,181	$ 1,845,799

(dollars in thousands)

9. Expenses by Natural Classification

Expenses for the years ended June 30, 2015 and 2014 were incurred for the following:

	2015	2014
Compensation	$83,130	$80,876
Amortization	174	216
Life income payments and other adjustments	1,599	1,755
Bookstore merchandise for resale	465	485
Dining services food	2,165	2,158
Equipment	2,913	3,156
Foreign study program expenses	3,309	3,503
Insurance	1,022	853
Interest	6,981	7,115
Library materials	2,328	2,372
Services, supplies and other	19,093	19,174
Real estate taxes	1,133	1,177
Travel	3,539	3,450
Utilities	2,228	2,210
Depreciation	7,884	7,455
	$137,963	$135,955

10. Income Tax

The College has been granted tax-exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code, and accordingly, files federal tax Form 990 (Return of Organization Exempt from Income Tax) annually. The College also files federal tax Form 990-T (Exempt Organizations Business Income Tax Return).

Marjay Productions, Inc. is a for-profit corporation subject to federal income taxes under the Internal Revenue Code.

Parrish LLC is a for-profit corporation subject to federal income taxes under the Internal Revenue Code. Through June 30, 2015, this wholly-owned, sole member Pennsylvania Limited Liability Corporation has not generated any taxable income.

The College is required to assess uncertain tax positions. No adjustments to the financial statements have resulted from uncertain tax positions. The College continually monitors and evaluates its activities for unrelated business income activity.

11. Commitments and Contingencies

In the ordinary course of business, the College occasionally becomes involved in legal proceedings. While any legal proceeding or litigation has an element of uncertainty, management believes that the outcome of all current pending or threatened actions will not have a material adverse effect on the business or financial condition of the College.

As of June 30, 2015 and 2014, the College had outstanding commitments for construction contracts of $24,900 and $23,876, respectively.