Report of Independent Auditors
and Financial Statements for

Occidental College

June 30, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Occidental College

Report on the Financial Statements

We have audited the accompanying financial statements of Occidental College (the "College"), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 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 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 College'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 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 financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

MOSS ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets of Occidental College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 31, 2016

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OCCIDENTAL COLLEGE
BALANCE SHEETS
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 3,472,554	$ 9,854,024
Assets whose use is limited	8,172,861	8,427,257
Student accounts receivable, less allowance for doubtful accounts of $254,656 (2016) and $335,962 (2015)	441,610	289,215
Contracts and grants receivable	1,531,239	1,485,127
Contributions receivable, net	5,064,884	12,947,873
Other assets	3,789,178	2,462,289
Investments	449,720,606	461,920,963
Student notes receivable, net	23,216,567	22,326,583
Assets held in trust by others	7,318,458	11,757,065
Property and equipment, net	170,956,984	166,783,230
Total assets	$ 673,684,941	$ 698,253,626

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable and accrued expenses	$ 13,471,093	$ 14,448,915
Student deposits and deferred revenue	5,872,559	5,074,490
Note payable	547,056	577,762
Bonds payable	98,747,394	93,827,997
Government loans payable	4,167,674	4,167,567
Annuities payable	14,527,526	16,187,067
Asset retirement obligations	2,532,613	2,536,963
Total liabilities	139,865,915	136,820,761
NET ASSETS		
Unrestricted	175,486,267	180,119,740
Temporarily restricted	187,745,957	217,434,830
Permanently restricted	170,586,802	163,878,295
Total net assets	533,819,026	561,432,865
Total liabilities and net assets	$ 673,684,941	$ 698,253,626

OCCIDENTAL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 102,287,527	$ -	$ -	$ 102,287,527	$ 99,566,399
Room and board	22,592,434	-	-	22,592,434	21,714,533
Less: Financial assistance	(42,260,997)	-	-	(42,260,997)	(40,495,796)
Net student revenues	82,618,964	-	-	82,618,964	80,785,136
Private gifts, grants and contracts	8,035,952	-	-	8,035,952	8,223,554
Federal and state grants and contracts	4,348,958	-	-	4,348,958	3,699,825
Auxiliary services, other	3,133,836	-	-	3,133,836	3,030,120
Investment income designated for operations	3,535,573	15,669,275	-	19,204,848	17,969,316
Other	2,783,469	-	-	2,783,469	2,711,040
Net assets released from restrictions	15,564,880	(15,564,880)	-	-	-
Total operating revenues	120,021,632	104,395	-	120,126,027	116,418,991
Operating Expenditures:					
Instruction	41,073,675	-	-	41,073,675	39,548,434
Research	3,154,674	-	-	3,154,674	3,370,048
Public service	4,904,276	-	-	4,904,276	4,498,257
Academic support	9,745,891	-	-	9,745,891	9,813,430
Student services	14,451,000	-	-	14,451,000	14,106,221
Institutional support:					
General	11,978,350	-	-	11,978,350	11,094,929
Advancement	7,882,380	-	-	7,882,380	6,914,686
Auxiliary services, student and other	22,916,323	-	-	22,916,323	21,655,316
Total operating expenditures	116,106,569	-	-	116,106,569	111,001,321
Change in net assets from operating activities	3,915,063	104,395	-	4,019,458	5,417,670
Other changes in net assets:					
Net assets released for capital expenditures	3,183,975	(3,183,975)	-	-	-
Change in student notes receivable value	1,385,229	-	-	1,385,229	-
Loss on bond defeasance	(2,472,055)	-	-	(2,472,055)	-
Private gifts, grants and contracts non-operating	87,704	1,904,655	6,347,769	8,340,128	17,265,635
Present value adjustment for annuities	-	(46,732)	185,121	138,389	(695,874)
Change in fair value of assets held in trust by others	-	(213,593)	(140,793)	(354,386)	(290,540)
Loss on assets held in trust by others	-	(4,084,221)	-	(4,084,221)	
Investment loss, net	(8,109,620)	(26,220,527)	(256,234)	(34,586,381)	(22,035,455)
Change in underwater funds	(2,199,109)	2,199,109	-	-	-
Redesignation of net assets	(424,660)	(147,984)	572,644	-	-
Total other changes in net assets	(8,548,536)	(29,793,268)	6,708,507	(31,633,297)	(5,756,234)
Changes in net assets	(4,633,473)	(29,688,873)	6,708,507	(27,613,839)	(338,564)
Net assets, beginning of year	180,119,740	217,434,830	163,878,295	561,432,865	561,771,429
Net assets, end of year	$ 175,486,267	$ 187,745,957	$ 170,586,802	$ 533,819,026	$ 561,432,865

See accompanying notes.

OCCIDENTAL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 99,566,399	$ -	$ -	$ 99,566,399	$ 95,428,066
Room and board	21,714,533	-	-	21,714,533	20,606,141
Less: Financial assistance	(40,495,796)	-	-	(40,495,796)	(39,085,687)
Net student revenues	80,785,136	-	-	80,785,136	76,948,520
Private gifts, grants and contracts	8,223,554	-	-	8,223,554	11,268,427
Federal and state grants and contracts	3,699,825	-	-	3,699,825	3,720,980
Auxiliary services, other	3,030,120	-	-	3,030,120	2,978,935
Investment income designated for operations	3,318,172	14,651,144	-	17,969,316	18,200,024
Other	2,711,040	-	-	2,711,040	2,730,613
Net assets released from restrictions	14,717,760	(14,717,760)	-	-	-
Total operating revenues	116,485,607	(66,616)	-	116,418,991	115,847,499
Operating Expenditures:					
Instruction	39,548,434	-	-	39,548,434	38,626,580
Research	3,370,048	-	-	3,370,048	3,306,073
Public service	4,498,257	-	-	4,498,257	3,994,251
Academic support	9,813,430	-	-	9,813,430	10,200,866
Student services	14,106,221	-	-	14,106,221	13,327,041
Institutional support:					
General	11,094,929	-	-	11,094,929	10,533,984
Advancement	6,914,686	-	-	6,914,686	6,532,688
Auxiliary services, student and other	21,655,316	-	-	21,655,316	20,853,250
Total operating expenditures	111,001,321	-	-	111,001,321	107,374,733
Change in net assets from operating activities	5,484,286	(66,616)	-	5,417,670	8,472,766
Other changes in net assets:					
Net assets released for capital expenditures	2,096,379	(2,096,379)	-	-	-
Private gifts, grants and contracts non-operating	2,029,559	10,781,497	4,454,579	17,265,635	8,226,136
Annuity funds released	107,504	(107,504)	-	-	-
Present value adjustment for annuities	-	18,441	(714,315)	(695,874)	(1,935,153)
Change in fair value of assets held in trust by others	-	(189,233)	(101,307)	(290,540)	863,116
Investment (loss) income, net	(3,975,662)	(17,963,236)	(96,557)	(22,035,455)	47,555,674
Change in underwater funds	(80,048)	80,048	-	-	-
Redesignation of net assets	(19,533)	(360,522)	380,055	-	-
Total other changes in net assets	158,199	(9,836,888)	3,922,455	(5,756,234)	54,709,773
Changes in net assets	5,642,485	(9,903,504)	3,922,455	(338,564)	63,182,539
Net assets, beginning of year	174,477,255	227,338,334	159,955,840	561,771,429	498,588,890
Net assets, end of year	$ 180,119,740	$ 217,434,830	$ 163,878,295	$ 561,432,865	$ 561,771,429

See accompanying notes.

OCCIDENTAL COLLEGE
STATEMENTS OF CASH FLOWS
JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	$ (27,613,839)	$ (338,564)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	8,329,050	8,040,348
Loss on bond defeasance	2,472,055	-
Write off of property and equipment	786,085	-
Net unrealized and realized losses on investments	19,175,485	7,638,323
Contributions restricted for long-term investments	(6,347,769)	(4,454,579)
Contributions for capital expenditures	(1,992,359)	(12,811,056)
Student notes receivable	(1,281,655)	180,615
Asset retirement obligations	(4,350)	73,618
Change in assets and liabilities:		
Student accounts receivable	(152,395)	31,293
Contracts and grants receivable	(46,112)	7,729
Contributions receivable	761,970	(3,763,190)
Other assets	(1,326,889)	473,180
Accounts payable and accrued expenses	1,513,766	(968,060)
Student deposits and deferred revenue	798,069	673,441
Net cash used in operating activities	(4,928,888)	(5,216,902)
Cash flows from investing activities:		
Change in assets whose use is limited	254,396	3,061,513
Disbursement of student notes receivables	(2,569,403)	(2,600,216)
Collection of student notes receivables	2,961,074	2,907,526
Purchases of investments	(230,153,756)	(199,545,928)
Proceeds from sales and maturities of investments	223,178,628	197,386,945
Purchases of property and equipment	(16,067,330)	(10,389,476)
Net cash used in investing activities	(22,396,391)	(9,179,636)
Cash flows from financing activities:		
Contributions restricted for long-term investment	8,041,143	7,653,847
Contributions for capital expenditures	7,420,111	10,769,693
Change in assets held in trust by others	4,438,607	(336,141)
Proceeds from note payable	-	600,000
Repayment of note payable	(30,706)	(22,238)
Repayment of bonds payable	(1,965,000)	(2,005,000)
Issuance of bonds payable	4,699,195	-
Change in annuities payable	(1,659,541)	2,133,106
Net cash provided by financing activities	20,943,809	18,793,267
Net change in cash and cash equivalents	(6,381,470)	4,396,729
Cash and cash equivalents at beginning of year	9,854,024	5,457,295
Cash and cash equivalents at end of year	$ 3,472,554	$ 9,854,024

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2016	2015
Cash paid for interest	$ 4,007,676	$ 4,091,953

SUPPLEMENTAL DISCLOSURE NON-CASH INVESTING AND FINANCING ACTIVITIES

	2016	2015
Unpaid property and equipment purchases	$ 1,072,847	$ 3,564,435
Issuance and Repayment of bonds payable	$ 31,935,000	$ -

 See accompanying notes.

Note 1 – Organization

Occidental College (the "College") is an independent, coeducational college of liberal arts and sciences, founded in 1887. Occidental College seeks to provide an education of high quality in the best tradition of the liberal arts, emphasizing thorough competence in a chosen field of study together with a broad understanding of our historical and cultural heritage and the relationships among fields of knowledge. The College is accredited by the Western Association of Schools and Colleges.

On June 30, 2016, Occidental College formed a single member limited liability company, Otway Properties, LLC, under the California Revised Uniform Limited Liability Company Act in order to hold title to certain real property.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting – The accompanying financial statements of the College, a not-for-profit educational institution, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The College reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets are comprised of assets which are for operating purposes or assets which are not subject to donor-imposed restrictions and are general in nature. Unrestricted net assets have been segregated into the following categories:

Designated – educational and general – includes funds that are internally designated for operational or special use.

Designated – functioning as endowment – includes certain gifts not otherwise restricted and Board designations of assets to function as endowment.

Designated – student loan funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

Designated – renewal and replacement – includes amounts internally designated for renewal and replacement of property and equipment.

Note 2 – Summary of Significant Accounting Policies (continued)

Invested in property and equipment – includes property and equipment stated at cost or fair value at the date of gift, less accumulated depreciation and any related debt. Plant purchases with a useful life of five years or more and a cost equal to or greater than $25,000 for land improvements, $50,000 for buildings and $5,000 for furniture and equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives for land improvements (up to 20 years), buildings (up to 40 years), and furniture and equipment (up to 10 years). Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets. The College follows the policy of generally recording contributions of property and equipment directly to unrestricted net assets. However, if the donor stipulates how long the assets must be used, the contributions are recorded as temporarily restricted support. Management has evaluated operating results and considered significant events, if any, and determined that property and equipment are not impaired at June 30, 2016.

Temporarily restricted net assets – Temporarily restricted net assets are those assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Such assets include accumulated endowment investment gains, certain charitable remainder unitrusts, pooled income funds, gift annuities, and certain contributions receivable for which the ultimate purpose of the proceeds is not permanently restricted. The College has legal title to life income and annuity contracts and agreements, subject to life interests of the beneficiaries. No significant financial benefit is or can be realized until the contractual obligations are released.

Permanently restricted net assets – Permanently restricted net assets are those assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for unrestricted purposes. Such assets primarily include the College's permanent endowment, certain charitable remainder unitrusts, and loan funds established by donors.

Revenues and expenses – Student tuition and fees are recorded as revenues in the period during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Revenues from grants and contracts are exchange transactions and are recognized as allowable expenditures under such agreements as costs are incurred.

Revenues from sources other than contributions are reported as increases in unrestricted net assets when earned. Gains and losses on investments are reported as increases or decreases to the appropriate net asset category.

Note 2 – Summary of Significant Accounting Policies (continued)

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as "net assets released from restrictions" from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are met in the period in which the assets are placed into service.

Contributions are reported as increases in the appropriate category of net assets, except contributions that the donor restricts where the restrictions are met within the same fiscal year, as these contributions are included in unrestricted net assets. Contributions other than cash are recorded at fair value at the date of gift. Private gifts, grants and contracts non-operating are donor-restricted contributions for permanently restricted endowment or facilities capital projects. Unrestricted private gifts, grants and contracts non-operating are contributions for facilities capital projects for which the project has been completed. Private gifts, grants and contracts included in operating revenues are contributions with no donor restriction and exchange transactions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments where there is sufficient evidence they exist, verifiable documentation, no ambiguous conditions, and they are legally enforceable. If these contributions are to be received after a year and/or over a number of years, they are discounted at a rate equivalent with the short-term and mid-term applicable risk adjusted rate. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. In addition, an allowance for uncollectible promises to give, based on past collection experience, is recorded.

The financial statements present expenses by functional classification in accordance with the overall educational mission of the College.

Depreciation expense is allocated to the functional categories directly based upon the nature of the underlying assets. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds. Plant operations and maintenance represents space-related costs that are allocated to the functional categories directly and/or based on the square footage occupancy. Information technology service expense is allocated to functional categories based on employee and student headcount.

Cash and cash equivalents – Cash and cash equivalents include short-term, highly liquid investments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents representing assets held as endowment and similar funds and assets held for annuity and life income payments are included in long-term investments. Cash and cash equivalents are reported at cost which approximates fair value.

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of credit risk – Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation ("FDIC") or Securities Investors Protection Corporation ("SIPC") insured limits. Concentration of credit risk with respect to student accounts receivable, contracts and grants receivable, and contributions receivable are limited due to the large number of students and resources from which amounts are due, with no single source being significant.

Assets whose use is limited – Certain proceeds of the serial bonds which are held by trustees are limited as to use in accordance with the requirements of the trust agreements. Also included are certain funds held in escrow for the purchase of real property. The assets whose use is limited are comprised of cash and cash equivalents and are recorded at fair value.

Inventories – Inventories in the bookstore, campus dining, and stockroom are stated at the lower of cost (weighted average cost method) or market and are presented in Other Assets on the Balance Sheets. On an on-going basis, inventory is evaluated for obsolescence and slow-moving items. If the College's review indicates a reduction in utility below carrying value, inventory is reduced to a new cost basis.

Investments – Investments are stated at fair value. The fair value of investments is based on quoted prices from national security exchanges, except for limited partnerships, and venture capital which are based on information provided by external investment managers at the most recent valuation period date for the fiscal year-end. Management monitors the activity of external investment managers and performs reconciliations and other procedures to assure that the valuations used in the financial statements are fairly stated. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because the limited partnerships, and venture capital investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Realized and unrealized gains and losses on investments are the difference between the fair value and the cost basis of the investments. The net realized and unrealized gains and losses are reported in the statements of activities. Real estate is stated at cost.

All investments of permanently restricted net assets and unrestricted net assets designated as endowment funds are carried in an investment pool unless special considerations or donor stipulations require that they be held separately.

Management of pooled investments – The College follows an investment policy for its pooled endowment investments which anticipates a greater long-term return through investing for capital appreciation and long-term growth. According to the College's endowment spending policy, the amount of investment return available for current operations is determined by applying a specified percentage, 5.25%, of a twenty-one-quarter average unit market value to the units held as of September 30 of the prior fiscal year.

Note 2 – Summary of Significant Accounting Policies (continued)

Student notes receivable – The College administers a federal student loan program, the Perkins Student Loan program and two institutional loan programs. Loans made under the federal student loan program have a ten-year repayment period, with interest rates between 3% and 5%. In the event of termination of the program, the loan repayments would be distributed to the federal government and the College on the basis of their relative contributions to the program. It is anticipated that any uncollectible loan balances would be treated in a similar manner. Loans made under the institutional loan programs have a ten-year repayment period, with interest rates between 0% and 5%.

Bond issuance costs – Bond issuance costs represent insurance, issuance and underwriters' costs related to the California Educational Facilities Authority ("CEFA") Series 2005A and 2005B, the CEFA Series 2008, the CEFA Series 2013A and 2013B and the CEFA Series 2015 Bonds. Bond issuance costs related to CEFA Series 2005A and 2005B and CEFA Series 2008 bonds were written off with the defeasance of the bonds upon issuance of CEFA Series 2015 bonds in December 2015. Bond issuance costs are included as a component of Bonds Payable on the Balance Sheets (Note 8). These amounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Collections – Collections, such as rare books and works of art, which were acquired through purchases and contributions since the College's inception, are not recognized as assets. These collections are held solely for their potential educational value or historical significance. Management has determined that the cost to establish the current market value is deemed to exceed the benefit and therefore the collections were not assigned a value for the purpose of capitalization. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items have been restricted by donors.

Estates and trusts – The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the point of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not trustee, are recorded as assets held in trust by others when the College is notified by the trustee. The assets are recorded at fair value based on the statements from the trustees, which are derived from the fair value of the underlying investments of the trusts, and the College's ownership interest in the trust.

Annuities payable – The College uses the actuarial method of recording life income and annuity contract net assets. Under this method, when a gift is received, cash or investments received are recorded at fair value, while the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as revenue in the appropriate net asset category. Investment income and some gains are credited, and annuity payments and investment losses are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses. The actuarial liability is based on the present value of future payments discounted at 4% and the 2012 IAR Mortality Table.

Note 2 – Summary of Significant Accounting Policies (continued)

Asset retirement obligations – GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized.

There were ($4,350) and $73,618 asset retirement accretion costs for the years ending June 30, 2016 and 2015, respectively and $2,532,613 and $2,536,963 of conditional retirement asset obligations included in the balance sheets as of June 30, 2016 and 2015, respectively.

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 date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. While management believes that these estimates are adequate as of June 30, 2016, it is possible that actual results could differ from those estimates.

Income taxes – The College operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and has also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Revenue and Taxation Code Section 23701(d) on its income other than unrelated business income.

As required by GAAP, the College has identified and evaluated its significant tax positions and has determined that there is no material unrecognized benefit or liability to be recorded. There are no uncertain tax positions for the years ended June 30, 2016 or June 30, 2015. There have been no related tax penalties or interest, which would be classified as a tax expense in the statements of activities.

Fair value of financial instruments – Except for investments and estates and trusts, which are discussed above, for the other financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

> *Receivables* – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowance for doubtful accounts, which approximates fair value. Determination of the fair value of student notes receivable, which are primarily federally sponsored student notes with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

Note 2 – Summary of Significant Accounting Policies (continued)

Long-term debt – Fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

Recent accounting pronouncements – The College elected to adopt Accounting Standards Update ("ASU") 2015-03 *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. As a result of this adoption, debt issuance costs related to the bonds payable described in Note 8 have been reclassified in the Balance Sheets and are now presented as a direct reduction of the carrying amount of the bond liability, consistent with debt discounts. The recognition and measurement of the College's debt issuance costs were not affected by the amendments placed forth in this ASU. This update has been applied retrospectively and prior year disclosures have been revised accordingly to conform to the current year's presentation.

The College adopted the new ASU 2015-07, related to *Topic 820 - Fair Value Measurement* promulgated by the Financial Accounting Standards Board. This update removes the requirement to categorize investments measured using the net asset value per share/unit practical expedient within the fair value hierarchy. This update has been applied retrospectively and prior year disclosures have been revised accordingly to conform with the current year's presentation.

Redesignation of net assets – Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Reclassifications – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications have had no net effect on the ending balance of net assets as of June 30, 2015.

Note 3 – Investments

The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30:

	2016	2015
Cash and cash equivalents	$ 66,630,500	$ 53,234,454
U.S. equities	90,338,976	95,955,660
Global equities (developed)	49,438,335	54,862,794
Emerging markets equities	38,683,374	41,687,913
Domestic fixed income	35,109,471	40,977,982
Global fixed income	6,441,254	6,138,871
Absolute return	57,177,923	67,424,361
Marketable inflation hedging assets	35,536,437	38,257,456
Private equity and venture capital	69,306,265	62,323,401
Real estate	1,058,071	1,058,071
	$ 449,720,606	$ 461,920,963

The following schedule summarizes the College's investment return for the years ended June 30:

	2016	2015
Dividends, interest and rents	$ 8,848,000	$ 8,677,207
Realized gains, net	3,567,068	17,747,975
Unrealized losses, net	(22,742,553)	(25,386,298)
	(10,327,485)	1,038,884
Less: Investment expense	(5,054,048)	(5,105,023)
Investment income designated for operations	(19,204,848)	(17,969,316)
Investment loss, net of allocation to operations and investment expense	$ (34,586,381)	$ (22,035,455)

Note 3 – Investments (continued)

Investment income was classified as follows for the year ended June 30:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 2,248,277	$ 5,540,568	$ 1,059,155	$ 8,848,000
Realized gains, net	955,329	2,378,910	232,829	3,567,068
Unrealized losses, net	(6,313,454)	(15,013,311)	(1,415,788)	(22,742,553)
Total	$ (3,109,848)	$ (7,093,833)	$ (123,804)	$ (10,327,485)

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 1,280,956	$ 6,452,789	$ 943,462	$ 8,677,207
Realized gains, net	2,886,556	14,540,966	320,453	17,747,975
Unrealized losses, net	(3,998,956)	(20,144,660)	(1,242,682)	(25,386,298)
Total	$ 168,556	$ 849,095	$ 21,233	$ 1,038,884

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-making value method. The following schedule summarizes the College's pooled investments for the years ended June 30:

	2016	2015
Unit-market value at end of year	$ 385.30	$ 422.05
Units owned:		
Unrestricted:		
Funds functioning as endowment	179,530	170,858
Total unrestricted	179,530	170,858
Permanently restricted:		
Endowment funds	784,098	757,225
Total permanently restricted	784,098	757,225
Total units	963,628	928,083

At June 30, 2016 and 2015, investments include approximately $29,570,000 and $33,582,000 respectively, in securities related to life income and annuity contracts.

Note 4 – Fair Value Measurements

The College accounts for its investments at fair value. Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, defined fair value, established a framework used to measure fair value, and expanded disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over College-specific information and established a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable of the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or to other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The College evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the College expects that changes in classifications between different levels will be rare.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 4 – Fair Value Measurements (continued)

The College's valuation methodologies used for alternative investments measured at fair value is based on net asset value ("NAV") of shares held by the College at fiscal year end. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the investments and assets held by others carried on the balance sheets by level within the valuation hierarchy at June 30:

	June 30, 2016				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Cash and cash equivalents (including assets whose use is limited)	$ 74,803,361	$ -	$ -	$ -	$ 74,803,361
U.S. equities	39,055,053	-	-	51,283,923	90,338,976
Global equities (developed)	7,276,079	-	-	42,162,256	49,438,335
Emerging markets equities	7,612,060	-	-	31,071,314	38,683,374
Domestic fixed income	24,312,773	-	-	10,796,698	35,109,471
Global fixed income	-	-	-	6,441,254	6,441,254
Absolute return	-	-	-	57,177,923	57,177,923
Marketable inflation hedging assets	35,067,442	-	-	468,995	35,536,437
Private equity and venture capital	-	-	-	69,306,265	69,306,265
Assets held in trust by others	-	-	7,318,458	-	7,318,458
Total	$ 188,126,768	$ -	$ 7,318,458	$ 268,708,628	$ 464,153,854

	June 30, 2015				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Cash and cash equivalents (including assets whose use is limited)	$ 61,661,711	$ -	$ -	$ -	$ 61,661,711
U.S. equities	50,308,422	-	-	45,647,238	95,955,660
Global equities (developed)	8,967,708	-	-	45,895,086	54,862,794
Emerging markets equities	16,623,411	-	-	25,064,502	41,687,913
Domestic fixed income	30,547,882	-	-	10,430,100	40,977,982
Global fixed income	-	-	-	6,138,871	6,138,871
Absolute return	-	-	-	67,424,361	67,424,361
Marketable inflation hedging assets	37,454,323	-	-	803,133	38,257,456
Private equity and venture capital	-	-	-	62,323,401	62,323,401
Assets held in trust by others	-	-	11,757,065	-	11,757,065
Total	$ 205,563,457	$ -	$ 11,757,065	$ 263,726,692	$ 481,047,214

At both June 30, 2016 and 2015, investments held at cost totaled $1,058,071.

Note 4 – Fair Value Measurements (continued)

The following table summarizes the valuation of the College's Level 3 reconciliation by the ASC 820 standards for the years ended June 30:

	June 30, 2016						
	Beginning balance July 1, 2015	Purchases	Sales	Realized loss	Unrealized loss	Interest and dividends	Ending balance June 30, 2016
Assets held in trust by others	$ 11,757,065	$ -	$ -	$ (4,084,221)	$ (354,386)	$ -	$ 7,318,458

	June 30, 2015						
	Beginning balance July 1, 2014	Purchases	Sales	Realized gain	Unrealized loss	Interest and dividends	Ending balance June 30, 2015
Assets held in trust by others	$ 11,420,924	$ 626,881	$ -	$ -	$ (290,740)	$ -	$ 11,757,065

Note 4 – Fair Value Measurements (continued)

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists those investments by major class:

	Fair Value June 30, 2016	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 141,755,445	These funds invest mostly in public domestic and international debt and equity securities. The commingled funds are held in partnership or trust format.	$ -	Range from daily to quarterly	7 - 90 days notice
Absolute return	57,177,923	Hedge funds looking to generate steady returns in the range of 7 to 12 percent with relatively low volatility and relatively low correlations to the equity markets.	-	Range from quarterly to annually	15 - 95 days notice
Marketable inflation hedging assets	468,995	Investments in natural resource equities, that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	-	N/A	N/A
Private equity	43,333,842	Investments in leveraged buyout, distressed securities, real estate, and energy private limited partnership funds that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	36,923,595	N/A	N/A
Venture capital	25,972,423	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	22,504,110	N/A	N/A
Totals	$ 268,708,628		$ 59,427,705		

Note 5 – Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and gift revenue in the appropriate net asset category. Contributions are recorded after discounting at the risk adjusted rate. The risk adjusted rates range from .21% and 3.48% for the years ended June 30, 2016 and 2015. Amortization of the discount is included in gift revenue.

As of June 30, unconditional promises to give are expected to be collected in the following periods:

	2016	2015
Less than one year	$ 1,391,063	$ 8,925,433
Between one year and five years	3,274,211	3,907,642
Later than five years	1,250,000	1,250,000
	5,915,274	14,083,075
Less: Discount	(693,744)	(734,752)
Allowance for uncollectible amounts	(156,646)	(400,450)
Contributions receivable, net	$ 5,064,884	$ 12,947,873

Contributions receivable at June 30, 2016 have the following restrictions:

Endowment for programs, activities and scholarships	$ 2,024,063
Education and general	863,909
Building construction	3,027,302
Total contributions receivable, gross	$ 5,915,274

Unconditional promises to give include amounts from members of the College's Board of Trustees of $3,040,000 and $3,513,000 as of June 30, 2016 and 2015, respectively.

Note 6 – Student Notes Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2016 and 2015, student loans represented 3.4% and 3.2% of total assets, respectively.

At June 30, student loans consisted of the following:

	2016	2015
Federal government programs	$ 4,929,633	$ 5,082,747
Institutional programs	21,371,910	20,340,512
	26,301,543	25,423,259
Less allowance for doubtful accounts:		
Beginning of year	(3,096,676)	(3,037,178)
Increases	(28,960)	(73,049)
Write-offs	40,660	13,551
End of year	(3,084,976)	(3,096,676)
Student loans receivable, net	$ 23,216,567	$ 22,326,583

The College participates in the Federal Perkins revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $4,167,674 and $4,167,567 at June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheets.

Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2016 and 2015, the following amounts were past due under student loan programs:

June 30,	In default less than 240 days	In default between 240 days and 2 years	In default more than 2 years	Total past due
2016	$ 998,931	$ 441,512	$ 1,607,808	$ 3,048,251
2015	$ 980,633	$ 378,242	$ 1,530,945	$ 2,889,820

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 7 – Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land and improvements	$ 10,126,582	$ 10,074,372
Buildings	238,033,031	226,714,800
Furniture and equipment	18,916,654	20,065,260
Construction-in-progress	8,784,688	8,811,643
	275,860,955	265,666,075
Less: Accumulated depreciation	(104,903,971)	(98,882,845)
Property and equipment, net	$ 170,956,984	$ 166,783,230

Depreciation expense for the years ended June 30, 2016 and 2015 was $8,615,902 and $8,040,348, respectively.

Note 8 – Debt

Note payable – On September 25, 2014, the College obtained a $600,000 note with an individual to purchase real estate. The loan carries an interest rate of 4% per annum and is secured by the real property. Principal and interest are payable over a 20 year term and will be paid in full on October 3, 2029. At June 30, 2016 and 2015, the unpaid balance under the current note was $547,056 and $577,762, respectively. Interest expense for the fiscal years ended June 30, 2016 and 2015 was $22,552 and $17,705, respectively.

California Educational Facility Authority Bonds – In March 2005, the College issued $70,335,000 in bonds through the CEFA (Series 2005A and 2005B Bonds). The College issued serial bonds with fixed interest rates ranging from 3.00% to 5.25%, payable on April 1 and October 1 through 2036. The CEFA Series 2005A and 2005B Bonds were used to legally defease the outstanding debt from the College's existing CEFA Series 1997 Bonds, as well as to provide funds for certain capital projects. The loan agreements for the 2005A and 2005B CEFA issue contain restrictive covenants, which include the maintenance of certain minimum enrollment levels as well as maintaining assets available for debt coverage at a specified level.

In March 2008, the College issued $20,000,000 in bonds through the CEFA (Series 2008 Bonds). The College issued serial bonds with fixed-interest rates ranging from 4.00% to 5.30%, payable on April 1 and October 1 through 2038. The CEFA Series 2008 Bonds were used for certain capital projects. The loan agreements for the 2008 CEFA Bonds contain restrictive covenants, which include the maintenance of certain minimum enrollment levels as well as maintaining assets available for debt coverage at a specified level.

Note 8 – Debt (continued)

In June 2013, the College issued $54,995,000 in bonds through the CEFA (Series 2013A and 2013B Bonds), with a premium of $7,391,497. The College issued serial bonds with fixed-interest rates ranging from 0.40% to 5.00%, payable on April 1 and October 1 through 2043. The CEFA Series 2013A and 2013B Bonds were used to legally defease $44,435,000 of the College's CEFA Series 2005A Bonds, as well as to provide funds for certain capital projects. The loan agreements for the 2013A and 2013B Bonds contain no restrictive covenants.

In December 2015, the College issued $34,270,000 in bonds through the CEFA (Series 2015 Bonds), with a premium of $4,786,583. The College issued serial bonds with fixed-interest rates ranging from 3.00% to 5.00%, payable on April 1 and October 1 through 2046. The CEFA Series 2015 Bonds were used to refund $13,855,000 of the College's CEFA Series 2005B Bonds and $17,770,000 of the College's CEFA Series 2008 Bonds, as well as to provide funds for certain capital projects. The amount recorded as loss due to the defeasance was $2,472,055. The loan agreements for the 2015 Bonds contain no restrictive covenants.

Bonds payable at June 30, 2016 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds			
Series 2013A & 2013B	$ 54,995,000	1.5% to 5.0%	$ 54,105,000
Series 2015	34,270,000	3.0% to 5.0%	34,270,000
Bonds premium, net	12,178,080		11,340,056
Bond issuance costs	(1,039,167)		(967,662)
Total	$ 100,403,913		$ 98,747,394

Note 8 – Debt (continued)

Bonds payable at June 30, 2015 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds			
Series 2005A & 2005B	$ 70,335,000	4.0% to 5.0%	$ 15,410,000
Series 2008	20,000,000	4.0% to 5.3%	18,180,000
Series 2013A & 2013B	54,995,000	1.5% to 5.0%	54,415,000
Bonds premium, net	8,341,298		7,128,094
Bond issuance costs	(1,983,536)		(1,305,097)
Total	$ 151,687,762		$ 93,827,997

Future principal payment requirements on the bonds payable are summarized as follows:

Years Ending June 30,	Series 2013A & 2013B CEFA Bonds	Series 2015 CEFA Bonds	Total
2017	$ 315,000	$ 1,955,000	$ 2,270,000
2018	330,000	2,025,000	2,355,000
2019	485,000	1,960,000	2,445,000
2020	1,030,000	1,505,000	2,535,000
2021	1,430,000	1,235,000	2,665,000
2022 and thereafter	50,515,000	25,590,000	76,105,000
Total	$ 54,105,000	$ 34,270,000	$ 88,375,000

The estimated fair value of the College's bonds payable was approximately $104,274,547 and $93,727,540 at June 30, 2016 and 2015, respectively. This fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities (Level 2).

Line of credit – On May 3, 2016, the College renewed a $5,000,000 line of credit with a bank, expiring on February 1, 2018. Interest at the bank's prime rate is payable monthly. The line of credit is collateralized by an all blanket UCC filing. No amounts were drawn on the line of credit as of or during the year ended June 30, 2016. The College's prior $5,000,000 line of credit, issued on February 1, 2013, expired on February 1, 2016 and had similar terms as the current line of credit. No amounts were drawn on the line of credit as of or during the year ended June 30, 2015.

Note 9 – Net Assets

Net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Unrestricted		
Designated - educational and general	$ 21,917,789	$ 18,978,489
Designated - functioning as endowment	66,990,868	72,205,375
Designated - student loan funds	5,436,174	3,763,186
Designated - renewal and replacement	8,875,631	11,736,653
Invested in property and equipment	72,265,805	73,436,037
Total unrestricted net assets	175,486,267	180,119,740
Temporarily restricted		
Restricted for specific purposes	1,060,398	911,107
Accumulated endowment investment gains	155,823,731	181,677,898
Life income and annuity contracts	8,827,283	9,082,088
Property and equipment funds	13,373,513	6,617,280
Contributions receivable, net	3,207,970	9,395,580
Assets held in trust by others	5,453,062	9,750,877
Total temporarily restricted net assets	187,745,957	217,434,830
Permanently restricted		
Endowment corpus	148,865,891	138,283,367
Life income and annuity contracts	5,885,320	7,939,766
Student loan funds	12,113,281	12,096,681
Contributions receivable, net	1,856,914	3,552,293
Assets held in trust by others	1,865,396	2,006,188
Total permanently restricted net assets	170,586,802	163,878,295
Total net assets	$ 533,819,026	$ 561,432,865

Note 9 – Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

	June 30, 2016	June 30, 2015
Operating activities	$ 15,564,880	$ 14,717,760
Capital expenditures	3,183,975	2,096,379
Annuity funds	-	107,504
Change in underwater funds	(2,199,109)	(80,048)
	$ 16,549,746	$ 16,841,595

Note 10 – Retirement Plan

All academic and nonacademic employees are eligible to participate in the Teachers Insurance and Annuity Association ("TIAA") and/or the College Retirement Equity Fund ("CREF") defined contribution programs. TIAA is a nonprofit, legal reserve life insurance and annuity company and CREF is a nonprofit corporation companion to TIAA.

Benefits are funded by contributions from both the College and participating employees. All contributions are credited to participant accounts, and all College contributions are fully vested. The College's contributions for the years ended June 30, 2016 and 2015 were approximately $4,188,000 and $4,107,000, respectively, which are included as expenditures in the Statements of Activities.

Note 11 – Fundraising Expenses

During the years ended June 30, 2016 and 2015, the College incurred fundraising expenses of approximately $5,169,000 and $4,590,000, respectively, exclusive of communication, publication and event related expenses for the purposes of maintaining alumni and public relations.

Note 12 – Related Parties

As discussed in Note 5, some members of the Board of Trustees contributed to the College in the form of gifts and pledges, during the years ended June 30, 2016 and 2015. In addition, members of the Board of Trustees are often also affiliated with separate private foundations that provide financial support in the form of gifts and pledges to the College.

Note 13 – Commitments and Contingencies

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College's financial position.

In May 2013, the Department of Education, Office for Civil Rights ("OCR") notified the College that it was investigating the College's Title IX practices. The OCR closed its investigation in June 2016 and made no finding of noncompliance. In September 2013, the Department of Education, Office of Federal Student Aid ("FSA") notified the College that it was conducting a program review to evaluate the College's compliance with the Jeanne Clery Disclosure of Campus Security Police and Campus Crime Statistics Act. Management is waiting for the results of the FSA investigation but does not believe that the resolution will result in a material adjustment to the financial statements.

Certain federal grants which the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

Note 14 – Endowment Funds

The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets, the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the College in a manner consistent with the standard of prudence prescribed by UPMIFA which includes the:

1) Duration and preservation of the fund
2) Mission of the College and the donor-restricted endowment fund
3) General economic conditions
4) Possible effects of inflation and deflation
5) Expected total return from income and appreciation of investments
6) Other resources of the College
7) Investment policy of the College

Note 14 – Endowment Funds (continued)

The following represents a description of the changes in net endowment assets for the years ended June 30:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 72,205,375	$ 181,677,898	$ 138,283,367	$ 392,166,640
Investment return:				
Investment income, net	3,408,118	13,127,316	(4,367)	16,531,068
Net depreciation	(6,236,940)	(25,511,317)	-	(31,748,258)
Total investment return	(2,828,822)	(12,384,001)	(4,367)	(15,217,190)
New gifts	767,816	-	4,135,033	4,902,849
Matured life income and annuity contracts	-	-	2,390,947	2,390,947
Pledge payments	-	-	3,488,267	3,488,267
Other changes, including redesignations	2,581,181	-	572,644	3,153,825
Appropriation for expenditures	(3,535,573)	(15,669,275)	-	(19,204,848)
Change in underwater endowments	(2,199,109)	2,199,109	-	-
Net endowment assets, end of year	$ 66,990,868	$ 155,823,731	$ 148,865,891	$ 371,680,490

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 75,219,999	$ 199,760,429	$ 131,115,926	$ 406,096,354
Investment return:				
Investment income, net	1,424,360	5,481,183	54,457	6,960,000
Net depreciation	(2,334,667)	(8,992,618)	-	(11,327,285)
Total investment return	(910,307)	(3,511,435)	54,457	(4,367,285)
New gifts	910,253	-	3,313,141	4,223,394
Matured life income and annuity contracts	155,002	-	385,154	540,156
Pledge payments	-	-	3,347,267	3,347,267
Other changes, including redesignations	228,648	-	67,422	296,070
Appropriation for expenditures	(3,318,172)	(14,651,144)	-	(17,969,316)
Change in underwater endowments	(80,048)	80,048	-	-
Net endowment assets, end of year	$ 72,205,375	$ 181,677,898	$ 138,283,367	$ 392,166,640

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. Deficits of this nature were reported as an adjustment to unrestricted net assets of $2,199,109 and $80,048 as of June 30, 2016 and 2015, respectively.

Note 15 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The College evaluated its June 30, 2016 financial statements for subsequent events through October 31, 2016, the date the financial statements were available to be issued. The College is not aware of any subsequent events which would require recording or disclosure in the financial statements.