

Bryn Mawr College
Financial Statements
May 31, 2016 and 2015



Report of Independent Auditors

To the Trustees of Bryn Mawr College:

We have audited the accompanying financial statements of Bryn Mawr College (the "College"), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended.

Bryn Mawr College
Statements of Financial Position
May 31, 2016 and 2015
(in thousands)

	<u>May 2016</u>	<u>May 2015</u>
Assets:		
Cash	\$ 23,358	\$ 15,847
Short-term investments	5,105	5,062
Accounts receivable (less allowance of \$365 in 2016 & \$234 in 2015)	5,179	5,290
Other assets	2,375	2,052
Contributions receivable (less allowance of \$2 in 2016 & \$45 in 2015)	8,224	8,051
Student loans receivable (less allowance of \$1,455 in 2016 & \$1,336 in 2015)	3,305	3,090
Deposits with trustees of debt obligations	15,234	21,922
Plant and equipment, net of accumulated depreciation	194,919	195,938
Long term investments	841,946	908,934
 Total assets	 <u>\$ 1,099,645</u>	 <u>\$ 1,166,186</u>
 Total Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,6	28,555
Accrued expenses		8,706
Student deposits		Td
Deferred revenue		(\$e
Annuity obligations		
Debt		
Other long-term liabilities		
Advances from US government for student loans		
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Bryn Mawr College
Statements of Cash Flows
Years Ended May 31, 2016 and 2015
(in thousands)

For fiscal years ended May 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (61,986)	\$ 23,587
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,359	8,560
Loss on disposal of equipment	905	3,645
Provision for losses/(benefits) on accounts/loans receivable	207	(435)
Contributions designated for long-term investment	(6,500)	(26,988)
Net realized and unrealized (gains)/ losses on investments	34,262	(26,398)
Change in net present value of annuities	(773)	(83)
Change in asset retirement obligation	121	36
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(343)	(215)
Increase/(decrease) in accounts payable, accruals, deferred revenue and student deposits	(918)	2,527
Decrease/(increase) in contributions receivable	(130)	(476)
Net cash used in operating activities	<u>(23,796)</u>	<u>(16,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	227,373	232,429
Purchase of long-term investments	(194,540)	(233,512)
Payments on student loans and employee mortgages	1,184	1,222
Student loans and employee mortgages advanced	(1,668)	(1,373)
Purchase of property, plant and equipment	(12,012)	(17,046)
Decrease/(increase) in deposits held by trustees of debt obligations	6,688	(20,222)
Net cash provided by (used in) investing activities	<u>27,025</u>	<u>(38,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions designated for long-term investment	6,500	26,988
Proceeds from long-term borrowing, Par	-	51,670
Debt issue premium, net of discount and issue costs	-	5,305
Repayment of debt	(2,295)	(23,995)
Increase/(decrease) in government advance for loans	77	(199)
Net cash provided by financing activities	<u>4,282</u>	<u>59,769</u>
Net increase/(decrease) in cash and cash equivalents	7,511	5,027
Cash and cash equivalents at beginning of year	<u>15,847</u>	<u>10,820</u>
Cash and cash equivalents at end of year	<u>\$ 23,358</u>	<u>\$ 15,847</u>
Supplemental data for financing activities:		
Non-cash gifts-in-kind	\$ 166	\$ 47
Interest paid	5,724	4,873
Construction related payables	418	1,346

The accompanying notes are an integral part of these financial statements.

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Notes to the Financial Statements
May 31, 2016

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and other investments with a maturity of three months or less at the time of purchase are reported as cash equivalents. Cash and cash equivalents representing assets of the endowment and similar funds are included in long-term investments.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value, less an allowance for estimated uncollectible amounts.

Fair Value of Financial Instruments

The College's investments and other financial instruments are reported at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Investments are then classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level I – Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price is data generally obtained from relevant exchange or dealer markets.
- 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 includes situations where a) there is minimal, if any, market activity for the investment and b) the inputs used in determination of fair value require significant management judgment or estimation.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data,

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The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US Generally Accepted Accounting Principles (GAAP). The College has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-Term Investments

Short-term investments include cash equivalents and fixed income investments with maturities between three and twelve months. Short-term investments are valued using observable market data to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are fixed income instruments.

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Long-lived assets to be held and used are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Deferred Revenue

Revenues received prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected in student deposits and deferred revenue.

Deposit with Trustees

Deposits with the trustee associated with the College's debt obligations are invested in cash, money market and various government securities according to the requirements established by the associated bond agreements.

Fund Raising Expenses

Direct expenses for fundraising were \$4,528 in 2016 and \$4,207 in 2015.

Tax Status

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). The College monitors and evaluates its activities for unrelated business income.

Other Assets

Other assets include prepaid expenses and inventory which is valued at the lower of cost or market.

Reclassifications

Certain amounts in the prior year may have been reclassified to conform to the current year presentation.

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 3.0% and 4.5% at May 31, 2016 and 2015, respectively.

Contributions receivable in:

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Details on current redemption terms and restrictions by asset class and type of investment are provided below. Standard redemption notices are between 30 and 60 days.

Liquidity of Assets	Value
1 to 7 days	
Cash & cash equivalents	\$ 26,799
Equity (domestic & international)	67,935
Real Assets	4,215
Fixed income (domestic)	5,104
	<u>104,053</u>
Between 1 week and 1 month	
Equity (domestic & international)	120,210
Fixed income (domestic)	60,527
Hedge Funds	
Developed International	10,545
Multi-Strategy	15,409
US Equity (long/short and event driven)	-
	<u>206,691</u>
1 to 3 months	
Equity (international)	52,155
	<u>52,155</u>
3 to 6 months	
Hedge Funds	
Global Equity (long/short)	10,047
Multi-Strategy	20,844
US Equity (long/short and event driven)	13,523
	<u>44,414</u>
6 months to 1 year	
Hedge Funds	
Global Equity (long/short)	1,244
Multi-Strategy	57,966
US Equity (long/short and event driven)	11,898
	<u>71,108</u>
Long-Term greater than 1 year	
Hedge Funds	
Global Equity (long/short)	13,813
Developed International	110
Multi-Strategy	43,495
US Equity (long/short and event driven)	3,025
Real Assets	104,344
Residential Mortgages	4,760
Private Equity	165,795
Trusts	33,288
	<u>368,630</u>
Total	<u><u>\$ 847,051</u></u>

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Endowment investment activity for 2016 and 2015 is as follows:

	Endowment & Gift annuities similar funds	and trusts	Trusts held by others	2016	2015
Investments at beginning of year	\$ 867,728	\$ 29,685	\$ 6,911	\$ 904,324	\$ 876,633
Contributions restricted by donor	4,760	287		5,047	24,401
Contributions designated for long term investment	1,453			1,453	2,587
Payout returned to long-term investments	423			423	477
Other increases	2,001			2,001	6,406
	<hr/> 876,365	<hr/> 29,972	<hr/> 6,911	<hr/> 913,248	<hr/> 910,504
Investment returns net of expenses of \$6,388 in 2016 and \$6,602 in 2015.					
Investment dividends and interest	(364)			(364)	6,961
Realized/Unrealized gains/losses	(32,124)	(1,441)	(419)	(33,984)	26,241
	<hr/> (32,488)	<hr/> (1,441)	<hr/> (419)	<hr/> (34,348)	<hr/> 33,202
Endowment spending payout	(39,979)			(39,979)	(37,189)
	<hr/> (72,467)	<hr/> (1,441)	<hr/> (419)	<hr/> (74,327)	<hr/> (3,987)
Annuity and trust income		240		240	258
Payments to annuitants and trust expenses		(1,311)		(1,311)	(1,340)
Maturities of annuities		(664)		(664)	(1,111)
Investments at end of year	<hr/> <hr/> \$ 803,898	<hr/> <hr/> \$ 26,796	<hr/> <hr/> \$ 6,492	<hr/> <hr/> \$ 837,186	<hr/> <hr/> \$ 904,324

6 Debt

Long-term debt, net of unamortized issuance costs, discounts, or premiums at May 31, consisted of the following:

	Maturity Date	Coupon Rates	2016	2015
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2014	12/1/2044	3.0-5.0%	\$ 56,621	\$ 56,798
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012A	12/1/2022	4.0%	14,432	14,654
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012	12/1/2017	3.0%	675	1,326
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010A	12/1/2019	4.0-5.0%	26,950	28,285
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010	12/1/2029	3.0-5.0%	12,173	12,820
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2007	12/1/2037	5.0%	22,812	22,842
			<hr/> <hr/> \$ 133,663	<hr/> <hr/> \$ 136,725

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Principal payments on long-term debt are as follows:

	Series 2014	Series 2012A	Series 2012	Series 2010A	Series 2010	Series 2007	Total
2017	\$ 520		\$ 695	\$ 1,020	\$ 670	\$	2,905
2018	1,105			1,065	695		2,865
2019	1,145			1,105	715		2,965
2020	1,195			22,360	745		24,300
2021	1,250				780		2,030
Thereafter	46,455	13,100			8,470	22,170	90,195
Total principal payments							125,260
Net bond premium, discounts and issuance costs							8,403
Total outstanding debt							<u>\$ 133,663</u>

The long-term debt includes various tax-exempt bond issues. All of the bonds bear interest at fixed rates that were determined on their original sale date. Interest is payable semi-annually. In all cases, the bonds were issued by the Pennsylvania Higher Educational Facilities Authority pursuant to an indenture with a bond trustee. The Authority then loaned the proceeds to the College via a loan agreement. For the purpose of securing the payments to bondholders, in these agreements the College had pledged its unrestricted revenues. In addition, under the terms of the agreements, the College is required to comply with various financial covenants. The College was in compliance with such covenants as of May 31, 2016 and May 31, 2015.

In May 2007, the College issued the Series 2007 bonds primarily to currently refinance the Series 1997 bond issue.

In May 2010, the College issued the Series 2010 bonds primarily to currently refinance the Series 1999 bond issue.

In November 2010, the College issued the Series 2010A bonds primarily to refinance a portion of the Series 2002 bond issue.

In February 2012, the College issued the Series 2012 bonds primarily to currently refinance the Series 2009 bond issue.

In November 2012, the College issued the Series 2012A bonds primarily to currently refinance the remainder of the Series 2002 bond issue. There was also approximately \$5,000 of proceeds used for the construction, improvement, renovation and equipping of various College facilities.

In July 2014, the College issued the Series 2014 bonds to refinance a portion of the Series 2012 bond issue and to fund various construction, improvement, renovation and equipping projects expected to include the renovation and expansion of a student residential facility and the College's primary science facility. The Series 2014 Bonds legally defeased \$21,780 of the outstanding Series 2012 Bonds.

Derivative Activity

As of May 31, 2016 the College has no swap agreements or other derivatives.

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(Dollars in thousands)

7 Net Assets

Net assets at May 31, 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ (13,267)	\$ 12,808	\$ -	(459)
Loan funds:	538	182		720
Endowment and similar funds:				
True endowment		204,257	237,718	441,975
Quasi endowment	359,850	6,516		366,366
Term investments	7,836,463			
