Claremont McKenna College

2015–2016 Financial Report

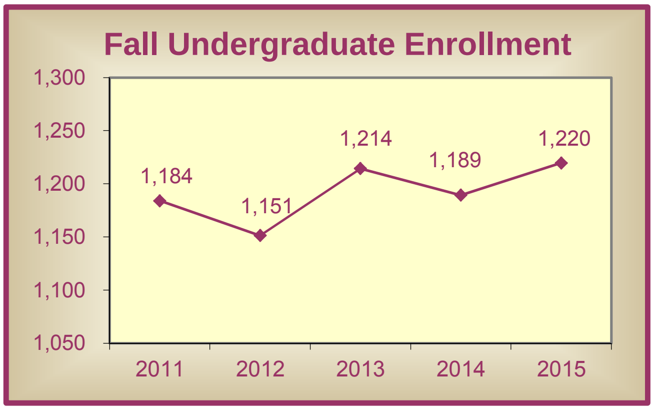
CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

2016 and 2015

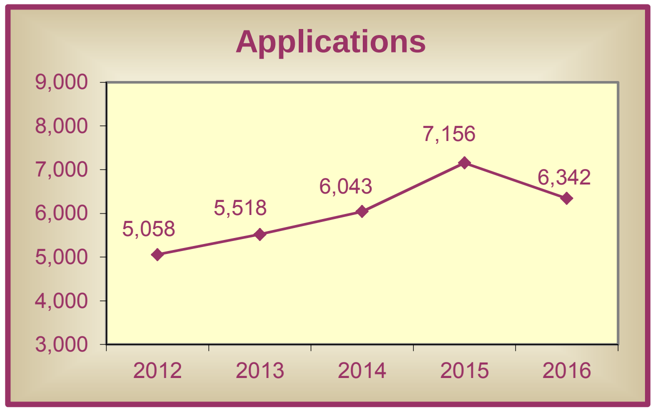
CONTENTS

Financial Highlights

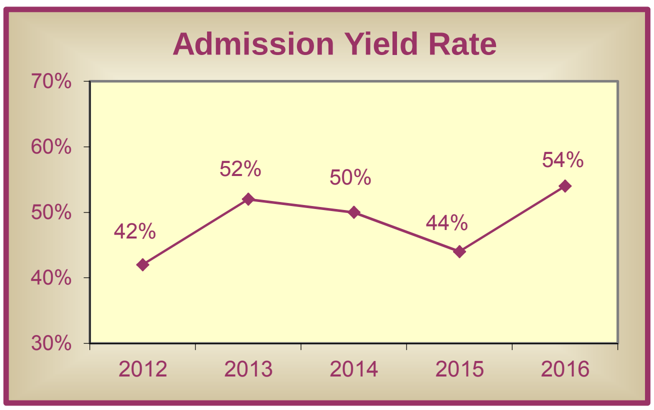
- Fall 2015 FTE undergraduate enrollment in Claremont reflected a planned increase from the prior year due to an increase in housing capacity on campus. The average FTE undergraduate enrollment in Claremont for the year (Fall and Spring) was 1,224. FTE undergraduate enrollment, including off-campus and study-abroad programs, was approximately 1,311.



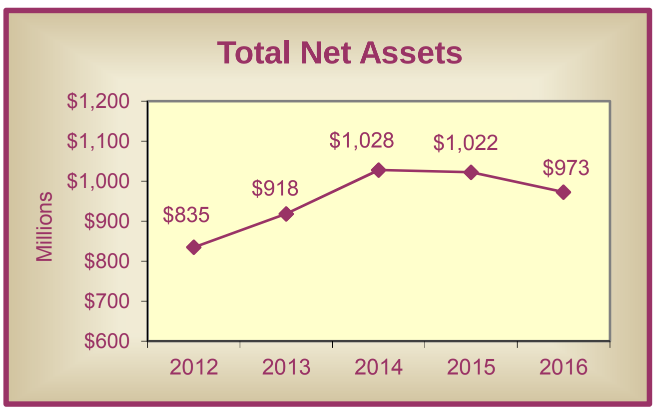
- Applications for admission in the Fall of 2016 were 6,342. Applications for the last five years have averaged 6,023—approximately eighteen times more applications than openings in the entering class.



- The yield rate increased to 54% for the Fall of 2016, representing an all time high for the College. The total number of new freshmen entering the College in the Fall of 2016 was 321 students.

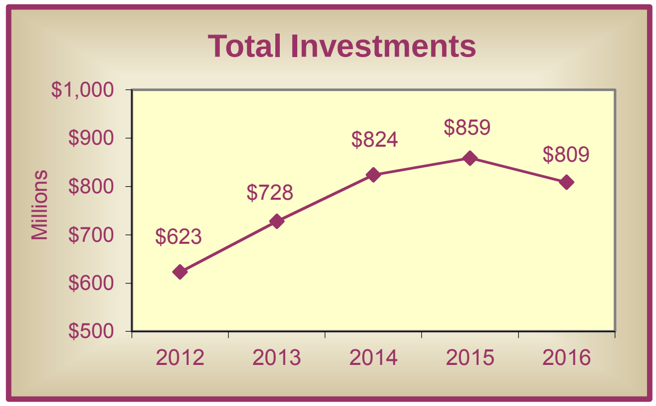


- Total net assets decreased by 4.9%, primarily driven by realized and unrealized losses on investments, as well as a loss on bond defeasance.

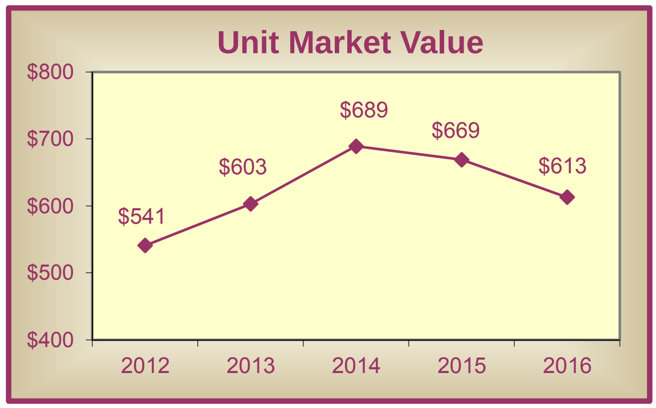


Financial Highlights

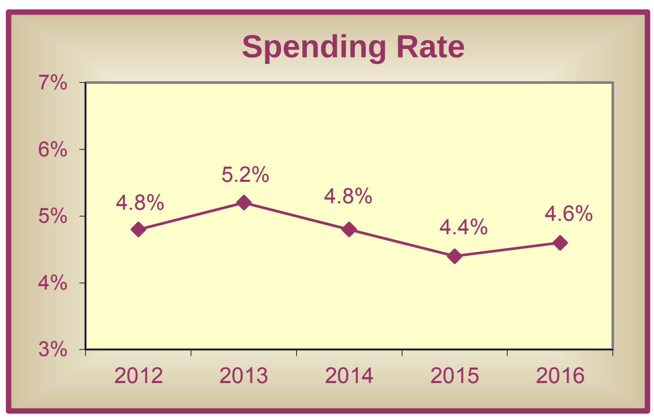
- Total investments decreased by 5.8% in 2016, after fees and spending for operations. The net decrease was primarily attributed to realized and unrealized losses on investments as well as returns distributed for operations.



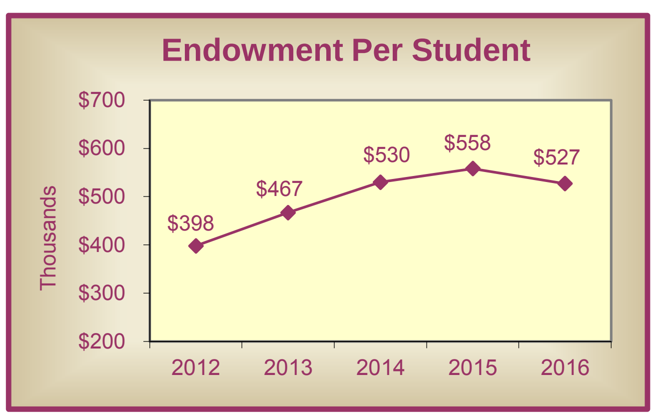
- The unit market value decreased by 8.4%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) increased as a result of the decrease in the unit market value at the end of fiscal year 2015, which became the beginning of the year value for 2016.

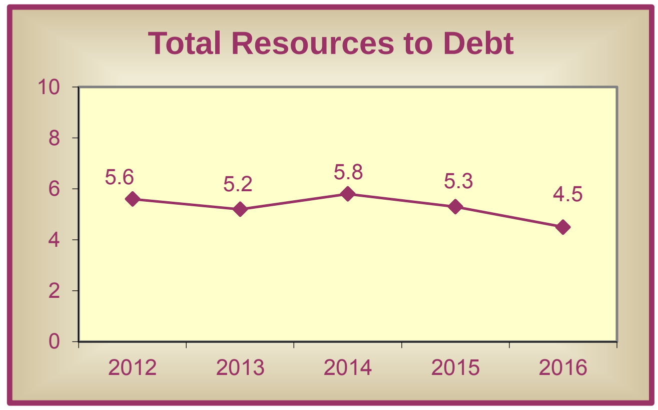


- Endowment per student decreased as a result of a decrease in the market value of the endowment as of June 30, 2016 and an increase in Fall 2015 FTE enrollment. Total endowment at June 30, 2016, was $709 million.

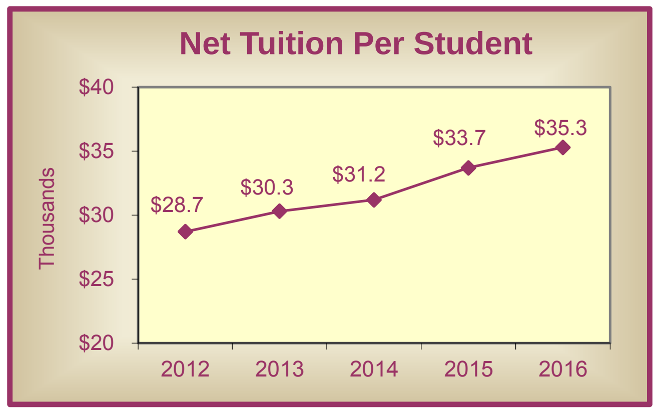


Financial Highlights

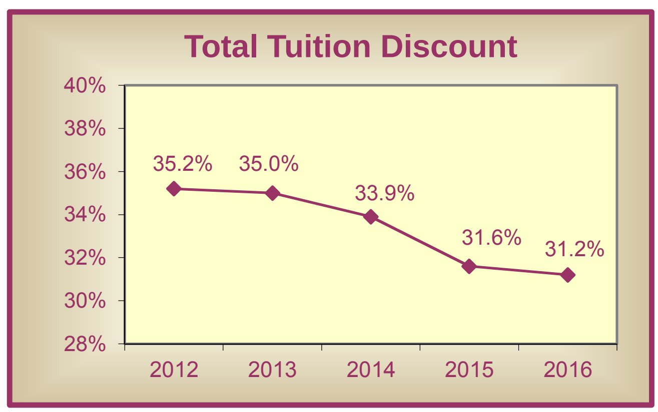
- Total resources to debt decreased in 2016 as a result of draws on a new tax-exempt loan. CMC’s ratio of 4.5 is lower than the 2015 median value of 5.4 for Moody’s Aa not-for-profit institutions. Moody's Investors Services assigned a rating of Aa2 with a stable outlook to CMC's Series 2015 Revenue Bonds.



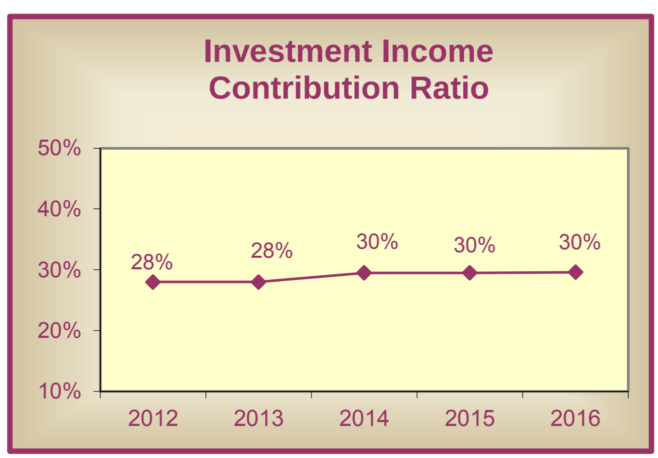
- CMC experienced growth of 4.8% in net tuition per student due to a decrease in the total tuition discount. This dollar level places CMC higher than the 2015 median net tuition per student of $28,478 for Moody's Aa small institutions (enrollments typically under 3,000 FTE).



- The total tuition discount (financial aid divided by tuition and fees revenues) decreased due to changes in the calculated financial need of the undergraduate students in 2016. CMC's discount is lower than the 2015 median discount of 39.7% for Moody’s Aa small institutions.

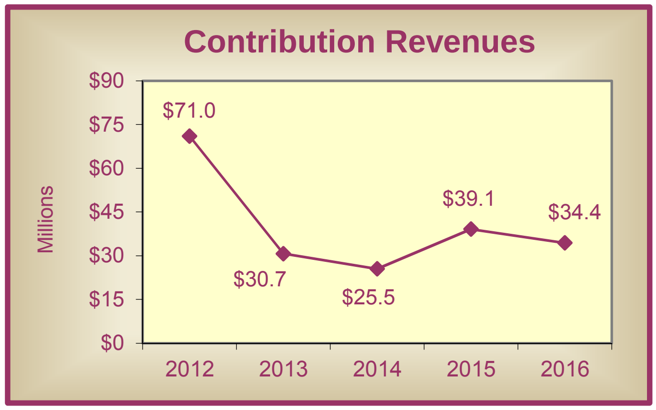


- CMC’s endowment and a prudent spending policy produce sufficient investment income to make a significant contribution toward covering the operational costs of a CMC education. The investment income contribution ratio has remained relatively flat over the past five years.

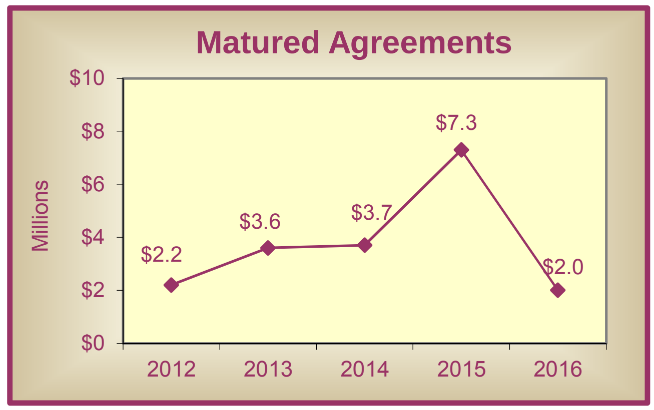


Financial Highlights

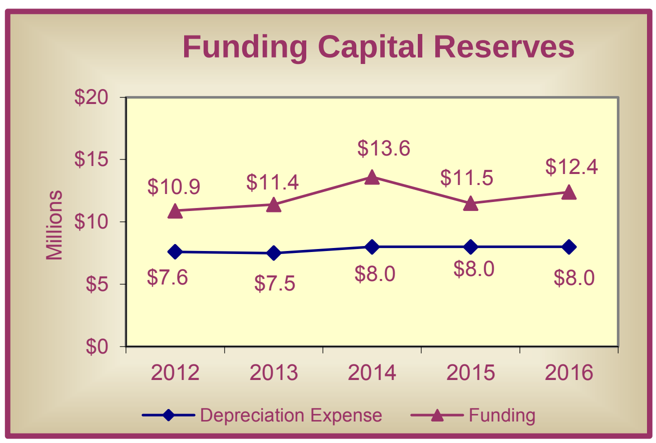
- Private gifts and grants reported by the Development Office were $58 million for the 2016 fiscal year. After actuarially adjusting the deferred gifts and adjusting for unconditional promises to give, total contribution revenues reported on the financial statements are $34.4 million.



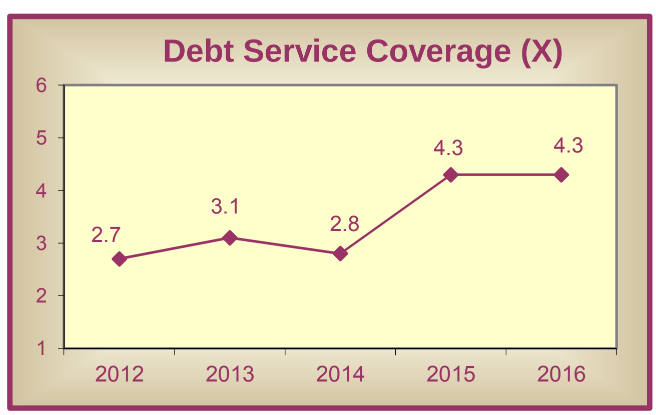
- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.



- CMC continues its policy of funding capital reserves for repairs, life cycle replacements, and modernization of existing facilities. The calculation of annual set-asides into capital reserves is based on future anticipated replacement values. The funding of capital reserves has exceeded the amount of depreciation expense recorded in the financial statements over the past several fiscal years.



- Debt service coverage (net operating revenues plus interest and depreciation expense divided by annual debt service) remained flat in 2016 due to consistent net operating revenue. CMC's ratio is higher than the 2015 median value of 2.7 for Moody's Aa small institutions.



CLAREMONT McKENNA COLLEGE

Office of the Treasurer

October 28, 2016

Members of the Board of Trustees
Claremont McKenna College
Claremont, California

Ladies and Gentlemen:

Claremont McKenna College is proud to highlight several financial successes accomplished during the 2015-16 fiscal year. Roberts Pavilion was completed in June, and the College celebrated with a dedication event in September 2016. The ceremony honored George Roberts and his family for their generous gift and continued support of CMC. Fundraising efforts continued to provide resources to support the endowment and capital projects, as well as ongoing support of the annual fund to pay for general operations. *The Student Imperative* campaign surpassed its initial $100 million goal earmarked for support of financial aid and scholarships. Many of the funds raised are in the form of deferred gifts that are not yet fully recognized in the financial statements. Similar to campuses across the nation, there were challenges on issues of diversity and inclusion for the Board, administration, faculty, students, and alumni. The campus responded well, creating a long-term strategic framework, founding a new, open resource center called the CARE (civility, access, resources, equity) Center, and starting the 2016-17 academic year with a successful community-wide dialogue event and other important programs.

The investment portfolio remains the College's largest asset, and is closely monitored by the Board's Investment Committee. The return on CMC's endowment for the year was -3.6%, net of fees. CMC's trailing five- and 10-year returns are tracking in the top 20% and 11%, respectively, in the Cambridge Associates database of preliminary returns for college and university investment pools. Although there were new gifts to the endowment, the combination of negative investment returns, spending for operations, and the use of reserves for capital projects resulted in a decrease in total investments of 5.8% for the year. Total investments have increased by 29.9% over the last five years.

The spending rate increased slightly to 4.6% for the fiscal year, marking its second lowest point since the beginning of the economic downturn in 2008. Investment income, in the form of spending allocations from the endowment, provides a significant and steady contribution toward funding the College's operating expenses.

The Admission Office recruited another impressive group of freshmen for Fall 2016. The 6,342 applicants for the class of 2020, recruited during the 2015-16 fiscal year, represented the second highest number to apply for approximately 320 spots in the entering class. Of the total applications received, 9.4% were accepted (admission rate), and 54% were enrolled (yield rate). This is the lowest admission rate and highest yield rate in CMC's recent history, befitting CMC's status as one of the most selective liberal arts colleges in the country. The combined median SAT score was 2110; the median ACT composite score was 32. Only 37% of our 321 enrolled freshmen are from California; another 46% represent domestic students outside of California and

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Member of The Claremont Colleges

17% are international students, representing 23 countries. The average FTE undergraduate enrollment in Claremont for the 2015-16 fiscal year increased intentionally to 1,220 from 1,189 students in the previous year, made possible by the addition of new beds in the Mid Quad residence halls.

Net tuition per student continued to increase while the total tuition discount dropped slightly. These trends are in line with a multi-year plan to balance the tuition discount at a sustainable level while also keeping tuition increases as low as possible. The College continues to maintain its need-blind admission policy and meet-all-need financial aid policy, and recently affirmed these policies as a high priority by completing *The Student Imperative* campaign to provide gifts, pledges, and other deferred commitments for both need-based and merit financial aid programs. After five years of providing need-based packages with no student loans, the College made the difficult decision, driven by the economic environment, to reinstitute packaged loans beginning with the incoming class of 2014. By the end of June 2016, financial aid packages for the freshman and sophomore classes included modest loans, which drove changes in the net tuition per student and tuition discount. The revised loan policy will be fully implemented by Fall 2017.

Statements of Financial Position

Total assets at the end of June 30, 2016, decreased 2.8% over the previous year, primarily because of decreases in investments related to market conditions and decreases in contributions receivable as payments toward multi-year pledges were received. The decreases in assets were offset by an increase in plant facilities as construction of the Roberts Pavilion and the additions to the Mid Quad residence halls were completed during the fiscal year. Total liabilities increased 5.2% primarily as a result of final drawdowns on a loan issued in 2013 through the California Municipal Finance Authority to finance renovations and construction of the Mid Quad residence hall additions, as well as from the issuance of new bonds in December 2015 through the California Educational Facilities Authority to advance refund prior debt at a substantial long-term savings to the College by taking advantage of current interest rates.

The Mid Quad residence hall project was completed in August 2015. Approximately 105 new beds were added to this area of campus, including new lounges, new patios, a courtyard, a community kitchen, and new music practice space in the Marks Hall basement. Construction on Roberts Pavilion, a state-of-the-art fitness and event center for CMC and athletic center for the Claremont-Mudd-Scripps intercollegiate, intramural, and physical education programs, was completed in June 2016. In advance of its formal opening in the Fall 2016 semester, previews were held during April to allow students to experience the facility and provide constructive feedback for programming. A two-year project was completed at the end of Summer 2016 to enhance the site and circulation of the southern section of the campus connecting the Mid Quad and South Quad residence halls to Roberts Pavilion while improving the edge of the campus along Sixth Street.

In addition to George Roberts' prior contributions to CMC, the College was the appreciative recipient of two gifts of major sculptures by world-renowned artists Chris Burden and Ellsworth Kelly. The sculptures are a milestone in a major public art initiative driven by the Board of Trustees. Burden's work was installed in Spring 2016 in front of Roberts Pavilion, and the Kelly piece will be placed at the site of the original Story House in early 2017. A celebration in recognition of the generous donations of both sculptures will be held in Fall 2017.

Statement of Activities

The statement of activities provides greater detail of the changes in net assets during the fiscal year. Overall, total revenues and total expenses increased by 1.3% and 1.6%, respectively, over the prior year, with varying degrees of changes in individual line items. Net assets decreased 4.9% from the prior year, driven by a combination of realized and unrealized losses on investments and an accounting loss on the bond defeasance in December 2015. The structure of the new bonds removed a future bullet payment by spreading principal payments over the remaining life of the old 2009 bonds at a much lower interest rate. This resulted in a higher carrying value of the new debt from an accounting perspective, but will result in $44.6 million of gross cash flow savings for the College over the next 22 years.

Net student revenues grew 7.3% due to the increase in enrollment and in the number of students living on campus. Although the amount of private gifts decreased 12% from the prior year, primarily in the donor-restricted categories, total gifts of $34.4 million was an extraordinary accomplishment especially noting it was a year without a formal fundraising campaign. The incremental gifts to the endowment over the past two years are also reflected in the 8.6% increase in spending policy income.

The College implemented a new accounting system at the beginning of the 2015-16 fiscal year. The change to Workday Financials was implemented jointly with all of The Claremont Colleges. Some changes of individual line items within functional expense categories are the result of reclassifications of expenses from one category to another (i.e., from academic support to research) during the implementation to better align the nature of these expenses within each function. There was also a reduction of plant operations and maintenance costs allocated to the student services category due to the disposal of the old Ducey Gym. Roberts Pavilion was placed in service at the end of the fiscal year, and did not have operating expenses to allocate to functional categories in the 2015-16 fiscal year. Auxiliary enterprise expenses increased with incremental allocations of operating costs for the additions to the Mid Quad residence halls. Institutional support increased as a result of incurring the first full year of costs for new initiatives to educate and cultivate personal and social responsibility among the student body and to manage compliance with stricter federal regulations placed on higher education by the Department of Education’s Office of Civil Rights. The College also incurred extra costs to assist the administration, faculty, and students in responding to diversity and inclusion issues facing CMC (similar to the challenges of other colleges and universities throughout the nation).

In order to protect the recent investment in facilities, the College follows a strategy of transferring funds to its capital reserves based on data reflecting known repair needs and projecting likely modernization of space when buildings are renovated. The capital plan is updated annually and reviewed by the Campus Planning & Facilities and Finance Committees of the Board of Trustees.

Statements of Cash Flows

Net cash flows decreased by $511,000 in fiscal year 2015-16. The net cash used in operating activities of $8 million was offset by net cash provided by financing activities of $6.9 million and by investing activities of almost $600,000. Investing activities included drawdowns of cash reserves and of loan proceeds to fund a substantial portion of the construction activities. Cash outside of the investment pool continues to be managed using a multi-tiered structure based on the timeline of the expected use of cash, particularly related to the needs for capital projects, and is reviewed regularly by the Finance and Investment Committees of the Board of Trustees.

Summary

CMC continued its positive trajectory with new initiatives to support the students at CMC. Progress was noted in many forms, from improvements in the physical campus to the addition of financial resources to help supplement the cost of educating each and every student. Visitors to the campus, including prospective students and returning alumni, have expressed overwhelmingly positive reactions to the many programs and amenities that CMC is able to offer.

The 2016-17 fiscal year offers an opportunity for the campus community to make full use of Roberts Pavilion as a major community venue. The President and Board of Trustees are committed to providing an excellent educational experience for all students at CMC.

Respectfully submitted,

Robin J. Aspinall

Robin J. Aspinall
Vice President for Business and Administration and Treasurer

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Claremont McKenna College

Report on the Financial Statements

We have audited the accompanying financial statements of Claremont McKenna College, which comprise the statements of financial position 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Claremont McKenna 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 28, 2016

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015
(in thousands)

	2016	2015
ASSETS		
Cash	$ 909	$ 1,420
Accounts and notes receivable, net (Note 2)	18,459	17,054
Prepaid expenses and deposits	5,559	5,794
Contributions receivable, net (Note 3)	125,145	146,178
Beneficial interest in trusts (Note 3)	876	899
Investments (Note 4)	809,054	858,854
Plant facilities, net (Note 6)	283,418	249,455
Total assets	$ 1,243,420	$ 1,279,654
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 15,787	$ 20,432
Funds held in trust for others	3,669	3,830
Deposits and deferred revenues	1,978	2,155
Staff retirement liability	-	1,235
Life income and annuities payable (Note 9)	49,390	48,241
Capital lease obligation (Note 7)	1,346	824
Bonds and notes payable (Note 10)	196,057	176,630
Government advances for student loans	1,812	3,237
Asset retirement obligation (Note 8)	788	758
Total liabilities	270,827	257,342
Net Assets (Note 13):		
Unrestricted	258,922	262,518
Temporarily restricted	334,980	429,089
Permanently restricted	378,691	330,705
Total net assets	972,593	1,022,312
Total liabilities and net assets	$ 1,243,420	$ 1,279,654

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2016
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 84,782	$ -	$ -	$ 84,782
Less: Financial aid	(20,963)	-	-	(20,963)
Net student revenues (Note 15)	63,819	-	-	63,819
Private gifts and grants	4,478	21,778	8,159	34,415
Federal grants	912	-	-	912
Private contracts	1,140	-	-	1,140
Spending policy income	8,984	24,360	249	33,593
Other investment income	1,494	10	25	1,529
Other revenues	2,227	4	-	2,231
Release of net assets				
Restricted gifts	19,809	(19,809)	-	-
Restricted spending policy income	20,782	(20,782)	-	-
Annuity and life income	454	(454)	-	-
Total revenues	124,099	5,107	8,433	137,639
Expenses:				
Instruction	37,127	-	-	37,127
Research	8,260	-	-	8,260
Academic support	8,650	-	-	8,650
Student services	14,632	-	-	14,632
Institutional support	18,856	-	-	18,856
Auxiliary enterprises	17,997	-	-	17,997
Total expenses	105,522	-	-	105,522
Excess (Deficit) of revenues over expenses	18,577	5,107	8,433	32,117
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	(12,711)	(46,604)	(795)	(60,110)
Loss on bond defeasance	(15,909)	-	-	(15,909)
Realized gain (losses) on contributions receivable (Note 3)	-	(1,250)	(553)	(1,803)
Release of net assets				
Plant facilities	7,071	(7,071)	-	-
Transfers to Claremont University Consortium	(439)	-	-	(439)
Actuarial adjustment	(17)	(972)	(2,689)	(3,678)
Staff retirement plan comprehensive gain	103	-	-	103
Donor redesignations between net asset categories	(271)	(43,319)	43,590	-
Change in net assets	(3,596)	(94,109)	47,986	(49,719)
Net assets at beginning of year	262,518	429,089	330,705	1,022,312
Net assets at end of year	$ 258,922	$ 334,980	$ 378,691	$ 972,593

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2015
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 79,415	$ -	$ -	$ 79,415
Less: Financial aid	(19,920)	-	-	(19,920)
Net student revenues	59,495	-	-	59,495
Private gifts and grants	4,591	12,451	22,074	39,116
Federal grants	1,529	-	-	1,529
Private contracts	713	-	-	713
Spending policy income	8,474	22,231	238	30,943
Other investment income	1,913	3	102	2,018
Other revenues	2,040	-	-	2,040
Release of net assets				
Restricted gifts	28,674	(28,674)	-	-
Restricted spending policy income	20,215	(20,215)	-	-
Annuity and life income	816	(816)	-	-
Total revenues	128,460	(15,020)	22,414	135,854
Expenses:				
Instruction	36,733	-	-	36,733
Research	7,890	-	-	7,890
Academic support	8,987	-	-	8,987
Student services	15,361	-	-	15,361
Institutional support	17,712	-	-	17,712
Auxiliary enterprises	17,188	-	-	17,188
Total expenses	103,871	-	-	103,871
Excess (Deficit) of revenues over expenses	24,589	(15,020)	22,414	31,983
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	(5,512)	(15,445)	(691)	(21,648)
Realized losses on contributions receivable (Note 3)	-	(12,981)	228	(12,753)
Release of net assets				
Plant facilities	291	(291)	-	-
Actuarial adjustment	116	174	(1,970)	(1,680)
Transfers to Claremont University Consortium	(943)	-	-	(943)
Staff retirement plan comprehensive loss	(721)	-	-	(721)
Donor redesignations between net asset categories	(209)	(2,621)	2,830	-
Change in net assets	17,611	(46,184)	22,811	(5,762)
Net assets at beginning of year	244,907	475,273	307,894	1,028,074
Net assets at end of year	$ 262,518	$ 429,089	$ 330,705	$ 1,022,312

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

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (49,719)	$ (5,762)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	7,974	8,031
Amortization and accretion expense	(558)	(119)
Loss on disposal of plant facilities	-	325
Allowance for doubtful student loan accounts	24	(15)
Comprehensive (gain)/loss on staff retirement plan	(103)	721
Discount on life income contract gifts	(4,285)	(5,238)
Realized and unrealized (gain)/loss on investments	34,307	(7,435)
Loss on debt defeasance	15,909	-
Non-cash gifts	(6,582)	(11,100)
Adjustment of actuarial liability for annuities payable	11,333	10,950
Decrease/(increase) in accounts and contributions receivable	320	18,444
Decrease/(increase) in beneficial interest in trusts	23	5,320
Decrease/(increase) in prepaid expenses and deposits	234	(1,357)
(Decrease)/increase in accounts payable and accrued liabilities	(4,645)	2,614
(Decrease)/increase in funds held in trust for others	(161)	702
(Decrease)/increase in deposits and deferred revenues	(177)	403
Contributions restricted for long-term investments	(10,739)	(12,391)
Defined benefit plan contributions over expense	(1,132)	(232)
Net cash (used in)/provided by operating activities	(7,977)	3,861
Cash flows from investing activities:		
Purchase of plant facilities	(40,970)	(44,754)
Purchases of investments	(1,055,178)	(814,192)
Proceeds from sales of investments	1,096,252	829,190
Loans made to students and employees	(1,503)	(1,664)
Collection of student and employee loans	1,964	2,262
Net cash (used in)/provided by investing activities	565	(29,158)
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(6,231)	(4,382)
Investment income for annuity and life income investments	156	1,921
Proceeds from bonds and notes payable	7,019	17,945
Debt issuance costs	(1,150)	-
Principal payments for bonds and notes payable	(2,207)	(1,887)
Contributions restricted for life income contracts	3,864	3,493
Contributions restricted for endowment	5,246	8,496
Contributions restricted for plant expenditures and student loans	1,629	402
Increase/(decrease) in government advances for student loans	(1,425)	(3)
Net cash (used in)/provided by financing activities	6,901	25,985
Net (decrease)/increase in cash	(511)	688
Cash at beginning of year	1,420	732
Cash at end of year	$ 909	$ 1,420
Supplemental disclosure of cash flows:		
Interest paid	$ 5,727	$ 8,000
Supplemental disclosure of noncash financing activity:		
Capital lease obligation	$ 967	$ 339

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

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Established in 1946, Claremont McKenna College (the "College") is a highly selective, independent, coeducational, residential, liberal arts college. The College's mission, within the mutually supportive framework of The Claremont Colleges (Note 17), is to educate students for thoughtful and productive lives and responsible leadership in business, government, and the professions, and to support faculty and student scholarship that contributes to intellectual vitality and the understanding of public policy issues. The College pursues this mission by providing a liberal arts education that emphasizes economics and political science, a professoriate that is dedicated to effective teaching, a close student-teacher relationship that fosters critical inquiry, an active residential and intellectual environment that promotes responsible citizenship, and a program of research institutes and scholarly support that makes possible a faculty of teacher-scholars.

The College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The objective of the College is to maintain and conduct a nonprofit educational institution. The primary purpose of the accounting and reporting is the recording of resources received and applied rather than the determination of net income.

The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

Basis of Presentation:
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S.).

Net Asset Categories:
The accompanying financial statements present information regarding the College's financial position and activities according to three categories of net assets: unrestricted, temporarily restricted, and permanently restricted. The three categories are differentiated by donor restrictions. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that either lapse or can be satisfied. Permanently restricted net assets are resources that a donor has required the College to retain in perpetuity. Generally, the donor of these assets permits the College to use all or a part of the income and gains earned on the gifted assets.

Revenue Recognition:
Student tuition and fees are recorded as revenues in the year 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.

Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received are discounted at an appropriate discount rate.

Revenues from grants and contracts are reported as increases in unrestricted net assets, as allowable expenditures under such agreements are incurred.

Collectability of student accounts, notes receivable, and contributions receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a decrease to accounts, notes, or contributions receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Release of Donor-Imposed Restrictions:
The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or when unexpended endowment earnings are appropriated by the Board of Trustees. It is the College's policy to release the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor restrictions.

Allocation of Certain Expenses:
Expenses are generally reported as decreases in unrestricted net assets. The Statements of Activities present expenses by functional classification. Depreciation and the cost of operation and maintenance of plant facilities are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings.

Cash:
For the purposes of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds are classified as cash equivalents, except that any such investments managed as part of the investment pool are classified as investments.

Cash Held in Separate Accounts:
The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State, and unspent funds are to be returned according to the State's required timelines along with interest earned.

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 receivables are limited due to the large number of students from which amounts are due, with no one account being significant.

Investments:
Where permitted by law, the College pools investments for management purposes. The remainder of investments are managed as separate investments. Marketable securities are reported at fair value. Non-marketable investments are carried at estimated fair value provided by the management of the non-marketable investment partnerships or funds at June 30, 2016 and 2015. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the investments. Because non-marketable investments are not readily marketable, the estimated value is subject to uncertainty and such differences could be material.

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Investments: ***Continued***

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. The date of record for investments is the trade date.

Derivatives:

Certain investments held by the College may include derivative instruments as part of their investment strategy, but the College does not invest directly in derivatives.

Management of Pooled Investments:

The College follows an investment policy which anticipates a greater long term return through investing for capital appreciation, and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments. If the ordinary income portion of pooled investments return is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are held in their respective net asset categories and are available for appropriation under the College's spending policy. At June 30, 2016 and 2015, these cumulative gains totaled approximately $71,163,000 and $107,215,000, respectively. The Board of Trustees may, at its discretion, approve additional spending for special projects. The amount of investment return available for current operations will be determined by applying an increase of 2.0% to the prior year unit spending rate, provided that the resulting calculation falls within a collar of 4.5% to 5.5% of a twenty quarter average unit market value.

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 expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA which includes consideration of 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.

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Plant Facilities:

Plant facilities consist of property, plant, and equipment which are stated at cost, representing the original purchase price or the fair market value at the date of the gift, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements, and equipment. Plant purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for land improvements and buildings and $25,000 for equipment are capitalized. Estimated useful lives are generally 7 years for equipment, 50 years for buildings and 25 years for permanent improvements. Building improvements that extend the remaining useful life of the building are depreciated over a period not to exceed 20 years. Assets are retired at their cost less accumulated depreciation at the time they are sold, impaired, or no longer in use. Each year the College transfers to its capital project reserves an amount to allow for the preservation of its existing facilities into the future. Asset retirement obligations are recorded based on estimated settlement dates and methods.

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2016 and 2015. Proceeds from the disposal of equipment acquired with federal funds are transferred to the federal awarding agency. No property or equipment has been acquired with restricted assets where title may revert to another party.

Annuity and Life Income Contracts and Agreements:

The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in unrestricted expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 1.2% to 7.6% and over estimated lives according to the IRS Annuity 2000 Mortality Tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a nationally recognized statistical organization bond rating of "A" or better and (2) maintain an endowment to gift annuity ratio of at least 10:1.

Income Taxes:

The College had no unrecognized tax benefits and/or obligations at June 30, 2016 and 2015.

Redesignation of net assets:

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations and are reflected in the donor redesignations between net asset categories on the statement of activities.

Use Of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Fair Value of Financial Instruments:
A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of notes receivables, which are primarily federally sponsored student loans with the U.S. government, mandated interest rates and repayment terms is subject to significant restrictions as to their transfer or disposition and is not practical because such a determination cannot be made without incurring excessive costs.

The College carries most investments at fair value in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College’s perceived risk of that investment.

Investments in cash equivalents, global fixed income funds, and certain domestic and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1.

Investments in fixed income and other investment funds valued using net asset value per share (NAV) or its equivalent as reported by investment managers, which are audited under AICPA guidelines and that have trading activity and the ability to redeem at NAV on or near the reporting date, are included within Level 2.

Investments in hedge funds, private equity funds, or other private investments are valued at net asset value (NAV) or equivalent. Certain private investments and the College's beneficial interest in trusts valued utilizing unobservable inputs, and which have had no trading activity or cannot be redeemed at NAV or its equivalent on or near the reporting date are classified within Level 3. These assets are presented in the accompanying financial statements at fair value. The College’s determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College’s proportionate share of the partner’s capital of the investment partnerships as reported by their general partners. For these investments, the College, through its monitoring activities, agrees with the fair value as determined by the investment managers.

June 30, 2016 and 2015
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Fair Value of Financial Instruments: *Continued*

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with generally accepted accounting principles. Investments with no readily available market are generally valued according to the estimated fair value method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the partnership and if it is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining the fair value, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon redemption of the investments.

Accounting Standards Adoption

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 and notes payable described in Note 10 have been reclassified in the statement of financial position and are now presented as a direct reduction of the carrying amount of the bond and note 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 with the current year's presentation.

The College adopted the new Accounting Standards Update (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.

Reclassifications:

Certain prior year amounts have been reclassified for consistency with current year presentations.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2016 and 2015 are as follows:

	2016	2015
Student notes receivable	$ 9,624	$ 10,368
Federal loan funds	1,427	1,548
Other Claremont Colleges	1,897	495
Student accounts receivable	338	440
Grants and contracts receivable	234	458
Housing assistance notes receivable	3,054	2,654
Other	2,514	1,693
	19,088	17,656
Less allowance for doubtful accounts receivable	(629)	(602)
Net accounts and notes receivable	$ 18,459	$ 17,054

June 30, 2016 and 2015
(in thousands)

NOTE 3 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS:

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 1.4% to 4.9%.

Contributions receivable at June 30, 2016 and 2015 are expected to be realized as follows:

	2016	2015
Within one year	$ 16,713	$ 28,911
Between one year and five years	74,532	74,106
More than five years	54,372	66,599
	145,617	169,616
Less discount	(18,737)	(22,450)
Less allowance for doubtful contributions receivable	(1,735)	(988)
Net contributions receivable	$ 125,145	$ 146,178

Contributions receivable at June 30, 2016 and 2015 are intended for the following uses:

	2016	2015
Endowment	$ 49,634	$ 69,188
Plant	4,333	4,818
Other	71,178	72,172
Net contributions receivable	$ 125,145	$ 146,178

The College evaluates collectability of contributions receivable on an annual basis, and writes off those deemed uncollectible. During the year ended June 30, 2015, the College accepted early payment of a large contribution receivable at a higher discount rate than originally recorded. This transaction acccounted for $370 and $12,016 of the total realized losses on contributions receivable as of June 30, 2016 and 2015, respectively.

At June 30, 2016, 80.6% of contributions receivable were due from three donors. At June 30, 2015, 82.9% of contributions receivable were due from three donors.

At June 30, 2016 and 2015, the College had knowledge of conditional promises to give in the amount of $2,652 and $3,095, respectively. The promises will be recognized as revenue when the conditions are met.

Conditional promises to give at June 30, 2016 and 2015 are intended for the following uses:

	2016	2015
Endowed chairs for new and existing faculty positions	$ 1,302	$ 1,695
General purposes of the College	1,350	1,400
Net conditional promises to give	$ 2,652	$ 3,095

At June 30, 2016 and 2015, the College held beneficial interest in outside trusts of $876 and $899, respectively. These trusts are administered by outside trustees, with the College deriving income and/or a residual interest from the assets. When an irrevocable trust is established or the College is notified of its existence, the College recognizes its beneficial interest in the trust as a contribution at fair value, which is measured as the present value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in either temporarily or permanently restricted net assets based on the time or use restrictions placed by the donor upon the College's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as actuarial gains or losses. The discount rates used are commensurate with the risks associated with the contribution.

June 30, 2016 and 2015
(in thousands)

NOTE 4 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data that pertains to this method at June 30, 2016 and 2015:

	Pooled Investments Fund	
	2016	2015
Unit market value at end of year	$ 613.02	$ 669.13
Units owned:		
Unrestricted:		
Funds functioning as endowment	256,640	241,556
Temporarily restricted:		
Annuity and life income contracts and agreements	17,201	17,546
Endowment	71,512	65,360
Total temporarily restricted	88,713	82,906
Permanently restricted:		
Endowment	819,688	740,458
College loan investments	2,639	2,608
Annuity and life income contracts and agreements	44,031	43,543
Total permanently restricted	866,358	786,609
Total units	1,211,711	1,111,071

Investment income related to the College's pooled investments for the years ended June 30, 2016 and 2015, net of management and custody fees of $2,822 and $3,986, respectively, is as follows:

Amounts allocated in accordance with spending policy for pooled investments:	2016	2015
Net pooled investment income	$ 3,445	$ 1,008
Pooled investment gains appropriated	32,027	31,751
Total spending policy income and gains	35,472	32,759
Other investment income	1,529	2,018
Less amounts allocated to annuity and life income contracts and agreements	(1,879)	(1,816)
Total investment income	$ 35,122	$ 32,961
Realized and unrealized gains/(losses), net of spending allocation	(61,913)	(34,401)
Total investment returns	$ (26,791)	$ (1,440)

June 30, 2016 and 2015
(in thousands)

NOTE 4 - INVESTMENTS: ***Continued***

It is the College's policy to establish and maintain a diversified investment portfolio. The carrying value of investments are based on the quoted market prices, analytical pricing methods for investments for which there is no market, and the carrying value of limited partnership net assets in proportion to the College's interest. The carrying values are considered fair values. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2016 and 2015:

	2016	2015
Cash equivalents	$ 30,470	$ 27,689
Domestic equities	225,956	209,350
International equities	165,136	170,670
Domestic treasuries	30,942	53,997
Global fixed income	36,844	28,106
High yield and bank loans	33,682	39,924
Assets whose use is limited (Note 11)	3,867	3,818
Private investments:		
Long/short equity	55,146	53,492
Absolute return funds	62,712	83,180
Private equity and venture capital	117,507	114,246
Real estate, energy, and timber	46,792	74,382
Total investments	$ 809,054	$ 858,854

By category:	2016	2015
Endowment and funds functioning as endowment:		
Pooled investments	$ 703,650	$ 700,827
Separately invested	5,456	33,044
Total endowment and funds functioning as endowment	709,106	733,871
Annuity and life income contracts:		
Pooled investments	$ 37,537	$ 40,876
Separately invested	21,168	20,701
Total annuity and life income contracts and agreements	58,705	61,577
Other:		
Pooled	$ 1,618	$ 1,745
Separately invested	39,625	61,661
Total other	41,243	63,406
Total by category	$ 809,054	$ 858,854

June 30, 2016 and 2015
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments and beneficial interest in trusts carried on the Statements of Financial Position by level within the valuation hierarchy at June 30, 2016 and 2015:

	Level 1	Level 2	Level 3	Assets Held at NAV or equivalent	2016
Cash equivalents	$ 30,415	$ 55	$ -	$ -	$ 30,470
Domestic equities	129,914	-	-	96,042	225,956
International equities	7,942	-	-	157,194	165,136
Domestic treasuries	-	30,942	-	-	30,942
Global fixed income	4,626	-	-	32,218	36,844
High yield and bank loans	-	-	-	33,682	33,682
Assets whose use is limited	-	3,867	-	-	3,867
Private investments:					
Long/short equity	-	-	-	55,146	55,146
Absolute return	-	-	-	62,712	62,712
Private equity and venture capital	-	-	-	117,507	117,507
Real estate, energy, and timber	-	-	764	46,028	46,792
Beneficial interest in trusts	-	-	876	-	876
Total	$ 172,897	$ 34,864	$ 1,640	$ 600,529	$ 809,930

	Level 1	Level 2	Level 3	Assets Held at NAV or equivalent	2015
Cash equivalents	$ 27,641	$ 48	$ -	$ -	$ 27,689
Domestic equities	129,137	-	-	80,213	209,350
International equities	22,665	-	-	148,005	170,670
Domestic treasuries	-	53,997	-	-	53,997
Global fixed income	4,615	-	-	23,491	28,106
High yield and bank loans	-	-	-	39,924	39,924
Assets whose use is limited	-	3,818	-	-	3,818
Private investments:				-	
Long/short equity	-	-	-	53,492	53,492
Absolute return	-	-	-	83,180	83,180
Private equity and venture capital	-	-	-	114,246	114,246
Real estate, energy, and timber	-	-	1,268	73,114	74,382
Beneficial interest in trusts	-	-	899	-	899
Total	$ 184,058	$ 57,863	$ 2,167	$ 615,665	$ 859,753

June 30, 2016 and 2015
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: ***Continued***

The following table includes a roll forward of the amounts for assets classified within Level 3 at June 30, 2016 and 2015:

	Private investments: Real estate, energy, and timber	Beneficial interest in trusts	Total
Balance at July 1, 2014	$ 840	$ 6,219	$ 7,059
Purchases	548	-	548
Sales	(120)	-	(120)
Actuarial adjustment	-	(5,320)	(5,320)
Balance at July 1, 2015	$ 1,268	$ 899	$ 2,167
Purchases	9	-	9
Sales	(482)	-	(482)
Realized gain/(loss), net	(25)	-	(25)
Unrealized gain/(loss), net	(6)	-	(6)
Actuarial adjustment	-	(23)	(23)
Balance at June 30, 2016	$ 764	$ 876	$ 1,640

Net appreciation/(depreciation) on investments and beneficial interest in trusts are reflected in the line "Realized and unrealized gains/(losses), net of spending allocation" and "Other investment income," respectively, on the Statements of Activities. Also included in those accounts are net unrealized gains/(losses) on investments and actuarial adjustment on beneficial interest in trusts for Level 3 assets still held at June 30, 2016 and 2015 of ($6) and $0, respectively. The College's policy is to recognize transfers in and transfers out of Level 1, Level 2, and Level 3 at the beginning of the reporting period.

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at Net Asset Value at June 30, 2016:

	Fair Value at June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Domestic equities	$ 96,042	none	7 to 90 days	1 to 60 days	(1)
International equity funds	157,194	none	1 to 90 days	1 to 60 days	(1)
Global fixed income	32,218	none	1 to 30 days	5 to 30 days	(1)
High yield and bank loans	33,682	none	30 days	30 days	(1)
Long/short equity	55,146	none	30 days to 3 years	60 to 90 days	(2)
Absolute return	62,712	$ 2,700	qtrly to 1 years	45 to 90 days	(2)
Private equity and venture capital	117,507	54,227	N/A	N/A	(3)
Real estate, energy, and timber	46,028	37,630	N/A	N/A	(3)
Total	$ 600,529	$ 94,557			

June 30, 2016 and 2015
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

(1) These categories include investments in commingled fund vehicles that invest in debt and equity securities. The debt funds serve as a deflation hedge for the portfolio, while the equity allocation seeks total return and growth. The fair values of the investments in these categories have been estimated using the net asset value per share as reported by each underlying fund. There are no significant redemption restrictions in place for these funds.

(2) This category includes investments in global long/short, event driven, diversified arbitrage, distressed securities, and other multi-strategy hedge fund vehicles. The hedge fund allocation is intended to reduce risk by mitigating volatility of the equity markets and targets positive and stable absolute returns. The fair values of the investments in this category have been estimated using the net asset value per share as reported by each underlying fund.

(3) These categories include investments in leveraged buyout, distressed securities, venture capital, real estate, and energy private limited partnership funds. The real estate and energy funds serve as an inflation hedge for the portfolio and the other private categories are included for total return enhancement. The fair values of the investments in these categories have been estimated using the College's ownership percentage of the total net asset value for each underlying fund. The contractual life of these funds ranges from ten to fifteen years and distributions will be received as the underlying investments are realized.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2016 and 2015 consists of the following:

	2016	2015
Land and land improvements	$ 20,575	$ 20,472
Buildings and permanent improvements	304,703	184,735
Equipment	30,557	26,225
Equipment under capital lease	3,268	2,301
Property held for future use	14,784	14,531
Construction in progress	5,463	89,149
	379,350	337,413
Less accumulated depreciation	(95,932)	(87,958)
Net plant facilities	$ 283,418	$ 249,455

At June 30, 2016 and 2015, the amount of capitalized interest included in construction in progress was $88 and $2,183, respectively.

June 30, 2016 and 2015
(in thousands)

NOTE 7 - CAPITAL LEASE OBLIGATION:

The College entered into capital lease commitments to finance the acquisition of certain equipment. The corresponding obligations are due in monthly and quarterly installments with maturities through June 2021.

The annual capital lease obligation at June 30, 2016 was as follows:

Fiscal Years Ending June 30,	Lease Payments
2017	$ 415
2018	371
2019	314
2020	212
2021	145
Total payments	1,457
Less interest	(111)
Total capital lease obligation	$ 1,346

NOTE 8 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2016 and 2015:

	2016	2015
Obligations incurred	$ -	$ -
Obligations settled	-	-
Accretion expense	30	29
Revisions in estimated cash flows	-	-
	30	29
Beginning balance	758	729
Ending balance	$ 788	$ 758

NOTE 9 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of $49,390 and $48,241 at June 30, 2016 and 2015, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

Matured annuity and life income agreements for the years ended June 30, 2016 and 2015 also include $1,574 and $6,477, respectively, of releases to endowment within permanently restricted net assets.

June 30, 2016 and 2015
(in thousands)

NOTE 10 - BONDS AND NOTES PAYABLE:

At June 30, 2016 and 2015, bonds payable was comprised of the following:

	2016	2015
Bonds issued through California Educational Facilities Authority (CEFA):		
Series 2007	$ 11,895	$ 38,235
Series 2009	-	83,095
Series 2011	4,980	5,235
Series 2012	29,160	29,460
Series 2015	111,785	-
	157,820	156,025
Notes issued through California Municipal Finance Authority (CMFA):		
2013 Tax-Exempt Loan	24,364	18,967
	182,184	174,992
Unamortized cost of issuance	(1,907)	(1,936)
Unamortized premium	15,780	3,574
Total bonds and notes payable	$ 196,057	$ 176,630

The CEFA Series 2007 bonds were partially defeased through the issuance of CEFA Series 2015 bonds and the remaining Series 2007 bonds are due in 2038. Annual installments range from $240 in 2019 to $1,025 in 2038. Interest is payable semi-annually at rates ranging from 4.3% to 5.0%, at June 30, 2016. Bonds maturing after January 1, 2017 with principal balances totaling $11,895 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

The CEFA Series 2009 bonds were fully defeased by the CEFA Series 2015 bond issue. A loss of $15,909 was recognized for the year ending June 30, 2016, representing the difference between the amount of the defeased CEFA 2007 and CEFA 2009 bonds and the net carrying value of the new debt.

The CEFA Series 2011 bonds are due in 2030. Annual installments range from $265 in 2017 to $480 in 2030. Interest is payable semi-annually at rates ranging from 4.0% to 5.3%, at June 30, 2016. Bonds maturing after January 1, 2026 with principal balances totaling $1,770 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

The CEFA Series 2012 bonds are due in 2042. Annual installments range from $310 in 2017 to $22,260 in 2042. Interest is payable semi-annually at rates ranging from 2.3% to 4.0%, at June 30, 2016. Bonds maturing after January 1, 2033 are subject to mandatory redemption, in part, by lot, from mandatory sinking fund payments deposited. The Bonds maturing on January 1, 2042 are not subject to mandatory redemption prior to their stated maturity.

The CEFA Series 2015 bonds are due in 2039. Annual installments range from $1,830 in 2017 to $8,210 in 2038. Interest is payable semi-annually at rates ranging from 2.0% to 5.0%, at June 30, 2016. Bonds maturing after January 1, 2035 with principal balances totaling $37,135 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

In December 2013, the College signed a California Municipal Finance Authority (CMFA) Tax-Exempt Loan agreement, not to exceed $25,000,000, that matures December 2043. The College could make monthly draws through December 2016 and all funds were drawn as of February 2016. Interest is 3.50% per annum. The note requires monthly principal and interest payments. The loan was obtained for the purpose of financing the acquisition, construction, renovation, installation, and equipping of certain educational facilities.

Interest expense was $3,325 and $6,619 for the years ended June 30, 2016 and 2015, respectively.

June 30, 2016 and 2015
(in thousands)

NOTE 10 - BONDS AND NOTES PAYABLE: ***Continued***

The maturity of notes and bonds payable at June 30, 2016, is as follows:

Fiscal Years Ending June 30,	Principal Amount
2017	$ 3,698
2018	3,887
2019	4,092
2020	4,316
2021	4,559
Thereafter	161,632
	$ 182,184

The CMFA 2013 Tax Exempt Loan and the CEFA Series 2015, 2012, 2011, and 2007, bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements.

In December 2013, the College entered into an unsecured $10,000,000 line of credit agreement with a bank. Any borrowings under the line would bear interest payable monthly at the Prime Rate less 100 basis points. There were no borrowings outstanding on the line at June 30, 2016.

The College holds CEFA bonds that are reported at an amortized cost of $157,820 and $156,025 at June 30, 2016 and 2015, respectively, in the Statement of Financial Position. These CEFA bonds have an approximate fair value of $184,472 and $170,566 at June 30, 2016 and 2015, respectively. The College determined these CEFA bonds to be Level 2 measurements in the fair value hierarchy.

NOTE 11 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 10, "Bonds Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to capital expenditures and debt service payments as outlined in the agreements. Assets whose use is limited are comprised of cash equivalents and government obligations recorded at market value, which approximates fair value. Assets whose use is limited totaled $3,867 and $3,818, respectively, at June 30, 2016 and 2015.

June 30, 2016 and 2015
(in thousands)

NOTE 12 - EMPLOYEE BENEFIT PLANS:

The College participates, with other members of The Claremont Colleges (Note 17), in a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2016 and 2015 totaled $4,307 and $4,223, respectively.

The Claremont University Consortium administered a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan was funded in accordance with the Employer Retirement Income Security Act of 1974 ("ERISA"). The benefits are based on a percent of each year's base compensation. Plan assets were invested primarily in a diversified group of equity and fixed-income securities. The College's allocation of the net pension cost for the years ended June 30, 2016 and 2015 was $305 and $124, respectively. A decision was made to curtail the Plan in June 2004. Under the curtailment, the accrued benefits earned at June 30, 2005 were frozen and no future benefits will be earned under the Plan. On March 4, 2014, the Council of the Claremont Colleges (“Council”) passed a resolution to terminate the Plan effective June 30, 2014, and to amend the Plan to offer a single lump sum distribution option in addition to the other forms of distribution available under the Plan. As of June 30, 2016, all plan assets were liquidated to fund the financial obligation of the plan termination. Accrued benefit liability and employer contributions were allocated to each of The Claremont Colleges based on participant data or other methods deemed appropriate by the Plan's actuary. Additional information on the Plan can be obtained from the audited financial statements of the Claremont University Consortium.

NOTE 13 - NET ASSETS:

At June 30, 2016 and 2015, net assets consists of the following:

	2016	2015
Unrestricted:		
For operations and designated purposes	$ 6,998	$ 6,350
Student loans	3,718	3,356
Board designated endowment funds	157,190	161,252
Plant facilities	91,016	91,560
Total unrestricted	$ 258,922	$ 262,518
Temporarily restricted:		
Restricted for specific purposes	$ 92,628	$ 94,723
Annuity and life income contracts and agreements	1,962	3,795
Term endowments	83,910	115,273
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	15,519	18,215
With purpose restriction	140,961	197,083
Total temporarily restricted	$ 334,980	$ 429,089
Permanently restricted:		
Student loans	$ 11,872	$ 11,783
Annuity and life income contracts and agreements	5,659	7,686
Endowment	361,160	311,236
Total permanently restricted	$ 378,691	$ 330,705

June 30, 2016 and 2015
(in thousands)

NOTE 14 - ENDOWMENT:

The net assets of the College include permanent endowments and funds functioning as endowments. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided under UPMIFA. While funds have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

Changes in the College's endowment for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Investment returns:				
Earned income	$ 3,445	$ -	$ 24	$ 3,469
Change in realized and unrealized net appreciation (depreciation) of investments	19,898	(46,722)	(811)	(27,635)
Net investment return	23,343	(46,722)	(787)	(24,166)
Endowment returns reinvested (or distributed for operations)	(33,656)	3,028	168	(30,460)
Net investment returns	(10,313)	(43,694)	(619)	(54,626)
Other changes in endowed equity:				
Gifts	-	2,094	6,507	8,601
Other additions, net	6,251	(48,581)	44,036	1,706
Total other changes in endowed equity	6,251	(46,487)	50,543	10,307
Net change in endowed equity	(4,062)	(90,181)	49,924	(44,319)
Endowed equity, beginning of year	161,252	330,571	311,236	803,059
Endowed equity, end of year	$ 157,190	$ 240,390	$ 361,160	$ 758,740

At June 30, 2016, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Contributions receivable, net of discount	$ -	$ 39,936	$ 9,698	$ 49,634
Investments	157,190	200,454	351,462	709,106
Total endowed equity	$ 157,190	$ 240,390	$ 361,160	$ 758,740

June 30, 2016 and 2015
(in thousands)

NOTE 14 - ENDOWMENT: ***Continued***

Changes in the College's endowment for the year ended June 30, 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
Investment returns:				
Earned income	$ 1,007	$ -	$ 95	$ 1,102
Change in realized and unrealized net appreciation (depreciation) of investments	26,912	(27,805)	396	(497)
Net investment return	27,919	(27,805)	491	605
Endowment returns reinvested (or distributed for operations)	(31,172)	1,943	165	(29,064)
Net investment returns	(3,253)	(25,862)	656	(28,459)
Other changes in endowed equity:				
Gifts	-	(1,667)	19,742	18,075
Other additions, net	7,353	(8,621)	7,829	6,561
Total other changes in endowed equity	7,353	(10,288)	27,571	24,636
Net change in endowed equity	4,100	(36,150)	28,227	(3,823)
Endowed equity, beginning of year	157,152	366,721	283,009	806,882
Endowed equity, end of year	$ 161,252	$ 330,571	$ 311,236	$ 803,059

At June 30, 2015, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
Contributions receivable, net of discount	$ -	$ 57,182	$ 12,006	$ 69,188
Investments	161,252	273,389	299,230	733,871
Total endowed equity	$ 161,252	$ 330,571	$ 311,236	$ 803,059

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies for donor-restricted endowment funds were $4,418 and $379 at June 30, 2016 and 2015, respectively.

June 30, 2016 and 2015
(in thousands)

NOTE 15 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Tuition and fees	$ 67,172	$ 63,065
Room and board	17,610	16,350
Gross student revenues	84,782	79,415
Less financial aid:		
Sponsored	(13,974)	(16,228)
Unsponsored	(6,989)	(3,692)
Total financial aid	(20,963)	(19,920)
Net student revenues	$ 63,819	$ 59,495

"Sponsored" student aid consists of funds provided by external entities or income from endowment funds restricted for financial aid, whereas "unsponsored" aid consists of funds provided by the College.

NOTE 16 - INSTITUTIONAL SUPPORT FUNDRAISING EXPENSE:

Included in Institutional Support expenses are $5,438 and $4,772 of expenditures related to fundraising for the years ended June 30, 2016 and 2015, respectively.

NOTE 17 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. Claremont University Consortium, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2016 and 2015 totaled $5,907 and $5,773, respectively.

NOTE 18 - RELATED PARTY TRANSACTIONS:

The College holds investments in certain limited partnerships in which certain members of the Board of Trustees are limited partners or are affiliated with management of the related partnerships. Investments at June 30, 2016 and 2015 totaled $22,270 and $50,560, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the years ended June 30, 2016 and 2015, the College received $16,029 and $23,343, respectively, of total private gifts and grants from members of the Board of Trustees. At June 30, 2016 and 2015, contributions receivable from members of the Board of Trustees totaled $117,902 and $139,189, respectively.

June 30, 2016 and 2015
(in thousands)

NOTE 19 - COMMITMENTS AND CONTINGENCIES:

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

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. The College's management does not expect the ultimate resolution of pending legal actions to have a material effect on the financial position or change in net assets of the College.

NOTE 20 - SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be 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 statement of financial position, 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 statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Subsequent events have been evaluated through October 28, 2016, which corresponds to the date when the financial statements are available for issuance.

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