

# **Bryn Mawr College**

**Financial Statements**

**May 31, 2017 and 2016**

**Bryn Mawr College**  
**Index**  
**May 31, 2017 and 2016**

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## Report of Independent Auditors

To the Trustees of Bryn Mawr College:

We have audited the accompanying financial statements of Bryn Mawr College, which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and of cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Bryn Mawr College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bryn Mawr College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence 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 Bryn Mawr College as of May 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

October 9, 2017

**Bryn Mawr College**  
**Statements of Financial Position**  
**May 31, 2017 and 2016**  
(in thousands)

	<u>May 2017</u>	<u>May 2016</u>
<b>Assets:</b>		
Cash & cash equivalents	\$ 33,573	\$ 23,358
Short term investments	5,154	5,105
Accounts receivable (less allowance of \$337 in 2017 & \$365 in 2016)	4,383	5,179
Total other assets	2,594	2,375
Contributions receivable (less allowance of \$8 in 2017 & \$2 in 2016)	8,056	8,224
Student loans receivable (less allowance of \$1,593 in 2017 & \$1,455 in 2016)	3,129	3,305
Deposits with trustees of debt obligations	8,958	15,234
Plant and equipment, net of accumulated depreciation	194,626	194,919
Long term investments	892,810	841,946
Total assets	<u>\$ 1,153,283</u>	<u>\$ 1,099,645</u>
<b>Total Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 4,022	\$ 3,624
Accrued Expenses	5,848	6,446
Student Deposits	1,660	2,151
Deferred Revenue	2,184	2,429
Annuity Obligations	7,534	7,096
Debt	129,992	133,663
Other Long-term Liabilities	2,638	2,575
Advances from US government for student loans	1,463	1,656
Total Liabilities	<u>155,341</u>	<u>159,640</u>
<b>Net Assets:</b>		
Unrestricted	481,014	452,257
Temporarily restricted	254,654	231,228
Permanently restricted	262,274	256,520
Total net assets	<u>997,942</u>	<u>940,005</u>
Total Liabilities and Net Assets	<u>\$ 1,153,283</u>	<u>\$ 1,099,645</u>

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

**Bryn Mawr College**  
**Statements of Activities**  
**Year Ended May 31, 2017**  
(with comparative totals for 2016, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
<b>Operating revenues:</b>					
Tuition and fees, net of discount of \$35,541	\$ 41,656	\$ -	\$ -	\$ 41,656	\$ 41,515
Private contributions	6,967	4,236		11,203	10,910
Government grants	7,637			7,637	8,140
Endowment payout under spending formula	20,846	22,585		43,431	39,979
Other	4,922			4,922	4,692
Auxiliary enterprises, net of discount of \$1,024	23,528			23,528	22,282
Interest income on cash and short-term investments	960			960	1,148
Satisfaction of program restrictions	24,387	(24,387)		-	-
Total operating revenues	<u>130,903</u>	<u>2,434</u>	<u>-</u>	<u>133,337</u>	<u>128,666</u>
<b>Operating expenses:</b>					
Instruction	44,601			44,601	44,259
Research	3,421			3,421	3,561
Public service	1,920			1,920	1,929
Academic support	16,908			16,908	16,403
Student services	12,463			12,463	12,687
Institutional support	22,217			22,217	21,916
Scholarships and fellowships	4,367			4,367	4,167
Auxiliary enterprises	17,872			17,872	17,266
Total operating expenses	<u>123,769</u>	<u>-</u>	<u>-</u>	<u>123,769</u>	<u>122,188</u>
Net changes from operations	<u>7,134</u>	<u>2,434</u>	<u>-</u>	<u>9,568</u>	<u>6,478</u>
<b>Non-operating items:</b>					
Private contributions	2,968	651	5,303	8,922	7,489
Actuarial changes, interest and payments	(869)	(222)	(411)	(1,502)	(297)
Release from restrictions	1,283	(1,148)	(135)	-	-
Other	(100)	-	-	(100)	(1,329)
Realized and unrealized gains (losses) on investments, net of \$41,673 appropriated for endowment spending payout	18,341	21,711	997	41,049	(74,327)
Net changes from non-operating activities	<u>21,623</u>	<u>20,992</u>	<u>5,754</u>	<u>48,369</u>	<u>(68,464)</u>
Change in net assets	28,757	23,426	5,754	57,937	(61,986)
Net assets at beginning of year	452,257	231,228	256,520	940,005	1,001,991
Net assets at end of year	<u>\$ 481,014</u>	<u>\$ 254,654</u>	<u>\$ 262,274</u>	<u>\$ 997,942</u>	<u>\$ 940,005</u>

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

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**Bryn Mawr College**  
**Statements of Activities**  
**Year Ended May 31, 2016**  
(in thousands)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total 2016</b>
<b>Operating revenues:</b>				
Tuition and fees, net of discount of \$32,375	\$ 41,515	\$ -	\$ -	\$ 41,515
Private contributions	5,817	5,093		10,910
Government grants	8,140			8,140
Endowment payout under spending formula	19,249	20,730		39,979
Other	4,692			4,692
Auxiliary enterprises, net of discount of \$899	22,282			22,282
Interest income on cash and short-term investments	1,148			1,148
Satisfaction of program restrictions	23,053	(23,053)		-
Total operating revenues	<u>125,896</u>	<u>2,770</u>	<u>-</u>	<u>128,666</u>
<b>Operating expenses:</b>				
Instruction	44,259			44,259
Research	3,561			3,561
Public service	1,929			1,929
Academic support	16,403			16,403
Student services	12,687			12,687
Institutional support	21,916			21,916
Scholarships and fellowships	4,167			4,167
Auxiliary enterprises	17,266			17,266
Total operating expenses	<u>122,188</u>	<u>-</u>	<u>-</u>	<u>122,188</u>
Net changes from operations	<u>3,708</u>	<u>2,770</u>	<u>-</u>	<u>6,478</u>
<b>Non-operating items:</b>				
Private contributions	407	1,135	5,947	7,489
Actuarial changes, interest and payments	(286)	44	(55)	(297)
Release from restrictions	1,038	(991)	(47)	-
Other	(1,329)			(1,329)
Realized and unrealized gains (losses) on investments, net of \$40,353 appropriated for endowment spending payout	(33,038)	(40,008)	(1,281)	(74,327)
Net changes from non-operating activities	<u>(33,208)</u>	<u>(39,820)</u>	<u>4,564</u>	<u>(68,464)</u>
Change in net assets	(29,500)	(37,050)	4,564	(61,986)
Net assets at beginning of year	481,757	268,278	251,956	1,001,991
Net assets at end of year	<u>\$ 452,257</u>	<u>\$ 231,228</u>	<u>\$ 256,520</u>	<u>\$ 940,005</u>

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

**Bryn Mawr College**  
**Statements of Cash Flows**  
**Years Ended May 31, 2017 and 2016**  
**(in thousands)**

For fiscal years ended May 31

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 57,937	\$ (61,986)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,166	11,359
Loss on disposal of equipment	53	905
Provision for losses/(benefits) on accounts/loans receivable	116	207
Contributions designated for long-term investment	(9,723)	(6,500)
Net realized and unrealized (gains)/ losses on investments	(82,577)	34,262
Change in net present value of annuities	438	(773)
Change in asset retirement obligation	96	121
Changes in operating assets and liabilities:		
Accounts receivable and other assets	605	(343)
Increase/(decrease) in accounts payable, accruals, deferred revenue and student deposits	(968)	(918)
Decrease/(increase) in contributions receivable	162	(130)
Net cash used in operating activities	<u>(21,695)</u>	<u>(23,796)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	124,267	227,373
Purchase of long-term investments	(92,187)	(194,540)
Payments on student loans and employee mortgages	1,647	1,184
Student loans and employee mortgages advanced	(2,025)	(1,668)
Purchase of property, plant and equipment	(12,693)	(12,012)
Decrease/(increase) in deposits held by trustees of debt obligations	6,276	6,688
Net cash provided by (used in) investing activities	<u>25,285</u>	<u>27,025</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions designated for long-term investment	9,723	6,500
Repayment of debt	(2,905)	(2,295)
Increase/(decrease) in government advance for loans	(193)	77
Net cash provided by financing activities	<u>6,625</u>	<u>4,282</u>
Net increase/(decrease) in cash and cash equivalents	10,215	7,511
Cash and cash equivalents at beginning of year	<u>23,358</u>	<u>15,847</u>
Cash and cash equivalents at end of year	<u>\$ 33,573</u>	<u>\$ 23,358</u>
Supplemental data for financing activities:		
Non-cash gifts-in-kind	\$ 3	\$ 166
Interest paid	5,639	5,724
Construction related payables	637	418

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

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

1 Organization

Bryn Mawr College (the College) is a private institution of higher education founded in 1885 and located in Bryn Mawr, Pennsylvania on an historic and picturesque suburban campus less than ten miles from the downtown center of Philadelphia.

The Undergraduate College offers a four-year, residential experience to approximately 1,430 women representing 50 different states, districts & territories and 60 different countries with an expansive, customizable liberal arts curriculum of over 37 majors and 41 minors. Bryn Mawr was the first women's college to offer graduate education through the Ph.D., defying the limitations imposed on women's intellectual achievement at other institutions of the time. The College continues its support of master and doctoral programs via its Graduate School of Arts and Sciences and its Graduate School of Social Work and Social Research. Both graduate schools are coeducational and their full-time equivalent enrollment was approximately 215 in academic year 2016-2017.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis and in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. These donor-imposed restrictions neither expire by the passage of time nor can they be otherwise removed by the College. Generally, the donors of these assets permit the College to spend all or part of the investment return of these assets.

Temporarily restricted: Net assets whose use by the College is subject to donor-imposed restrictions that can be fulfilled by actions of the College in compliance with those restrictions or by the passage of time. Realized and unrealized gains and losses on the permanently restricted endowment and current spendable contributions (non-endowment) with donor-imposed restrictions are reported as temporarily restricted. Such net assets are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees ("Quasi Endowment") or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as satisfaction of program restrictions and treated as reclassifications between the applicable classes of net assets.

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.



**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

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, liquidity statistics and other factors. The College considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The College's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy.

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.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

*Short-Term Investments*

Short-term investments include cash equivalents and fixed income mutual funds with maturities between three and twelve months. These 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.

*Equity Funds*

Equity investments consist of separate accounts, daily traded mutual funds, commingled funds and limited partnerships. Securities held in separate accounts and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets with no valuation adjustment applied. Commingled funds and limited partnership interests are valued at NAV.

*Real Assets*

Real assets primarily represent real estate, commodity and energy related interests held through limited partnerships. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

*Private Equity*

Investments in private equity are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

*Hedge Funds*

Investments in hedge funds, also known as marketable alternatives, represent multi-strategy, global and US equity interests. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

*Split Interest Agreements*

Split interest agreements represent a variety of funds including pooled growth, pooled income, charitable gift annuity, charitable remainder unitrust and annuity trusts and income trusts. Where the College is trustee, liabilities associated with third party interests are reported on the Statement of Financial Position at fair value. Discount rates range between 3-6%. The College is the beneficiary of Trusts held by others. These are income trusts where the College will receive income payments in perpetuity or a defined term as defined in the trust.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

*Student Loan Receivables*

Determination of the fair value of student loan receivables, which are primarily federally-sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs. These receivables are reported at cost.

Endowment Investment and Spending Policies and Objectives

The College's endowment is comprised of approximately 1,350 individual funds established for a variety of reasons, including donor restrictions as well as funds designated by the Board to function as endowments (i.e. the quasi-endowment). Bryn Mawr's investment policy goal is primarily to maintain the purchasing power of the endowment and secondarily, to increase the portion of the College's operating budget that comes from endowment over time. The College utilizes a highly diversified investment portfolio to reduce the risk and increase the return over a full market cycle.

In determining the annual spending amount, Bryn Mawr College's policy uses a constant growth factor in combination with incremental spending from new gifts and a market-value-based collar. The spending amount for a given fiscal year is calculated using a 4.5% increase over the prior fiscal year's spending amount plus 5% of new gifts that were received in the most recently closed fiscal year. The draw amount is then tested against the set collar: a floor or minimum draw amount of 4.5% of the trailing three-year average of the fiscal year-end market values and a ceiling or maximum draw amount of 5.5% of the same trailing three-year average of the fiscal year-end market values.

Commonwealth of Pennsylvania law (Act 141) permits the College to allocate to income each year a portion of endowment net realized gains. In accordance with the law, the College spends between 2% and 7% of the fair market value of the endowment funds, averaged over a period of three or more preceding years.

New Accounting Standards

In May 2014, the FASB issued a standard of Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. Management is evaluating the impact this will have on the financial statements beginning in Fiscal Year 2019.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

In February 2016, the FASB issued a standard on Leases. This standard requires lessees to recognize assets and liabilities for the rights and obligations created by leases with terms in excess of 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend on its classification as a finance or operating lease. The accounting by lessors remains largely unchanged. This standard is effective for fiscal years beginning after December 15, 2018. Management is evaluating the impact this will have on the financial statements beginning in Fiscal Year 2020.

In August 2016, the FASB issued a standard on the Presentation of Financial Statements of Not-for-Profit Entities. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantor, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017. College management is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2019.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: building shell (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and library books (20 years). Depreciation expense is allocated to functional categories in the statement of operations based on building square footage. Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on the sale or retirement of plant assets are recorded in the year of disposition.

Works of art, special collections and similar assets have been capitalized at their estimated fair value at the date of acquisition, based upon appraisals or similar valuations. Such assets are not depreciated.

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 \$5,005 in 2017 and \$4,528 in 2016.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
(Dollars in thousands)

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.

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 4.3% and 3.0% at May 31, 2017 and 2016, respectively.

Contributions receivable in:	2017	2016
Less than one year	\$ 113	\$ 256
One to five years	8,945	9,062
More than five years	3	-
	<hr/>	<hr/>
	9,061	9,318
Less allowance for doubtful contributions	(8)	(2)
	<hr/>	<hr/>
	9,053	9,316
Less discount to present value	(997)	(1,092)
Contributions Receivable	<hr/> <hr/>	<hr/> <hr/>
	\$ 8,056	\$ 8,224

4 Property, Plant and Equipment

At May 31 property, plant and equipment consisted of the following:

	2017	2016
Land and land improvements	\$ 7,696	\$ 6,704
Buildings and fixed equipment	300,536	293,442
Information systems	5,834	5,129
Equipment and library books	49,962	49,050
Fine arts and special collections	5,455	5,455
Construction in progress	5,443	2,683
	<hr/>	<hr/>
	374,926	362,463
Accumulated depreciation	(180,300)	(167,544)
Net property, plant and equipment	<hr/> <hr/>	<hr/> <hr/>
	\$ 194,626	\$ 194,919

Depreciation expense was \$12,933 and \$12,123 at May 31, 2017 and 2016, respectively.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
**(Dollars in thousands)**

5 Long Term Investments

Endowment and similar funds are classified as long-term investments and include the College's permanent endowment funds, term endowment funds, and quasi-endowment funds. Quasi-endowment funds have been established by the Board of Trustees for the same purposes as endowment funds; however, quasi-endowment funds may be expended in their entirety at the discretion of the Board.

Annuity, life income, and trust agreements are also classified as long-term investments. The College pays periodically either the income earned or a fixed percentage of the assets to the beneficiary designated by the donor. Upon termination of an annuity, life income, or trust agreement the College's remainder interest in the assets is available for use by the College as restricted by the donor or designated by the Board of Trustees. The College has recorded an accrued liability and deferred revenue of \$7,534 at May 31, 2017 and \$7,096 at May 31, 2016 representing gift annuities payable and pooled income fund liabilities.

Long-term investments include outstanding balances on residential mortgages held for eligible employees. The outstanding balances amounted to \$5,176 and \$4,760 as of May 31, 2017 and 2016, respectively. The portfolio's 3.7% average interest rate approximates the market rates and the assets are fully collateralized with a zero deficiency and default rate. Also included is a payable and a receivable balance related to a sale of investments of (\$430) and \$19,292 as of May 31, 2017 and 2016, respectively.

Certain investments that are measured at fair value using the net asset value per share or its equivalent (NAV) as a practical expedient for fair value have been categorized separately.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2017 and 2016**  
(Dollars in thousands)

A summary of investments, measured at fair value in accordance with the *Fair Value Measurements* standard on a recurring basis, as of May 31, 2017 and 2016 is as follows:

Investments:	2017				
	Level I	Level II	Level III	NAV	Total
<b>Endowment</b>					
Cash and cash equivalents	\$ 40,939	\$ -	\$ -	\$ -	\$ 40,939
Equity funds					
Domestic	156	75,727			75,883
Global		201,120			201,120
Fixed income funds (domestic)		72,972			72,972
Real assets				107,455	107,455
Private equity					
Buyout				11,466	11,466
Venture Capital				69,448	69,448
Other				86,229	86,229
Hedge Funds					
Global Equity (long/short)				16,764	16,764
Developed International				12,767	12,767
Multi-Strategy				131,236	131,236
US Equity (long/short and event driven)				26,464	26,464
<b>Total Endowment</b>	41,095	349,819	-	461,829	852,743
<b>Trusts</b>	12,016		22,875		34,891
<b>Residential Mortgages</b>		5,176			5,176
<b>Subtotal Long Term Investments</b>	53,111	354,995	22,875	461,829	892,810
<b>Short Term Investments (Fixed Income)</b>	238	4,916			5,154
<b>Total Investments</b>	\$ 53,349	\$ 359,911	\$ 22,875	\$ 461,829	\$ 897,964

  

Investments:	2016				
	Level I	Level II	Level III	NAV	Total
<b>Endowment</b>					
Cash and cash equivalents	\$ 26,799	\$ -	\$ -	\$ -	\$ 26,799
Equity funds					
Domestic	141	66,345			66,486
Global		173,814			173,814
Fixed income funds (domestic)		60,527			60,527
Real assets		4,215		104,344	108,559
Private equity					
Buyout				13,842	13,842
Venture Capital				64,184	64,184
Other				87,769	87,769
Hedge Funds					
Global Equity (long/short)				25,104	25,104
Developed International				10,655	10,655
Multi-Strategy				137,713	137,713
US Equity (long/short and event driven)				28,446	28,446
<b>Total Endowment</b>	26,940	304,901	-	472,057	803,898
<b>Trusts</b>	10,802		22,486		33,288
<b>Residential Mortgages</b>		4,760			4,760
<b>Subtotal Long Term Investments</b>	37,742	309,661	22,486	472,057	841,946
<b>Short Term Investments (Fixed Income)</b>	138	4,967			5,105
<b>Total Investments</b>	\$ 37,880	\$ 314,628	\$ 22,486	\$ 472,057	\$ 847,051

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Changes to the reported amounts of investments measured at fair value on a recurring basis listing Level III (unobservable) inputs as of May 31 are as follows:

	<u>Trusts</u>		<u>Trusts</u>
Balance, May 31, 2016	\$ 22,486	Balance, May 31, 2015	\$ 24,042
Purchases		Purchases	
Sales and settlements	(405)	Sales and settlements	106
Net Interest, dividends and fees	128	Net Interest, dividends and fees	116
Net Distributions	(355)	Net Distributions	(328)
Net change in realized/unrealized gains(losses)	<u>1,021</u>	Net change in realized/unrealized gains(losses)	<u>(1,450)</u>
Balance, May 31, 2017	<u>\$ 22,875</u>	Balance, May 31, 2016	<u>\$ 22,486</u>

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2017 and 2016 there were no transfers between Levels I, II, or III.

The realized and unrealized gains and losses of the Level III investments for fiscal years 2017 and 2016 are included in realized and unrealized gains (losses) on investments in the Non-operating section of the Statement of Activities. Realized and unrealized gains (losses) of \$1,021 and \$(1,450) are attributable to the trusts for 2017 and 2016 respectively.

Deposits with trustees of debt obligations of \$8,958 and \$15,234 as of May 31, 2017 and 2016, respectively, are considered Level II investments.

Liquidity risk is the risk that the College will not be able to meet its obligations due to restrictions on ability to redeem investments. The College has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that limit its ability to initiate redemptions due to notice periods, lock-ups, side-pocket investments and investment periods. Of the College's investments, approximately 51%, or \$457,109, are redeemable within 6 months and approximately 60%, or \$541,651, are redeemable within one year. The College closely monitors liquidity and has approximately \$30,000 available in credit lines.



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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.

<b>Liquidity of Assets</b>	<b>Value</b>
<b>1 to 7 days</b>	
Cash & cash equivalents	\$ 40,939
Equity (domestic & international)	81,512
Fixed income (domestic)	5,153
	<u>127,604</u>
<b>Between 1 week and 1 month</b>	
Equity (domestic & international)	71,103
Fixed income (domestic)	72,972
Hedge Funds	
Developed International	12,712
Multi-Strategy	12,812
	<u>169,599</u>
<b>1 to 3 months</b>	
Equity (domestic & international)	124,388
	<u>124,388</u>
<b>3 to 6 months</b>	
Hedge Funds	
Multi-Strategy	21,552
US Equity (long/short and event driven)	13,966
	<u>35,518</u>
<b>6 months to 1 year</b>	
Hedge Funds	
Global Equity (long/short)	6,135
Multi-Strategy	77,478
US Equity (long/short and event driven)	929
	<u>84,542</u>
<b>Long-Term greater than 1 year</b>	
Hedge Funds	
Global Equity (long/short)	10,630
Developed International	55
Multi-Strategy	19,394
US Equity (long/short and event driven)	11,569
Real Assets	107,455
Residential Mortgages	5,177
Private Equity	167,142
Trusts	34,891
	<u>356,313</u>
Total	<u><u>\$ 897,964</u></u>

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Endowment investment activity for 2017 and 2016 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2017	2016
Investments at beginning of year	\$ 803,898	\$ 26,796	\$ 6,492	\$ 837,186	\$ 904,324
Contributions restricted by donor	5,392	1,475		6,867	5,047
Contributions designated for long term investment	2,856			2,856	1,453
Payout returned to long-term investments	473			473	423
Other increases	1,255			1,255	2,001
	813,874	28,271	6,492	848,637	913,248
Investment returns net of expenses of \$8,254 in 2017 and \$6,388 in 2016					
Investment dividends and interest	1,787			1,787	(364)
Realized/Unrealized gains/(losses)	80,513	1,824	356	82,693	(33,984)
	82,300	1,824	356	84,480	(34,348)
Endowment spending payout	(43,431)			(43,431)	(39,979)
	38,869	1,824	356	41,049	(74,327)
Annuity and trust income		277		277	240
Payments to annuitants and trust expenses		(1,340)		(1,340)	(1,311)
Maturities of annuities		(989)		(989)	(664)
Investments at end of year	\$ 852,743	\$ 28,043	\$ 6,848	\$ 887,634	\$ 837,186

6 Debt

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

	Maturity Date	Coupon Rates	2017	2016
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2014	12/1/2044	3.0-5.0%	\$ 55,924	\$ 56,621
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012A	12/1/2022	4.0%	14,210	14,432
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2012	12/1/2017	3.0%	-	675
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010A	12/1/2019	4.0-5.0%	25,580	26,950
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010	12/1/2029	3.0-5.0%	11,496	12,173
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2007	12/1/2037	5.0%	22,782	22,812
			\$ 129,992	\$ 133,663

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Principal payments on long-term debt are as follows:

	Series 2014	Series 2012A	Series 2010A	Series 2010	Series 2007	Total
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
2022	1,320			815		2,135
Thereafter	45,135	13,100		7,655	22,170	<u>88,060</u>
Total principal payments						122,355
Net bond premium, discounts and issuance costs						<u>7,637</u>
Total outstanding debt						<u>\$ 129,992</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, 2017 and May 31, 2016.

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 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, 2017 the College has no swap agreements or other derivatives.

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7 Net Assets

Net assets at May 31, 2017 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ 1,420	\$ 13,910	\$ -	\$ 15,330
Loan funds:	538	108		646
Endowment and similar funds:				
True endowment		225,307	242,674	467,981
Quasi endowment	380,650	7,659		388,309
Term endowment		1,731		1,731
Annuities and trusts	2,959	4,798	19,600	27,357
Plant funds:				
Unexpended Plant	26,252			26,252
Capital projects		1,141		1,141
Net investment in plant	69,195			69,195
<b>Total</b>	<b>\$ 481,014</b>	<b>\$ 254,654</b>	<b>\$ 262,274</b>	<b>\$ 997,942</b>

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 endowment		1,637		1,637
Annuities and trusts	2,554	4,837	18,802	26,193
Plant funds:				
Unexpended Plant	26,379			26,379
Capital projects		991		991
Net investment in plant	76,203			76,203
<b>Total</b>	<b>\$ 452,257</b>	<b>\$ 231,228</b>	<b>\$ 256,520</b>	<b>\$ 940,005</b>

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Changes to the reported amount of the College's endowment net assets as of May 31 are as follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2016	\$ 359,850	\$ 212,410	\$ 237,718	\$ 809,978
Investment return:				
Investment income	806	979		1,785
Net appreciation (depreciation) (realized and unrealized)	36,182	44,317	14	80,513
Total investment return	36,988	45,296	14	82,298
New gifts	2,197	651	4,599	7,447
Appropriation of endowment assets for spending	(19,604)	(23,827)		(43,431)
Transfers	1,219	167	343	1,729
Net assets, May 31, 2017	<u>\$ 380,650</u>	<u>\$ 234,697</u>	<u>\$ 242,674</u>	<u>\$ 858,021</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2015	\$ 390,126	\$ 250,911	\$ 231,781	\$ 872,818
Investment return:				
Investment income	(166)	(203)		(369)
Net appreciation (depreciation) (realized and unrealized)	(14,436)	(17,684)	(3)	(32,123)
Total investment return	(14,602)	(17,887)	(3)	(32,492)
New gifts	335	1,136	5,731	7,202
Appropriation of endowment assets for spending	(17,967)	(22,012)		(39,979)
Transfers	1,958	262	209	2,429
Net assets, May 31, 2016	<u>\$ 359,850</u>	<u>\$ 212,410</u>	<u>\$ 237,718</u>	<u>\$ 809,978</u>

The aggregate amount of all donor-related endowment funds for which the fair value of assets at May 31 is less than the level required by donor stipulations was \$565 in 2017 and \$2,219 in 2016.

8 Employee Retirement Benefits

Eligible faculty, administration, and staff are provided retirement benefits under the College's defined contribution retirement program administered by Transamerica Retirement Solutions. The participants' contributions, which are permitted but not required, are fully vested, and the College funds its contributions to the plan on an ongoing basis. There are no unfunded benefits. The College's expense for the program was \$4,775 in 2017 and \$4,639 in 2016.

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9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately \$164,051 at May 31, 2017.

The College has outstanding construction contracts totaling approximately \$18,016. Completion of these projects is estimated to extend through August 2018.

The College is a defendant in various legal actions. While the final amount of these claims cannot be determined at this time, management does not expect that the resolution of the outstanding claims and litigation will have a material adverse effect upon the College's financial position.

10 Expenses by Natural Classifications

Expenses were incurred in the following categories for the years ended May 31:

	2017	2016
Salaries and wages	\$ 52,790	\$ 52,178
Benefits	18,066	17,535
Scholarships and fellowships	4,367	4,167
Services and contracting	16,212	17,494
Supplies and minor equipment	3,596	3,618
Travel and entertainment	4,003	3,589
Auxiliaries' cost of goods sold	3,069	2,822
Utilities	2,409	2,597
Insurance	737	712
Depreciation	12,933	12,123
Interest	5,587	5,353
Total	<u>\$ 123,769</u>	<u>\$ 122,188</u>

11 Line of Credit

The College has access to lines of credit with two banks, with varying terms, through which it can borrow approximately \$30,000 or \$15,000 from each bank. One line of credit commitment is currently scheduled to expire on January 1, 2018 and the other on February 1, 2018. As of May 31, 2017 and May 31, 2016 there was no outstanding balance on either line of credit.

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12      Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2017 through its distribution date of October 9, 2017. Effective June 1, 2017, the College refinanced some of its existing long-term debt. Specifically, the Pennsylvania Higher Educational Facilities Authority College Revenue Bonds Series 2007 were paid off in full (defeased) with the proceeds of the new Series 2017 Bonds that were issued through the Montgomery County Industrial Development and loaned to the College. The Series 2017 Bonds were issued in the principal amount of \$20,335 for the sole purpose of refinancing the Series 2007 Bonds to achieve interest rate savings. The Series 2017 Bonds are fixed-rate bonds that are scheduled to pay interest semi-annually and have coupon rates ranging from 3.25% to 5.0%. The amortization pattern and final maturity date of the Series 2017 Bonds mirrors the refunded Series 2007 Bonds; the final maturity date is December 1, 2037. The Series 2017 Bonds are unsecured general obligations of the College and have no associated financial covenants.