Financial Report

June 30, 2015
Trustees of Grinnell College

GRINNELL COLLEGE

TRUSTEES OF GRINNELL COLLEGE
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YEARS ENDED JUNE 30, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Trustees of Grinnell College
Grinnell, Iowa

We have audited the accompanying financial statements of Trustees of Grinnell College (the College), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Auditors' 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 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 the auditors' 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 the College as of June 30, 2015 and 2014, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 9, 2015

TRUSTEES OF GRINNELL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
ASSETS		
Cash and Cash Equivalents	$ 1,275	$ 1,529
Accounts Receivable - Less Allowance for Doubtful Accounts of $43 in 2015 and $52 in 2014	867	1,216
Inventories and Prepaid Expenses	4,376	4,301
Contribution and Bequest Receivable - Net (Note 4)	8,904	2,925
Loans to Students - Less Allowance for Doubtful Loans of $458 in 2015 and $401 in 2014 (Note 5)	7,288	7,524
Investments (Note 2)	1,829,981	1,870,482
Property and Equipment - Net (Note 6)	230,147	237,818
Total Assets	$ 2,082,838	$ 2,125,795
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 3,617	$ 2,846
Accrued Payroll and Fringe Benefits	4,431	4,217
Deferred Revenue and Deposits	3,187	3,149
Annuities Payable	6,457	6,612
Funds Held in Trust for Others	864	838
Bonds Payable (Note 10)	97,205	103,584
Accrued Postretirement Benefit Obligation (Note 8)	16,999	38,241
United States Government Grants Refundable	2,533	2,532
Total Liabilities	135,293	162,019
NET ASSETS		
Unrestricted (Note 3)	1,378,974	1,388,253
Temporarily Restricted (Notes 3 and 9)	458,050	466,860
Permanently Restricted (Notes 3 and 9)	110,521	108,663
Total Net Assets	1,947,545	1,963,776
Total Liabilities and Net Assets	$ 2,082,838	$ 2,125,795

See accompanying Notes to Financial Statements.

TRUSTEES OF GRINNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(DOLLARS IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenue, Gains and Other Support:				
Tuition and Fees	$ 75,392	$ -	$ -	$ 75,392
Grants and Scholarships	(45,661)	-	-	(45,661)
Tuition Remission	(1,429)	-	-	(1,429)
Net Tuition and Fees	28,302	-	-	28,302
Government Grants and Contracts	574	349	-	923
Private Gifts and Grants	2,211	7,719	-	9,930
Net Realized and Unrealized Losses on Investments	(170)	-	-	(170)
Investment Income	347	5	-	352
Auxiliary Income	16,334	-	-	16,334
Other	483	16	-	499
Net Operating Revenues	48,081	8,089	-	56,170
Endowment Spending Distribution	59,243	-	-	59,243
Net Assets Released from Restrictions	2,229	(2,229)	-	-
Net Resources Funding Operations	109,553	5,860	-	115,413
Expenses and Losses:				
Instruction	42,248	-	-	42,248
Academic Support	13,994	-	-	13,994
Student Services	21,675	-	-	21,675
Institutional Support	21,967	-	-	21,967
Auxiliary Enterprises	16,905	-	-	16,905
Total Operating Expenses	116,789	-	-	116,789
Change in Net Assets from Operating Activities	(7,236)	5,860	-	(1,376)
NON-OPERATING ACTIVITIES				
Private Gifts and Grants	214	1,378	8,639	10,231
Net Realized and Unrealized Losses on Investments	(4,368)	(1,816)	(130)	(6,314)
Investment Income	10,557	4,187	4	14,748
Endowment Spending Distribution	(59,243)	-	-	(59,243)
Net Assets Released from Restrictions	24,637	(18,250)	(6,387)	-
Change in Value of Split Interest Agreements	-	(169)	(268)	(437)
Loss on Disposal of Property and Equipment	(4)	-	-	(4)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	26,164	-	-	26,164
Change in Net Assets from Non-Operating Activities	(2,043)	(14,670)	1,858	(14,855)
TOTAL CHANGE IN NET ASSETS	(9,279)	(8,810)	1,858	(16,231)
Net Assets - Beginning of year	1,388,253	466,860	108,663	1,963,776
NET ASSETS - END OF YEAR	$ 1,378,974	$ 458,050	$ 110,521	$ 1,947,545

TRUSTEES OF GRINNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(DOLLARS IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenue, Gains and Other Support:				
Tuition and Fees	$ 71,591	$ -	$ -	$ 71,591
Grants and Scholarships	(43,741)	-	-	(43,741)
Tuition Remission	(1,385)	-	-	(1,385)
Net Tuition and Fees	26,465	-	-	26,465
Government Grants and Contracts	-	1,054	-	1,054
Private Gifts and Grants	2,185	3,637	-	5,822
Net Realized and Unrealized Losses on Investments	(104)	-	-	(104)
Investment Income	282	-	-	282
Auxiliary Income	14,805	-	-	14,805
Other	479	35	-	514
Net Operating Revenues	44,112	4,726	-	48,838
Endowment Spending Distribution	55,800	-	-	55,800
Net Assets Released from Restrictions	3,390	(3,390)	-	-
Net Resources Funding Operations	103,302	1,336	-	104,638
Expenses and Losses:				
Instruction	40,297	-	-	40,297
Academic Support	12,642	-	-	12,642
Student Services	20,960	-	-	20,960
Institutional Support	20,872	-	-	20,872
Auxiliary Enterprises	15,748	-	-	15,748
Total Operating Expenses	110,519	-	-	110,519
Change in Net Assets from Operating Activities	(7,217)	1,336	-	(5,881)
NON-OPERATING ACTIVITIES				
Private Gifts and Grants	1,411	484	5,930	7,825
Net Realized and Unrealized Gains on Investments	194,173	86,957	1,406	282,536
Investment Income	25,968	10,698	(260)	36,406
Endowment Spending Distribution	(55,800)	-	-	(55,800)
Net Assets Released from Restrictions	23,754	(24,002)	248	-
Change in Value of Split Interest Agreements	-	2,183	60	2,243
Loss on Disposal of Property and Equipment	(104)	-	-	(104)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(2,097)	-	-	(2,097)
Change in Net Assets from Non-Operating Activities	187,305	76,320	7,384	271,009
TOTAL CHANGE IN NET ASSETS	180,088	77,656	7,384	265,128
Net Assets - Beginning of year	1,208,165	389,204	101,279	1,698,648
NET ASSETS - END OF YEAR	$ 1,388,253	$ 466,860	$ 108,663	$ 1,963,776

TRUSTEES OF GRINNELL COLLEGE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (16,231)	$ 265,128
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	10,427	11,074
Amortization of Bond Premium	(860)	(797)
Net Realized and Unrealized (Gains) Losses on Investments	6,525	(282,639)
Provision for Recoveries of Losses	49	(49)
Loss on Disposal of Property and Equipment	4	104
Restricted Contributions	(18,085)	(11,105)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(26,164)	2,097
Actuarial (Gain) Loss on Annuities Payable	410	(2,368)
Change in Assets and Liabilities:		
Accounts Receivable	365	(408)
Contribution and Bequest Receivable	(5,979)	(2,925)
Inventories and Prepaid Expenses	19	(576)
Accounts Payable and Accrued Liabilities	543	619
Funds Held in Trust for Others	26	126
Deferred Revenue and Deposits	38	508
Accrued Postretirement Benefit Obligation	4,922	4,072
Net Cash Used by Operating Activities	(43,991)	(17,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,647)	(3,968)
Proceeds from Sales of Property and Equipment	15	63
Disbursements of Loans to Students	(1,112)	(1,138)
Principal Payments Received on Loans to Students	1,284	1,314
Purchases of Investments	(666,376)	(592,933)
Proceeds from Sales and Maturities of Investments	700,571	609,149
Net Cash Provided by Investing Activities	31,735	12,487
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions	18,085	11,105
Change in United States Government Grants Refundable	1	(4)
Payments on Annuities Payable	(565)	(819)
Proceeds from issuance of bonds	60,381	-
Payments on Bonds Payable	(65,900)	(5,900)
Net Cash Provided by Financing Activities	12,002	4,382
NET CHANGE IN CASH AND CASH EQUIVALENTS	(254)	(270)
Cash and Cash Equivalents - Beginning of year	1,529	1,799
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,275	$ 1,529
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 3,009	$ 1,982
Amounts Included in Year-End Accounts Payable for the Purchase of Property and Equipment	$ 536	$ 94

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Founded in 1846, Grinnell College (the College) is a private, coeducational, residential liberal arts college located in Grinnell, Iowa. The College is committed to academic excellence, the intellectual and physical well-being of all, and the pursuit of good in the world. Grinnell students come from every state in the U.S., as well as nearly fifty countries globally. The College strives to create a multicultural diverse community, open to the academically qualified regardless of ability to pay.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The College maintains its internal accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the College has adopted Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, which requires resources be classified for reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions as follows:

Permanently Restricted – Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's permanent endowment funds.

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time.

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 (Board) or may otherwise be limited by contractual agreements with outside parties.

The College follows the guidance in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and Iowa Uniform Prudent Management of Institutional Funds Act (IUPMIFA). The Board of Trustees of Grinnell College has interpreted IUPMIFA as requiring the preservation of the historic value of the original gift absent explicit donor stipulation stating otherwise. Therefore, the College classifies the following as permanently restricted net assets in relation to donor restricted endowment funds: (a) the value of the original gifts to the endowment at the time of the gift, (b) the value of all new gifts to the endowment as of the date of the gift, (c) accumulations to the endowment specifically stated in the donor gift instrument at the time added to the fund, and (d) the value of the amounts appropriated for expenditure in accordance with the College's spending policy, but unspent at the end of the fiscal year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Expenses are generally reported as decreases in unrestricted net assets. Expirations or modifications of donor-imposed stipulations are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all highly-liquid instruments purchased with cash with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents held in the investment portfolio.

Income Taxes

The College has received a tax determination letter from the IRS stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. As such, the College is taxed only on any net unrelated business income under Section 511 of the Code.

GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Accounts Receivable

Receivables are stated at net realizable value and are unsecured. The College does not charge interest on its accounts receivable. The College provides an allowance for doubtful accounts using the allowance method, which is based on management’s judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The College carries its investments at fair value. Unrealized appreciation or depreciation is reported as increases or decreases to net assets. Realized gains and losses on investments are determined using the first-in first-out method, the specific identification method, or the average cost method based upon the underlying investment structures and holdings.

Property and Equipment

Property and equipment is stated at cost at date of acquisition or estimated fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and Improvements	20-40
Equipment and Furnishings	3-10

Expenditures for new equipment and buildings and improvements which substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. Construction in progress comprises costs incurred for building improvements and equipment and furnishings.

U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are included as a liability in the statements of financial position.

Operating Activities

The College defines operating activities as activities closely related to the educational mission of the College and related auxiliary services. Included in operating revenues is the endowment spending distribution. See discussion of the endowment spending distribution in Note 3.

Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected discounted at an appropriate discount rate commensurate with the risks involved. Conditional promises are not included as revenue until such times as the conditions are substantially met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts (Continued)

The College reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. Gifts received with donor-imposed restrictions that stipulate resources be maintained permanently but permit the use of all or part of the income derived from the donated assets are reported as permanently restricted assets. Gifts received with donor-imposed restrictions that permit the use of the donated assets as specified are reported as temporarily restricted assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as Net Assets Released from Restrictions.

The College reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expiration of donor restrictions when the long-lived assets are acquired or donated.

Deferred Revenue and Deposits

The College records cash received for future services as deferred revenue. This revenue is recognized when services are provided. Deferred revenue consists primarily of unearned tuition.

Split Interest Agreements

The College is the beneficiary of various trusts and annuities. The College's interest in these split interest agreements is reported as a contribution in the year received at its net present value, discounted at rates between 0.20% and 9.00% and between 0.30% and 9.00% as of June 30, 2015 and 2014, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $13,289 and $13,542 as of June 30, 2015 and 2014, respectively, and are included in investments on the statements of financial position.

Funds Held in Trust for Others

Funds held in trust for others are recorded at fair value. These investments, which are in the possession or under the control of the College, are administered by the College for outside fiscal agents, with the College deriving income from the investments as stipulated by the various gift instruments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postretirement Benefits

The College provides certain healthcare benefits for all retired employees who meet eligibility requirements. The College's share of the estimated costs that will be paid after retirement is being accrued by charges to unrestricted net assets over the employees' active service periods to the date they are fully eligible for benefits in accordance with ASC 715, *Compensation – Retirement Benefits*.

Financial Instruments

Financial instruments are generally described as cash, contractual obligations or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments because of the short-term maturity of these instruments, which include cash and cash equivalents, accounts receivable, U.S. government receivables, accounts payable and accrued expenses, and student deposits and deferred income.

Fair value estimates are made at a specific point in time based on relevant market information. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Investments are recorded at fair value primarily as determined by values provided by external investment managers or quoted market prices.

U.S. government loans receivable and U.S. government grants refundable are not saleable and can only be assigned to the U.S. government or its designees. The carrying value approximates fair value.

The estimated fair value of bonds payable was calculated using Level 2 inputs by discounting future cash flows through estimated maturity using the borrowing rate currently available to the College for debt of similar original maturity. The carrying value of the College's bonds payable was $97,205 and $103,584 at June 30, 2015 and 2014, respectively; the fair value was approximately $99,695 and $105,888 at June 30, 2015 and 2014, respectively.

Revenue Recognition

Net tuition and fees and auxiliary income are recognized as income in the period the services are rendered.

Grants and Scholarships

Primarily scholarships, grants and other aid are offered by the College to attract and retain students. The College offers institutional support to students in the form of merit and need-based financial aid at the College's discretion.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events related to the financial statements have been evaluated through October 9, 2015, which is the date the financial statements were available to be issued, and it has been determined that there are no events that require adjustment to, or disclosures in, these financial statements.

NOTE 2 INVESTMENTS AND COMMITMENTS

The College records certain assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchical framework has been established that classifies assets, based on the market observability of the inputs used to determine fair value, into the following three categories:

Level 1 – Unadjusted quoted prices for identical instruments in active markets to which the College has access at the date of measurement.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques for determining fair value and may include price information, market transaction data, investment liquidity and other factors. An investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value. Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. Transfers between levels are recognized on the date they occur.

NOTE 2 INVESTMENTS AND COMMITMENTS (CONTINUED)

Fair values on marketable securities are based on quoted market prices from an active exchange. The College's short-term investment funds and mutual funds, regardless of the underlying asset (i.e. equity, treasuries, credit), are all registered investment companies and have daily net asset values (NAV).

Forward currency contracts, entered into by the College, are valued using quoted prices on active markets or exchanges. All of these investments, except those held in a common collective trust fund and subject to withdrawal limitations, are classified in Level 1.

For the years ended June 30, 2015 and 2014, there were no transfers in or out of Levels 1, 2, or 3.

Direct investments in United States government and agency notes and bonds are priced based through wire services that look at the bid/ask quote across the market for that issue. Certain issues, that trade less frequently, are priced based on an estimate using previous market data. Corporate and other bonds are often traded in less active markets with pricing being determined by looking at a similar asset that is currently trading. As such, these investments are classified in Level 2.

The fair value of limited partnerships and similar nonmarketable equity interests, which invest in both publicly and privately owned securities, are based on estimates and assumptions of general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. For the public securities held by the limited partnerships, investment office staff verifies the price of each public security and recalculates the resulting market value. Investments in limited partnerships and similar nonmarketable equity interests have been classified as Level 3.

(DOLLARS IN THOUSANDS)

NOTE 2 INVESTMENTS AND COMMITMENTS (CONTINUED)

The following tables set forth the College's investments by major categorization on the basis of the nature and risk of the investments by level within the fair value hierarchy as of June 30, 2015 and 2014, as required by ASC 820:

	Investments at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ 41,272	$ 23,989	$ -	$ 65,261
United States Government and Agency Notes and Bonds	10,899	88,348	-	99,247
Corporate and Other Bonds	16,875	12,054	-	28,929
Marketable Equity Interests	719,784	-	-	719,784
Commingled Funds (a)	-	-	409,339	409,339
Private Equity (b)	-	-	369,750	369,750
Distressed (c)	-	-	85,579	85,579
Real Estate (d)	-	-	51,660	51,660
Other (e)	-	-	432	432
Total Investments at Fair Value	$ 788,830	$ 124,391	$ 916,760	$ 1,829,981

	Investments at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ 72,830	$ 27,654	$ -	$ 100,484
United States Government and Agency Notes and Bonds	13,608	57,084	-	70,692
Corporate and Other Bonds	26,558	15,195	-	41,753
Marketable Equity Interests	804,942	-	-	804,942
Commingled Funds (a)	-	-	344,144	344,144
Private Equity (b)	-	-	363,775	363,775
Distressed (c)	-	-	91,197	91,197
Real Estate (d)	-	-	53,052	53,052
Other (e)	-	-	443	443
Total Investments at Fair Value	$ 917,938	$ 99,933	$ 852,611	$ 1,870,482

(a) Commingled funds primarily include investments with managers who implement long-only equity strategies, but also include certain global macro and long/short strategies, with some exposure to the credit markets. Redemption lock-up periods range from quarterly to 4 years, with a notice period of 30 to 180 days. Some of the assets in this category are invested in side pockets, which are less liquid and may be restricted from redemption. Commingled funds are invested globally. Unfunded commitments are $-0- at June 30, 2015 and 2014.

(b) Private equity includes limited partnership interests in the following strategies: buyout, venture capital, growth equity and invention capital, a strategy focused on the monetization of intellectual property through licensing. These partnership interests are not eligible for redemption and have terms ranging from 8 to 30 years. Private equity funds are invested globally. Unfunded commitments are $148,104 and $101,315 at June 30, 2015 and 2014, respectively.

(DOLLARS IN THOUSANDS)

NOTE 2 INVESTMENTS AND COMMITMENTS (CONTINUED)

(c) Distressed investments are made through limited partnerships that generally seek to achieve capital appreciation through investments in debt securities and other obligations at substantial discounts to their original value. These investments are generally made in connection with episodes of financial distress for the underlying company. These partnership interests are not eligible for redemption and have terms of 10 to 11 years. Distressed funds are invested globally. Unfunded commitments are $71,768 and $53,740 at June 30, 2015 and 2014, respectively.

(d) Real estate investments primarily are made through limited partnerships whose investment objective is to purchase direct or indirect debt or equity interests in real estate and real estate related assets or businesses. These partnership interests are not eligible for redemption and have terms of 8 to 10 years. Certain real estate investments are held directly. Real estate funds are invested globally. Unfunded commitments are $27,541 and $13,857 at June 30, 2015 and 2014, respectively.

(e) The other category primarily consists of community investments. Unfunded commitments are $-0- at June 30, 2015 and 2014.

The following table reconciles the change in fair value of the College's Level 3 investments from the beginning to the end of each annual reporting period:

	Commingled Funds	Private Equity	Distressed	Real Estate	Other	Total
Balance as of June 30, 2013	$ 249,727	$ 282,164	$ 86,366	$ 60,467	$ 428	$ 679,152
Realized and Unrealized Gains	31,378	85,400	8,888	9,958	1,477	137,101
Purchases	70,000	58,322	31,332	11,516	-	171,170
Sales	(6,961)	(62,111)	(35,389)	(28,889)	(1,462)	(134,812)
Balance as of June 30, 2014	344,144	363,775	91,197	53,052	443	852,611
Realized and Unrealized Gains (Losses)	14,057	45,192	(3,970)	2,895	1,204	59,378
Purchases	60,000	44,463	15,015	5,655	-	125,133
Sales	(8,862)	(83,680)	(16,663)	(9,942)	(1,215)	(120,362)
Balance as of June 30, 2015	$ 409,339	$ 369,750	$ 85,579	$ 51,660	$ 432	$ 916,760

The change in unrealized gains (losses) reported above that relate to Level 3 assets held at June 30, 2015 and 2014 are $(10,272) and $68,504, respectively, and are included in net realized and unrealized gains on investments on the statements of activities.

(DOLLARS IN THOUSANDS)

NOTE 3 ENDOWMENT

The College's endowment consists of donor-restricted funds and other Board designated funds which are deemed to be held and invested in perpetuity. Endowment funds are primarily pooled for investment purposes.

Per the State of Iowa's statute, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. Appropriation for expenditure is deemed to occur upon approval for expenditure unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. UPMIFA does not apply to Board designated endowment funds and therefore the appreciation on these funds remains a part of unrestricted net assets.

The endowment consists of the following net asset components as of June 30, 2015 and 2014:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	$ (108)	$ 444,035	$ 105,506	$ 549,433
Board Designated	1,238,342	-	-	1,238,342
Total Endowment Net Assets	$ 1,238,234	$ 444,035	$ 105,506	$ 1,787,775

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	$ (102)	$ 459,360	$ 103,850	$ 563,108
Board Designated	1,266,413	-	-	1,266,413
Total Endowment Net Assets	$ 1,266,311	$ 459,360	$ 103,850	$ 1,829,521

Return Objectives and Risk Parameters

The College intends that its endowment shall be invested to ensure the long-term growth of its capital rather than to maximize annual income or short-term returns, recognizing the impact of volatility and liquidity on its responsibility to provide predictable and stable financial support for the College's mission as a fine liberal arts college. Total return is expected to meet or exceed endowment spending plus inflation, thereby preserving or enhancing the real purchasing power of the endowment into perpetuity.

(DOLLARS IN THOUSANDS)

NOTE 3 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

The College seeks to achieve these objectives via a liquidity-oriented asset allocation process which identifies a strategic mix of asset classes to produce the highest expected investment return within a prudent risk framework, utilizing bottom-up decision-making methods. The perpetual nature of the endowment funds and the significant degree to which the College relies on endowment distributions to support the operations of the College is considered.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Trustees affirmed endowment spending policy. For the years ended June 30, 2015 and 2014, the endowment distribution under this policy was calculated as 4.00% of a 12-quarter moving average of the fair value of endowment net assets. The policy precludes allocating the entire distribution to the College's operating budget. The Board of Trustees annually approves allocation of the distribution between the operating budget and reserve funds.

Endowment activity was as follows for the fiscal years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets as of June 30, 2013	$ 1,078,401	$ 379,517	$ 95,711	$ 1,553,629
Endowment Return:				
Investment Income, Net of Expenses	25,915	10,698	(262)	36,351
Net Realized and Unrealized Gains on Investments	194,174	85,804	-	279,978
Net Endowment Return	220,089	96,502	(262)	316,329
Gifts	351	-	5,869	6,220
Endowment Spending Distribution	(55,800)	-	-	(55,800)
Release or Change in Restriction	23,270	(16,659)	2,331	8,942
Transfers	-	-	201	201
Endowment Net Assets as of June 30, 2014	1,266,311	459,360	103,850	1,829,521
Endowment Return:				
Investment Income, Net of Expenses	10,546	4,187	-	14,733
Net Realized and Unrealized Losses on Investments	(4,151)	(1,826)	-	(5,977)
Net Endowment Return	6,395	2,361	-	8,756
Gifts	157	100	8,339	8,596
Endowment Spending Distribution	(59,243)	-	-	(59,243)
Release or Change in Restriction	24,612	(17,883)	(6,683)	46
Transfers	2	97	-	99
Endowment Net Assets as of June 30, 2015	$ 1,238,234	$ 444,035	$ 105,506	$ 1,787,775

(DOLLARS IN THOUSANDS)

NOTE 3 ENDOWMENT (CONTINUED)

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or IUPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $108 and $102 for the years ended June 30, 2015 and 2014, respectively. The College applies its standard spending policy to these funds.

NOTE 4 CONTRIBUTION AND BEQUEST RECEIVABLE-NET

Contribution and bequest receivable consists of the following at June 30, 2015 and 2014:

	2015	2014
Less than one year	$ 3,463	$ 1,130
One year to five years	4,168	1,834
Greater than 5 Years	1,607	14
	9,238	2,978
Less: Discount to present value (1.6%)	334	53
Contribution and Bequest Receivable - Net	$ 8,904	$ 2,925

For the year ended June 30, 2015, contribution and bequest receivable included three gifts that represented 59.9% of the total balance. For the year ended June 30, 2014, contribution and bequest receivable included two gifts that represented 27.4% of the total balance.

NOTE 5 LOANS TO STUDENTS

Loans to students consist of the following at June 30, 2015 and 2014:

	2015	2014
Federal Perkins Loan Program	$ 3,917	$ 4,255
Institutional Loans	3,527	3,419
Donor-Sponsored Loans	302	251
	7,746	7,925
Less: Allowance for Doubtful Loans:		
Beginning of Year	401	408
Adjustments	58	30
Write-Offs	(1)	(37)
End of Year	458	401
Loans to Students - Less Allowance for Doubtful Loans	$ 7,288	$ 7,524

(DOLLARS IN THOUSANDS)

NOTE 5 LOANS TO STUDENTS (CONTINUED)

Past due amounts are the following at June 30, 2015 and 2014:

	2015	2014
Less than 240 Days	$ 696	$ 316
240 Days - 2 Years	134	153
2 Years - 5 Years	202	177
Greater than 5 Years	230	190
Total Past Due Amounts	$ 1,262	$ 836

The College makes loans to students based on financial need. Student loans are funded through Federal government loan programs, institutional resources or donor-sponsored funds.

The Federal Perkins loan program is a revolving loan program through the Federal government. Funds advanced by the government are ultimately refundable to the government and are classified as liabilities in the statements of financial position in the amounts of $2,533 and $2,532 at June 30, 2015 and 2014, respectively.

Allowances for doubtful loans are established based on prior collection experience and current economic factors. Institutional and donor-sponsored loans are written-off when deemed permanently uncollectible. The allowance for doubtful loans related to the Federal Perkins loan program of $110 at June 30, 2015 and 2014, is offset in the refundable amount due to the government classified as a liability in the statements of financial position.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2015 and 2014:

	2015	2014
Land and Improvements	$ 13,406	$ 12,533
Buildings and Improvements	328,591	327,774
Equipment and Furnishings	70,566	69,484
Construction in Process	391	206
	412,954	409,997
Less: Accumulated Depreciation	182,807	172,179
	$ 230,147	$ 237,818

As of June 30, 2015 and 2014, the College has outstanding construction contract commitments totaling $5,048 and $341, respectively.

(DOLLARS IN THOUSANDS)

NOTE 7 EMPLOYEE BENEFITS

The College is a participant in the Teachers Insurance and Annuity Association – College Retirement Equity Fund (TIAA-CREF), which is a defined contribution plan for academic and nonacademic personnel. TIAA-CREF does not segregate the assets, liabilities, or costs by participating employer, since the accounts are maintained on an employee-basis only. Total defined contribution plan expense for the years ended June 30, 2015 and 2014 was $4,400 and $4,164, respectively. Contributions are funded on a current basis.

NOTE 8 POSTRETIREMENT BENEFIT PLAN

Postretirement Benefits

The College sponsors a postretirement healthcare plan for all employees who meet eligibility requirements. The plan is contributory with retiree contributions that are adjustable annually based on various factors, some of which are discretionary.

The measurement date for the postretirement plan is June 30. The following tables set forth the plan's benefit obligation, fair value of plan assets, funded status (deficiency), components of net periodic benefit costs, and weighted average actuarial assumptions as of June 30, 2015 and 2014:

	2015	2014
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	$ 43,230	$ 35,711
Service Cost	2,254	1,715
Interest Cost	1,838	1,660
Plan Amendments	(24,807)	-
Actuarial Loss	1,000	4,572
Medicare Part D Subsidy	88	89
Benefits Paid in Excess of Retiree Contributions	(657)	(517)
Benefit Obligation at End of Year	$ 22,946	$ 43,230
Change in Fair Value of Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	$ 4,989	$ 3,639
Return on Plan Assets	1,097	1,412
Employer Contributions	429	366
Retiree Contributions	410	349
Medicare Part D Subsidy	88	89
Benefits Paid	(1,066)	(866)
Fair Value of Plan Assets at End of Year	$ 5,947	$ 4,989
Funded Status (Deficiency)	$ (16,999)	$ (38,241)

(DOLLARS IN THOUSANDS)

NOTE 8 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

	2015	2014
Components of Net Periodic Benefit Cost:		
Service Cost	$ 2,254	$ 1,715
Interest Cost	1,838	1,660
Amortization of Loss	948	738
Amortization of Prior Service Cost	177	177
Expected Return on Assets	(295)	(218)
Net Periodic Benefit Cost	$ 4,922	$ 4,072
Actuarial Assumptions:		
Discount Rate	4.30%	4.30%
Expected Return on Plan Assets	6.00	6.00
Healthcare Cost Present Trend Rate for Participants up to 65 Medical/Prescription Drug	7.0-7.0	6.8-6.8
Healthcare Cost Present Trend Rate for Participants 65 and Over Medical/Prescription Drug	7.0-7.0	6.8-6.8
Healthcare Cost Ultimate Trend Rate (Year of Stabilization)	5.00 (2036)	5.00 (2024)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on Total of Service and Interest Cost Components	$ 1,028	$ (779)
Effect on Postretirement Benefit Obligations	3,723	(2,997)

Cash Contributions and Benefit Payments

The College's postretirement benefits are partially unfunded; therefore, cash contributions for postretirement benefits are equal to the benefit payments.

The following table details the expected cash contributions and benefit payments for 2015 through 2024:

Year Ending	Amount
2016	$ 879
2017	844
2018	923
2019	993
2020	1,045
Years 2021 - 2024	6,773

(DOLLARS IN THOUSANDS)

NOTE 8 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

Cash Contributions and Benefit Payments (Continued)

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical expenses, and the College anticipates the 2015 postretirement benefit payments will be made from cash generated from operations.

The College amended its postretirement healthcare plan from a defined benefit structure to a defined contribution structure. The changes will take effect on January 1, 2016. As a result of this amendment, the accrued postretirement benefit obligation has decreased by $24,807 as of June 30, 2015.

Asset Allocation

The College's postretirement plan's asset allocation as of June 30, 2015, (measurement date) is 62% in fixed income investments and 38% in cash and cash equivalents. All plan investments are considered Level 1 investments.

The investment strategy for postretirement plan assets is to maintain a conservative portfolio designed to preserve principal value.

Medicare Prescription Drug, Improvements and Modernization Act of 2003

The Medicare Prescription Drug, Improvements and Modernization Act of 2003 (the Act) introduced a prescription drug benefit under Medicare Part D beginning in 2006 as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.

The College determined that the postretirement medical benefits provided under its plan are actuarially equivalent to the benefits provided under the Act. As a result, the College received a federal subsidy related to these benefits in the amount of $88 and $89 for fiscal years 2015 and 2014, respectively.

NOTE 9 NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 consist of the following:

	2015	2014
General Purposes	$ 88,686	$ 91,407
Instruction	144,914	150,056
Academic Support	41,936	38,477
Student Services	49,102	50,100
Institutional Support	21,122	21,463
Scholarships, Grants and Loans	109,455	113,249
Facilities Operations	1,339	311
Split Interest Agreements	1,496	1,797
Total	$ 458,050	$ 466,860

(DOLLARS IN THOUSANDS)

NOTE 9 NET ASSETS (CONTINUED)

Permanently restricted net assets (investments to be held in perpetuity) as of June 30, 2015 and 2014 consist of the following:

	2015	2014
General Purposes	$ 10,688	$ 10,612
Instruction	38,965	45,024
Academic Support	5,114	4,693
Student Services	11,152	10,925
Institutional Support	2,515	2,515
Scholarships, Grants and Loans	42,077	34,884
Facilities Operations	10	10
Total	$ 110,521	$ 108,663

NOTE 10 BONDS PAYABLE

Bonds payable at June 30, 2015 and 2014 consist of the following:

	2015	2014
Revenue Bonds dated June 26, 2008 Maturing on June 1, 2023	$ -	$ 60,000
Revenue Bonds dated March 9, 2010 with Final Maturity on December 1, 2020	35,305	41,205
Revenue Bonds dated November 20, 2014 with Final Maturity on December 1, 2044	56,415	-
	91,720	101,205
Premium on Revenue Bonds	5,485	2,379
Total	$ 97,205	$ 103,584

On June 26, 2008, IHELA issued $60,000 of Private College Facility Variable Rate Demand Revenue Bonds on behalf of the College. The Series 2008 bonds bear interest at a variable weekly rate payable on the first business day of each calendar month. As of June 30, 2014 the weekly bond interest rate was 0.06%.

On March 9, 2010, IHELA issued an aggregate of $58,905 of Private College Facility Revenue and Refunding Bonds (at a premium of $7,090). A portion of the proceeds was used to advance refund $50,000 of Series 2001 Private College Facility Variable Rate Demand Revenue Bonds. The 2010 bond issue was structured as 16 separate serial bonds in principal amounts ranging from $550 to $5,900, at interest rates ranging from 2.00% to 5.00%. Interest on the 2010 bonds is payable each June 1 and December 1.

(DOLLARS IN THOUSANDS)

NOTE 10 BONDS PAYABLE (CONTINUED)

On November 20, 2014, IHELA issued an aggregate of $56,415 of Private College Facility Revenue Refunding Bonds (at a premium of $3,966). The proceeds were used to advance refund the Series 2008 Private College Facility Variable Rate Demand Revenue bonds. The 2014 bond issue was structured as 16 separate serial bonds in principal amounts ranging from $1,340 to $16,710, at interest rates ranging from 3.0% to 5.0%. Interest on the 2014 bonds is payable each June 1 and December 1, beginning December 1, 2014.

Bond repayment is subject to Loan Agreements between IHELA and the College. The obligations of the College to make loan repayments under the Loan Agreements are general obligations of the College and are unsecured.

Scheduled maturities on bonds payable of the College subsequent to June 30, 2015 are as follows:

Year Ending	Amount
2016	$ 5,900
2017	5,900
2018	5,900
2019	5,900
2020	5,900
Thereafter	62,220
Total	$ 91,720

NOTE 11 CONTINGENCIES

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's financial statements.

NOTE 12 RELATED PARTY

Contribution and Bequest Receivable from members of the Board of Trustees are included in the financial statements. The contribution and bequest receivable outstanding from trustees totaled $5,569 and $1,742 at June 30, 2015 and June 30, 2014, respectively. The College has a conflict of interest policy in place. Disclosures are updated by each trustee annually.

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