# Assumption College

**Financial Statements**
**May 31, 2015**

# Assumption College
## Index
## May 31, 2015

**Page(s)**

McGladrey

**Independent Auditor's Report**

To the Board of Trustees of
Assumption College
Worcester, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of Assumption College which comprise the statement of financial position as of May 31, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assumption College as of May 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
August 31, 2015

## Assumption College
### Statement of Financial Position
### May 31, 2015

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 19,561,449 |
| Short-term investments | 750,934 |
| Prepaid expenses and other assets | 1,113,497 |
| Student tuition receivables, net | 897,233 |
| Grants and other receivables | 241,606 |
| Student loans, net | 2,850,828 |
| Contributions receivable, net | 362,009 |
| Long-term investments | 106,529,626 |
| Unamortized bond issuance costs (net of accumulated amortization of $160,784) | 307,914 |
| Property, plant and equipment, net | 77,482,153 |
| Total assets | $ 210,097,249 |
| **Liabilities and Net Assets** | |
| Accounts payable and accrued liabilities | $ 6,131,202 |
| Student deposits and deferred revenue | 5,312,640 |
| Obligations under split interest agreements | 721,222 |
| Asset retirement obligation | 214,238 |
| Liability under interest rate swap agreement | 1,417,423 |
| Refundable government student loans | 2,922,768 |
| Long-term debt | 34,107,208 |
| Total liabilities | 50,826,701 |
| **Net assets** | |
| Unrestricted | 122,974,175 |
| Temporarily restricted | 14,928,963 |
| Permanently restricted | 21,367,410 |
| Total net assets | 159,270,548 |
| Total liabilities and net assets | $ 210,097,249 |

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

# Assumption College
## Statement of Activities and Changes in Net Assets
## Year Ended May 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Operating revenue and other support** | | | | |
| Tuition and fees | $ 78,901,612 | $ - | $ - | $ 78,901,612 |
| Less financial aid and scholarships | (39,326,846) | - | - | (39,326,846) |
| Net tuition and fees | 39,574,766 | - | - | 39,574,766 |
| Investment income | | | | |
| Operating assets | 21,833 | - | - | 21,833 |
| Nonoperating assets | 1,141,260 | 1,239,276 | - | 2,380,536 |
| Auxiliary enterprises | 20,407,636 | - | - | 20,407,636 |
| Annual gifts | 1,273,998 | - | - | 1,273,998 |
| Grants | 3,947,773 | - | - | 3,947,773 |
| Other income | 1,486,532 | - | - | 1,486,532 |
| Net assets released from restrictions | 1,239,276 | (1,239,276) | - | - |
| Total operating revenue and other support | 69,093,074 | - | - | 69,093,074 |
| **Operating expenses** | | | | |
| Instruction | 22,075,011 | - | - | 22,075,011 |
| Academic support | 6,830,919 | - | - | 6,830,919 |
| Student services | 10,842,176 | - | - | 10,842,176 |
| Institutional support | 9,016,446 | - | - | 9,016,446 |
| Auxiliary enterprises | 19,257,878 | - | - | 19,257,878 |
| Total operating expenses | 68,022,430 | - | - | 68,022,430 |
| Increase in net assets from operations | 1,070,644 | - | - | 1,070,644 |
| **Nonoperating revenue and expense** | | | | |
| Contributions | 156,081 | - | 466,512 | 622,593 |
| Investment return, net | 1,439,488 | 751,478 | - | 2,190,966 |
| Investment income utilized | (1,141,260) | (1,239,276) | - | (2,380,536) |
| Change in value of split interest agreements | 35,625 | - | - | 35,625 |
| Change in value of interest rate swap agreement | 109,681 | - | - | 109,681 |
| Increase (decrease) in net assets from nonoperating activities | 599,615 | (487,798) | 466,512 | 578,329 |
| Increase (decrease) in net assets | 1,670,259 | (487,798) | 466,512 | 1,648,973 |
| **Net assets** | | | | |
| Beginning of year | 121,303,916 | 15,416,761 | 20,900,898 | 157,621,575 |
| End of year | $ 122,974,175 | $ 14,928,963 | $ 21,367,410 | $ 159,270,548 |

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

## Assumption College
### Statement of Cash Flows
### Year Ended May 31, 2015

| | |
|---|---|
| **Cash flows from operating activities** | |
| Increase in net assets | $ 1,648,973 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 3,566,480 |
| Amortization | 50,708 |
| Cash contributions to permanently restricted net assets | (466,512) |
| Realized and unrealized losses on investments | 216,748 |
| Change in the fair value of interest rate swap agreement | (109,681) |
| Change in allowance for doubtful contributions receivable | 19,463 |
| Provision for uncollectible student tuition and loans receivable | 206,607 |
| Discount for contributions receivable | 974 |
| Asset retirement cost | 104,997 |
| Changes in operating assets and liabilities | |
| Student tuition receivables | (10,007) |
| Grants and other receivables | 21,385 |
| Contributions receivable | 830,468 |
| Prepaid expenses and other assets | 510,131 |
| Accounts payable and accrued liabilities | (158,595) |
| Student deposits and deferred revenue | 96,145 |
| Obligations under split interest agreements | (5,678) |
| Refundable government student loans | (21,639) |
| Total adjustments | 4,851,994 |
| Net cash provided by operating activities | 6,500,967 |
| **Cash flows from investing activities** | |
| Net purchase of short-term investments | (259,976) |
| Purchases of long-term investments | (4,081,601) |
| Proceeds from maturities and sales of long-term investments | 614,736 |
| Purchases of property, plant and equipment | (2,768,362) |
| Issuance of student loans | (924,397) |
| Payments on student loans | 967,996 |
| Net cash used in investing activities | (6,451,604) |
| **Cash flows from financing activities** | |
| Cash contributions to permanently restricted net assets | 466,512 |
| Payments on long-term debt | (1,614,147) |
| Net cash used in financing activities | (1,147,635) |
| Net decrease in cash and cash equivalents | (1,098,272) |
| **Cash and cash equivalents** | |
| Beginning of year | 20,659,721 |
| End of year | $ 19,561,449 |
| **Supplemental disclosure of cash flow information** | |
| Cash paid during the year for interest | $ 925,327 |
| **Supplemental schedule of noncash investing activities** | |
| Acquisition of property, plant and equipment included in accounts payable and accrued liabilities at May 31, 2015 | $ 51,295 |

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

## 1. Organization and Summary of Significant Accounting Policies

### Background

Assumption College (the "College"), founded in 1904, is a Catholic, nonprofit, coeducational college located in Worcester, Massachusetts on a 185-acre campus. Approximately 3,000 undergraduate and graduate students attend the College annually. The College offers bachelor's degrees in the liberal arts core, and pre-professional programs with a liberal arts core, and master's degrees in business, education, theology, counseling and social rehabilitation on a full-time and part-time basis. In addition, the Center of Continuing and Professional Education offers bachelor degrees and certificate programs, as well as noncredit courses.

The College also operates an additional campus in Rome, Italy. The campus is located on land owned by the Augustinians of the Assumption, the founding order of the College.

### Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes are classified as follows:

***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 or may otherwise be limited by contractual agreements with outside parties. The change in unrestricted net assets is primarily impacted by the results of operations, new capital purchases, net of depreciation and debt, unrestricted giving, and by the amount of temporarily restricted net assets that have been released from restrictions.

***Temporarily Restricted*** - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. The change in temporarily restricted net assets is impacted primarily by gifts with time and donor constraints, such as restricted annual fund gifts, unconditional pledges and deferred giving instruments. Temporarily restricted net assets also include, under Massachusetts law, funds not yet appropriated by the Board of Trustees, generally representing cumulative investment earnings and appreciation on permanently restricted endowment funds.

***Permanently Restricted*** - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for designated purposes. Such assets primarily represent the historic dollar amount of restricted endowment gifts.

**Operations**
The statement of activities and changes in net assets reports the changes in unrestricted, temporarily restricted and permanently restricted net assets from operating and nonoperating activities. Unrestricted operating revenues consist of those items attributable to the College's primary mission of providing education. Additionally, unrestricted operating revenue includes contributions received related to annual fund support. The College allocates endowment income and appreciation based on the absence or existence of donor imposed restrictions. Income (e.g., interest and dividends) earned on the funds received relating to its mission is included as operating revenue. The net increase (decrease) in realized and unrealized appreciation (depreciation) on investments and the change in value on interest rate swap agreements is included in nonoperating revenue and expenses.

The College reports expenses associated with the management of the College's operations, including activities associated with the restricted, plant, endowment, annuity and loan funds, as operating expenses within unrestricted net assets. Interest expense, depreciation, and expenses associated with the maintenance of the physical plant are allocated to their functional categories on the basis of square footage.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporary restricted net assets are recognized in unrestricted net assets as "net assets released from restrictions" in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is immediately reported as an unrestricted contribution.

Furthermore, dividends and interest and realized and unrealized gains (losses) on endowment investments are reported as follows:

- Increases (decreases) in permanently restricted net assets if the terms of the gift require these to be added to the principal of a permanent endowment fund;

- Increases (decreases) in temporarily restricted net assets if the terms of the gift, or the College's interpretation of the relevant state law, impose restrictions on the use of the income or net gain; and

- Increases (decreases) in unrestricted net assets in all other cases.

**Cash and Cash Equivalents**
Cash equivalents consist of time deposits with maturities of three months or less at date of purchase. Cash equivalents are stated at cost, which approximates fair value.

Most of the College's banking activity, including cash and cash equivalents, is maintained with several regional banks and from time to time cash deposits exceed federal insurance limits. It is the College's policy to monitor these banks' financial strength on an ongoing basis. The College has not experienced any losses in these accounts.

**Short-Term Investments**
Short-term investments consist of certificates of deposit.

### Student Tuition Receivables

Student tuition receivables are stated at the net amount outstanding, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a charge to bad debt expense for balances that have been deemed uncollectible.

### Tuition and Fee Revenue

Tuition and fee revenue is recorded at the College's established rates, net of college, state and federal financial aid administered directly by the College.

The College defers recognition of registration and tuition revenue to the period in which the related educational instruction is performed and related expenses incurred. Accordingly, registration and tuition fees received for the next academic year are deferred until the first day of the new fiscal year and recognized ratably over the school term.

### Contributions

Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received. Unconditional promises to give which are received in future periods are included in the financial statements as contribution receivable. 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 estimated future cash flows. The discounts on those amounts are computed using a rate commensurate with the risk involved. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Bequests are recognized as revenue when the right to receive the bequest is unconditional and irrevocable, and the amount to be received is estimable. Such conditions generally occur after a will has cleared probate.

### Grants

Government grants are recorded as exchange transactions. Revenue associated with government grants is recognized when the College performs activities specified within the grant agreements.

### Refundable Government Loans

Refundable government loans represent funds held by the College under the Perkins revolving loan program that are provided by the U.S. Department of Education. Upon collection of outstanding Perkins loans, the College may loan such funds to other students. In the event that the College ceases its participation in the program or the program ends, the balance will be required to be returned to the Federal government.

### Investments

The College's portfolio is managed by outside investment managers who operate under the oversight of the Investment Committee of the Board of Trustees. The Committee has established and communicated to the managers the College's investment guidelines.

All long-term investments have been reported in the financial statements at their fair value as of May 31, 2015. The fair value of publicly-traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Because the investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed.

The net realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in the statement of activities and changes in net assets in the applicable net asset category.

As a practical expedient, the College is permitted under accounting principles generally accepted in the United States of America (GAAP) to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

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 by investment companies to ensure conformity with 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 at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

**Fair Value of Financial Instruments**
The fair value of the College's investments is based on quoted market prices at the reporting date for those or similar investments. The fair value of the College's long-term debt, which approximates the carrying amount, is estimated based upon the College's incremental borrowing rate for similar types of borrowings.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, receivables, accounts payable and accrued liabilities, debt, interest rate swaps and student deposits approximate their fair values.

**Property, Plant and Equipment**
Property, plant and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at estimated fair value at the date of the gift. The College depreciates its fixed assets using the straight-line depreciation method over the estimated useful lives of the related assets, as follows:

| | |
|---|---|
| Land improvements | 15-20 years |
| Buildings and improvements | 25-50 years |
| Equipment and automobiles | 5-20 years |

Projects are accumulated in construction in progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for repairs and maintenance are charged to expense as incurred; betterments are capitalized. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Fine arts consist of items that include sculptures and other works of art that were donated to or purchased by the College. These items are capitalized at cost, if the items were purchased, or at their fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statement of activities and net assets as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the College is protecting and preserving essentially the undiminished service potential of the item. As of May 2015, the College has not recorded any depreciation on its sculptures or other works of art.

**Impairment of Long-lived Assets**
Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the College compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the fiscal year ended May 31, 2015, no impairment indicators were identified.

**Bookstore and Campus Store Inventory**
Bookstore and campus store inventories are recorded at the lower of cost (first-in, first-out method) or market.

**Bond Discount and Issuance Costs**
Unamortized discount and bond issuance costs are being amortized on a straight-line basis (which approximates the calculation if the effective interest method was used) through the maturity dates of the bonds payable.

**Planned Giving Agreements**
The College is a beneficiary of certain charitable remainder trusts and gift annuities for which the principal reverts to the College upon the death of the donors or other beneficiaries. The gifts are recorded at estimated fair value at the date of the receipt of such gifts and a liability is recognized equal to the estimated present value of the annuity payments.

**Asset Retirement Obligations**
An asset retirement obligation (“ARO”) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

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

Estimates are primarily used in determining the valuation of investments, allowances for student tuition receivables, student loans receivable and contributions receivable, the value of interest rate swap agreements, and the estimated liabilities for annuity obligations.

**Income Taxes**
The Internal Revenue Service has determined that the College qualifies as a tax-exempt, nonprofit organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The College recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the College's tax positions and concluded that the College has no material uncertainties in income taxes.

The College is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for fiscal years before 2012.

The College will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

**Liquidity**
In order to provide information about liquidity, assets are sequenced according to the timing of their conversion to cash and liabilities according to the nearness of their estimated maturity.

**Recently Issued Accounting Pronouncements**
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for the fiscal years beginning after December 31, 2017. Early implementation is not permitted. The College has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest – Imputation of Interest (Subtopic 835-30) simplifying the Presentation of Debt Issuance Costs". The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. The amendments are effective for fiscal years beginning after December 31, 2015. The adoption of ASU 2015-03 is not expected to have a material effect on the College's financial statements or disclosures.

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are effective for fiscal years beginning after December 15, 2016 and should be applied retrospectively to all periods presented. Earlier application is permitted. The adoption of ASU 2015-07 is not expected to have a material effect on the College's financial statements or disclosures.

**Subsequent Events**

The College has assessed the impact of subsequent events through August 31, 2015, the date the audited financial statements were issued, and has concluded that there were no additional events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

## 2. Contributions Receivable

Contributions receivable at May 31, 2015:

| | |
|---|---|
| Amounts due in: | |
| Less than one year | $ 418,241 |
| One to five years | 30,443 |
| Total contributions receivable | 448,684 |
| Less: Discount to present value | (974) |
| Less: Reserve for doubtful accounts | (85,701) |
| Contributions receivable, net | $ 362,009 |

The rates used to discount contributions receivable to present value have been calculated using discount factors that approximate the risk and expected timing of future contribution payments. The rates as of May 31, 2015 ranged from 1.49% to 2.12%.

The College has reflected contributions received during fiscal year 2015 at fair value as determined in accordance with fair value accounting guidance.

Contributions receivable includes permanently restricted promises to give of $395,672 at May 31, 2015.

## 3. Investments

The College's long-term investments as of May 31, 2015 are as follows:

| | |
|---|---|
| Mutual funds: | |
| Domestic | $ 49,107,703 |
| International | 23,071,583 |
| Balanced | 4,142,799 |
| Fixed income | 2,760,079 |
| Equities - domestic | 2,864,905 |
| Inflation hedge fund | 3,794,146 |
| Partnerships | 20,788,411 |
| Total long-term investments | $ 106,529,626 |

The College's investment return consisted of the following components:

| | 2015 |
|---|---|
| Investment income | $ 2,407,714 |
| Net realized and unrealized losses on investments | (216,748) |
| Investment return, net | $ 2,190,966 |

The College made budgeted appropriations under its spending policy of $2,380,536 for the year ended May 31, 2015. Such amounts are included in investment income within the College's operating revenues.

Investment management fees were approximately $895,000 for the year ended May 31, 2015 and are recorded against investment return.

## 4. Property, Plant and Equipment

Property, plant and equipment as of May 31, 2015 is as follows:

| | |
|---|---|
| Land | $ 2,250,548 |
| Land improvements | 7,645,034 |
| Buildings and improvements | 110,488,146 |
| Fine arts | 977,246 |
| Equipment | 17,061,720 |
| Property, plant and equipment, gross | 138,422,694 |
| Less: Accumulated depreciation | (62,169,383) |
| | 76,253,311 |
| Construction-in-progress | 1,228,842 |
| Property, plant and equipment, net | $ 77,482,153 |

Depreciation expense for the year ended May 31, 2015 amounted to $3,566,480.

As of May 31, 2015, construction-in-progress consisted primarily of summer capital projects that are expected to be completed by September 30, 2015 at a cost of approximately $2.5 million.

## 5. Leases

The College has leases for a campus in Rome, office equipment and vehicles which are accounted for as operating leases. The future minimum rental commitments under these agreements are approximately as follows:

| **Year Ended May 31,** | | |
|---|---|---|
| 2016 | $ | 56,728 |
| 2017 | | 43,948 |
| 2018 | | 43,948 |
| 2019 | | 43,948 |
| 2020 | | 43,948 |
| | $ | 232,520 |

Rent expense, which is inclusive of both cancelable and noncancelable leases, was approximately $100,000 for the year ended May 31, 2015.

## 6. Long-Term Debt

**Series 2012 Bonds**
In May 2012, the College borrowed $28,610,000 of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Assumption College Issue, Series 2012 (the “Series 2012 Bonds”) purchased by TD Bank. Proceeds were used to refinance the balance of Series 2002 Bond debt outstanding. These bonds bear interest at a variable rate and mature on May 1, 2022. The variable rate at May 31, 2015 was 1.0%. Debt covenants include the maintenance of a Debt Service Coverage ratio of 1.25 to 1 and a liquidity ratio of 1 to 1. The total amount outstanding as of May 31, 2015 was $25,434,458.

**Series 2013 Bonds**
In June 2013, the College borrowed $9,720,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2013 (the “Series 2013 Bonds”). Proceeds were used to refinance the balance of Series 2000A Bond debt outstanding. These bonds bear interest at various fixed rates ranging from 2.0% to 4.0% per year and mature on March 1, 2030. The total amount outstanding as of May 31, 2015 was $8,715,000.

Aggregate principal payments (unamortized bond discount on the Series 2013 Bonds was $81,811 at May 31, 2015) due in each of the next five years ending May 31 and thereafter on the Series 2012 and Series 2013 Bonds are as follows:

| | |
|---|---|
| 2016 | $ 1,590,000 |
| 2017 | 1,650,000 |
| 2018 | 1,710,000 |
| 2019 | 1,755,000 |
| 2020 | 1,815,000 |
| Thereafter | 25,629,458 |
| | 34,149,458 |
| Less: Unamortized bond discount | (81,811) |
| Total bonds and notes payable | 34,067,647 |
| Capital lease obligations | 39,561 |
| Long-term debt | $ 34,107,208 |

Principal payments are made annually and on various dates throughout the year, in accordance with the respective bond agreements which include provisions for prepayments.

Total interest expense incurred on indebtedness was $925,327 in 2015.

**Line of Credit**
The College has an uncollateralized line of credit aggregating $2,000,000 at May 31, 2015. The line of credit has a variable interest rate based on the London Interbank Offered Rates (LIBOR) and it expires on February 28, 2016. There were no amounts drawn down on this line of credit during 2015, and therefore, no amounts were outstanding at May 31, 2015.

**Interest Rate Swaps**
The College maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The College's specific goal is to lower (where possible) the cost of its borrowed funds.

In April 2002, the College entered into a variable to fixed interest rate swap agreement to manage the interest cost and risk associated with the Series 2002 Bonds. Under this swap agreement, the College pays a fixed rate of 4.1% and receives various LIBOR and municipal rates on the notional principal amount. The College’s swap agreement at May 31, 2015 is as follows:

| | **Original Notional Amount** | **Notional Amount at May 31, 2015** | **Fair Value at May 31, 2015** | **Expiration Date** |
|---|---|---|---|---|
| 2002 Swap | $ 11,745,000 | $ 8,300,000 | $ (1,417,423) | February 28, 2022 |

The swap agreement is recorded at its fair value in the statement of financial position with the resulting change in fair value recognized as a nonoperating, noncash expense in the statement of activities and changes in net assets of $109,681 for the year ended May 31, 2015. This fair value was determined by counter-party financial institutions and was calculated by discounting the present value of the difference between the contractual swap rate and current market swap rate on May 31, utilizing the notional amount and the remaining terms of the swap agreement.

The College has the option to terminate the swap agreement with a 30-day written notice. The estimated costs to terminate would approximate the fair value at the date of termination. At the present time, the College has no plans to exercise this option since it would be contrary to its plans to manage interest costs and risks. The counterparty does not have the option to terminate the swap.

## 7. Net Assets Released From Restrictions

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

| | 2015 |
|---|---|
| **Purpose restrictions** | |
| Scholarship | $ 774,157 |
| Other | 465,119 |
| | $ 1,239,276 |

## 8. Planned Giving

Planned giving net assets consisted of the following as of May 31:

| | 2015 |
|---|---|
| Planned giving assets: | |
| Charitable remainder unitrust | $ 816,441 |
| Charitable remainder annuity trusts | 551,556 |
| Charitable gift annuities | 275,949 |
| Total planned giving assets | 1,643,946 |
| Planned giving liabilities: | |
| Amounts due to beneficiaries | (721,222) |
| Total planned giving assets, net | $ 922,724 |

Charitable remainder trusts and amounts due to beneficiaries are discounted at rates ranging from 0.83% to 6.9%.

## 9. Student Tuition and Loans Receivable

Student tuition and loans receivable consisted of the following as of May 31:

| | 2015 |
|---|---|
| Student tuition receivable, net of allowances for doubtful accounts of $187,133 | $ 897,233 |
| Student loans receivable, net of allowances for doubtful accounts of $747,417 | 2,850,828 |
| Total student tuition and loans receivable, net | $ 3,748,061 |

The College makes uncollateralized loans to students based on financial need. Student loans are funded primarily through federal government loan programs.

At May 31, student loans consisted of the following:

| | | 2015 |
|---|---|---|
| Federal government program | $ | 3,217,646 |
| Institutional loans | | 337,963 |
| Other loans | | 42,636 |
| Total student loans | | 3,598,245 |
| Allowance for doubtful accounts | | (747,417) |
| Student loans receivable, net | $ | 2,850,828 |

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Such funds may be re-loaned by the College after collection, but ultimately are refundable to the federal government. The federal government's portion of these funds at May 31, 2015 was $2,922,768.

At May 31 2015, the following amounts were past due under student loan programs:

| 1-60 Days Past Due | 60-90 Days Past Due | 90+ Days Past Due | Total Past Due |
|---|---|---|---|
| $ 57,048 | $ 43,100 | $ 400,843 | $ 500,991 |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. These allowances are based on historical loan defaults and write-offs. Loan balances are written off only when they are deemed to be permanently uncollectible, which generally results in their being assigned to the Federal government.

## 10. Retirement

Most of the College's full-time faculty and administrative staff are eligible to participate in one of two defined contribution plans the College offers. The College contributes to these plans for the benefit of all participating employees. Contributions to the retirement plans amounted to $2,006,344 in 2015.

## 11. Augustinians of the Assumption

The Augustinians of the Assumption is the founding order of the College which was founded in 1904. In 1972, with the support of the Assumptionist Order (the "Order"), the College's Board of Trustees elected its first lay president. Since this time, all of the Assumption College presidents have been lay presidents; however, the Assumptionist presence remains as an important, if not essential, part of the College's educational endeavors.

To encourage the continued presence of the Assumptionists on campus as professors, administrators and clergy, the College provides financial support to the Order. During the year ended May 31, 2015, payments totaling $669,019 were made to the Order.

In 2013 the College opened an additional campus in Rome, Italy. The campus is located on land owned by the Augustinians of the Assumption. Lease related payments for the Rome campus during the year ended May 31, 2015 totaling $52,822 were made to the Order.

## 12. Fair Value Measurements

The College records its investments, including alternative investments, at fair value. 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.

The College reviews and evaluates values provided by the investment managers and assesses the valuation methods and assumptions used in determining their fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed and the differences could be material. The College has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund managers.

There is a hierarchy of valuation inputs for assets and liabilities based on the extent to which the inputs are observable in the marketplace.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Inputs other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of May 31, 2015:

| | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| **Assets** | | | | |
| Mutual funds: | | | | |
| Domestic | $ 20,608,381 | $ 28,499,322 | $ - | $ 49,107,703 |
| International | 23,071,583 | - | - | 23,071,583 |
| Balanced | 4,142,799 | - | - | 4,142,799 |
| Fixed income | 2,760,079 | - | - | 2,760,079 |
| Equities - domestic | 2,864,905 | - | - | 2,864,905 |
| Inflation hedge fund | - | 3,794,146 | - | 3,794,146 |
| Partnerships | - | - | 20,788,411 | 20,788,411 |
| Total assets at fair value | $ 53,447,747 | $ 32,293,468 | $ 20,788,411 | $ 106,529,626 |
| **Liability** | | | | |
| Interest rate swap | $ - | $ 1,417,423 | $ - | $ 1,417,423 |
| Total liabilities at fair value | $ - | $ 1,417,423 | $ - | $ 1,417,423 |

The following table includes roll-forwards of investments classified by the College within Level 3 as defined previously as of May 31, 2015:

| | Partnerships |
|---|---|
| **Balance as of June 1, 2014** | $ 19,674,844 |
| Contributions | 544,431 |
| Withdrawals | (405,000) |
| Interest and dividends | 68,523 |
| Unrealized gain/loss | 970,605 |
| Investment management fee | (64,992) |
| **Balance as of May 31, 2015** | $ 20,788,411 |

There were no transfers between fair value hierarchy levels during the year ended May 31, 2015.

The redemption terms for those investments valued at net asset value (NAV) consist of the following as of May 31, 2015:

| Asset Class | Fair Value | Redemption Terms | Redemption Notice Period |
|---|---|---|---|
| Mutual funds - domestic (a) | $ 28,499,322 | monthly | 1-30 days |
| Inflation hedge fund (b) | 3,794,146 | monthly | 1-90 days |
| Partnerships (c) | 20,788,411 | monthly, quarterly, 5 years | 1 day |
| | $ 53,081,879 | | |

(a) Earn long-term capital from a broadly diversified portfolio of primarily U.S. stocks

(b) Provide strong relative performance versus broad equity and fixed income markets during rising inflation environments

(c) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

In January 2014 the College entered into a limited partnership with a commitment to invest $4,500,000. The College had an unfunded commitment of $3,105,000 to this limited partnership at May 31, 2015.

Following is a description of the College's valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Level 3 also includes investments carried at the per share NAV with redemption periods of more than 90 days.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

## 13. Endowment Disclosures

The College endowment funds consist of approximately 150 individual accounts established for a variety of purposes. The endowment consists of donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Massachusetts adopted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA is a model act that provides rules of construction concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds. The standard does provide guidance on the net asset classification of donor restricted endowment funds for a not for profit organization that is subject to UPMIFA and also requires additional disclosures about an organization's endowment funds related to net asset classifications, net asset composition, changes in net asset composition, and spending and investment policies.

The Board of Trustees of Assumption College has interpreted UPMIFA as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor restricted funds:

1. The duration and preservation of the fund
2. The purpose of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. Investment policies of the College

**Investment Objective**

The endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the endowment, the Trustees have taken into account the financial needs and circumstances of the College, the time horizon available for investment, the nature of the endowment's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Trustees have determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve a positive rate of return over the long-term that would contribute to the cash flow needs of the organization for on-going operations, special initiatives and capital projects in support of the endowment;
- To provide for asset growth at a rate in excess of the rate of inflation, net of expenses and spending;
- To diversify the assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that could occur from concentrated positions;
- To achieve investment results over the long-term that compare favorably with those of other endowments and foundations, professionally managed portfolios and of appropriate market indexes.

**Spending Policy**

Spending policy is the implementation of an approach that assists the Board of Trustees in determining future distributions from the endowment. The spending decision is important because of its impact on income and future asset value. The Spending Policy is controlled by the Investment Committee of the Board of Trustees, which has a fiduciary responsibility to ensure that the Fund is prudently managed.

The specific spending policy of the College's endowment starts with the prior year's spending and adjusts for the change in the consumer price index subject to a band with the floor at 4.25% of the trailing 20 quarter average value of the endowment and a ceiling of 5.75%. The purpose is to ensure a stable and predictable level of endowment support to the operating budget.

The College has interpreted relevant state law as generally permitting the spending of income and gains on permanently restricted net assets over a stipulated period of time. State law allows the Board to appropriate a specified percentage of the income and appreciation earned on the endowment as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the College's spending policy, cumulative appreciation (including interest and dividends) in an amount up to 5.75% of the average market value of qualifying permanently restricted net assets at the end of the previous 20 quarters may be appropriated.

At May 31, 2015, the endowment net asset composition by type of fund consisted of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted funds | $ - | $ 14,928,963 | $ 21,012,021 | $ 35,940,984 |
| Board-designated funds | 65,123,366 | - | - | 65,123,366 |
| Total funds | $ 65,123,366 | $ 14,928,963 | $ 21,012,021 | $ 101,064,350 |

Changes in endowment net assets for the fiscal year ended May 31, 2015 consisted of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 64,804,842 | $ 15,416,761 | $ 20,545,509 | $ 100,767,112 |
| Investment return | | | | |
| Investment income | 1,559,663 | 823,047 | - | 2,382,710 |
| Net depreciation (realized and unrealized) | (118,954) | (71,569) | - | (190,523) |
| Total investment gain | 1,440,709 | 751,478 | - | 2,192,187 |
| Contributions | 19,075 | - | 466,512 | 485,587 |
| Appropriation of endowment assets for expenditure | (1,141,260) | (1,239,276) | - | (2,380,536) |
| Other changes | | | | |
| Transfers to create board-designated endowment funds | - | - | - | - |
| Endowment net assets, end of year | $ 65,123,366 | $ 14,928,963 | $ 21,012,021 | $ 101,064,350 |

As of May 31, 2015 endowment net assets include $395,672 of contributions receivable.

### Permanently Restricted and Temporarily Restricted Net Assets

Permanently restricted net assets and temporarily restricted net assets consist of the following at May 31, 2015:

| | |
|---|---|
| **Permanently restricted net assets** | |
| The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation | |
| Restricted for scholarship support | $ 16,975,991 |
| Restricted for faculty support | 1,272,625 |
| Restricted for program support | 2,763,405 |
| Total endowment assets classified as permanently restricted net assets | 21,012,021 |
| Split interest agreements | 355,389 |
| Total permanently restricted net assets | $ 21,367,410 |
| **Temporarily restricted net assets** | |
| Restricted for scholarship support | $ 13,655,450 |
| Restricted for faculty support | 585,518 |
| Restricted for program support | 687,995 |
| Total endowment assets classified as temporarily restricted net assets | $ 14,928,963 |