VASSAR COLLEGE

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

VASSAR COLLEGE

Financial Statements

June 30, 2014 and 2013

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Vassar College:

We have audited the accompanying financial statements of Vassar College, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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 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 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 organization'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 organization'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 opinion.

Opinion

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of Vassar College as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying financial statements of Vassar College as of June 30, 2013 and for the year then ended were audited by other auditors whose report, dated October 24, 2013, on those financial statements was unmodified and included an emphasis of matter paragraph that described the change in Vassar College's presentation of contributed securities in its statement of cash flows discussed in note 1 to the 2013 financial statements, due to the adoption of Accounting Standards Update 2012-05, *Not-for-Profit Entities: Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows*.

KPMG LLP

October 20, 2014

VASSAR COLLEGE

Statements of Financial Position

June 30, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Cash and cash equivalents	$	23,701	20,220
Accounts receivable, net:			
Student accounts receivable		624	501
Student loans receivable		3,232	3,295
Grants receivable		444	1,232
Contributions receivable, net		27,574	38,985
Prepaid and other assets		11,664	4,696
Deposits held by bond trustee		77,586	105,940
Investments		1,007,152	908,138
Beneficial interests in outside trusts		9,096	8,632
Land, buildings and equipment, net		431,068	392,736
Total assets	$	1,592,141	1,484,375
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	31,201	19,587
Deferred revenue and students’ deposits		3,732	3,848
Present value of beneficiary payments		12,901	12,992
Deposits held for others		4,098	3,985
Long-term debt		252,800	254,615
Accrued pension obligation		9,148	7,914
Asset retirement obligation		8,147	7,907
Accrued postretirement benefit obligation		26,194	26,865
Refundable government loan funds		2,606	2,667
Total liabilities		350,827	340,380
Net assets:			
Unrestricted		354,206	354,428
Temporarily restricted		557,630	482,040
Permanently restricted		329,478	307,527
Total net assets		1,241,314	1,143,995
Total liabilities and net assets	$	1,592,141	1,484,375

See accompanying notes to financial statements.

VASSAR COLLEGE

Statement of Activities

Year ended June 30, 2014
(with summarized comparative totals for 2013)

(In thousands)

	2014				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2013 Total**
Operating revenues:					
Tuition and fees	$ 121,535	—	—	121,535	117,513
Room and board	23,472	—	—	23,472	22,391
	145,007	—	—	145,007	139,904
Less scholarships	(57,943)	—	—	(57,943)	(57,927)
Net tuition, fees, room and board	87,064	—	—	87,064	81,977
Endowment return used in support of operations	19,101	32,899	—	52,000	49,824
Government grants	2,026	—	—	2,026	2,184
Private gifts and grants	9,726	1,707	—	11,433	33,596
Other revenue	3,547	—	—	3,547	3,432
Auxiliary enterprises	4,516	—	—	4,516	4,648
Net assets released from restrictions	38,645	(38,645)	—	—	—
Total operating revenues	164,625	(4,039)	—	160,586	175,661
Operating expenses:					
Instruction	73,183	—	—	73,183	71,966
Research	3,152	—	—	3,152	4,281
Academic support	20,595	—	—	20,595	18,800
Student services	17,223	—	—	17,223	16,234
Institutional support	37,158	—	—	37,158	35,722
Auxiliary enterprises	21,431	—	—	21,431	22,200
Total operating expenses	172,742	—	—	172,742	169,203
Change in net assets from operations	(8,117)	(4,039)	—	(12,156)	6,458
Nonoperating activities:					
Private gifts and other additions	723	(116)	17,923	18,530	38,489
Net investment return	25,139	110,581	907	136,627	99,047
Appropriation of endowment for operations	(19,101)	(32,899)	—	(52,000)	(49,824)
Gain on sale of artwork	6,419	—	—	6,419	—
Other nonoperating activity	(520)	(987)	590	(917)	(1,044)
Adjustment for pension liability	(497)	—	—	(497)	5,573
Post-retirement benefits changes other than net periodic benefits cost	1,313	—	—	1,313	4,367
Net assets released from restrictions and other transfers	(5,581)	3,050	2,531	—	—
Change in net assets from nonoperating activities	7,895	79,629	21,951	109,475	96,608
Change in net assets	(222)	75,590	21,951	97,319	103,066
Net assets:					
Beginning of year	354,428	482,040	307,527	1,143,995	1,040,929
End of year	$ 354,206	557,630	329,478	1,241,314	1,143,995

See accompanying notes to financial statements.

VASSAR COLLEGE

Statements of Activities

Year ended June 30, 2013

(In thousands)

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 117,513	—	—	117,513
Room and board	22,391	—	—	22,391
	139,904	—	—	139,904
Less scholarships	(57,927)	—	—	(57,927)
Net tuition, fees, room and board	81,977	—	—	81,977
Endowment return used in support of operations	17,548	32,276	—	49,824
Government grants	2,184	—	—	2,184
Private gifts and grants	11,325	22,271	—	33,596
Other revenue	3,432	—	—	3,432
Auxiliary enterprises	4,648	—	—	4,648
Net assets released from restrictions	50,764	(50,764)	—	—
Total operating revenues	171,878	3,783	—	175,661
Operating expenses:				
Instruction	71,966	—	—	71,966
Research	4,281	—	—	4,281
Academic support	18,800	—	—	18,800
Student services	16,234	—	—	16,234
Institutional support	35,722	—	—	35,722
Auxiliary enterprises	22,200	—	—	22,200
Total operating expenses	169,203	—	—	169,203
Change in net assets from operations	2,675	3,783	—	6,458
Nonoperating activities:				
Private gifts and other additions	6,198	10,968	21,323	38,489
Net investment return	18,025	80,282	740	99,047
Appropriation of endowment for operations	(17,548)	(32,276)	—	(49,824)
Other nonoperating activity	(309)	(767)	32	(1,044)
Adjustment for pension liability	5,573	—	—	5,573
Post-retirement benefits changes other than net periodic benefits cost	4,367	—	—	4,367
Replenishment of underwater funds	492	(492)	—	—
Net assets released from restrictions and other transfers	3,579	(4,955)	1,376	—
Change in net assets from nonoperating activities	20,377	52,760	23,471	96,608
Change in net assets	23,052	56,543	23,471	103,066
Net assets:				
Beginning of year	331,376	425,497	284,056	1,040,929
End of year	$ 354,428	482,040	307,527	1,143,995

See accompanying notes to financial statements.

VASSAR COLLEGE

Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	97,319	103,066
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and accretion		19,466	19,420
Loss on sale of fixed assets		—	83
Gain on sale of artwork		(6,419)	—
Investment income on life income and annuity agreements		(527)	(659)
Payments to beneficiaries		1,353	1,387
Nonoperating contributions		(26,023)	(22,925)
Gifts in kind		(604)	(4,338)
Realized and unrealized gains on investments		(128,347)	(93,041)
Changes in assets and liabilities that provide (use) cash:			
Accounts receivable		604	(497)
Contributions receivable		11,411	(14,400)
Prepaid and other assets		(6,968)	1,822
Accounts payable and accrued expenses		4,475	(8,453)
Deferred revenue and students' deposits		(116)	636
Present value of beneficiary payments		(91)	(259)
Deposits held for others		113	690
Asset retirement obligation		(155)	(385)
Accrued pension obligation		1,234	(4,799)
Accrued post-retirement benefit obligation		(671)	(2,868)
Net cash used in operating activities		(33,946)	(25,520)
Cash flows from investing activities:			
Purchases of land, buildings and equipment		(49,660)	(32,087)
Use of deposits held by trustee		28,354	17,522
Deposits with bond trustee		—	(87,085)
Proceeds from sale of land, buildings and equipment		—	296
Proceeds from sale of artwork		6,419	—
Net loans repaid by students		124	18
Purchases of investments		(112,070)	(331,532)
Proceeds from sales and maturities of investments		140,939	360,395
Net cash provided by (used in) investing activities		14,106	(72,473)
Cash flows from financing activities:			
Proceeds from contributions for:			
Investment in endowment		22,062	12,594
Investment in long-lived assets		3,595	9,812
Investment subject to life income agreements		366	518
Investment income on life income and annuity agreements		527	659
Payments to beneficiaries		(1,353)	(1,387)
(Decrease) increase in refundable government loan funds		(61)	25
Issuance of long-term debt		—	87,085
Payments on long-term debt		(1,815)	(1,730)
Debt issuance cost		—	(664)
Net cash provided by financing activities		23,321	106,912
Net increase in cash and cash equivalents		3,481	8,919
Cash and cash equivalents:			
Beginning of year		20,220	11,301
End of year	$	23,701	20,220
Supplemental data:			
Interest paid	$	6,110	7,833
Noncash investing activities:			
Purchases of capital assets included in accounts payable	$	7,139	2,646

See accompanying notes to financial statements.

(1) Organization

Vassar College (Vassar or the College) was founded in 1861 and is a coeducational, independent, liberal arts college located in Poughkeepsie, New York.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with principles generally accepted in the United States of America (U.S. GAAP), 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.

(b) Classification of Net Assets

Resources are reported for accounting purposes in the following classes of net assets based on the existence or absence of donor-imposed restrictions:

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.

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.

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. Such assets primarily include the College's donor-restricted endowment funds.

(c) Statements of Activities

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's education programs, grants for research conducted by academic departments, private gifts and other revenue, as well as auxiliary enterprise activities.

Nonoperating activities includes investment return on short and long-term investments, contributions received other than for current operations, pension and postretirement benefit liability adjustments other than net periodic benefit cost, changes in deferred gifts as well as investment income on deferred gifts, and miscellaneous items not related to the College's academic or research activities. To the extent nonoperating contributions, investment income and gains are used for operations, they are reclassified as appropriation of endowment for operations on the statements of activities.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

- Student tuition and fees are recorded at established rates, net of financial aid and scholarships provided directly to students.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose that has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statements of activities. Temporary restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.
- Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired and placed into service.
- Auxiliary enterprises include a variety of services that enhance the quality of student life on campus. Revenues are displayed in two sections. Fees for housing and dining services are displayed along with tuition and fees net of scholarship aid to arrive at net tuition, fees, room and board. Other auxiliary service enterprise revenues, which include college retail operations, cash dining, catering, intercollegiate athletics and graphic arts, are displayed separately. Expenses associated with auxiliary enterprise activities are reported as a single total and include an allocated portion of the cost of operating and maintaining College plant assets, interest and depreciation expense.

Expenses are reported as decreases in unrestricted net assets. Expenses associated with the operation and maintenance of the College's plant assets, including interest and depreciation expense are allocated on the basis of square footage utilized by the functional categories. Expenses associated with fundraising activities of the College were $6,368 and $6,480 in 2014 and 2013, respectively, and are included in institutional support in the statements of activities.

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of certain investments, valuation of contributions receivable and valuation of its pension and postretirement benefit obligations. Actual results could differ from those estimates.

(Continued)

(e) Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

Plan contributions and the actuarial present value of accumulated plan benefits for the pension and postretirement obligations are estimated based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

(f) Cash and Cash Equivalents

Cash and cash equivalents include operating funds that are short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported at cost which approximates fair value.

(g) Receivables

The College extends credit to students in the form of accounts receivable and loans for educational purposes.

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms, and are subject to significant restrictions as to their transfer or disposition.

The College records an allowance for doubtful accounts (credit losses) for long term receivables including Perkins loans and other student loans. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment, the level of delinquent loans, review of the default rate by category in comparison to prior years, the value of any collateral and, where, applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on actual results. The College's Perkins Loan receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2014 and 2013 is adequate to absorb credit risk inherent in the portfolio.

(h) Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. 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 uses a three-tiered hierarchy to categorize those assets and liabilities based on the valuation methodologies employed. In addition, classification of certain alternative investments within the fair value hierarchy is based on the College's ability to timely redeem its interest rather than the valuation inputs. The hierarchy is defined as follows:

Level 1 – Valuation 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;

Level 2 – Valuation is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, as well as those alternative investments measured at net asset value that are redeemable on or near the measurement date; and

Level 3 – Valuation is based on unobservable inputs as well as those alternative investments that are not redeemable near the measurement date.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability.

(i) Investments

Investments are reported at fair value with realized and unrealized gains and losses included in the statements of activities. Realized gains and losses on the sale of the College's investments are based upon the average cost of the investment. All investment transactions are recorded on a trade date basis.

(j) Endowment Funds and Spending Policy

Included in investments are assets of the College's endowment and similar funds. These institutional funds are invested in long-term vehicles and strategies to produce investment return to support the operations of the College. Investment guidelines are set under the direction of the Committee on Investments of the Board of Trustees with the objective to enhance the real market value of the portfolio while providing a relatively predictable and growing stream of revenue to the College's operating budget. The majority of the endowment and similar funds are unitized and invested in a consolidated pool. Nonconsolidated endowed funds are invested separately. Funds are added to or withdrawn from the pool at the unit fair value of the fund at the beginning of the quarter in which the transaction occurred.

The College utilizes a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the fair value of

(Continued)

investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average fair value of investments.

Annually, as part of the College's operating and capital budget plans, the Board approves a spending rate for endowment units. The guideline is to increase per unit spending annually based on the one year change in the Higher Education Price Index, lagged one year, provided that the resulting rate does not exceed 5.5% nor fall below 4.5% for the trailing 12-quarter average market value of the fund, lagged one year. For fiscal year 2013-2014 the Board approved a total draw on financial assets of up to $52,000. For the year ended June 30, 2014, $52,000 was spent from gross financial assets, of which $10,357 represents a supplemental draw from quasi endowment above per unit spending. For the year ended June 30, 2013, $49,824 was spent from gross financial assets, of which $9,211 represents a supplemental draw from quasi endowment above per unit spending.

(k) Beneficial Interest in Outside Trusts

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of Vassar. The College has legally enforceable rights or claims to such assets, including the right to income generated. The fair value of these interests is recorded in the permanently restricted net asset class and the net realized and unrealized gains or losses are recorded in the permanently or temporarily restricted net asset categories as designated by the donor(s).

(l) Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation. Proceeds from sales of collection items not previously provided financial statement recognition are reflected on the statements of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

When an asset retirement obligation is identified, the College records the fair value of the obligation as a liability. Over time, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and the liability recorded. The fair value of the obligation is also capitalized as part of land, buildings, and equipment and then amortized over the estimated remaining useful life of the associated asset.

(m) Deferred Gift Arrangements

The College's deferred gift arrangements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities and pooled income funds for which the College is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at fair value. The fair value of these assets included in investments at June 30, 2014 and 2013 was approximately $28,217 and $25,740, respectively. Contribution revenues are recognized at the dates the trusts are established, net of the liabilities recorded for the present value of beneficiary payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the arrangements and the assumed discount rate. Discount rates range from 1.2% to 2.4% and are established as of the date of the gift. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

(Dollars in thousands)

(n) Workers' Compensation

The College recognizes a worker's compensation liability for future payments for current and prior years' claims. The liability is based on estimated claims payable and claims incurred but not reported discounted to present value at 4.0%. As of June 30, 2014 and 2013, the workers' compensation liability is $2,969 and $3,279, respectively, and is recorded in accounts payable and accrued expenses on the accompanying statements of financial position.

(o) Tax Status

The College generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. U.S. GAAP permits an organization to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. Tax positions deemed to meet the "more likely than not" threshold are recorded as a tax expense in the current year. The College has analyzed all open tax years and believes it has no significant uncertain tax positions.

(p) Reclassifications

Certain reclassifications have been made to 2013 information to conform with the 2014 presentation.

(3) Contributions Receivable

Contributions receivable consist of the following at June 30:

	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	$ 817	5,667
One to five years	27,300	33,788
Thereafter	1,080	1,115
	29,197	40,570
Less present value discounts (rates between 0.39% – 6.00%)	(710)	(1,092)
Allowance for uncollectible pledges	(913)	(493)
	$ 27,574	38,985

Conditional pledges and bequest intentions totaling approximately $110,000 have been excluded from these amounts and are not recorded in the financial statements.

(Dollars in thousands)

(4) Investments

The College's investment objective is to earn average annual returns sufficient to support regular spending appropriations and compensate for the impact of inflation over time. The asset allocation for the endowment, which employs multiple managers organized into seven asset classes, is designed to achieve this return objective on average over the long-term at an appropriate level of risk. Short-term investments are intended to provide liquidity for operating and nonoperating activities. Fixed income investments are intended to provide income, liquidity, and diversification benefits. Equity investments, real estate, oil and gas partnerships, venture capital/private placements, institutional mutual funds, and balanced funds are intended to provide growth, income, and diversification benefits.

Total dividends, interest and realized and unrealized gains and losses are as follows for the years ended June 30:

	2014	2013
Dividends and interest	$ 8,291	6,006
Realized gains, net	44,097	24,184
Change in net unrealized gains	84,239	68,857
Total return, net of fees	$ 136,627	99,047

The fair value of the College's investments has been determined in the following manner:

Investments	Fair value
Short-term investments consisting principally of money market instruments, commercial paper, and cash management funds	At quoted market value which approximates cost
Equity securities, debt securities, mutual funds, shares in real estate investment trusts and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments such as private equity and hedge fund limited partnerships	Net asset value as determined by the general partner

The values of publically traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of non-publically traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market values of the underlying securities. Alternative investments which consist of hedge funds, real estate, oil and gas partnerships, venture capital and private partnerships are valued using current estimates of fair value based upon the net asset value (NAV) of the funds determined by the general partner or investment manager for the respective funds. These valuations consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sale prices of investments, and other pertinent information. NAV is used as a practical expedient to estimate the fair value of the College's interest in these funds, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. The College has assessed the NAV provided by the external managers and believes the amounts reported represent a reasonable estimate of fair value.

(Dollars in thousands)

The investments classified as Level 2 and 3 have been valued using NAV as the practical expedient and consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. Because of the use of NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the College's ability to redeem its interest in the fund at or near the statement of financial position date. If the interest can be redeemed in the near term, the investment is classified as Level 2. Accordingly, the inputs used or methodology used for valuing investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of each fund's underlying assets or liabilities. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

The following tables summarize the valuation of the College's investment portfolio by asset class under the fair value hierarchy levels as of June 30:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 21,319	—	—	21,319
Fixed income-bonds	98,098	—	—	98,098
Marketable real estate	3,670	—	233	3,903
Equity investments:				
U.S. stocks	130,891	71,415	—	202,306
International stocks	13,366	162,352	—	175,718
Hedge funds	—	38,907	259,314	298,221
Real estate, oil and gas partnerships	—	—	92,941	92,941
Venture capital/private partnerships	—	—	90,999	90,999
Institutional mutual fund	—	22,351	—	22,351
Balanced accounts	1,296	—	—	1,296
	$ 268,640	295,025	443,487	1,007,152

(Dollars in thousands)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 10,793	—	—	10,793
Fixed income-bonds	91,881	—	—	91,881
Marketable real estate	3,192	—	233	3,425
Equity investments:				
U.S. stocks	114,150	61,568	—	175,718
International stocks	40,575	117,646	—	158,221
Hedge funds	—	39,858	226,110	265,968
Real estate, oil and gas partnerships	—	—	98,534	98,534
Venture capital/private partnerships	—	—	81,275	81,275
Institutional mutual fund	—	20,960	—	20,960
Balanced accounts	1,363	—	—	1,363
	$ 261,954	240,032	406,152	908,138

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2014 and 2013.

The following tables summarize the change in value of investments within Level 3 as defined in the fair value hierarchy for the years ended June 30:

	2014				
	Marketable real estate	**Hedge funds**	**Real estate, oil and gas partnerships**	**Venture capital/ private partnerships**	**Total**
Fair value at June 30, 2013	$ 233	226,110	98,534	81,275	406,152
Purchases	—	10,000	10,215	9,822	30,037
Settlements	—	(7,191)	(28,796)	(12,667)	(48,654)
Net realized gains	—	—	12,968	9,487	22,455
Net unrealized gains (loss)	—	30,395	20	3,082	33,497
Fair value at June 30, 2014	$ 233	259,314	92,941	90,999	443,487

(Dollars in thousands)

	2013				
	Marketable real estate	Hedge funds	Real estate, oil and gas partnerships	Venture capital/ private partnerships	Total
Fair value at June 30, 2012	$ 233	163,696	91,400	80,766	336,095
Purchases	—	34,000	6,008	8,957	48,965
Settlements	—	(1,943)	(9,164)	(11,498)	(22,605)
Net realized gains	—	193	446	2,728	3,367
Net unrealized gains	—	30,164	9,844	322	40,330
Fair value at June 30, 2013	$ 233	226,110	98,534	81,275	406,152

Liquidity

Hedge fund and certain equity investments are redeemable with the funds or limited partnerships at NAV under the terms of the subscription agreement and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 15 to 90 days. Investment fair values are broken out below by their redemption frequency as of June 30, 2014.

	Daily	Monthly	Quarterly	Annual	Illiquid	Total
Short-term investments	$ 21,319	—	—	—	—	21,319
Fixed income-bonds	98,098	—	—	—	—	98,098
Marketable real estate	3,670	—	—	—	233	3,903
Equity investments:						
U.S. stocks	147,333	—	54,973	—	—	202,306
International stocks	175,718	—	—	—	—	175,718
Hedge funds	—	38,907	137,952	121,362	—	298,221
Real estate, oil and gas partnerships	—	—	—	—	92,941	92,941
Venture capital/private placement	—	—	—	—	90,999	90,999
Institutional mutual fund	—	22,351	—	—	—	22,351
Balanced accounts	1,296	—	—	—	—	1,296
	$ 447,434	61,258	192,925	121,362	184,173	1,007,152

Investments with a redemption frequency of illiquid includes lock ups with definite expiration dates, restricted shares, side pockets, gates or funds in liquidation which have suspended normal liquidity terms, as well as private equity and real asset funds where the College has no liquidity terms until the investments are sold by the fund manager. The estimated life of the real assets and venture capital/private placement funds range from 7 to 15 years. At June 30, 2014, the College’s remaining outstanding commitments on investments totaled $75,548 and are expected to be funded from existing investments included within the endowment.

(5) Endowment

The College endowment consists of approximately 900 individual donor-restricted endowment funds and 100 board-designated quasi endowment funds for a variety of purposes. Pledges receivable and split interest agreements that have been designated for endowment are not considered to be part of the endowment until the funds are received. The 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.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the management and investment of donor-restricted endowment funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. The Board of Trustees has interpreted its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, to include the preservation of intergenerational equity to the extent possible by prudently managing, investing and spending from the endowment funds.

As a result of this interpretation, the College classifies as permanently restricted net assets the (a) the original value of gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent earnings related to donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are expended by the College in a manner consistent with the donor's intent. The remaining portion of the endowment fund that is not classified in permanently restricted or temporarily restricted net assets is classified as unrestricted assets for expenditures that do not carry donor restrictions.

The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College.

(Dollars in thousands)

The following tables provide (1) the net asset class composition of the endowment as of June 30; and (2) a rollforward of the net endowment assets.

		2014			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**2014 Total**
Donor-restricted endowment funds	$	—	513,928	302,029	815,957
Funds functioning as endowment		158,223	—	—	158,223
Total endowment funds at June 30, 2014	$	158,223	513,928	302,029	974,180

		2013			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(152)	446,028	276,456	722,332
Funds functioning as endowment		146,409	—	—	146,409
Total endowment funds at June 30, 2013	$	146,257	446,028	276,456	868,741

		2014			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net endowment assets at June 30, 2013	$	146,257	446,028	276,457	868,742
Gifts received		5	—	22,057	22,062
Transfers and gifts further designated		8,660	(152)	3,070	11,578
Investment return, net		22,402	100,951	445	123,798
Appropriation of endowment assets for expenditure		(19,101)	(32,899)	—	(52,000)
Net endowment assets at June 30, 2014	$	158,223	513,928	302,029	974,180

		2013			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net endowment assets at June 30, 2012	$	143,272	398,337	263,303	804,912
Gifts received		1,415	—	11,710	13,125
Transfers and gifts further designated		1,377	—	1,308	2,685
Investment return, net		17,741	79,967	136	97,844
Appropriation of endowment assets for expenditure		(17,548)	(32,276)	—	(49,824)
Net endowment assets at June 30, 2013	$	146,257	446,028	276,457	868,742

(Dollars in thousands)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $0 and $152 as of June 30, 2014 and 2013, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

(6) Land, Buildings and Equipment

The following is a summary of the College's property and equipment as of June 30:

	Estimated lives	2014	2013
Land	10 years	$ 2,126	2,126
Land improvements	50 years	28,994	28,794
Buildings and improvements	10 to 50 years	429,669	409,068
Equipment (including computers)	7 years	84,051	82,343
Library books	4 years	53,709	52,253
Art works and collectibles	10 years	50,815	49,898
Construction in progress	—	84,354	51,898
		733,718	676,380
Less accumulated depreciation		(302,650)	(283,644)
		$ 431,068	392,736

Depreciation expense for the years ended June 30, 2014 and 2013 was $19,071 and $19,025, respectively.

Interest costs on debt borrowed for capital improvements that are incurred during construction are capitalized, net of interest earned on construction funds. Capitalized interest during fiscal years 2014 and 2013 was $3,955 and $140, respectively.

The College's Board of Trustees approved a capital budget of $5,799 for construction projects in fiscal year 2015. This figure includes project completion costs and retainage that will be paid in the 2014-15 fiscal year. The Board of Trustees also approved a capital budget of $38,600 for the fiscal year 2015 costs associated with the construction of the new science facility.

(Dollars in thousands)

(7) Long-Term Debt

Long-term debt consists of the following as of June 30:

		2014	2013
Dormitory Authority of the State of New York Revenue Bonds, Series 2007, maturing in 2046, with interest ranging from 4% to 5%. The bonds are general obligations of the College. (a)	$	115,715	117,530
Dormitory Authority of the State of New York Revenue Bonds, Series 2010, maturing in 2049, with interest of 5%. The bonds are general obligations of the College. (b)		50,000	50,000
Dutchess County Local Development Corporation Revenue Bonds, Series 2013A, maturing in 2049, with interest ranging from 4% to 5%. The bonds are general obligations of the College. (c)		87,085	87,085
	$	252,800	254,615

Maturities of bonds for the fiscal years after June 30, 2014 are as follows:

2015	$	1,905
2016		2,005
2017		735
2018		755
2019		785
Thereafter		246,615
	$	252,800

Interest expense for the years ended June 30, 2014 and 2013 was $7,839 and $7,930, respectively.

(a) On April 18, 2007, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $125,455 Vassar College Revenue Bonds, Series 2007. A portion of the proceeds were deposited into bond trustee escrow accounts to extinguish the Vassar College Revenue Series 1995 and 2001 Bonds. A portion was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a bond trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus.

(b) On March 31, 2010, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $50,000 Vassar College Revenue Bonds, Series 2010. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a bond trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations.

(c) On June 6, 2013, the College entered into an agreement with the Dutchess County Local Development Corporation, which provided for the issuance of $87,085 Vassar College Revenue Bonds, Series 2013A. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a bond trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations.

The Dormitory Authority of the State of New York and the Dutchess County Local Development Corporation require the College to establish certain reserve funds which are, included in the caption "deposits held by bond trustee" on the accompanying statements of financial position. These funds are invested in cash and cash equivalents and fixed income securities where the fair value is based on quoted market prices and are Level 1 in the fair value hierarchy.

In addition, the Dormitory Authority of the State of New York requires the College to maintain certain liquidity ratios. The College is in compliance with all debt covenants.

Line of Credit

The College maintains a revolving line of credit for $10,000 of which $8,500 is available for working capital and $1,500 can be used for the issuance of letters of credit. As of June 30, 2014, the College had a letter of credit issued on its behalf in the amount of $1,324. As of June 30, 2014 and 2013, the College had not drawn on the revolving line of credit.

Fair Value

The College determined that the estimated fair value of its long-term debt at June 30, 2014 and 2013 approximates $266,256 and $255,206, respectively. The fair value of the College's long-term debt is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to organizations with comparable credit risk and is categorized as Level 2 for purposes of valuation disclosure. The College further determined that the differences between the carrying values and estimated fair values of its other financial assets and liabilities at June 30, 2014 and 2013 were not significant.

(Dollars in thousands)

(8) Employee Benefits – Retirement Plans

Retirement benefits for substantially all full-time employees are provided under a defined contribution plan with Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments (Fidelity). In accordance with current plan documents, all employees who have completed one year of service at the College are eligible to participate in the Plan. The College makes contributions to TIAA-CREF and Fidelity based on eligible employees' earnings and age. Contributions for the years ended June 30, 2014 and 2013 totaled approximately $6,641 and $6,461, respectively.

Retirement benefits for secretarial, clerical and technical employees were provided under the Vassar College Defined Benefit Pension Plan, a defined benefit plan until December 31, 1983, as further discussed below. Since 1984, these employees have participated in the defined contribution plan through TIAA-CREF and Fidelity.

The following tables and associated disclosures sets forth information related to the Vassar College Defined Benefit Pension Plan:

		2014	2013
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$	35,374	37,511
Service cost		989	1,098
Interest cost		1,591	1,433
Plan amendment		1,982	—
Benefits paid		(1,400)	(1,383)
Actuarial loss (gain)		1,774	(3,285)
Benefit obligation at end of year		40,310	35,374
Change in plan assets:			
Fair value of plan assets at beginning of year		27,460	24,798
Actual return on plan assets		4,511	2,982
Employer contribution		591	1,063
Benefits paid		(1,400)	(1,383)
Fair value of plan assets at end of year		31,162	27,460
Funded status at June 30 – amount recognized in statement of financial position	$	(9,148)	(7,914)
Amounts recognized in unrestricted net assets:			
Net prior service cost	$	3,758	2,102
Net actuarial loss		10,217	11,376

The estimated net prior service cost and net actuarial loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $471 and $472, respectively.

(Dollars in thousands)

The accumulated benefit obligation for the defined benefit pension plan was $40,311 and $35,373 as of June 30, 2014 and 2013, respectively. Based on the current funding level, the College anticipates making a contribution of approximately $672 in 2015.

Components of net periodic benefit cost for the years ended June 30 are as follows:

		2014	2013
Service cost	$	989	1,098
Interest cost		1,591	1,433
Expected return on plan assets		(2,161)	(1,988)
Amortization of:		326	326
Prior service cost			
Actuarial net loss		583	968
Net defined benefit pension cost	$	1,328	1,837

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows

		2014	2013
Prior service cost arising during period	$	(1,982)	—
Net actuarial gain		576	4,279
Amortization of:			
Prior service cost		326	326
Actuarial net loss		583	968
Total recognized in nonoperating activities	$	(497)	5,573

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position at June 30 are as follows:

	2014	2013
Year end benefit obligation:		
Discount rate	4.10%	4.60%
Rate of compensation increase	4.00	4.00
Net periodic benefit cost:		
Discount rate	4.60	3.90
Expected return on plan assets	8.10	8.10
Rate of compensation increase	4.00	4.00

The discount rate as of June 30, 2012 was used to estimate the benefit obligation as of that date, and was used to estimate the annual expense for 2013. The discount rate as of June 30, 2013 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for 2014. The discount rate as of June 30, 2014 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for 2015.

(Dollars in thousands)

The expected long-term rate of return assumption represents the expected average rate of return or earnings on funds invested or to be invested to provide for the benefits included in the benefit obligations. This assumption is based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plan, historical plan return data, plan expenses and the potential to out-perform market index returns.

The estimated future benefit payments from the defined benefit pension plan are as follows:

2015	$	1,614
2016		1,664
2017		1,771
2018		1,864
2019		1,966
2020–2024		11,161
	$	20,040

Defined Benefit Plan Investment Policy

The Committee on Investments of the Board of Trustees directs the investment of the assets within the defined benefit pension plan (the Plan). The committee has established a formal investment policy for the Plan, the goal of which is to generate a long-term real rate of return of 5.5% – 6.0%, while sustaining moderate levels of risk. Target weightings for asset classes in the investment policy have been established based upon long-term expected real rates of return and correlation of returns as developed by the College’s investment consultant and staff. These target weightings, bounded by allowable ranges, are expected to allow the Plan assets to meet its objectives over the long-term with respect to investment return, volatility, and liquidity.

Target weightings for Plan assets are 60% equities, 30% fixed income and 10% real estate. As of June 30, 2014 and 2013, actual weightings approximated the targets.

The Plan’s assets are shown below at fair value by investment class and hierarchy, for the years ended June 30, 2014 and 2013:

		2014		
	Level 1	**Level 2**	**Level 3**	**Total**
Common/collective trusts	$ —	14,980	—	14,980
Mutual funds	16,054	—	—	16,054
Other	—	—	128	128
	$ 16,054	14,980	128	31,162

(Dollars in thousands)

		2013			
		Level 1	**Level 2**	**Level 3**	**Total**
Common/collective trusts	$	—	13,706	—	13,706
Mutual funds		13,601	—	—	13,601
Other		—	—	153	153
	$	13,601	13,706	153	27,460

For these Level 3 investments, the College uses the NAV as determined by each general partner as the fair value of the Plan's investments. These investments are not redeemable. Changes in fair value during fiscal years 2014 and 2013 were not material.

(9) Employee Benefits – Postretirement Health Insurance

The College provides postretirement medical benefits for certain retirees and employees. The cost of postretirement benefits is accrued as earned during an employee's service with the College.

During 2011, the College adopted a plan revision that establishes an annual account for each eligible retiree, which is to be used to cover qualified medical expenses as defined by the Internal Revenue Service.

(Dollars in thousands)

The following table presents the postretirement medical plan's funded status and amounts recognized in the financial statements. The calculations were based upon data as of June 30, 2014 and 2013.

		2014	2013
Change in benefit obligation:			
Benefit obligation at beginning of year	$	26,865	29,733
Service cost		1,683	1,940
Interest cost		1,185	1,109
Plan participants' contributions		11	13
Benefits paid		(722)	(675)
Actuarial gain		(2,828)	(5,255)
Benefit obligation at end of year		26,194	26,865
Change in plan asset:			
Fair value of plan assets at beginning of year		—	—
Retiree drug subsidy receipts		—	—
Employer contributions		711	662
Plan participants' contributions		11	13
Benefits paid		(722)	(675)
Fair value of plan assets at end of year		—	—
Funded status at June 30 – amount recognized in statement of financial position	$	(26,194)	(26,865)
Amounts recognized in unrestricted net assets:			
Net prior service credit	$	4,356	6,431
Net actuarial loss		(3,555)	(6,943)

The estimated net prior service credit and net actuarial loss for the postretirement plan that will be amortized into net periodic benefit cost over the next fiscal year are $2,203 and $2,075, respectively.

The College funds its postretirement medical benefits on a cash basis. The College's contributions in the next fiscal year are anticipated to be approximately $800.

		2014	2013
Components of net periodic benefit cost:			
Service cost	$	1,683	1,940
Interest cost		1,185	1,109
Amortization of:			
Prior service credit		(2,075)	(2,265)
Actuarial net loss		560	1,377
Net postretirement benefit cost	$	1,353	2,161

(Continued)

(Dollars in thousands)

Other changes in benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

		2014	2013
Net actuarial gain (loss)	$	2,828	5,255
Amortization of:			
Prior service credit		(2,075)	(2,265)
Actuarial net loss		560	1,377
Total recognized in nonoperating activities	$	1,313	4,367

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position were as follows:

	2014	2013
Year end benefit obligation:		
Discount rate	4.00%	4.50%
Net periodic benefit cost:		
Discount rate	4.50	3.80

The estimated future benefit payments range from $1,100 to $1,500 annually through fiscal year 2024.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. Assumed health care cost trends are 7.32% and 7.57% for the years ended June 30, 2014 and 2013, respectively, decreasing at a rate between 0.21% and 0.25% annually over the expected life of the plan.

A one-percentage-point change in the assumed health care cost trend rates would have the following effects at June 30:

		2014	2013
Effect of 1% increase in health care cost trend rate:			
Change in aggregate of current service cost and interest cost	$	580	644
Change in accumulated postretirement benefit obligation		4,009	4,058
Effect of 1% decrease in health care cost trend rate:			
Change in aggregate of current service cost and interest cost		(465)	(513)
Change in accumulated postretirement benefit obligation		(3,319)	(3,371)

(Continued)

(Dollars in thousands)

(10) Restricted Net Assets and Net Assets Released from Restrictions

The College's donor restricted net assets consist of the following at June 30:

	2014		2013	
	Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Instruction	$ 4,922	94,787	5,339	85,574
Scholarships	967	122,587	1,602	111,388
Student services	177	8,890	208	8,404
Academic support	1,760	26,138	1,689	25,600
Institutional support	189	43,440	217	39,645
Other	1,889	557	213	557
Unappropriated endowment earnings	513,928	—	437,937	—
Building renovations	15,486	5,387	10,906	5,164
Annuities and trusts	4,472	13,958	3,318	12,821
Pledges	13,840	13,734	20,611	18,374
Total net assets	$ 557,630	329,478	482,040	307,527

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors are as follows for the years ended June 30:

	2014	**2013**
Purpose restrictions:		
Instruction	$ 14,039	13,343
Scholarships	14,096	13,621
Student services	1,803	1,179
Academic support	3,723	3,356
Institutional support	1,997	15,890
Other	1,061	2,155
Building renovations	2,387	6,175
	$ 39,106	55,719

(Continued)

(Dollars in thousands)

(11) Commitments and Contingencies

Operating Leases

At June 30, 2014, minimum annual commitments under operating leases are as follows:

Fiscal year ended June 30:		
2015	$	215
2016		199
2017		188
2018		193
2019		205
	$	1,000

(12) Natural Classification of Expenses

Operating expenses presented by natural classification are as follows for the fiscal years ended June 30:

		2014	2013
Salaries	$	75,393	73,139
Fringe benefits		30,739	29,213
Depreciation and accretion		19,466	19,420
Interest		7,839	7,930
Utilities		4,624	4,615
Other operating		34,681	34,886
	$	172,742	169,203

(13) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2014 and through October 20, 2014, the date on which the financial statements were issued.