Audited Financial Statements

For The Year Ended
June 30, 2015

WHITTIER
1887
COLLEGE

WHITTIER COLLEGE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position and activities of Whittier College, including the Whittier Campus and Law School, for the fiscal year ended June 30, 2015 with comparative data for the years ended June 30, 2014 and 2013. The information has been prepared by management, is unaudited, and should be read in conjunction with the audited financial statements and accompanying notes, which follow this section.

INTRODUCTION

Whittier College (the College) is a national liberal arts college in California serving about 1,670 undergraduate students and 550 graduate students in education and law. The undergraduate campus and graduate education are located in Whittier, and the Law School is in Costa Mesa. Established in 1887 by the Religious Society of Friends (Quakers) as the Whittier Academy, the College was chartered by the State of California in 1901. The Law School was founded in 1966 and became an integral part of the College in 1975.

Since its founding, the College has remained committed to its mission of providing a liberal arts education of the highest quality to a diverse and well-qualified student body. The Law School extends Whittier's educational values to the study of law, which is the professional discipline most closely related to the liberal arts.

With long-held values of tolerance, service, and internationalism, the College is among the most diverse liberal arts colleges in the nation. The enrollment of students from underrepresented groups is over sixty percent, and the College takes pride in its designation by the U.S. Department of Education as a Hispanic-Serving Institution.

The College is accredited by the Western Association of Schools and Colleges (WASC). The Law School is accredited by the American Bar Association (ABA) and is a member of the Association of American Law Schools.

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The College's financial statements include the Statement of Financial Position, Statement of Activities, Statement of Cash Flows, and accompanying Notes to Financial Statements. These financial statements are the responsibility of management and have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and in accordance with the pronouncements of the Financial Accounting Standards Board (FASB), which establishes standards for reporting for not-for-profit colleges. The financial statements focus on the financial position of the College and the changes in net assets and cash flows. The Notes to Financial Statements describe the College's significant financial policies and provide additional disclosures to the financial statements.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position presents the financial position of the College as of the end of the fiscal year (June 30), including assets, liabilities, and net assets. From the data presented, readers of the Statement of Financial Position have the information to determine the assets and net assets available to continue the operations of the College. Readers may also be able to determine the amounts owed to vendors, lending institutions, and others.

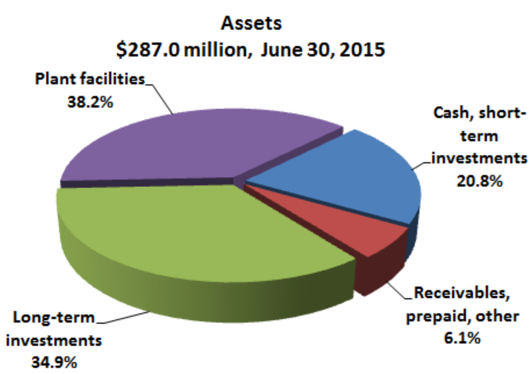
The College reports its net assets in three categories in accordance with GAAP:

- Unrestricted net assets are expendable funds not subject to donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed time or purpose restrictions and earnings on endowment funds that have not yet been appropriated.
- Permanently restricted net assets are subject to donor restrictions requiring that the funds be maintained in perpetuity, usually for the purpose of generating investment income to fund operations.

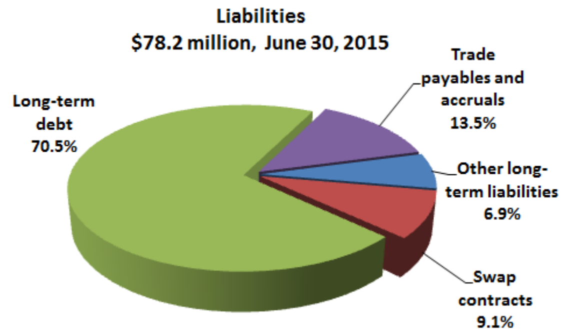
A comparison of the College's financial position as of June 30, 2015, 2014, and 2013 is as follows:

($ in millions)	2015	2014	2013
Assets	$287.0	$277.1	$250.9
Liabilities	$78.2	$72.6	$71.9
Net assets:			
Unrestricted:			
Plant equity and other	$100.9	$90.6	$81.1
Board-designated endowment	17.4	17.6	12.9
Temporarily restricted:			
Other expendable	6.2	9.6	4.7
Endowment	15.3	19.5	13.8
Permanently restricted:			
Revolving student loans and other	4.4	4.4	4.5
Endowment	64.6	62.8	62.8
Total net assets	$208.8	$204.5	$179.0

Assets and Liabilities



The College's assets increased by $9.9 million, or 3.6% in fiscal 2015. The majority of this increase was in additions to plant facilities from renewal of the College's largest academic building into a Science and Learning Center. Approximately 35% of the College's assets are investments, which are recorded at fair value and are subject to ongoing market fluctuations.

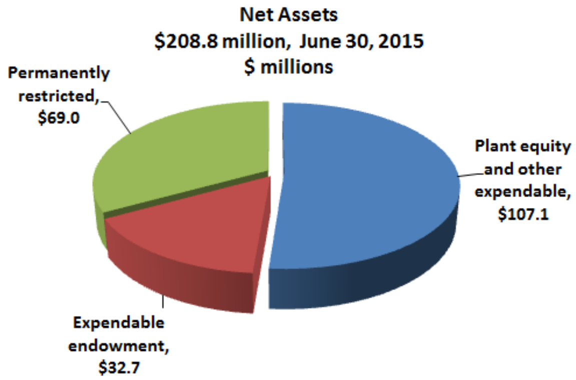


The College's liabilities increased by $5.6 million primarily from additional long-term debt secured to finance the Science and Learning Center project. Other liabilities were generally comparable between years.

The College has $54.9 million in outstanding variable rate and fixed rate notes payable which comprise nearly all of the long-term debt liability. The notes were issued in October 2014 with First Republic Bank and are secured by the Colleges real property. The variable rate note has $49.0 million outstanding at June 30, 2015 and refinanced prior revenue bonds issued in 2008, which have been defeased. The variable rate note is subject to interest rate risk which impacts the annual debt service expense. The fixed rate note which has $5.9 million outstanding at June 30, 2015 provides for up to $40 million of borrowing to complete the Science and Learning Center plant facilities project, which is scheduled for completion in August 2016. The fixed rate note can be drawn as needed over a 24 month period from date of issuance. Information on this long-term debt is disclosed in Note 8 of the Notes to Financial Statements.

The College hedges its interest rate risk and annual debt service expense on $46.2 million of the variable rate bonds with two swap contracts. The College is subject to counterparty risk with the swap providers. The blended annual interest rate paid to the swap counterparties totals 3.26% in exchange for payments received based on 67% of the one-month London Interbank Offered Rate. The fair value of the swap contracts is largely based on U.S. Treasury Bond interest rates, which at June 30, 2015, were generally consistent rates at June 30, 2014.

Net Assets

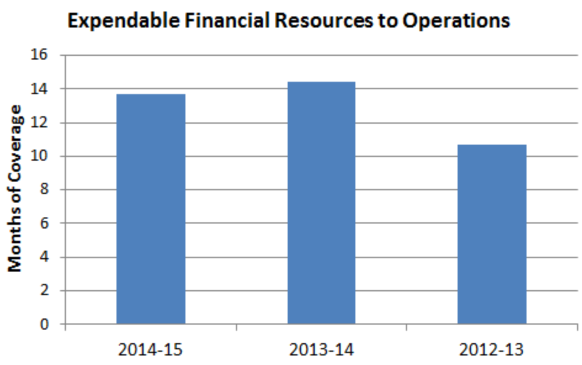


Plant equity and other expendable net assets increased by $6.9 million in fiscal 2015 from 2014. This increase was caused by donor contributions to the Science and Learning Center project and positive operating results.

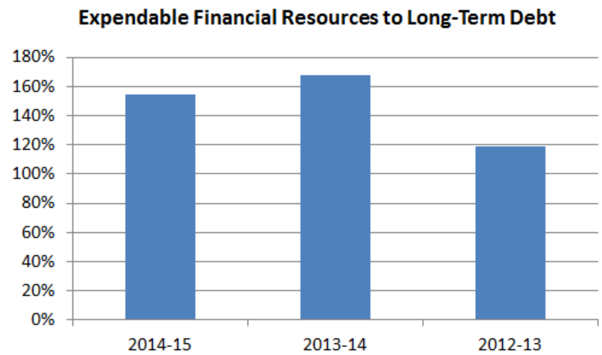
Expendable endowment which consists of Board designated endowment and temporarily restricted, cumulative net gains on investments decreased by $4.4 million in fiscal 2015 from 2014. This decrease was due to lower market performance of investments, as compared to fiscal 2014, combined with the impact of endowment spending.

Permanently restricted net assets increased by $1.8 million in fiscal 2015 from additions to endowment in the forms of gifts and gains on investments.

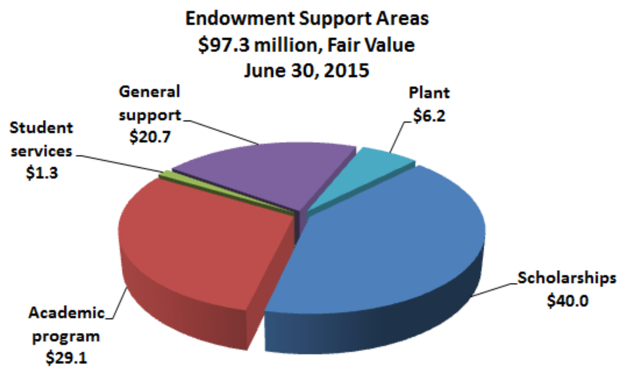
The ratio of expendable financial resources to operations as defined by Moody's measures the strength of net assets. This ratio, illustrated in the following chart, shows that the College had enough expendable resources from various sources to fund operations for a period of approximately fourteen months in fiscal 2015. This ratio decreased from 2014 from lower expendable net assets and higher operating expenses.



A key ratio measuring expendable financial resources to long-term debt, as defined by Moody's, shows, in the following chart, the College's ability to retire its entire debt obligation.



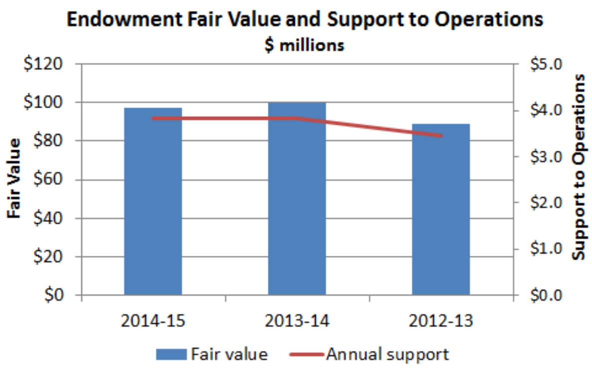
Net Assets – Endowment



The College maintains an endowment with net assets totaling $97.3 million at June 30, 2015. Additions to the endowment are typically invested in a managed pool of diversified investment vehicles. A portion of the annual total return on the investments provides critical support to operations. The endowment fair values by area of support are presented in the chart above. Endowment net assets are classified among permanently restricted, temporarily restricted, and unrestricted net assets. Permanently restricted endowment net assets are contributions that the College must maintain in perpetuity by donor stipulation. Temporarily restricted endowment net assets include cumulative total returns on permanent endowment investments that have not yet been allocated to operations. Unrestricted endowment net assets include funds allocated by the Board of Trustees to function like endowment.

The annual endowment total return used to fund operations is determined by applying a percentage spending rate to a historical average carrying value of endowment investments. The spending rate, which was 5% in fiscal 2015, is set by the Board of Trustees and is designed to provide a consistent annual income stream yet maintain the purchasing power of endowment investments against the impact of inflation. The total return used for operations consists of actual investment income (yield) and gains to the extent that the calculated spending amount exceeds income.

The endowment carrying value in fiscal 2015 declined from fiscal 2014 from lower market returns. Annual financial support to operations was generally consistent with fiscal 2014.



STATEMENT OF ACTIVITIES

The Statement of Activities presents the College's results of operations and non-operating activities that change net assets (or equity) for the year. Revenues and expenses are classified as either operating or non-operating in accordance with GAAP. A condensed comparison of the College's revenues, expenses, and other changes in net assets for the years ended June 30, 2015, 2014, and 2013 is as follows:

($ in millions)	2015	2014	2013
Operating revenues	$77.5	$80.1	$78.9
Operating expenses	74.8	71.6	70.2
Operating income (loss)	2.7	8.5	8.7
Non-operating activities	1.6	17.0	14.4
Beginning net assets	204.5	179.0	155.9
Ending net assets	$208.8	$204.5	$179.0

Statement of Activities – Operating Issues

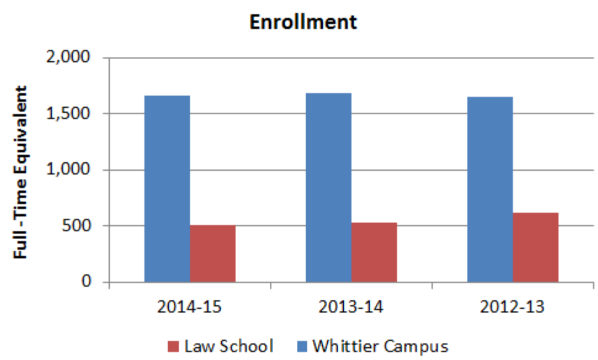
The following table summarizes revenues for the years ended June 30, 2015, 2014, and 2013.

($ in millions)	2015	2014	2013
Net tuition and fees	$55.6	$56.7	$57.8
Gifts, grants, and pledges	6.2	6.6	5.7
Investment income	2.6	3.0	2.2
Auxiliary enterprises	10.8	11.5	10.6
Other	2.3	2.3	2.6
Total revenue	$77.5	$80.1	$78.9

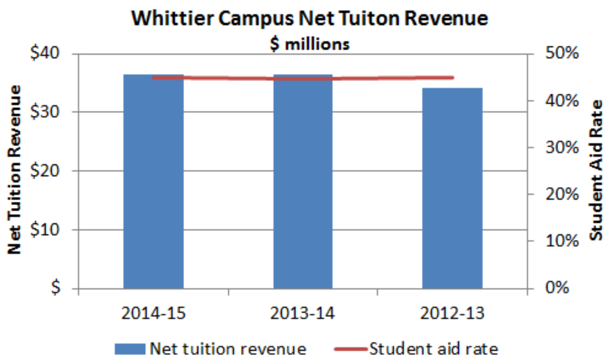
For the year ended June 30, 2015, net tuition and fees, and sales from auxiliary enterprises represent student revenues, which provided 86% of total revenues. Gifts, grants, and pledges contributed approximately 8%, with investment income and other sources contributing approximately 6%.

Net tuition and fee revenues are the result of tuition pricing, enrollment, and the amount and rate of student aid awarded. The tuition prices at the Whittier Campus and Law School are based on costs to provide a high-quality education and on rates at competitive institutions.

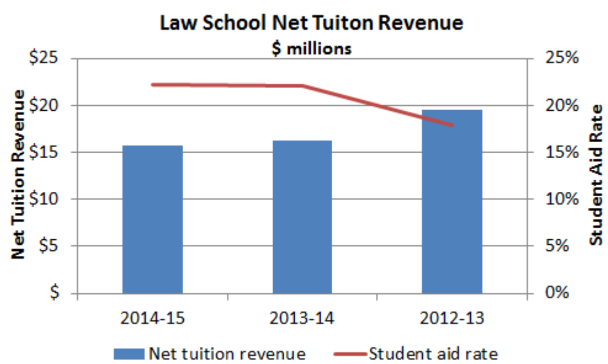
Enrollment at the Whittier Campus has generally remained stable since 2013. Law School enrollment has declined since 2013. This decline is consistent with law school trends nationally and largely reflects the continuing outlook for industry employment. The following chart displays comparative enrollment at both campuses:



Net tuition revenue at the Whittier Campus in fiscal 2015 generally remained consistent with fiscal 2014 as shown in the following chart. A slight decline in enrollment offset a percentage increase in the tuition rate. The student aid rate has generally remained consistent.



Net tuition revenue at the Law School has declined each year since fiscal 2013. The decline in law school enrollments, nationally, and increased competition for students drove an increase in the student aid rate, as a percent of gross tuition, in fiscal 2015 and 2014 over fiscal 2013 to attract the most qualified students.



Donor contributions and grants are a key revenue source for the College. Gifts and government grants totaling $6.2 million in fiscal 2015 increased by $0.4 million from 2014. This increase was driven by growth in gifts from individuals to restricted and unrestricted operating priorities.

Expenses are reported by program function. Each program function includes all direct operating costs for the services provided plus an allocated portion of expenses for plant facilities operations, depreciation, and debt interest costs.

A comparative table of the College's expenses by functional category is as follows:

($ in millions)	2015	2014	2013
Instruction	$30.4	$27.1	$26.2
Sponsored programs	1.5	1.3	1.3
Academic support	6.5	6.3	6.6
Student services	14.0	13.4	12.9
Institutional support	12.7	13.7	13.5
Auxiliary enterprises	9.7	9.8	9.7
Total expenses	$74.8	$71.6	$70.2

Total expenses increased by $3.2 million, or 4.5%, in fiscal 2015 from 2014. This increase was driven by compensation adjustments at the Whittier Campus and higher operating costs to support enrollment which was mitigated by flat expenses at the Law School as compared to fiscal 2014.

In fiscal 2015, approximately 51 cents of every dollar spent was spent directly on instruction, research, and academic support (including libraries and academic computing); 19 cents on student services (including athletics); 17 cents on institutional support (including administration, advancement, and business expenses); and 13 cents on auxiliary enterprises.

Measures of private colleges' and universities' operating results typically focus on the change in unrestricted net assets from operating activities excluding net assets released for capital projects. This measure for the College is summarized as follows:

($ in millions)	2015	2014	2013
Change in unrestricted net assets from operating activities	$2.7	$9.9	$11.0

The College's adjusted net operating revenues in fiscal 2015 decreased by $7.2 million from 2014. Student revenues at the Whittier Campus in fiscal 2015 were lower compared with 2014 from slightly less enrollment and participation in auxiliary programs. Law School student revenues declined by a higher rate in fiscal 2015 from lower enrollment, which was consistent with industry trends. The Whittier Campus continued efforts in fiscal 2015 to improve faculty compensation and maintain quality programs in a higher cost environment. Operating cost containment efforts at the Law School in fiscal 2015 maintained the quality of programs at a comparable total expense with 2014. Operating results in fiscal 2015 were positive at both campuses but declined accordingly from 2014.

Statement of Activities – Non-operating Issues

The College had a $1.6 million increase in net assets from non-operating activities during fiscal 2015. The increase was primarily from contributions to the Science and Learning Center renewal project offset by market losses on the endowment investment portfolio and swap agreements, and actuarial adjustments to deferred gift instruments. The College's total return on the managed endowment investment pool totaled 0.1% for fiscal 2015.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of the College during the fiscal year. The statement is divided into three sections. The first section derives operating cash flows. The second section reconciles cash flows from investment and capital plant activities. The third section derives cash flows from external financing and permanently restricted contributions. A condensed version of the three cash flow sections is provided below:

($ in millions)	2015	2014	2013
Operating	$7.0	$12.1	$13.9
Investing	(10.9)	(16.3)	(20.8)
Financing	9.1	4.5	(0.9)
Cash and cash equivalents			
Beginning of year	16.4	16.1	23.9
End of year	$21.6	$16.4	$16.1

Cash flows from operations in fiscal 2015 declined from 2014 results consistent with operating performance results reported on the Statement of Activities. Cash flows used in investing activities were the result of the timing of investment purchases. Cash flows from financing activities consist of contributions for long-term purposes and borrowing activity.

ECONOMIC FACTORS EXPECTED TO AFFECT THE FUTURE

Funding for the College's operations is primarily from student revenues. Management believes that tuition pricing at the Whittier Campus and Law School are favorable as compared to peer institutions.

The Whittier Campus and Law School are located in southern California, a geographically desirable area. The College draws approximately 80% of its students from the western region of the United States. Industry resources project that the numbers of high school graduates in the western region of the U.S. will continue to increase over the intermediate term. The College believes that undergraduate enrollment will remain steady over the coming years.

Enrollment at the Law School has declined by 19% in 2015 from its recent peak in fiscal 2013 and is projected to decline by a total of approximately 51% by fiscal 2018. Law school enrollments, nationally, have been on a declining trend, consistent with the employment outlook in the legal profession. Regulatory scrutiny on student debt levels and outcomes may put additional pressures on law school enrollments. The College has taken actions to downsize the operating cost structure of the school yet maintain program quality. The College will continue to monitor and adjust to industry and regulatory trends.

Student revenues provide over 80% of total annual revenues. This category includes tuition, net of student aid, housing, meal contracts, and fees. Approximately 19% of net tuition revenues at the Whittier Campus are funded by state and federal grant aid programs to students. These programs remain at some degree of risk for reductions in funding which may impact the affordability of tuition for certain students. Material reductions in one or both of these programs may require the College to increase its rate of student aid.

The College relies on philanthropy to supplement student and other revenues in the support of operations. Gifts and grants currently provide approximately 8% of total revenues. The College has continued to experience consistent participation from its donors. Future, negative economic conditions may impact the overall amount of contributions.

The College's income from endowment investments is based on investment carrying values. The College maintains a diversified portfolio of investments designed to reduce volatility and provide consistent investment returns over long-term horizons. Prolonged periods of reduced valuations may negatively impact the amount of investment returns for operations.

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Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
Whittier College:

Report on the Financial Statements

We have audited the accompanying financial statements of Whittier College (the College), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whittier College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying management discussion and analysis is presented for purposes of additional analysis and is not a required part of the financial statements. Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
November 9, 2015

WHITTIER COLLEGE
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 21,629,227	$ 16,424,973
Short-term investments (Note 4)	37,995,789	38,308,561
Accounts and loans receivable, net (Note 2)	9,805,758	11,324,414
Prepaid expenses and other assets	1,765,679	2,120,453
Pledges receivable, net (Note 3)	6,003,866	3,054,485
Long-term investments (Note 4)	100,264,696	103,478,737
Plant facilities, net (Note 7)	109,579,720	102,382,334
Total assets	$ 287,044,735	$ 277,093,957
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 6,722,439	$ 6,212,409
Student deposits and deferred revenues	3,176,494	2,335,422
Federal student loan funds	619,544	618,019
Interest rate swap liability	7,145,687	6,734,299
Bonds and note payable (Note 8)	55,152,861	51,478,598
Actuarial liability for life income agreements	2,117,428	2,038,089
Asset retirement obligation (Note 12)	2,940,046	2,898,623
Funds held in custody for others	349,571	297,190
Total liabilities	78,224,070	72,612,649
Net assets (Note 10)		
Unrestricted	118,280,492	108,146,183
Temporarily restricted	21,567,375	29,136,891
Permanently restricted	68,972,798	67,198,234
Total net assets	208,820,665	204,481,308
Total liabilities and net assets	$ 287,044,735	$ 277,093,957

WHITTIER COLLEGE
Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Student tuition and fees	$ 92,872,276	$ —	$ —	$ 92,872,276
Less student aid	(37,237,262)	—	—	(37,237,262)
Net student tuition and fees	55,635,014	—	—	55,635,014
Private gifts, grants, and pledges	2,873,551	1,147,218	1,064,134	5,084,903
Government grants	1,097,858	—	—	1,097,858
Investment income	1,368,594	1,160,691	82,941	2,612,226
Auxiliary enterprises	10,750,229	—	—	10,750,229
Other	2,335,718	—	—	2,335,718
	74,060,964	2,307,909	1,147,075	77,515,948
Net assets released from restrictions:				
Endowment returns designated for spending	3,257,196	(3,257,196)	—	—
Satisfaction of donor restrictions	252,294	(881,580)	629,286	—
Total revenues and other support	77,570,454	(1,830,867)	1,776,361	77,515,948
Expenses				
Instruction	30,421,680	—	—	30,421,680
Sponsored programs, projects, and research	1,463,189	—	—	1,463,189
Academic support	6,469,730	—	—	6,469,730
Student services	14,041,280	—	—	14,041,280
Institutional support	12,734,206	—	—	12,734,206
Auxiliary enterprises	9,719,414	—	—	9,719,414
Total expenses	74,849,499	—	—	74,849,499
Increase (decrease) in net assets from operating activities	2,720,955	(1,830,867)	1,776,361	2,666,449
Nonoperating activities				
Net realized and unrealized gains (losses) on investments	(634,504)	(2,229,574)	135,361	(2,728,717)
Net change in actuarial liability for life income agreements	—	(174,385)	(137,158)	(311,543)
Contributions	—	5,124,556	—	5,124,556
Unrealized losses on interest rate swap agreements	(411,388)	—	—	(411,388)
Other	293,019	(293,019)	—	—
Satisfaction of program restrictions	8,166,227	(8,166,227)	—	—
Increase (decrease) in net assets from nonoperating activities	7,413,354	(5,738,649)	(1,797)	1,672,908
Change in net assets	10,134,309	(7,569,516)	1,774,564	4,339,357
Net assets				
Beginning of year	108,146,183	29,136,891	67,198,234	204,481,308
End of year	$ 118,280,492	$ 21,567,375	$ 68,972,798	$ 208,820,665

WHITTIER COLLEGE
Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Student tuition and fees	$ 93,057,892	$ —	$ —	$ 93,057,892
Less student aid	(36,332,033)	—	—	(36,332,033)
Net student tuition and fees	56,725,859	—	—	56,725,859
Private gifts, grants, and pledges	2,953,043	2,195,222	752,747	5,901,012
Government grants	696,540	—	—	696,540
Investment income	1,806,280	1,090,724	74,429	2,971,433
Auxiliary enterprises	11,499,710	1,748	—	11,501,458
Other	2,269,203	—	—	2,269,203
	75,950,635	3,287,694	827,176	80,065,505
Net assets released from restrictions:				
Endowment returns designated for spending	2,512,082	(2,512,082)	—	—
Satisfaction of donor restrictions	3,091,210	(2,776,890)	(314,320)	—
Total revenues and other support	81,553,927	(2,001,278)	512,856	80,065,505
Expenses				
Instruction	27,059,074	—	—	27,059,074
Sponsored programs, projects, and research	1,372,630	—	—	1,372,630
Academic support	6,299,624	—	—	6,299,624
Student services	13,376,914	—	—	13,376,914
Institutional support	13,722,230	—	—	13,722,230
Auxiliary enterprises	9,785,775	—	—	9,785,775
Total expenses	71,616,247	—	—	71,616,247
Increase (decrease) in net assets from operating activities	9,937,680	(2,001,278)	512,856	8,449,258
Nonoperating activities				
Net realized and unrealized gains on investments	2,695,519	8,870,537	192,016	11,758,072
Net change in actuarial liability for life income agreements	—	(117,084)	(57,306)	(174,390)
Contributions	—	5,391,244	—	5,391,244
Unrealized gain on interest rate swap agreements	13,833	—	—	13,833
Satisfaction of program restrictions	1,477,930	(1,477,930)	—	—
Increase in net assets from nonoperating activities	4,187,282	12,666,767	134,710	16,988,759
Change in net assets	14,124,962	10,665,489	647,566	25,438,017
Net assets				
Beginning of year	94,021,221	18,471,402	66,550,668	179,043,291
End of year	$ 108,146,183	$ 29,136,891	$ 67,198,234	$ 204,481,308

See accompanying notes to financial statements.

WHITTIER COLLEGE
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 4,339,357	$ 25,438,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,278,952	5,246,817
Unrealized loss (gain) on interest rate swap agreement	411,388	(13,833)
Net realized and unrealized loss (gain) on investments	2,728,717	(11,758,072)
Contributions restricted for long-term investment	(6,188,690)	(6,143,991)
Accretion of asset retirement obligation	41,423	67,452
Change in actuarial liability for life income agreements	311,543	174,390
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and loans receivable	697,435	(497,248)
Increase in pledges receivable	(2,949,381)	(2,395,700)
Decrease (increase) in prepaid expenses and other assets	973,203	(78,488)
Increase in accounts payable and accrued liabilities	510,030	2,455,703
Increase (decrease) in student deposits and deferred revenues	841,072	(365,735)
Net cash provided by operating activities	6,995,049	12,129,312
Cash flows from investing activities		
Purchase of plant facilities	(12,476,338)	(5,371,196)
Proceeds from student loan collections	1,535,772	1,584,725
Student loans issued	(714,551)	(805,829)
Purchases of investments	(52,127,616)	(64,137,081)
Proceeds from sales of investments	52,925,712	52,458,468
Net cash used in investing activities	(10,857,021)	(16,270,913)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investments	6,188,690	6,143,991
Proceeds from issuance of loan payable	57,140,563	—
Payment on bonds and notes payable	(53,466,300)	(1,110,000)
Payment on cost of debt issuance	(618,429)	—
Payments to beneficiaries on life income agreements	(232,204)	(104,049)
Funds held in custody for others, net	52,381	(10,923)
Federal student loan funds, net	1,525	(423,900)
Net cash provided by financing activities	9,066,226	4,495,119
Net increase in cash and cash equivalents	5,204,254	353,518
Cash and cash equivalents		
Beginning of year	16,424,973	16,071,455
End of year	$ 21,629,227	$ 16,424,973
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, net of amounts capitalized of $344,684 and $0 for 2015 and 2014, respectively	$ 2,101,406	$ 2,090,896

See accompanying notes to financial statements.

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Description of Organization - Whittier College (the College) was founded in 1887 and is an accredited four-year, private coeducational, and nationally recognized liberal arts institution. The College offers undergraduate and selected advanced degrees in education and law. The College derives most of its revenues from tuition and student fees, earnings from its endowments, and gifts from individuals, corporations, and foundations. The following accounting policies of the College are in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and those generally accepted for colleges and universities.

Basis of Presentation - The financial statements of the College have been prepared on the accrual basis of accounting.

Financial Statement Presentation - Revenues, gains, and losses are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the College may spend the funds, and earnings on endowment funds that have not yet been appropriated.

Permanently restricted net assets are subject to donor restrictions requiring that the assets be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board of Trustees in support of the College's programs and operations.

Revenue Recognition

Student tuition and fees are recorded as revenues in the period during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues.

Gifts from donors, including pledges receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts where donor restrictions are met within the same fiscal year as the gifts are received are included in unrestricted net assets. Gifts of assets other than cash are recorded at their estimated fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Government grant revenues are recorded as the related expenses are incurred and administrative fees are earned.

Investment returns, including investment income and gains and losses, are recorded on a trade-date basis and reported as increases or decreases in unrestricted and temporarily restricted net assets unless their use is restricted by explicit donor stipulation or law.

Auxiliary enterprises consist of room and board, bookstore commissions, and conferences fees and are recorded as revenues when the services are provided.

Cash and Cash Equivalents - The College considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, except for those that have been designated by the College as endowments, which are considered to be long-term investments.

Fair Value Determination of Financial Instruments

The fair value of the College's financial instruments as of June 30, 2015 and 2014, represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances. Although the College uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (*continued*)

Therefore, the values presented herein are not necessarily indicative of the amount the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

The College's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level I measurements) and the lowest priority measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the College has the ability to access at the measurement date.

- Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level II includes government and corporate bonds due to variations in the pricing of such securities from various factors including current interest rates, spreads, and various trade activity that impact the quoted prices for such holdings.

- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within a fair value measurement in its entirety falls on the lowest-level input that is significant to the fair value measurement in its entirety. The College applies the authoritative guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value ("NAV") per share in accordance with FASB ASC 946-10, *Financial Services—Investment Companies* (formerly, the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to the guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the College uses the NAV as reported by the investment managers as a practical expedient, to determine the fair value of investments in investment funds, which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2015, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumption as set forth below. See note 5 for further information regarding fair value disclosures for investments.

i) Accounts and Loans Receivable, Accounts Payable, and Accrued liabilities

Reported amounts approximated fair value at June 30, 2015 and June 30, 2014, because of the terms and relatively short maturities of these financial instruments.

ii) Pledges Receivable

Pledges receivable are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving considerations to anticipated future cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at a fair value rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level III in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (*continued*)

iii) Interest Rate Swap Liability

Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. These inputs fall within Level II of the fair value hierarchy.

iv) Bonds and Note Payable

The valuation techniques and the inputs of bonds and note payable are based on observable interest rates and maturity schedules that fall within Level II of the hierarchy of fair value inputs. Fair value of bonds and note payable approximated the reported value at June 30, 2015 and 2014.

v) Actuarial Liability for Life Income Agreements

The reported amount of the actuarial liability for life income agreements approximates fair value because these instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level III in the fair value hierarchy.

Allocation of Investment Returns - The College follows an investment policy for its pooled investments, which anticipates a greater long-term return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled endowment investments whereby the amount of investment return available for current operations is determined by applying a specified percentage of 5.0% to the average market value of pooled investments for the three preceding calendar years. If the investment income of pooled investments, which includes interest and dividends, and accumulated realized and unrealized gains and losses, is insufficient to provide the full amount of investment return authorized for spending, no amounts are allocated to current operations. Only such investment gains, which, when added to ordinary investment income, amount to the approved spending for the year, are included in operating activities. Any additional investment gains over and above the approved spending amounts are shown as nonoperating activities.

Plant Facilities - Property, plant, and equipment are stated at cost or estimated fair value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (25 to 40 years for buildings and improvements and 5 to 7 years for equipment and library books). Expenditures for repairs and maintenance not extending the life of the assets are charged to operations when incurred. Upon sale or disposal of equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the statement of activities.

Asset Retirement Obligation - The College accrues for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The College identified future asbestos abatement activities as a conditional asset retirement obligation. Asbestos abatement activities were estimated based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement. The College recorded the estimate as a liability and as an increase to the recorded historical cost of the asset. The capitalized portion is depreciated over the remaining useful life of the asset. The present value of the asset retirement obligation totaled $2,940,046 and $2,898,623 utilizing rates ranging from 1.92% to 0.85% as of June 30, 2015 and 2014, respectively. The costs will continue to be accreted to expense until such point that the remediation activities are required.

Interest Rate Swap Agreement - The College uses an interest rate risk-management strategy that incorporates the use of derivative instruments intended to minimize significant fluctuations in interest expense that are caused by interest rate volatility. Interest rate swaps involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. All derivative instruments are recognized in the statement of financial position at their fair values and changes in fair value are recognized in the statements of activities.

Federal Student Loan Funds - Funds provided by the U.S. government under the Federal Perkins Student Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (*continued*)

Fund-Raising Expense - The accompanying statements of activities include fund-raising expenses of $2,521,793 and $2,640,530, for the years ended June 30, 2015 and 2014, respectively, as a component of institutional support.

Actuarial Liability for Life Income Agreements - The actuarial liability for life income agreements includes gift annuities, unitrusts, pooled income funds, and life estates that are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 6.0% to 7.5% for the years ended June 30, 2015 and June 30, 2014 and the 2012, 2000, 1994, and 1983 Group Annuity Tables.

Funds Held in Custody for Others - Funds held in custody for others total $349,571 and $297,190, at June 30, 2015 and 2014, respectively. These amounts represent money's held for organizations and social clubs on campus.

Functional Allocation of Expenses - The cost of providing programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk - Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions, student receivables, and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the insurance limits of the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SPIC). Concentration of credit risk with respect to receivables is limited due to the number of students from which amounts are due and the low dollar amount of individual balances.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2015 and 2014, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with GAAP prescribes for all entities, including tax exempt organizations, minimum thresholds for financial statement recognition of a position taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. Management believes that no such uncertainty in income taxes exist requiring accrual or disclosure for the College at June 30, 2015 or 2014, respectively. The College files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, the College is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2009.

Note 2 - Accounts and Loans Receivable

As of June 30, accounts and loans receivable are as follows:

	2015	2014
Student accounts receivable	$ 442,326	$ 521,396
Federal Perkins loans	4,982,012	5,312,914
Other student loans	7,589,218	8,131,384
Other receivables	632,085	780,639
	13,645,641	14,746,333
Less doubtful allowance for loans receivable	(3,700,684)	(3,071,974)
Less doubtful allowance for other receivable	(139,199)	(349,945)
	$ 9,805,758	$ 11,324,414

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2015 and 2014, student loans represented 4.38% and 4.85% of total assets, respectively. The College is obligated to collect loans made under the Federal Perkins Student Loan program and these loans are payable, including interest at 5%, over approximately 11 years following College attendance. Other student loans are interest free and repayments commence 6 months after leaving the college. Interest rate of 10% is added to institutional loans if accounts become delinquent. Both federal and institutional loans carry deferment of repayment based on certain criteria such as full-time student, military, and disability. The event of death cancels both loan types.

As of June 30, student loans receivable are as follows:

	2015	2014
Federal Perkins loans	$ 4,982,012	$ 5,312,914
Other student loans	7,589,218	8,131,384
	12,571,230	13,444,298
Less allowance for doubtful accounts:		
Beginning of year	(3,071,974)	(3,367,280)
(Increases) decreases	(628,710)	295,306
End of year	(3,700,684)	(3,071,974)
Student loans receivable, net	$ 8,870,546	$ 10,372,324

At June 30, 2015 and 2014, the following amounts were past due under student loan programs:

		2015	2014
<240 days	past due	$ 640,047	$ 728,590
>240 days to 2 years	past due	346,034	404,668
>2 to 5 years	past due	690,667	731,542
>5 years	past due	1,184,199	1,034,662
Total past due		$ 2,860,947	$ 2,899,462

Note 2 - Accounts and Loans Receivable *(continued)*

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. Institutional loans are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government, and therefore, no reserves are placed on any past due balances as delinquent accounts can be assigned back to the government. The College may participate in the income tax return offset program allowed by the government as part of the collection efforts.

Note 3 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded net of allowance for uncollectible pledges and discounted to the present value of the future cash flows at rates ranging from 1.35% to 1.79%. As of June 30, pledges receivables are as follows:

	2015	2014
In one year or less	$ 1,889,928	$ 1,061,240
Between one year and five years	2,652,581	2,270,437
More than five years	2,130,000	10,000
	6,672,509	3,341,677
Less discount and allowance for uncollectible pledges	(668,643)	(287,192)
	$ 6,003,866	$ 3,054,485

Pledges receivable by purpose:	2015	2014
Endowment for scholarships and department programs	$ 1,401,828	$ 43,827
Facilities construction	4,010,122	2,760,170
General operations	591,916	250,488
	$ 6,003,866	$ 3,054,485

Note 4 - Investments

The following summarizes the College's investments by investment categories at June 30:

	2015	2014
Money market funds	$ 1,657,344	$ 2,005,619
Bonds:		
Intermediate bond funds	37,995,789	37,638,163
Total bonds	37,995,789	37,638,163
Mutual funds:		
International-developed stocks	15,640,136	16,230,507
Emerging markets	5,347,076	—
U.S. Large cap	6,821,326	7,047,459
U.S. Mid cap	7,036,000	6,881,836
U.S. Small cap	3,267,287	7,208,399
Fixed income	16,245,746	19,272,289
Other	4,948,391	5,906,430
Total mutual funds	59,305,962	62,546,920

Note 4 – Investments (*continued*)

	2015	2014
Equities:		
U.S. Large cap	$ 5,254,219	$ 4,318,555
U.S. Mid cap	1,387,557	984,027
U.S. Small cap	1,147,302	—
Emerging markets	1,629,761	—
International-developed stocks	118,630	1,298,838
Total equities	9,537,469	6,601,420
Alternative investments:		
Limited partnerships	2,805,539	16,919
Venture capital	453,805	523,536
Emerging markets	—	4,963,203
Hedge funds:		
Absolute return	327,312	198,212
Cash	632,617	690,512
Credit	1,654,794	1,388,832
Directional	—	3,948,113
Event driven	—	1,360,336
Fixed income	567,136	553,551
Global private equity	869,422	541,894
Global trading	520,522	363,762
Hedging strategies	149,835	239,392
Long/short equities	11,026,579	5,943,255
Market neutral equity	738,054	596,042
Real assets	947,600	502,168
Relative value	955,585	2,307,796
Special situations	574,403	461,308
Total hedge funds	18,963,859	19,095,173
Total alternative investments	22,223,203	24,598,831
Real estate	1,735,715	2,273,472
Other	48,817	46,782
Beneficial interests in charitable remainder trusts	1,995,000	2,068,148
Unitrust investments:		
Cash and cash equivalents	92,527	60,023
Equities	1,207,047	1,604,210
Fixed income	356,108	281,527
Mutual funds	1,975,805	1,700,270
Real estate	—	127,500
Other	12,699	234,413
Total unitrust investments	3,644,186	4,007,943
Total investments	$ 138,143,485	$ 141,787,298

Note 5 - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value for each class of financial instrument measured at fair value:

***Money Market Funds* -** Money market funds are short-term investments of the College and consist of actively traded, observable inputs and are classified as Level I.

Mutual funds - Mutual funds consist of several distinct funds with varying portfolio compositions and objectives. These investments are traded on an active exchange, are priced using unadjusted market quotes for identical assets, and are classified as Level I.

Domestic Equities - Investments in domestic equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market for which closing stock prices are readily available. This category includes large, mid, and small cap funds located in the domestic United States.

International Equities - Investments in international equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market, for which closing stock prices are readily available. This category includes large and small cap funds located outside the domestic United States.

Bond Funds - Bond funds are comprised of intermediate bond funds. These securities are classified as Level II based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for similar assets in active markets.

Beneficial Interests in Charitable Remainder Trusts - The College's beneficial interests in charitable remainder trusts administered by a third party are classified as Level III as the fair values are based on a combination of Level II inputs and significant unobservable inputs.

Alternative Investments - Investments in limited partnerships, hedge funds, venture capital, and emerging markets, for which there is no readily determinable fair value are classified as Level III when such investments are subject to gate or redemption restrictions, and the valuation is based on net asset value. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures*, the College has estimated its fair value using the net asset value provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, significant known changes in market values of publicly held securities contained in the portfolio, and security distributions through June 30.

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.

Note 5 - Fair Value of Financial Instruments (*continued*)

The following table summarizes the College's assets and liabilities that are reported or disclosed at fair value on a recurring basis at June 30, 2015:

	Quoted prices in active markets for identical assets Level I	Significant other observable inputs Level II	Significant unobservable inputs Level III	2015
Assets:				
Money market funds	$ 1,657,344	$ —	$ —	$ 1,657,344
Intermediate bond funds	—	37,995,789	—	37,995,789
International-developed stocks	15,640,136	—	—	15,640,136
Emerging markets	5,347,076	—	—	5,347,076
U.S. Large cap	6,821,326	—	—	6,821,326
U.S. Mid cap	7,036,000	—	—	7,036,000
U.S. Small cap	3,267,287	—	—	3,267,287
Fixed income	16,245,746	—	—	16,245,746
Other	4,948,391	—	—	4,948,391
U.S. Large cap	5,254,219	—	—	5,254,219
U.S. Mid cap	1,387,557	—	—	1,387,557
U.S. Small cap	1,147,302	—	—	1,147,302
Emerging markets	1,629,761	—	—	1,629,761
International-developed stocks	118,630	—	—	118,630
Limited partnerships	—	—	2,805,539	2,805,539
Hedge funds	—	—	18,963,859	18,963,859
Venture capital	—	—	453,805	453,805
Real estate	—	—	1,735,715	1,735,715
Beneficial interests in charitable remainder trusts	—	—	1,995,000	1,995,000
Other	—	—	48,817	48,817
Unitrust investments:				
Cash and cash equivalents	92,527	—	—	92,527
Equities	1,207,047	—	—	1,207,047
Fixed income	—	356,108	—	356,108
Mutual funds	1,975,805	—	—	1,975,805
Other	—	—	129,699	129,699
Total assets	$ 73,776,154	$ 38,351,897	$ 26,132,434	$ 138,260,485
Liabilities:				
Interest rate swaps	$ —	$ (7,145,687)	$ —	$ (7,145,687)
Total liabilities	$ —	$ (7,145,687)	$ —	$ (7,145,687)

Note 5 - Fair Value of Financial Instruments (*continued*)

The following table summarizes the College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2014:

	Quoted prices in active markets for identical assets Level I	Significant other observable inputs Level II	Significant unobservable inputs Level III	2014
Assets:				
Money market funds	$ 2,005,619	$ —	$ —	$ 2,005,619
Intermediate bond funds	—	37,638,163	—	37,638,163
International-developed stocks	16,230,507	—	—	16,230,507
U.S. Large cap	7,047,459	—	—	7,047,459
U.S. Mid cap	6,881,836	—	—	6,881,836
U.S. Small cap	7,208,399	—	—	7,208,399
Fixed income	19,272,289	—	—	19,272,289
Other	5,906,430	—	—	5,906,430
U.S. Large cap	4,318,555	—	—	4,318,555
U.S. Mid cap	984,027	—	—	984,027
International-developed stocks	1,298,838	—	—	1,298,838
Limited partnerships	—	—	16,919	16,919
Hedge funds	—	—	19,095,173	19,095,173
Venture capital	—	—	523,536	523,536
Emerging markets	—	—	4,963,203	4,963,203
Real estate	—	—	2,273,472	2,273,472
Beneficial interests in charitable remainder trusts	—	—	2,068,148	2,068,148
Other	—	—	46,782	46,782
Unitrust investments:		—		
Cash and cash equivalents	60,023	—	—	60,023
Equities	1,604,210	—	—	1,604,210
Fixed income	—	281,527	—	281,527
Mutual funds	1,700,270	—	—	1,700,270
Real estate	—	—	127,500	127,500
Other	—	—	234,413	234,413
Total assets	$ 74,518,462	$ 37,919,690	$ 29,349,146	$ 141,787,298
Liabilities:				
Interest rate swaps	$ —	$ (6,734,299)	$ —	$ (6,734,299)
Total liabilities	$ —	$ (6,734,299)	$ —	$ (6,734,299)

Note 5 - Fair Value of Financial Instruments (*continued*)

The following is a reconciliation of investments in which significant unobservable inputs (Level III) were used in determining fair value:

	2015					
	Limited Partnerships	**Hedge funds, venture capital, and emerging markets**	**Real estate**	**Beneficial interests in trusts**	**Unitrust and others**	**Total**
Beginning balance	$ 16,919	$ 24,581,912	$ 2,273,472	$ 2,068,148	$ 408,695	$ 29,349,146
Withdrawals	—	(12,659,259)	—	—	—	(12,659,259)
Realized gains (losses) on investments	(59,302)	2,527,059	—	—	—	2,467,757
Change in unrealized losses on investments	(132,619)	(2,341,723)	(537,757)	(69,048)	(107,005)	(3,188,152)
Purchases	3,000,000	7,770,000	—	—	—	10,770,000
Distributions	(19,459)	(460,325)	—	(4,100)	(123,174)	(607,058)
Ending balance	$ 2,805,539	$ 19,417,664	$ 1,735,715	$ 1,995,000	$ 178,516	$ 26,132,434

	2014					
	Limited partnerships	**Hedge funds, venture capital, and emerging markets**	**Real estate**	**Beneficial interests in trusts**	**Unitrust and others**	**Total**
Beginning balance	$ 16,287	$ 23,538,128	$ 1,520,845	$ 2,138,915	$ 452,099	$ 27,666,274
Withdrawals	—	(7,011,123)	—	—	—	(7,011,123)
Realized gains on investments	—	573,602	—	—	—	573,602
Change in unrealized gains (losses) on investments	632	2,344,576	752,627	96,323	(43,404)	3,150,754
Purchases	—	5,440,000	—	—	—	5,440,000
Distributions	—	(303,271)	—	(167,090)	—	(470,361)
Ending balance	$ 16,919	$ 24,581,912	$ 2,273,472	$ 2,068,148	$ 408,695	$ 29,349,146

Note 5 - Fair Value of Financial Instruments (*continued*)

Level III investments consist primarily of hedge funds, limited partnerships, real estate, beneficial interests in charitable remainder trusts, other investments, and portions of unitrust investments, and are classified as Level III as these investments are not openly traded in active markets. As such, the College is unable to obtain independent valuations from market sources. Therefore, these investments are typically valued utilizing net asset values and/or percentage of ownership calculations based on those net asset values, and represented 18.90% and 20.70% of total investments of June 30, 2015 and 2014, respectively. Total gains and losses included in income attributable to the change in unrealized gains or losses relating to assets and liabilities held at June 30, 2015 and 2014 were $(3,188,152) and $3,150,754, respectively. The College holds $2,805,539 and $16,919 limited partnerships at June 30, 2015 and 2014, respectively. These limited partnerships do not allow for periodic redemptions, but rather distributions are received through the liquidation of the underlying assets of the partnership. At June 30, 2015, these partnerships had estimated that there were no definite termination dates. The College also holds $19,417,664 and $24,581,912 in hedge funds, venture capital, and emerging markets at June 30, 2015 and 2014, respectively. The redemption schedule from these funds requires a 60-day to 100-day notice. In addition, the College also holds $1,995,000 and $2,068,148 in beneficial interest in funds that are managed by others at June 30, 2015 and 2014, respectively. These funds can only be redeemed at donor's request. The College has full discretion on $1,735,715 and $2,273,472 of real estate owned by the College, and $48,817 and $46,782 of other funds managed internally at June 30, 2015 and 2014, respectively. At June 30, 2015, the College has committed to investing an additional $3,235,796 in various hedge funds.

Although best judgment was used in estimating the fair value of investments, there are inherent limitations in any estimation technique. The College's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfer transactions in level III for the years ended June 30, 2015 or 2014.

Note 6 - Endowment

The College's endowment consists of approximately 260 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The College adopted guidance under U.S. GAAP on classifying net assets associated with donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

The College has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the 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 temporary restricted assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standards 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 endowment funds:

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

Note 6 - Endowment (*continued*)

Return Objectives and Risk Parameters

The College's Board of Trustees has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding sources to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create generational equity. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the investment market while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide a better than the average rate of return of approximately 5%, which is the current College spending rate. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy this long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College's investments include a diversified and strategic portfolio consisting of equities, fixed income, and alternative assets. Targeted asset allocation ranges are reviewed periodically for potential adjustment of asset mix while evaluating the relative risk of each component. The College's spending policy is determined by applying a specified percentage to the average market value of the endowment pooled investments for the three preceding calendar years. This percentage was 5% for the years ended June 30, 2015 and 2014.

Endowment net asset composition by type of funds as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (944,265)	$ 15,295,588	$ 64,613,265	$ 78,964,588
Board-designated endowments	18,319,711	—	—	18,319,711
Total	$ 17,375,446	$ 15,295,588	$ 64,613,265	$ 97,284,299

The changes in endowment fund net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 17,554,091	$ 19,461,127	$ 62,813,892	$ 99,829,110
Investment return:				
Investment income	203,064	1,145,809	—	1,348,873
Net depreciation (realized and unrealized)	(94,915)	(1,874,097)	(413)	(1,969,425)
Total investment return	108,149	(728,288)	(413)	(620,552)
New gifts	2,000	—	1,799,786	1,801,786
Appropriation for endowment spending	(579,765)	(3,257,196)	—	(3,836,961)
Other changes	290,971	(290,971)	—	—
Other revenues	—	110,916	—	110,916
Total gifts and other changes	(286,794)	(3,437,251)	1,799,786	(1,924,259)
Endowment net assets, end of year	$ 17,375,446	$ 15,295,588	$ 64,613,265	$ 97,284,299

Note 6 - Endowment *(continued)*

Endowment net asset composition by type of funds as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (786,514)	$ 19,461,127	$ 62,813,892	$ 81,488,505
Board-designated endowments	18,340,605	—	—	18,340,605
Total	$ 17,554,091	$ 19,461,127	$ 62,813,892	$ 99,829,110

The changes in endowment fund net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 12,905,979	$ 13,820,666	$ 62,100,447	$ 88,827,092
Investment return:				
Investment income	196,685	1,080,244	—	1,276,929
Net appreciation (realized and unrealized)	5,029,188	7,709,015	—	12,738,203
Total investment return	5,225,873	8,789,259	—	14,015,132
New gifts	1,546	99,256	595,445	696,247
Appropriation for endowment spending	(579,307)	(3,248,054)	—	(3,827,361)
Other revenues	—	—	118,000	118,000
Total gifts and other changes	(577,761)	(3,148,798)	713,445	(3,013,114)
Endowment net assets, end of year	$ 17,554,091	$ 19,461,127	$ 62,813,892	$ 99,829,110

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature were $944,265 and $786,514 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions and continued appropriation for programs that were deemed prudent by the governing board.

Note 7 - Plant Facilities

Plant facilities consist of the following at June 30:

	2015	2014
Land	$ 6,704,442	$ 6,704,442
Buildings and improvements	147,077,984	143,496,938
Equipment and library books	29,275,207	28,026,310
Construction in progress	10,511,036	2,905,575
	193,568,669	181,133,265
Less accumulated depreciation	(83,988,949)	(78,750,931)
	$ 109,579,720	$ 102,382,334

Note 8 - Bonds and Notes Payable

As of June 30, bonds and notes payable and the associated interest rates and maturities are as follows:

	Interest rate	Maturity date	2015	2014
Series 2014 Tax-Exempt Loan				
Variable Rate	One-month LIBOR +1.25%	Due 2036	$ 49,043,700	$ —
Fixed Rate	3.75%	Due 2044	5,885,563	—
City of Whittier Variable Rate Demand Revenue and Refunding Bonds - Series 2008	3.26%	Due 2038	—	51,255,000
Weingart note payable			223,598	223,598
			$ 55,152,861	$ 51,478,598

Schedule of maturities:

Fiscal year ending	Principal amount
2016	$ 2,144,100
2017	1,553,500
2018	1,596,700
2019	1,659,600
2020	1,717,900
Thereafter	46,481,061
	$ 55,152,861

On October 1, 2014, the College executed a master loan agreement with First Republic Bank to defease $51,255,000 of City of Whittier Variable Rate Demand Revenue and Refunding Bonds - Series 2008 (“Variable Rate”) and provide up to $39,985,811 of additional borrowing (“Fixed Rate”), a total of $91,240,811 - Series 2014 Tax-Exempt. The Variable Rate loan is payable over the period ending December 1, 2036 at a rate equal to one-month LIBOR plus 1.25%. The Fixed Rate loan will be used to fund the renewal of an academic building, complete adjacent site work, and other campus improvements, loan is subject to prepayment penalties through October 10, 2018. The unamortized Series 2014 Tax-Exempt Loan issue costs totaling $618,000 are reported as part of the prepaid expenses and other assets in the Statements of Financial Position at June 30, 2015.

The Series 2014 Tax-Exempt Loan contains covenants relating to compliance with specified financial ratios. Additionally, the College has certain restrictions on future borrowings.

Note payable consists of a noninterest-bearing loan that was made payable to the College by the Weingart Foundation (the Foundation). The College is required to use the funds to make noninterest-bearing loans to qualified students. The funds are payable to the Foundation upon notice.

Interest Rate Swap Agreements - The College maintains two interest rate swaps with Morgan Stanley Capital Services in a notional amount of $30,800,000 and with Societe Generale in a notional amount of $15,370,000. The intention of both interest rate swaps is to convert the floating rate interest payments the College is obligated to pay on its variable rate loan payable into fixed rate payments at 3.16% and 3.45%, respectively.

Under the swap agreements, the College pays the swap counterparty a fixed payment of 3.16% and 3.45% and receives a variable payment computed as 67% of the 30-day London Interbank Offered Rate (LIBOR). The obligation of the College to make payments under the swap agreement constitutes a general unsecured contractual obligation of the College. Under certain circumstances, the swap agreement is subject to early termination, at which time the College could be obligated to make a substantial payment to the swap counterparty. At June 30, 2015 and 2014, the fair values of the two swap agreements were $(7,145,687) and $(6,734,299), respectively, and are included in the statements of financial position as interest rate swap liability.

Note 9 - Employee Benefit Plans

The College participates in a defined contribution retirement plan that provides retirement benefits for academic employees and certain administrative personnel through the Teachers Insurance and Annuity Association and the College Retirement Equity Fund (TIAA/CREF). Under this defined contribution plan, the College and participant contributions are used to purchase individual annuity contracts equivalent to retirement benefits earned. Contributions made by the College vest immediately. Benefits commence upon retirement and preretirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2015 and 2014 were $2,069,273 and $2,018,142, respectively. The College also makes available supplemental retirement accounts (SRA) through TIAA/CREF for employees who wish to make additional contributions to their retirement program.

The College maintains a 457(b) plan, which is a voluntary deferred compensation plan under the provision of the IRS Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The plan provides faculty and staff who earn in the top 10% of the College's compensation level to defer compensation up to certain annual thresholds; this amount is $18,000 and $17,500 for 2015 and 2014, respectively. While the College currently does not contribute to the plan, it may elect to do so. Upon termination, the employee has the right to cash out his/her contribution or to select a later date for distribution. At June 30, 2015 and 2014, the College included $415,753 and $387,596, respectively, in prepaid expenditures and other assets as well as in accounts payable and accrued liabilities for contributions made by employees to the College's 457(b) plan.

The College maintains the Emeriti Retirement Health Plan administered through TIAA-CREF. The plan offers a group medical insurance program that complements Medicare and is supported by tax-advantaged savings accounts for employees who are over 40 years old, full time, and who have at least one year of service. Employees over 21 years may participate in the program using their own resources. College contributions to the plan for the years ended June 30, 2015 and 2014 were $109,083 and $104,397, respectively.

Note 10 - Net Assets

The classification of net assets at June 30 is as follows:

	2015	2014
Unrestricted		
Plant equity and other	$ 100,905,046	$ 90,592,092
Endowment	17,375,446	17,554,091
	$ 118,280,492	$ 108,146,183
Temporarily restricted		
Life income trusts and other	$ 5,245,861	$ 5,608,208
Plant equity	1,025,926	4,067,556
Endowment	15,295,588	19,461,127
	$ 21,567,375	$ 29,136,891
Permanently restricted		
Endowment	$ 64,613,265	$ 62,813,892
Revolving student loans and other trusts	4,359,533	4,384,342
	$ 68,972,798	$ 67,198,234

Note 11 - Operating Leases

At June 30, 2015, the College was obligated under various office equipment operating lease agreements with remaining terms ranging from one month to three years. The lease payments for the years ended June 30, 2015 and 2014, were $136,745 and $130,404, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2015:

Year ending June 30:		
2016	$	83,055
2017		47,387
2018		32,711
	$	163,153

Note 12 - Asset Retirement Obligation

The College has recorded an asset retirement obligation related to property and equipment, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activities for the years ended June 30:

		2015		2014
Obligations incurred	$	—	$	—
Obligations settled		—		—
Accretion expense		41,423		67,452
		41,423		67,452
Beginning balance		2,898,623		2,831,171
Ending balance	$	2,940,046	$	2,898,623

Note 13 - Commitments and Contingencies

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College's financial position.

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

Note 14 - Subsequent Events

Subsequent events have been evaluated through November 9, 2015, the date the financial statements were available to be issued.

WHITTIER COLLEGE BOARD OF TRUSTEES AND OFFICERS OF THE COLLEGE

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