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THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

CONTENTS

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Independent Auditors' Report

To the Board of Trustees
The Choate Rosemary Hall Foundation, Incorporated
Wallingford, Connecticut

We have audited the accompanying financial statements of The Choate Rosemary Hall Foundation, Incorporated, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Choate Rosemary Hall Foundation, Incorporated as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Shelton, Connecticut
October 8, 2015

THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 16,305,684	$ 9,696,423
Accounts receivable, net	53,072	95,496
Student loans receivable, net	336,208	416,808
Other receivables	439,338	2,424,447
Pledges receivable, net	19,695,324	22,186,416
Prepaid expenses and other assets	2,529,616	2,400,357
Investments	372,758,542	381,707,748
Split-interest agreements	9,824,389	6,686,685
Land, buildings and equipment, net	137,927,508	128,503,259
Total Assets	$ 559,869,681	$ 554,117,639
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 5,746,717	$ 4,244,117
Accrued wages and other benefits	529,993	178,315
Interest rate swap valuation	7,305,314	6,865,710
Deferred revenue and deposits	15,323,325	11,373,359
Liability under split-interest agreements	3,847,869	1,737,729
Agency funds	164,600	146,216
Bonds payable	36,110,000	36,110,000
Total liabilities	69,027,818	60,655,446
Net Assets		
Unrestricted	226,255,259	217,502,616
Temporarily restricted	139,077,368	152,194,589
Permanently restricted	125,509,236	123,764,988
Total net assets	490,841,863	493,462,193
Total Liabilities and Net Assets	$ 559,869,681	$ 554,117,639

The accompanying notes are an integral part of the financial statements

THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Student related revenue:				
Tuition and fees	$ 43,707,265	$ -	$ -	$ 43,707,265
Less financial aid	(10,526,764)	-	-	(10,526,764)
	33,180,501	-	-	33,180,501
Summer programs	3,774,686	-	-	3,774,686
Program supporting revenues	1,830,678	-	-	1,830,678
Total student related revenue	38,785,865	-	-	38,785,865
Investment activity:				
Interest and dividend income	511,279	1,005,994	-	1,517,273
Realized and unrealized gains	2,909,635	4,951,880	-	7,861,515
Benefits paid on annuity obligations	-	(349,324)	-	(349,324)
Investment management fees	(1,111,941)	(1,816,656)	-	(2,928,597)
Change in value of split-interest obligations	-	(2,110,140)	-	(2,110,140)
Total investment activity, net	2,308,973	1,681,754	-	3,990,727
Net gifts and pledges	7,085,444	9,360,277	1,744,248	18,189,969
Net assets released from restrictions	24,163,055	(24,163,055)	-	-
Total revenues, gains and other support	72,343,337	(13,121,024)	1,744,248	60,966,561
Expenses				
Instructional	39,021,328	-	-	39,021,328
Student support services	11,940,929	-	-	11,940,929
Administrative	8,600,834	-	-	8,600,834
Development	3,584,196	-	-	3,584,196
Total expenses	63,147,287	-	-	63,147,287
Change in Net Assets from Operations	9,196,050	(13,121,024)	1,744,248	(2,180,726)
Other Changes in Net Assets				
Unrealized loss on interest rate swap	(439,604)	-	-	(439,604)
Restricted endowment funds with deficiencies	(3,803)	3,803	-	-
Total other changes in net assets	(443,407)	3,803	-	(439,604)
Change in Net Assets	8,752,643	(13,117,221)	1,744,248	(2,620,330)
Net Assets - Beginning of Year	217,502,616	152,194,589	123,764,988	493,462,193
Net Assets - End of Year	$ 226,255,259	$ 139,077,368	$ 125,509,236	$ 490,841,863

The accompanying notes are an integral part of the financial statements

THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Student related revenue:				
Tuition and fees	$ 42,048,315	$ -	$ -	$ 42,048,315
Less financial aid	(9,926,847)	-	-	(9,926,847)
	32,121,468	-	-	32,121,468
Summer programs	3,662,352	-	-	3,662,352
Program supporting revenues	1,851,970	-	-	1,851,970
Total student related revenue	37,635,790	-	-	37,635,790
Investment activity:				
Interest and dividend income	485,220	831,340	-	1,316,560
Realized and unrealized gains	18,394,634	28,859,938	-	47,254,572
Benefits paid on annuity obligations	-	(280,347)	-	(280,347)
Investment management fees	(1,533,967)	(2,370,735)	-	(3,904,702)
Change in value of split-interest obligations	-	652,808	-	652,808
Total investment activity, net	17,345,887	27,693,004	-	45,038,891
Net gifts and pledges	15,366,593	3,845,439	5,087,085	24,299,117
Net assets released from restrictions	8,588,273	(8,588,273)	-	-
Total revenues, gains and other support	78,936,543	22,950,170	5,087,085	106,973,798
Expenses				
Instructional	36,772,212	-	-	36,772,212
Student support services	10,950,689	-	-	10,950,689
Administrative	7,579,341	-	-	7,579,341
Development	3,668,052	-	-	3,668,052
Total expenses	58,970,294	-	-	58,970,294
Change in Net Assets from Operations	19,966,249	22,950,170	5,087,085	48,003,504
Other Changes in Net Assets				
Unrealized loss on interest rate swap	(28,630)	-	-	(28,630)
Restricted endowment funds with deficiencies	7,488	(7,488)	-	-
Total other changes in net assets	(21,142)	(7,488)	-	(28,630)
Change in Net Assets	19,945,107	22,942,682	5,087,085	47,974,874
Net Assets - Beginning of Year	197,557,509	129,251,907	118,677,903	445,487,319
Net Assets - End of Year	$ 217,502,616	$ 152,194,589	$ 123,764,988	$ 493,462,193

The accompanying notes are an integral part of the financial statements

THE CHOATE ROSEMARY HALL FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ (2,620,330)	$ 47,974,874
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized gains on investments	(7,861,515)	(47,254,572)
Current provision for depreciation and amortization	10,209,508	9,696,416
Loss on disposal of property, plant and equipment	269,381	116,786
Contributions and investment income restricted for long-term investments	(14,476,911)	(11,921,345)
Increase (decrease) in allowance for doubtful pledges	382,800	(253,288)
Decrease in discount for pledges	(196,260)	(372,629)
(Increase) decrease in operating assets:		
Accounts and student loans receivable, net	123,024	(40,291)
Other receivables	1,985,109	(354,719)
Pledges receivable	4,703,641	7,967,665
Prepaid expenses and other assets	(129,259)	320,104
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,136,744	103,291
Accrued wages and other benefits	351,678	12,211
Deferred revenue and deposits	3,949,966	(853,972)
Liability under split-interest agreements	2,110,140	(652,809)
Agency funds	18,384	(27,787)
Net cash provided by (used in) operating activities	(43,900)	4,459,935
Cash Flows from Investing Activities		
Purchases of plant assets and equipment	(19,537,282)	(13,105,782)
Proceeds from sales of investments	100,109,240	93,840,884
Purchases of investments	(86,436,223)	(96,722,002)
Net cash used in investing activities	(5,864,265)	(15,986,900)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investments	12,077,822	9,373,179
Change in fair value of interest rate swap	439,604	28,630
Principal payments on bonds	-	(1,005,000)
Net cash provided by financing activities	12,517,426	8,396,809
Net Increase (Decrease) in Cash and Cash Equivalents	6,609,261	(3,130,156)
Cash and Cash Equivalents - Beginning of Year	9,696,423	12,826,579
Cash and Cash Equivalents - End of Year	$ 16,305,684	$ 9,696,423
Cash Paid During the Year for Interest	$ 1,321,988	$ 1,315,210

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Choate Rosemary Hall Foundation, Incorporated (the School) is a coeducational, independent boarding and day secondary school located in Wallingford, Connecticut. Enrollment encompasses approximately 870 students from the United States and over 40 countries.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the accompanying financial statements. Actual results could differ from those estimates.

Basis of Accounting and Presentation

The financial statements of the School include the accounts of all academic and administrative departments of the School and have been prepared in accordance with GAAP. Accordingly, the School reports its resources in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets
These net assets represent resources that may be expended at the discretion of the Board of Trustees. The Board of Trustees has designated a portion of unrestricted net assets as described in Note 11.

Temporarily Restricted Net Assets
These net assets represent resources that have donor-imposed restrictions as to purpose or time of expenditure and accumulated investment gains and income on endowment investments that have not been appropriated for expenditure.

Permanently Restricted Net Assets
These net assets represent resources that have donor-imposed restrictions that stipulate the resources be maintained in perpetuity but permit the School to expend all or a portion of the income derived thereon.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to cash, exclusive of cash held in escrow for debt service. The School's deposits exceed federal depository insurance limits. However, management believes that the School is not subject to significant credit risk regarding these deposits.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 10 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the School's gains and losses on investments bought and sold as well as held during the year.

The School's Investment Committee and Management determine the School's valuation policies and procedures utilizing information provided by investment advisors, asset custodians, fund managers and investment companies. The School's Investment Committee reports to the Trustees on a quarterly basis.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of buildings, equipment and land improvements. Estimated useful lives range from 3 to 15 years for equipment and 5 to 30 years for buildings and land improvements. Any gains or losses realized from the disposition of land, buildings and equipment are recognized in the period they are incurred. The threshold for capitalizing equipment is $2,000. Improvements and major renovations in excess of $10,000 are capitalized only to the extent that they expand utility or provide alternative uses for existing facilities. Routine repairs and maintenance to existing facilities are expensed as incurred.

Asset Retirement Obligations

GAAP requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Certain of the School's buildings contain asbestos and lead paint that must be removed upon demolition or upon extensive renovation. In addition, the School is contractually obligated to remove certain underground storage tanks. An asset retirement obligation of approximately $585,000 and $316,000 associated with removal of the tanks and the demolition of certain buildings containing asbestos and lead paint has been included in accounts payable and accrued expenses on the accompanying statements of financial position as of June 30, 2015 and 2014, respectively.

Split-Interest Agreements

The School is the beneficiary of split-interest agreements with donors, which consist primarily of life income funds and charitable remainder trusts. These arrangements provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the School's use. The trust is carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by the School is recognized in the statements of activities as a temporarily restricted contribution in the period the trust is established.

The present value of the liability to beneficiaries under life income funds or annuity arrangements is calculated using an appropriate risk-free rate of return. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset classes in the accompanying statements of activities.

Bond Discounts and Origination Costs

Bond discounts and origination costs are capitalized in the period the bonds are issued and are amortized on a straight-line basis over the term of the bonds. See Note 6 for further information. The unamortized portion of bond discounts and origination costs associated with the Series D bonds is included in prepaid expenses and other assets in the accompanying statement of financial position at June 30, 2014.

Amortization of bond discounts and origination costs for the Series D bonds totaled $10,567 for the year ended June 30, 2014.

Swap Agreement

The School has entered into a swap agreement associated with its bonds payable. The agreement effectively changes the interest rate exposure of the bonds payable from variable rate to fixed rate. Accordingly, the School has reflected the swap agreement in the accompanying financial statements at the current market value in effect at June 30, 2015 and 2014, which is reflected as interest rate swap valuation in the accompanying statements of financial position. The differential paid or received on the swap agreement is recognized as interest expense in the accompanying statements of activities. See Note 6 for further information.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted for specific purposes by the donor are reported as either temporarily restricted or permanently restricted support. Contributions received that are awaiting instructions from the donor are reported as temporarily restricted support. Temporarily restricted promises to give are reclassified to unrestricted net assets when the gift is collected and the donor-imposed purpose or time restrictions are met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using an appropriate risk-free rate of return. Amortization of the discount is included in net gifts and pledges revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Income Taxes

The School is a nonprofit organization generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Tuition Revenue

The School recognizes registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, at each year end, registration and tuition fees received for the next school term are deferred.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 8, 2015 which represents the date the financial statements were available to be issued.

NOTE 2 - STUDENT LOANS RECEIVABLE

Certain loan programs, established to provide loans to both parents and students, have been funded jointly by the School and a gift from the Independence Foundation. The loan agreements, which extend credit without requiring collateral, provide for interest at a yearly fixed rate of 5.3% and principal repayments in accordance with the loan agreements. Student loan payments generally become due beginning the year following graduation. Student loans receivable is presented net of a reserve of $35,000 and $50,000 as of June 30, 2015 and 2014, respectively.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Gross pledges receivable	$ 24,928,888	$ 27,233,440
Less allowance for uncollectible accounts	(4,756,970)	(4,374,170)
Less discount	(476,594)	(672,854)
Net Pledges Receivable	$ 19,695,324	$ 22,186,416
Amounts due in:		
Less than one year	$ 9,493,416	$ 8,594,912
One to five years	10,158,841	13,465,160
More than five years	43,067	126,344
Total	$ 19,695,324	$ 22,186,416

A risk-free rate of return of 2.50% as of June 30, 2015 and 2014, was used to calculate the present value of pledges receivable due to be collected beyond one year.

The School has not recorded approximately $48,273,000 and $45,200,000 of conditional promises to give as of June 30, 2015 and 2014, respectively. Conditional promises to give are not included as support until such time as the conditions are substantially met.

NOTE 4 - INVESTMENTS

A summary of investments at fair value as of June 30, 2015 and 2014, is as follows:

	2015	2014
Absolute return	$ 100,684,484	$ 105,609,329
Fixed income	50,663,955	59,313,454
Global equity	108,227,384	104,897,199
Private energy	31,005,837	35,799,795
Private equity	28,898,797	25,338,611
Private real estate	41,463,982	43,058,895
Public energy	11,814,103	7,690,465
	$ 372,758,542	$ 381,707,748

A summary of the liquidity of the School's investments as of June 30, 2015 and 2014, is as follows:

	2015	2014
Daily	$ 64,850,612	$ 67,121,062
Monthly	14,396,929	15,597,024
Quarterly	81,729,584	81,931,169
Annually	71,798,046	76,582,629
Illiquid	139,983,371	140,475,864
	$ 372,758,542	$ 381,707,748

These investment securities and vehicles are exposed to numerous risks, including, but not limited to, interest rate fluctuation, market volatility and credit risks. Due to the level of risk associated with certain investments, changes in the value of the endowment and investment portfolio could occur, which would materially affect the School's financial statements and future financial position. The School maintains a diversified portfolio of investments and is actively monitoring the financial markets. The impact of these events on the value of the School's portfolio of investments is not known at this time.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2015 and 2014:

	2015	2014
Land	$ 2,622,278	$ 2,622,278
Land improvements	13,483,685	13,468,833
Buildings and building improvements	210,025,124	190,157,379
Equipment	24,121,384	22,225,512
Construction in progress	5,356,669	8,581,464
	255,609,140	237,055,466
Less accumulated depreciation and amortization	(117,681,632)	(108,552,207)
	$ 137,927,508	$ 128,503,259

Depreciation expense for the years ended June 30, 2015 and 2014, was $10,209,508 and $9,696,416, respectively.

The School has entered into agreements regarding the construction of St. John Hall. At June 30, 2015, the School had incurred related costs of approximately $1.4 million. The total cost of this project is expected to be approximately $16.5 million, and construction will be completed in fiscal 2017.

The School has approximately $4.6 million of general commitments for capital renovations and improvements as of June 30, 2015 not included in its land, buildings and equipment above. The commitments relate to the construction of a new campus center and renovations to other buildings.

NOTE 6 - BONDS PAYABLE AND FUNDS HELD WITH TRUSTEE

The Connecticut Health and Educational Facilities Authority (CHEFA) bonds summarized below represent obligations under an agreement pursuant to which the School is required to make payments to CHEFA sufficient to liquidate the debt. CHEFA bonds outstanding are as follows as of June 30, 2015 and 2014:

	Interest Rate	Year of Maturity	2015 Outstanding Principal	2014 Outstanding Principal
Choate Rosemary Hall Issue, Series D:				
Serial bonds	Variable	2037	$ -	$ 35,890,000
Choate Rosemary Hall Issue, Series E:				
Serial Bonds	Variable	2037	36,025,000	-
Unhedged bonds	Variable	2037	85,000	220,000
Net Bonds Payable			$ 36,110,000	$ 36,110,000

On March 27, 2015, CHEFA issued its Revenue Bonds, Choate Rosemary Hall Issue, Series E Bonds in the amount of $36,110,000. The Series E Bonds were issued in order to refund the CHEFA's 2008 Variable Rate Demand Revenue Bonds, Choate Rosemary Hall Issue, Series D; these had been supported by a Direct Pay Letter of Credit from JPMorgan Chase Bank, N.A. that was scheduled to expire on April 2, 2015.

As discussed in Note 1, the School has an interest rate swap agreement with Barclays Capital. The original notional value of the swap was $41,850,000 and is reduced periodically according to a schedule.

The swap arrangement is currently for $36,025,000. The swap agreement provides the School with interest rate protection for its CHEFA Series E variable rate bonds. The School agrees to pay Barclays Capital a fixed rate of 3.641% in exchange for receiving a floating variable rate. In December 2012, the School restructured the swap agreement whereby the School receives 67% of 3-month LIBOR. The swap term matches the CHEFA debt and will expire on July 1, 2037. Payments are made between the School and Barclays Capital on a monthly basis. The unrealized loss on the swap agreement was $439,604 and $28,630 for the years ended June 30, 2015 and 2014, respectively, which is reflected in the accompanying statements of activities.

Principal and sinking fund installment payments due on the Series E bonds are as follows:

Year Ending June 30	
2016	$ 1,060,000
2017	1,025,000
2018	1,050,000
2019	1,100,000
2020	1,125,000
Thereafter	30,750,000
	$ 36,110,000

Interest expense on the above bonds totaled $1,321,988 and $1,315,210 for the years ended June 30, 2015 and 2014, respectively. Under the terms of the School's CHEFA bond agreement, the School is required to maintain certain financial and other restrictive covenants, including a long-term debt coverage ratio of not less than 1.25 to 1.00. The bonds are collateralized by the gross receipts of the School.

NOTE 7 - CAPITAL LEASES

The School has leases for certain equipment that are classified as capital leases. The School records the present value of the future minimum lease payments related to these leases as a liability on the statements of financial position with a corresponding asset within its land, buildings and equipment balance on the statements of financial position. Capital assets are depreciated over their useful lives on a straight-line basis, while the obligation is reduced upon each payment by the amount of the payment that represents the principal balance. The School is obligated under capital leases for equipment with a net book value totaling $365,856 as of June 30, 2015.

Future obligations on the equipment capital lease together with the present value of the net minimum lease payments as of June 30, 2015 are as follows:

Year Ending June 30	
2016	$ 95,678
2017	95,678
2018	95,678
2019	95,678
2020	11,727
	394,439
Less amount representing interest	28,583
Present Value of Minimum Capital Lease Payments	$ 365,856

The School had noncash financing transactions relating to capital leases on new equipment of $365,856 during the year ended June 30, 2015.

NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN

The School maintains a defined contribution 403(b) plan covering all of its employees subject to age and hours worked requirements. Under the current plan, the School contributes an amount equal to 15% of each participant's qualifying salary. The contribution is applied as a premium to the Teachers Insurance and Annuity Association and/or the College Retirement Equities Fund in any proportion elected by the participant. In addition, the participant can elect to make additional contributions. The School's pension expense relative to the plan approximated $3,139,000 and $3,030,000 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 - NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods as of June 30, 2015 and 2014:

	2015	2014
Educational programs	$ 37,226,305	$ 38,841,925
Financial aid	42,149,228	43,748,491
Administration	100,432	523,903
Physical plant	32,924,270	43,122,102
Student support services	3,973,222	4,144,219
Pledges receivable restricted due to passage of specified time or purpose	16,727,391	16,864,993
Life income	5,976,520	4,948,956
	$ 139,077,368	$ 152,194,589

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Educational programs	$ 3,086,637	$ 2,774,634
Financial aid	3,662,316	3,251,642
Administration	439,480	40,842
Physical plant	16,689,581	2,222,093
Student support services	285,041	299,062
	$ 24,163,055	$ 8,588,273

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

	2015	2014
Investment in perpetuity, the return from which is expendable and restricted for:		
Educational programs	$ 44,658,725	$ 43,146,520
Financial aid	57,355,393	55,086,589
Student support services	2,810,294	2,522,366
Administration	269,088	263,980
Physical plant	17,447,802	17,424,110
Pledges receivable	2,967,934	5,321,423
	$ 125,509,236	$ 123,764,988

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2
Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Investment Partnerships
Investments included within Level 2 and 3 primarily consist of the School's ownership interests in investment partnerships, which include absolute return, fixed income, global equity, private energy, private equity, private real estate and public energy, are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the School's Investment Committee. Because investments in these partnerships are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Interest Rate Swaps
Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Interest rate swap agreements have inputs which can generally be corroborated by marked data and are therefore classified as Level 3.

Pledge Receivables
The fair value of pledges receivable are estimated based upon the net present value of estimated cash flows discounted at a treasury rate commensurate with the timing of the estimated cash flow.

Split-Interest Agreements
The fair value of assets under split-interest agreements are based upon the carrying value of underlying investments or the present value of future benefits to be received by the School. The fair value of liabilities under split-interest agreements is based on the 90CM mortality table for charitable gift annuities made to the School.

There have been no changes in the methodologies used at June 30, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School 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 fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2015 and 2014:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Absolute return	$ -	$ -	$ 100,684,484	$ 100,684,484
Fixed income	39,939,418	-	10,724,537	50,663,955
Global equity	13,097,091	38,182,589	56,947,704	108,227,384
Private energy	-	-	31,005,837	31,005,837
Private equity	-	-	28,898,797	28,898,797
Private real estate	-	-	41,463,982	41,463,982
Public energy	11,814,103	-	-	11,814,103
Total investments	64,850,612	38,182,589	269,725,341	372,758,542
Pledges receivable, net	-	-	19,695,324	19,695,324
Assets held under split-interest agreements, net	7,944,923	-	1,879,466	9,824,389
Total Assets at Fair Value	$ 72,795,535	$ 38,182,589	$ 291,300,131	$ 402,278,255

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Absolute return	$ -	$ -	$ 105,609,329	$ 105,609,329
Fixed income	48,774,019	-	10,539,435	59,313,454
Global equity	10,656,578	35,900,782	58,339,839	104,897,199
Private energy	-	-	35,799,795	35,799,795
Private equity	-	-	25,338,611	25,338,611
Private real estate	-	-	43,058,895	43,058,895
Public energy	7,690,465	-	-	7,690,465
Total investments	67,121,062	35,900,782	278,685,904	381,707,748
Pledges receivable, net	-	-	22,186,416	22,186,416
Assets held under split-interest agreements, net	4,547,687	-	2,138,998	6,686,685
Total Assets at Fair Value	$ 71,668,749	$ 35,900,782	$ 303,011,318	$ 410,580,849

There were no transfers between levels of investments during the years ended June 30, 2015 and 2014.

The School does not develop its own quantitative unobservable inputs for investment partnerships and interest rate swaps, but uses pricing information supplied by the fund's investment managers or counterparties.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2015 is as follows:

Type		**Fair Value**	**Unfunded Commitments**	**Redemptions Permitted**	**Redemption Notice Period**
Absolute return	(a.)	$ 100,684,484	$ 10,401,114	Quarterly, annually and illiquid	30-90 days
Fixed income	(b.)	10,724,537		Annually	90 days
Global equity	(c.)	95,130,293		Monthly, quarterly and annually	60-90 days
Private energy	(d.)	31,005,837	12,848,328	N/A	N/A
Private equity	(d.)	28,898,797	13,670,147	N/A	N/A
Private real estate	(d.)	41,463,982	19,434,383	N/A	N/A
Total		$ 307,907,930	$ 56,353,972		

a. The School invests with managers who, in addition to purchasing equities and fixed income securities, will also purchase derivative securities, sell securities short, utilize leverage, etc. Strategies include "relative value," "equity long short," "event driven" and "fixed income arbitrage." Certain funds comprising approximately 12% of the balance are invested in private equity structures, with no ability to be redeemed; 9% of the balance is invested in private equity structures, with a portion of the balance subject to a two-year lock-up period; and 16% of the balance is redeemable quarterly. The remaining balance is redeemable annually.

b. This includes investments in fixed income instruments such as bonds, bank loans, convertibles or other bond-like instruments. These may include, but are not limited to, U.S. Investment Grade Bonds, Non-U.S. Investment Grade Bonds, U.S. Non-Investment Grade Bonds and Non-U.S. Non-Investment Grade Bonds.

c. Global equity is defined as a portfolio of ownership interests in companies whose securities trade on a public exchange. Geographically this includes U.S. and all international stocks. Note that the School will include in this category managers who do limited shorting and/or hold some nonequity securities as long as the primary driver of their returns are long-only equity positions. One fund comprising 25% of the balance has a minimum lock-up period with 3 years remaining before the fund can be redeemed. After the lock-up period has been met, the fund can be redeemed monthly with 90 days notice.

d. Private energy invests in private companies or assets primarily related to the development, production, transportation and distribution of energy of all types. Private equity firms can be divided into two categories. The first is a buyout where managers generally invest in going-concerns via straightforward acquisitions, leveraged buyouts, management buyouts, reorganizations, restructurings and spin-offs. The second is venture capital managers who invest in start-up, early stage and very high-growth companies. Private real estate invests in commercial real estate equity or debt, held as individual assets or in commingled vehicles. Holdings generally are significant ownership of commercial buildings such as office, warehouse, retail shopping and apartments with the intent to earn both a high-current income and longer-term capital appreciation. These funds are in private equity structure, with no ability to be redeemed. These assets are in long-term (typically eight or more years) private capital structures. Private capital managers make cash distributions to the School as they liquidate the underlying assets. Examples of the underlying assets are the stock of private companies, commercial real estate properties and energy producing properties. The School does not have control over the timing of these liquidity events except that all assets must be liquidated by end of the fund's contractually agreed term. During fiscal 2015, the School received cash distributions of $21,814,986 from these managers.

There are no unfunded commitments related to the School's Level 2 investments and they can all be redeemed within 90 days.

The tables below set forth a summary of changes in the fair value of the School's Level 3 investments for the years ended June 30, 2015 and 2014:

	2015						
	Absolute Return	Fixed Income	Global Equity	Private Energy	Private Equity	Private Real Estate	Total
Balance - beginning of year	$ 105,609,329	$ 10,539,435	$ 58,339,839	$ 35,799,795	$ 25,338,611	$ 43,058,895	$ 278,685,904
Realized gains (losses) included in the change in net assets	67,697	-	-	(367,599)	1,721,183	1,451,926	2,873,207
Unrealized gains (losses) included in the change in net assets	(432,134)	347,311	3,453,654	(4,470,043)	2,037,318	5,120,788	6,056,894
Purchases	10,623,188	-	(1,500,000)	2,596,136	4,546,902	7,260,166	23,526,392
Withdrawals	(14,608,335)	(30,728)	(3,248,772)	(2,172,198)	(4,349,012)	(15,293,777)	(39,702,822)
Fees	(575,261)	(131,481)	(97,017)	(380,254)	(396,205)	(134,016)	(1,714,234)
Balance - End of Year	$ 100,684,484	$ 10,724,537	$ 56,947,704	$ 31,005,837	$ 28,898,797	$ 41,463,982	$ 269,725,341

	2014						
	Absolute Return	Fixed Income	Global Equity	Private Energy	Private Equity	Private Real Estate	Total
Balance - beginning of year	$ 94,905,455	$ 13,624,577	$ 44,236,592	$ 31,862,242	$ 21,337,791	$ 34,389,889	$ 240,356,546
Realized gains included in the change in net assets	-	-	12,244	410,122	2,796,223	294,714	3,513,303
Unrealized gains (losses) included in the change in net assets	12,798,732	(186,361)	9,814,738	3,173,957	1,758,238	6,533,179	33,892,483
Purchases	8,015,882	-	6,800,000	4,092,567	4,696,023	7,553,913	31,158,385
Withdrawals	(8,518,166)	(2,780,728)	(2,500,000)	(3,327,631)	(4,768,552)	(5,578,539)	(27,473,616)
Fees	(1,592,574)	(118,053)	(23,735)	(411,462)	(481,112)	(134,261)	(2,761,197)
Balance - End of Year	$ 105,609,329	$ 10,539,435	$ 58,339,839	$ 35,799,795	$ 25,338,611	$ 43,058,895	$ 278,685,904

The table below sets forth a summary of changes in the fair value of the School's Level 3 contributions receivable for the years ended June 30, 2015 and 2014:

	Contributions Receivable, Net	
	2015	2014
Balance - beginning of year	$ 22,186,416	$ 26,979,998
New contributions receivable	11,894,466	6,080,288
Collections on contributions receivable	(11,018,978)	(10,241,275)
Write-offs and adjustments	(3,180,040)	(1,258,512)
Change in allowance for uncollectible accounts	(382,800)	253,288
Change in discount on contributions receivable	196,260	372,629
Balance - End of Year	$ 19,695,324	$ 22,186,416

The table below sets forth a summary of changes in the fair value of the School's Level 3 assets held under split-interest agreements for the years ended June 30, 2015 and 2014:

	Assets Held Under Split-Interest Agreements, Net	
	2015	**2014**
Balance - beginning of year	$ 2,138,998	$ 1,995,940
Change in value of trust assets	(458,005)	118,208
Change in discount used for present valuation	198,473	24,850
Balance - End of Year	$ 1,879,466	$ 2,138,998

The following tables set forth by level, within the fair value hierarchy, the School's liabilities at fair value as of June 30, 2015 and 2014:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest rate swap agreements	$ -	$ -	$ 7,305,314	$ 7,305,314
Liability under split-interest agreements	-	-	3,847,869	3,847,869
Total Liabilities at Fair Value	$ -	$ -	$ 11,153,183	$ 11,153,183

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest rate swap agreements	$ -	$ -	$ 6,865,710	$ 6,865,710
Liability under split-interest agreements	-	-	1,737,729	1,737,729
Total Liabilities at Fair Value	$ -	$ -	$ 8,603,439	$ 8,603,439

The table below sets forth a summary of changes in the fair value of the School's Level 3 liabilities under split-interest agreements for the years ended June 30, 2015 and 2014:

	Liability Under Split-Interest Agreements	
	2015	**2014**
Balance - beginning of year	$ 1,737,729	$ 2,390,538
Valuation of new agreements	2,010,479	8,448
Payments to beneficiary	(499,607)	(263,051)
Change in value of liability	599,268	(398,206)
Balance - End of Year	$ 3,847,869	$ 1,737,729

The table below sets forth a summary of changes in the fair value of the School's Level 3 hedging instruments for the years ended June 30, 2015 and 2014:

	Interest Rate Swap Agreements	
	2015	**2014**
Balance - beginning of year	$ 6,865,710	$ 6,837,080
Total unrealized losses included in the change in net assets	439,604	28,630
Balance - End of Year	$ 7,305,314	$ 6,865,710
The Amount of Total Losses for the Period Included in Changes in Net Assets Attributable to the Change in Unrealized Losses Relating to Liabilities Still Held at Year End	$ 439,604	$ 28,630

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash, accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses, deferred revenue and deposits, and agency funds approximate their fair value because of the short-term nature of these instruments.

The fair value of student loans receivable is not provided because it is not practicable to determine since no markets exist for this item.

The fair value of bonds payable as of June 30, 2015 and 2014, approximates the total outstanding principal balance. The method used to determine the fair value of bonds payable is quoted prices for similar debt instruments, which represent Level 2 inputs in the fair value hierarchy.

There have been no changes in the methodologies used at June 30, 2015 and 2014.

NOTE 11 - ENDOWMENT

The School's endowment consists of approximately 570 funds established for a variety of purposes, mainly designated by donor restrictions. As required by GAAP, net assets associated with endowment funds are classified and reported as permanently restricted net assets, temporarily restricted net assets or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the School has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment as of the actual date on which the gift is received by the School, (b) the original value of subsequent gifts donated to the permanent endowment as of the actual date on which the gift is received by the School, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument at the time the accumulation is added to that fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the School and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation or deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the School, and (vii) the School's investment policies.

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 107,873,719	$ 122,541,303	$ 230,415,022
Board-designated endowment funds	123,193,138	-	-	123,193,138
Total	$ 123,193,138	$ 107,873,719	$ 122,541,303	$ 353,608,160

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 125,603,923	$ 112,679,102	$ 118,443,565	$ 356,726,590
Investment return:				
Investment income	480,579	783,865	-	1,264,444
Realized/unrealized investment income	2,965,478	4,884,100	-	7,849,578
Investment fees	(1,111,941)	(1,816,656)	-	(2,928,597)
Total investment return	2,334,116	3,851,309	-	6,185,425
Contributions	833,250	14,476	4,012,738	4,860,464
Restricted endowment funds deficiency reclassification	(3,803)	3,803	-	-
Change in restriction	(85,000)	-	85,000	-
Appropriation of endowment assets for expenditure	(5,489,348)	(8,674,971)	-	(14,164,319)
Endowment Net Assets - End of Year	$ 123,193,138	$ 107,873,719	$ 122,541,303	$ 353,608,160

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 112,679,102	$ 118,443,565	$ 231,122,667
Board-designated endowment funds	125,603,923	-	-	125,603,923
Total	$ 125,603,923	$ 112,679,102	$ 118,443,565	$ 356,726,590

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 112,801,384	$ 93,722,720	$ 111,342,350	$ 317,866,454
Investment return:				
Investment income	448,809	695,327	-	1,144,136
Realized/unrealized investment income	18,440,581	28,473,109	-	46,913,690
Investment fees	(1,533,967)	(2,370,735)	-	(3,904,702)
Total investment return	17,355,423	26,797,701	-	44,153,124
Contributions	846,155	-	7,101,215	7,947,370
Restricted endowment funds deficiency reclassification	7,488	(7,488)	-	-
Appropriation of endowment assets for expenditure	(5,406,527)	(7,833,831)	-	(13,240,358)
Endowment Net Assets - End of Year	$ 125,603,923	$ 112,679,102	$ 118,443,565	$ 356,726,590

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the School to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2015 and 2014, these deficiencies totaled $3,803 and $-0-, respectively. These deficiencies resulted from the unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a low volatility stream of funding supported by its endowment while maintaining the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The School expects its endowment funds, over time, to provide an average annual rate of return of approximately 8%. Actual returns in any given year will vary from this amount.

Strategies Employed for Achieving Objectives

The School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and cash yield (interest and dividends). The endowment assets are diversified among several asset classes and, within each asset class, among multiple investment managers. Targets for each asset class are reviewed and, if appropriate, reset annually. As necessary during the year, actual allocations are rebalanced back to these targets. In order to achieve an 8% return, the fund has a strong bias towards securities representing an ownership interest in the relative enterprise. The inherent price volatility of ownership interests is partially mitigated at the portfolio level by diversification among asset classes and strategies, as well as the employment of some fixed income investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School has a policy of appropriating for distribution each year an amount resulting from the following formula: 50% of last year's endowment spending inflated for HEPI (Higher Education Price Index) plus 50% of 5% of the 12-quarter moving market average for the most recent calendar year end. In establishing this policy, the School considered the long-term expected return on its endowment. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.