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FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONTENTS

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Independent Auditors' Report

To the Board of Directors
Five Colleges, Incorporated and Subsidiary

We have audited the accompanying consolidated financial statements of Five Colleges, Incorporated and Subsidiary (the Corporation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2016, the Corporation elected early adoption of Accounting Standards Update No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. This amendment requires retrospective application. As a result, certain amounts related to investments have been reclassified as of and for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 8, 2016

FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 4,067,858	$ 2,304,460
Short-term investments (see Note 2)	6,114,127	6,475,857
Due from member institutions	59,657	89,068
Other assets	32,587	133,554
Contributions receivable, net (see Note 3)	42,161	42,161
Investments, at fair value (see Note 2)	10,613,512	11,727,231
Property and equipment, net (see Note 5)	4,557,295	3,358,634
Total Assets	$ 25,487,197	$ 24,130,965
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,058,770	$ 268,697
Accrued liabilities	174,936	203,650
Due to member institutions	1,960,673	2,249,581
Funds on deposit	1,236,524	748,475
Total liabilities	4,430,903	3,470,403
Net assets:		
Unrestricted	6,959,168	5,756,111
Temporarily restricted (see Note 6)	10,050,828	10,859,353
Permanently restricted (see Note 7)	4,046,298	4,045,098
Total net assets	21,056,294	20,660,562
Total Liabilities and Net Assets	$ 25,487,197	$ 24,130,965

The accompanying notes are an integral part of the consolidated financial statements

FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Member institutions	$ 9,211,103	$ -	$ -	$ 9,211,103
Student governments	157,689	-	-	157,689
Investment income	46,508	491,869	-	538,377
Net realized and unrealized losses	(5,965)	(763,331)	-	(769,296)
Other revenue	331,264	94,485	-	425,749
Gifts and grants	124,944	1,678,362	1,200	1,804,506
Net assets released from restriction	2,309,910	(2,309,910)	-	-
Total revenues, gains and other support	12,175,453	(808,525)	1,200	11,368,128
Expenses				
Cooperative programs	6,136,864	-	-	6,136,864
Joint faculty appointments and development	2,517,522	-	-	2,517,522
Operation of buses and vans	612,364	-	-	612,364
Affiliated programs	83,711	-	-	83,711
Administration and business office	1,590,845	-	-	1,590,845
Investment expense	31,090	-	-	31,090
Total expenses	10,972,396	-	-	10,972,396
Change in Net Assets	1,203,057	(808,525)	1,200	395,732
Net Assets - Beginning of Year	5,756,111	10,859,353	4,045,098	20,660,562
Net Assets - End of Year	$ 6,959,168	$ 10,050,828	$ 4,046,298	$ 21,056,294

The accompanying notes are an integral part of the consolidated financial statements

FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Member institutions	$ 8,422,599	$ -	$ -	$ 8,422,599
Student governments	150,283	-	-	150,283
Investment income	51,039	648,444	-	699,483
Net realized and unrealized losses	(19,052)	(646,853)	-	(665,905)
Other revenue	316,134	94,589	-	410,723
Gifts and grants	108,397	1,459,664	4,032	1,572,093
Net assets released from restriction	2,563,925	(2,563,925)	-	-
Total revenues, gains and other support	11,593,325	(1,008,081)	4,032	10,589,276
Expenses				
Cooperative programs	5,006,247	-	-	5,006,247
Joint faculty appointments and development	2,906,735	-	-	2,906,735
Operation of buses and vans	637,289	-	-	637,289
Affiliated programs	81,049	-	-	81,049
Administration and business office	1,634,472	-	-	1,634,472
Investment expense	32,584	-	-	32,584
Total expenses	10,298,376	-	-	10,298,376
Change in Net Assets	1,294,949	(1,008,081)	4,032	290,900
Net Assets - Beginning of Year	4,461,162	11,867,434	4,041,066	20,369,662
Net Assets - End of Year	$ 5,756,111	$ 10,859,353	$ 4,045,098	$ 20,660,562

The accompanying notes are an integral part of the consolidated financial statements

FIVE COLLEGES, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ 395,732	$ 290,900
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	352,872	380,298
Loss on disposal of property and equipment	996,496	335,011
Net realized and unrealized losses on investments	769,296	665,905
Contributions restricted for long-term investment	(1,200)	(4,032)
(Increase) decrease in operating assets:		
Due from member institutions	29,411	10,014
Other assets	100,967	(77,592)
Contributions receivable	-	(2,387)
Increase (decrease) in operating liabilities:		
Accounts payable	790,073	184,528
Accrued liabilities	(28,714)	(42,886)
Due to member institutions	(288,908)	659,303
Funds on deposit	488,049	(1,128,612)
Net cash provided by operating activities	3,604,074	1,270,450
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,548,029)	(451,933)
Purchases of short-term investments	(501,843)	(1,763,303)
Sales/maturities of short-term investments	886,237	2,051,993
Purchases of investments	(93,233)	(637,378)
Sales/maturities of investments	414,992	461,850
Net cash used in investing activities	(1,841,876)	(338,771)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	1,200	4,032
Net cash provided by financing activities	1,200	4,032
Net Increase in Cash and Cash Equivalents	1,763,398	935,711
Cash and Cash Equivalents - Beginning of Year	2,304,460	1,368,749
Cash and Cash Equivalents - End of Year	$ 4,067,858	$ 2,304,460

The accompanying notes are an integral part of the consolidated financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Five Colleges, Incorporated, is a consortium of Amherst, Hampshire, Mount Holyoke and Smith Colleges and the University of Massachusetts Amherst, whose mission is to sustain and enrich the excellence of its associated institutions through academic and administrative collaboration. The consortium facilitates intellectual communities and broad curricular and cocurricular offerings, affording learning, research, performance and social opportunities that complement the distinctive qualities of each institution. The five associated institutions conduct other cooperative activities outside of the Corporation, which are, therefore, not included in these consolidated financial statements.

On January 30, 2004, Five Colleges, Incorporated, as sole member, established Five College Net, Limited Liability Company (LLC). The purpose of the LLC is to construct, own, manage and maintain a fiber optic cable system.

Principles of Consolidation

The consolidated financial statements of Five Colleges, Incorporated and Subsidiary (the Corporation) include the accounts of Five Colleges, Incorporated and its wholly owned subsidiary, Five College Net, LLC. All intercompany transactions and balances are eliminated in consolidation.

Basis of Accounting and Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Corporation are reported in the following net asset categories:

Unrestricted Net Assets
Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Board of Directors has established designations of unrestricted net assets for future use.

Temporarily Restricted Net Assets
Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets
Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Corporation to expend the income earned thereon. These permanently restricted net assets include permanent endowment funds.

Classification of Revenues, Expenses, Gains and Losses

Funds on deposit result from unspent program allocations designated for specific future projects. Contributions are reported as increases in the category of net assets dependent upon the donor's restriction, if any. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporary restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the year in which the assets are acquired or placed in service. Exchange transactions are recorded as unrestricted revenues when they are earned.

Use of Estimates

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

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. Management believes that the Corporation's deposits are not subject to significant credit risk.

Short-term Investments

Short-term investments include amounts invested with maturity dates greater than three months but less than one year, as well as certificates of deposit and other vehicles whose intended use is between one and five years.

Contributions

Contributions, including unconditional promises to give and nonexchange grant awards, are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Amortization of the discount is recorded as contribution revenue in the appropriate net asset category. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. The Corporation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investment Valuation and Income Recognition

Investments are reported at fair value, except for savings accounts included in the investments of $1,272,170 and $1,910,872 at June 30, 2016 and 2015, respectively. 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 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Realized and unrealized gains include the Corporation's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income on donor restricted endowment assets are classified as increases or decreases in temporarily restricted net assets until appropriated for expenditure.

The Corporation's Investment Committee determines the Corporation's valuation policies and procedures utilizing information provided by investment managers. The Corporation's Investment Committee reports to the Board on an annual basis.

Endowment funds represent unrestricted and restricted monies to be retained in perpetuity, with an annual distribution, based on a spending policy approved by the Board, to be expended for the Endowment's intended purposes.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed $5,000 are capitalized at cost, except for contributed property and equipment, which are recorded at fair value at date of gift. Depreciation and amortization are charged to expense using the straight-line method over the estimated useful lives of the assets, or for leasehold improvements, over the shorter of the estimated useful life or the lease term. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period. Maintenance and repairs are charged to expense as incurred.

Amounts Held as Agency Funds

The Corporation receives and distributes assets under an agency agreement that was established by a separate not-for-profit to support its operations from its own resources. Amounts received under this relationship totaled $83,940 and amounts expended totaled $2,400 for the fiscal year ended June 30, 2016. The amounts held as agency funds totaled $81,450 at June 30, 2016 and are included in the consolidated statements of financial position in cash and cash equivalents and funds on deposit.

Funds on Deposit

The Corporation assesses each of the five associated institutions for its share of the current year expenditures determined on a formula basis and recognizes this revenue in the year that the related expenses are incurred. Amounts collected but not spent for specific purposes are recorded as funds on deposit in the accompanying consolidated statements of financial position. Revenue is recognized when the Board of Directors determines that the Corporation is not required to perform any future services.

Financial Reserves

The Board of Directors established a financial reserves policy target of two million dollars on July 1, 2014. Cumulative unspent assessments received from the five associated institutions which contribute to that target remain as unrestricted net assets.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

Five Colleges, Incorporated is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The LLC is a disregarded entity for federal income tax purposes.

Risks and Uncertainties

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

Change in Accounting Principle

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),* which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016 and early adoption is permitted. The Corporation has elected to early adopt ASU 2015-07 for the year ended June 30, 2016.

NOTE 2 - FAIR VALUE MEASUREMENTS

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 Corporation 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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. As a practical expedient, certain investment are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

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

Mutual Funds
Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded, except for the multi strategy fund which provides for daily redemption but is only available to qualified institutions.

Limited Partnerships
Interests in limited partnerships 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 Corporation'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.

There have been no changes in the methodologies used at June 30, 2016 and 2015.

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 Corporation 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 Corporation's assets at fair value as of June 30, 2016 and 2015:

	2016				
		Investments Valued Using Practical Expedient	Fair Value Measurements Using		
	Total	(a)	Level 1	Level 2	Level 3
Mutual funds:					
Equity	$ 1,743,557	$ -	$ 1,743,557	$ -	$ -
Fixed income	5,655,667	-	5,655,667	-	-
Multi strategy	7,867,785	7,867,785	-	-	-
Global real estate	170,343	-	170,343	-	-
Limited partnership	18,117	18,117	-	-	-
Total Investments at Fair Value	$ 15,455,469	$ 7,885,902	$ 7,569,567	$ -	$ -

	2015				
		Investments Valued Using Practical Expedient	Fair Value Measurements Using		
	Total	(a)	Level 1	Level 2	Level 3
Mutual funds:					
Equity	$ 2,437,359	$ -	$ 2,437,359	$ -	$ -
Fixed income	5,113,231	-	5,113,231	-	-
Multi strategy	8,544,997	8,544,997	-	-	-
Global real estate	173,734	-	173,734	-	-
Limited partnership	22,895	22,895	-	-	-
Total Investments at Fair Value	$ 16,292,216	$ 8,567,892	$ 7,724,324	$ -	$ -

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between levels of investments during the years ended June 30, 2016 and 2015.

The Corporation does not develop its own quantitative unobservable inputs for the limited partnership but uses pricing information supplied by the fund's investment managers.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Liquidity or Other Restrictions
Mutual funds:					
The Investment Fund for Foundations Multi-Asset Fund (a)	$ 7,867,785	$ -	Daily	1 day	None
Investment partnerships:					
CommonFund Capital Partners 2000 LP (b)	18,117	1,530	None	-	Provides for liquidation distributions
	$ 7,885,902				

The investment strategies of these investments are as follows:

a. To achieve a total return (price appreciation plus dividends) that, over a majority of market cycles, exceeds inflation, as measured by the Consumer Price Index (CPI) plus 4.5% per annum.

b. To invest in limited partnerships that make venture capital investments primarily in emerging growth companies, domestic and international private equity investments with the objective of obtaining long-term capital growth and in equity securities, warrants or other options that are generally not actively traded at the time of investment.

Gains and losses (realized and unrealized) included in changes in net assets for the years ended June 30, 2016 and 2015, are reported in net realized and unrealized losses in the consolidated statements of activities.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of June 30, 2016 and 2015, are expected to be collected as follows:

	2016	2015
Due in less than one year	$ -	$ -
Due in one to five years	50,214	50,214
Total contributions receivable	50,214	50,214
Less discount to net present value	8,053	8,053
Net Contributions Receivable	$ 42,161	$ 42,161

Contributions receivable in more than one year are discounted at 6%.

NOTE 4 - ENDOWMENT

The Corporation's endowment consists of nine individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Corporation to function as endowments (quasi endowment).

Interpretation of Relevant Law

The Corporation has interpreted relevant state law as generally permitting the spending of gains on endowment funds over a stipulated period of time. State law allows the Board of Directors to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the Corporation's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The Corporation compares the performance of its investments against various benchmarks.

The Corporation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts in the management of its endowment. The Corporation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Assets

Endowment net asset composition by type of fund is as follows as of June 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,367,983	$ 4,046,298	$ 10,414,281
Quasi (Board-designated) endowment funds	229,561	-	-	229,561
Total	$ 229,561	$ 6,367,983	$ 4,046,298	$ 10,643,842

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 7,125,524	$ 4,045,098	$ 11,170,622
Quasi (Board-designated) endowment funds	237,493	-	-	237,493
Total	$ 237,493	$ 7,125,524	$ 4,045,098	$ 11,408,115

Changes in endowment net assets for the years ended June 30, 2016 and 2015, are as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets - June 30, 2014	$ 238,665	$ 7,733,032	$ 4,041,066	$ 12,012,763
Investment return:				
Investment income	15,023	619,872	-	634,895
Investment losses	(15,613)	(643,162)	-	(658,775)
Total investment return	(590)	(23,290)	-	(23,880)
Contributions	-	2,387	4,032	6,419
Appropriation of endowment net assets for expenditure	(582)	(586,605)	-	(587,187)
Endowment net assets - June 30, 2015	237,493	7,125,524	4,045,098	11,408,115
Investment return:				
Investment income	11,250	463,435	-	474,685
Investment losses	(18,670)	(769,104)	-	(787,774)
Total investment return	(7,420)	(305,669)	-	(313,089)
Contributions	-	-	1,200	1,200
Appropriation of endowment net assets for expenditure	(512)	(451,872)	-	(452,384)
Endowment Net Assets - June 30, 2016	$ 229,561	$ 6,367,983	$ 4,046,298	$ 10,643,842

Amounts classified as temporarily restricted net assets (endowment only) of $6,367,983 and $7,125,524 at June 30, 2016 and 2015, respectively, are subject to a time and purpose restriction.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016 and 2015.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that balances the preservation of principal with the long-term growth of the fund assets with the goal of preserving the real value of the endowment over time. All dividends from the endowment's investments will be reinvested. The target return of the endowment is the average annual rate of inflation (measured by the Consumer Price Index) plus 4.5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporation has an endowment total return spending policy, which is within the guidelines specified under State law, limiting the annual distribution of return to 4.5% of a three-year average market value. In establishing this policy, the Corporation considered the long-term expected return on its endowment. According to a charter approved by the Board, the Corporation's Investment Committee periodically reviews this spending policy and makes recommendations to the Board for any revised changes.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015, consist of the following:

	Estimated Useful Lives (In Years)	2016	2015
Land	-	$ 935,847	$ 5,271
Construction in progress	-	1,201,835	580,878
Leasehold improvements	15	329,375	329,375
Equipment	5 to 20	6,629,628	6,629,628
Vehicles	5	19,456	19,456
		9,116,141	7,564,608
Less accumulated depreciation		4,558,846	4,205,974
		$ 4,557,295	$ 3,358,634

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

During the years ended June 30, 2016 and 2015, temporarily restricted net assets of $2,309,910 and $2,563,925, respectively, were released from restrictions to support the Corporation's program activities.

Temporarily restricted net assets as of June 30, 2016 and 2015, are available for the following purposes or time periods:

	2016	2015
Unexpended gifts and grants	$ 3,806,333	$ 3,864,415
Accumulated realized and unrealized gains on endowment	6,244,495	6,994,938
	$ 10,050,828	$ 10,859,353

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2016 and 2015, are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

	2016	2015
Neill Fund	$ 1,028,000	$ 1,028,000
National Endowment for the Humanities	1,307,504	1,307,504
The Andrew W. Mellon Foundation Endowment Fund	1,500,000	1,500,000
The Jackie Pritzen Fund	167,260	166,060
Center for World Languages Endowment Fund	43,534	43,534
	$ 4,046,298	$ 4,045,098

NOTE 8 - RELATED PARTY TRANSACTIONS

The Corporation is provided with office and program space at no cost by the associated institutions.

NOTE 9 - RETIREMENT PLAN

The Corporation has a contributory retirement plan with Teachers Insurance and Annuity Association of America (TIAA). Contributions of $194,172 and $203,252 were made in 2016 and 2015, respectively, by the Corporation to TIAA for eligible and enrolled employees up to 10% of their salaries. In addition, employees enrolled in the plan contribute up to 5% of their salaries to the plan.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the Corporation had open commitments under contracts with vendors of $8,464,409.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, management has evaluated subsequent events through December 8, 2016, which represents the date the consolidated financial statements were available to be issued. On September 30, 2016, Massachusetts Development Finance Agency issued its Revenue Bonds, Five Colleges Issue, Series 2016 in the amount of $10,080,000. The purpose of the bonds is to finance the construction of the Library Annex building. The bonds bear interest, payable monthly, at a fixed rate of 2.7%. Interest only payments are to be made through April 2018. Principal payments are to begin on May 1, 2018 and are payable monthly through March 30, 2033.