



Financial Statements

Wentworth Institute of Technology, Inc.

June 30, 2015 and 2014



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

WENTWORTH INSTITUTE OF TECHNOLOGY, INC

Financial Statements

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Mayer Hoffman McCann P.C.
Tofias New England Division
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Independent Auditors' Report

Board of Trustees
Wentworth Institute of Technology, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Wentworth Institute of Technology, Inc. (the "Institute"), 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 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 Wentworth Institute of Technology, Inc. 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.

Mayer Hoffman McCann P.C.

November 3, 2015
Boston, Massachusetts

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Financial Position

as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 19,691,439	\$ 14,953,073
Investments - short term	24,057,922	15,649,634
Student accounts receivable (net of allowance for doubtful accounts of \$500,000 in 2015 and \$300,000 in 2014)	1,177,939	622,672
Other receivables	2,335,228	3,841,112
Student loans receivable	4,511,713	4,305,868
Prepaid expenses and deposits	2,261,245	1,738,169
Deposits with trustees	-	6,173,604
Funds restricted for property acquisitions	475,864	473,261
Pledges receivable, net	5,504,699	583,972
Investments - pooled	89,439,718	91,461,836
Investments - nonpooled	1,933,230	898,048
Deferred financing costs	964,502	591,877
Property and equipment, net	197,605,464	194,402,003
	<u> </u>	<u> </u>
Total assets	<u>\$ 349,958,963</u>	<u>\$ 335,695,129</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 3,876,183	\$ 3,578,381
Accounts payable, construction	1,081,908	9,346,201
Accrued salaries and wages	3,549,360	3,411,489
Unearned tuition, fees and deposits	16,026,404	14,861,773
Obligation on charitable annuity agreements	3,785,276	3,479,628
Obligation on interest rate swap agreements	11,332,117	10,164,596
Asset retirement obligations	1,790,689	1,752,064
Accumulated postretirement benefit obligation	2,584,555	2,220,628
Bonds payable	112,918,154	107,636,778
Perkins and other government advances	3,727,401	3,703,204
	<u> </u>	<u> </u>
Total liabilities	<u>160,672,047</u>	<u>160,154,742</u>
Commitments and contingencies		
Net assets:		
Unrestricted		
Undesignated	2,896,461	(7,977,977)
Board designated	64,145,798	66,915,993
Net investment in plant	83,861,123	85,605,038
	<u> </u>	<u> </u>
	150,903,382	144,543,054
Temporarily restricted	19,710,515	16,172,604
Permanently restricted	18,673,019	14,824,729
	<u> </u>	<u> </u>
Total net assets	<u>189,286,916</u>	<u>175,540,387</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 349,958,963</u>	<u>\$ 335,695,129</u>

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Activities

for the year ended June 30, 2015 (with comparative totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Operating:					
Revenues and gains:					
Student tuition and fees	\$ 123,261,771	\$ -	\$ -	\$ 123,261,771	\$ 109,002,831
Less student aid	(44,433,301)	-	-	(44,433,301)	(36,151,646)
Net student tuition and fees	78,828,470	-	-	78,828,470	72,851,185
Auxiliary enterprises revenue	31,469,870	-	-	31,469,870	25,758,412
Gifts and bequests	762,059	471,477	-	1,233,536	1,228,645
Governmental appropriations	675,516	-	-	675,516	589,819
Interest income	339,661	33,544	-	373,205	316,974
Net realized and unrealized (loss) gain on short-term investments	(147,960)	-	-	(147,960)	133,046
Other income	218,949	5,781	-	224,730	239,040
Investment income used for operations	3,007,247	1,099,546	-	4,106,793	3,888,420
Net assets released from restrictions	1,390,428	(1,390,428)	-	-	-
Total operating revenues and gains	116,544,240	219,920	-	116,764,160	105,005,541
Expenses:					
Instruction	33,346,333	-	-	33,346,333	31,514,495
Auxiliary expenditures	5,425,733	-	-	5,425,733	4,759,303
Library	1,341,996	-	-	1,341,996	1,326,587
Student services	11,053,192	-	-	11,053,192	10,366,765
General administration	18,694,835	-	-	18,694,835	17,772,611
Institutional advancement	2,632,835	-	-	2,632,835	2,073,642
Physical plant	13,723,792	-	-	13,723,792	12,691,968
Depreciation and amortization	13,603,629	-	-	13,603,629	12,721,242
Interest expense	3,237,358	-	-	3,237,358	2,465,164
Other	3,732,323	-	-	3,732,323	3,421,060
Total operating expenses	106,792,026	-	-	106,792,026	99,112,837
Operating subtotal	9,752,214	219,920	-	9,972,134	5,892,704
Nonoperating:					
Gifts and bequests	356,192	5,003,397	3,891,822	9,251,411	1,214,492
Investment income	724,356	278,726	10	1,003,092	1,344,226
Loss on write-off of deferred financing costs	-	-	-	-	(245,237)
Net unrealized loss on interest swaps	(1,167,520)	-	-	(1,167,520)	(1,064,216)
Net realized and unrealized (loss) gain on investments	(1,014,513)	(147,740)	(43,542)	(1,205,795)	11,753,896
Investment income used for operations	(3,007,247)	(1,099,546)	-	(4,106,793)	(3,888,420)
Net assets released from restrictions	716,846	(716,846)	-	-	-
Nonoperating subtotal	(3,391,886)	3,317,991	3,848,290	3,774,395	9,114,741
Change in net assets	6,360,328	3,537,911	3,848,290	13,746,529	15,007,445
Net assets at beginning of year	144,543,054	16,172,604	14,824,729	175,540,387	160,532,942
Net assets at end of year	\$ 150,903,382	\$ 19,710,515	\$ 18,673,019	\$ 189,286,916	\$ 175,540,387

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

Statement of Activities

for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Operating:				
Revenues and gains:				
Student tuition and fees	\$ 109,002,831	\$ -	\$ -	\$ 109,002,831
Less student aid	(36,151,646)	-	-	(36,151,646)
Net student tuition and fees	72,851,185	-	-	72,851,185
Auxiliary enterprises revenue	25,758,412	-	-	25,758,412
Gifts and bequests	786,625	442,020	-	1,228,645
Governmental appropriations	589,819	-	-	589,819
Interest income	294,545	22,429	-	316,974
Net realized and unrealized gain on short-term investments	133,046	-	-	133,046
Other income	239,040	-	-	239,040
Investment income used for operations	2,863,250	1,025,170	-	3,888,420
Net assets released from restrictions	979,875	(979,875)	-	-
Total operating revenues and gains	104,495,797	509,744	-	105,005,541
Expenses:				
Instruction	31,514,495	-	-	31,514,495
Auxiliary expenditures	4,759,303	-	-	4,759,303
Library	1,326,587	-	-	1,326,587
Student services	10,366,765	-	-	10,366,765
General administration	17,772,611	-	-	17,772,611
Institutional advancement	2,073,642	-	-	2,073,642
Physical plant	12,691,968	-	-	12,691,968
Depreciation and amortization	12,721,242	-	-	12,721,242
Interest expense	2,465,164	-	-	2,465,164
Other	3,421,060	-	-	3,421,060
Total operating expenses	99,112,837	-	-	99,112,837
Operating subtotal	5,382,960	509,744	-	5,892,704
Nonoperating:				
Gifts and bequests	267,770	79,279	867,443	1,214,492
Investment income	975,595	368,631	-	1,344,226
Loss on write-off of deferred financing costs	(245,237)	-	-	(245,237)
Net unrealized loss on interest swaps	(1,064,216)	-	-	(1,064,216)
Net realized and unrealized gain on investments	8,467,160	3,220,286	66,450	11,753,896
Investment income used for operations	(2,863,250)	(1,025,170)	-	(3,888,420)
Net assets released from restrictions	2,463,208	(2,463,208)	-	-
Nonoperating subtotal	8,001,030	179,818	933,893	9,114,741
Change in net assets	13,383,990	689,562	933,893	15,007,445
Net assets at beginning of year	131,159,064	15,483,042	13,890,836	160,532,942
Net assets at end of year	\$ 144,543,054	\$ 16,172,604	\$ 14,824,729	\$ 175,540,387

The accompanying notes are an integral part of these financial statements

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

Statements of Cash Flows

for the years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 13,746,529	\$ 15,007,445
Gifts of stock and property	(549,068)	(90,890)
Contributions restricted for long-term investment	(3,910,127)	(1,817,625)
Net realized and unrealized (gain) loss on investments	839,911	(11,755,527)
Unrealized loss on interest swaps	1,167,521	1,064,216
Depreciation and amortization	13,603,629	12,721,242
Gain on disposal of property and equipment	(203,874)	(166,734)
Loss on write-off of deferred financing costs	-	245,237
Changes in operating assets and liabilities:		
Student accounts and other receivables	750,617	(2,219,387)
Pledges receivable	(5,108,051)	913,648
Allowance for doubtful accounts	387,324	(30,046)
Prepaid expenses and deposits	(523,076)	(151,222)
Accounts payable, accruals and unearned tuition, fees and deposits	1,600,304	3,126,707
Asset retirement obligations	38,625	(90,479)
Accumulated postretirement benefit obligation	363,927	(81,951)
Net cash provided by operating activities	<u>22,204,191</u>	<u>16,674,634</u>
Cash flows from investing activities:		
Purchases of property and equipment	(25,012,507)	(38,796,636)
Proceeds from sale of property and equipment	220,096	290,524
(Increase) decrease in funds restricted for property acquisitions	(2,603)	329,121
Proceeds from sale of investments	31,948,964	23,471,815
Purchases of investments	(39,669,275)	(21,597,671)
Net student loans advanced	(811,405)	(852,851)
Proceeds from student loans	<u>605,560</u>	<u>558,587</u>
Net cash used in investing activities	<u>(32,721,170)</u>	<u>(36,597,111)</u>
Cash flows from financing activities:		
Net Perkins and other government advances	24,197	110,994
Payments for financing costs	(447,723)	(2,750)
Change in funds held by trustees	6,181,720	(136,608)
Change in obligation on charitable annuity agreements	305,648	(953,373)
Gifts and bequests restricted for permanent endowment	2,709,706	673,007
Gifts and bequests restricted for acquisition of property and equipment	1,200,421	1,144,618
Proceeds from issuance of bonds payable	15,190,722	29,118,538
Principal payments on bonds payable	<u>(9,909,346)</u>	<u>(3,660,625)</u>
Net cash provided by financing activities	<u>15,255,345</u>	<u>26,293,801</u>
Net increase in cash and cash equivalents	4,738,366	6,371,324
Cash and cash equivalents at beginning of year	<u>14,953,073</u>	<u>8,581,749</u>
Cash and cash equivalents at end of year	<u><u>\$ 19,691,439</u></u>	<u><u>\$ 14,953,073</u></u>
Supplemental data:		
Noncash investing activity - Gifts of stock and property	\$ 549,068	\$ 90,890
Noncash financing activity - Proceeds from issuance of bonds used to pay principal on bonds payable and closing costs	\$ 46,280,000	\$ -
Interest paid	\$ 3,321,576	\$ 2,475,960

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 1 – Nature of Business

Wentworth Institute of Technology, Inc. (the "Institute"), located in Boston, Massachusetts, is a not-for-profit, private educational institution founded in 1904 and accredited by the New England Association of Schools and Colleges. The Institute enrolls approximately 4,500 men and women in a variety of day and evening academic programs. The Institute's student population is predominately from the Northeast region of the United States. The Institute offers Baccalaureate degrees for 21 undergraduate programs and Masters degrees for 4 graduate programs.

The Institute participates in student financial aid programs sponsored by the United States Department of Education, the Commonwealth of Massachusetts, and other states within the United States of America, which facilitate the payment of tuition and other expenses for students.

Note 2 – Summary of Significant Accounting Policies

Basis of Statement Presentation

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

Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions of more specific nature than those which only obligate the Institute to utilize funds in furtherance of its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Institute which fulfill the restriction.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been met and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Dividends, interest, reinvested gains, net realized gains and net unrealized appreciation, arising from investments, are reported:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains; and
- as increases in unrestricted net assets in all other cases.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Nonoperating revenues include permanently restricted gifts, gifts for property and equipment, large estate gifts, investment income, realized and unrealized gains and losses on long-term investments, realized and unrealized gains and losses on interest rate swaps, losses from write-off of deferred financing costs, and net assets released from restrictions for capital acquisitions. To the extent investment income and gains are used for operations as defined by the spending rate policy (see Note 15), they are reclassified as investment income used for operations in the Statements of Activities. All other activity is classified as operating revenue.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans, pledges and accounts receivable, useful lives of depreciable assets, fair value of certain investments, fair value of interest rate swap agreements, obligations under charitable annuity agreements, postretirement benefit obligations, asset retirement obligations, and the allocation of common expenses over program functions, and releases from donor restrictions.

Fair Value Measurements

The Institute reports required types of financial instruments in accordance with the fair value standards on a recurring and nonrecurring basis, depending on the underlying policy for the particular item. Recurring fair value measurements include the Institute's investment accounts, deposits with trustees, funds restricted for property acquisition, and interest rate swaps. Nonrecurring measurements include pledges, charitable annuity agreements, charitable remainder unitrusts, and asset retirement obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Institute reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value (NAV) per share to represent fair value for reporting purposes when the criteria for using this method are met. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Fair value standards also require the Institute to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with NAV practical expedient rules, which allow for either Level 2 or Level 3 depending on lock-up and notice periods associated with the underlying funds.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in the values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at NAV per share with lock-up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at NAV per share with lock-up periods in excess of 90 days.

The inputs used to measure fair value of an instrument may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For more information on the fair value of the Institute's financial instruments, see Note 5 – Fair Values of Financial Instruments.

Cash and Cash Equivalents

The Institute considers highly-liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment.

The Institute maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The Institute monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Student Accounts Receivable

Student accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the Institute. Interest is not charged on receivables.

Funds Restricted for Property Acquisitions

Funds restricted for property acquisitions consists of donor restricted gifts that are earmarked for specific property, plant, and equipment acquisitions. These funds are comprised entirely of publicly traded money market and mutual funds.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Investments

Investments are reported at fair value. The Institute's short-term investments consist of publicly traded mutual funds and are available for general operating purposes. Pooled investments are endowment funds and funds functioning as endowments. Nonpooled investments are primarily comprised of two perpetual trusts.

The Institute utilizes an investment adviser to assist with investment strategies, selection and monitoring, which provides the Institute access to expertise relative to oversight of its investments.

Student Loans Receivable

Student loans receivable includes amounts due from students under a federally sponsored loan program (Perkins Loans) which are subject to significant restrictions, and other loan programs sponsored by the Institute.

Perkins loans receivable are carried at their estimated realizable value. Perkins funds may be recycled as new loans by the Institute after collection. However, in the event that the Institute no longer participates in the Perkins Loans program, the amounts are generally refundable to the Federal government and are recorded as liabilities in the Statements of Financial Position. Interest income is recorded when received. Loans receivable are considered past due if any portion of the receivable balance is more than 240 days past due. Interest and late fees on past due amounts are recorded when received. Loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the Perkins loans refundable advances. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

Institute funds loaned to students are carried at their estimated realizable value net of present value discount. Interest income is recorded when received. Institute loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recorded as a reduction of bad debt expense. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 240 days. Interest and late fees on past due amounts are recorded when received. Allowances for uncollectible loans 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.

Deposits with Trustees

The deposits are reported at fair value, which consist principally of investments in mutual funds investing in United States Government obligations, and are required under certain loan agreements for debt service. These amounts have been designated for specific purposes within unrestricted net assets on the Statements of Financial Position. At June 30, 2015, there were no deposits with trustees as it was no longer required after certain debt was refinanced.

Deferred Financing Costs

Costs incurred in connection with the placement of the Massachusetts Development Finance Agency, Wentworth Institute of Technology, Inc., Series 2007B bond issue, Series 2013A bond issue, Series 2013B bond issue, Series 2015A Issue and Series 2015B Issue (hereinafter referred to as the "2007B Issue," "2013A Issue," "2013B Issue," "Series 2015A Issue," and "Series 2015B Issue," respectively), have been deferred and are being amortized over the terms of the related obligations on the straight-line basis. Amortization expense was \$75,098 and \$80,253 for the years ended June 30, 2015 and 2014, respectively. The 2007B unamortized deferred financing costs of \$245,237 were written off as of June 30, 2014 due to the impending refinancing of this series in fiscal year 2015.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Property and Equipment

Property and equipment are stated at cost at the date of acquisition, or fair value at the date of donation for contributed assets. Fair value of donated property and equipment is effectively recorded using Level 3 market inputs. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains or losses are included in unrestricted net assets.

Interest Rate Swap Agreements

The Institute reports the value of its interest rate swaps at fair value using Level 2 inputs. Net payments or receipts (for the difference between variable and fixed rate) under the swap agreements are included in interest expense in the Statements of Activities. The change in fair value of the swaps is included in nonoperating net unrealized loss on interest rate swaps.

Asset Retirement Obligations

The Institute recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. Fair value is estimated using Level 3 income and market inputs. When the liability is initially recorded, the Institute capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded will be recognized as a gain or loss in the Statements of Activities as unrestricted revenues or expenses.

Revenue Recognition

Substantially all of the Institute's revenue is derived from student tuition and fees, gifts and pledges, and auxiliary enterprises, such as food and housing services, provided by the Institute. Tuition, fees and auxiliary revenue are recognized as revenue in the period in which they are earned. Student reservation deposits along with advance payments for tuition and auxiliary enterprises are recognized as revenue when the related educational services are provided.

Gifts are recognized as revenue upon receipt. Unconditional promises to give are recorded at fair value when initially pledged based on the present value using a risk adjusted discount rate taking into account expected collections. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate (ranging from 2.72% to 5.02%) to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in gift revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management revises its estimate of the allowance for doubtful accounts based on history of collections and knowledge acquired about specific facts relating to outstanding items while the initial discount rate is used over the life of the related pledge. The initial recorded fair value is considered a Level 2 fair value measurement. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the allowance. An account is considered uncollectible when all collection efforts have been exhausted. Conditional promises to give are not included as revenue until the conditions are substantially met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received with donor imposed restrictions that are recorded as temporarily restricted revenues are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Split-Interest Agreements

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable gift annuities held and administered by the Institute whereby the Institute is obligated to make specified payments to the donors and other beneficiaries over the agreements' term. Upon termination of the agreements, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established; the liability is adjusted as distributions are made and for changes in the present value of estimated future distributions. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established.

The initially recorded fair value of the donated investments is determined based on the underlying nature of the investments received which have generally represented Level 1 measurements.

For certain charitable gift annuities, the use of the remaining assets to be received by the Institute upon termination of the agreement are restricted to acquisition of property.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by others. The present value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenue as of the dates the trusts are established. The carrying amount of the assets is adjusted for changes in the estimates of future receipts.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by the Institute whereby the Institute is obligated to make specified distributions to the donor over the trust's term. Upon termination of the trust, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these trusts are recorded as a liability as of the dates the trusts are established; the liability is adjusted as distributions are made and for changes in the estimated present value of future distributions. The difference between the trust assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the trusts are established.

The present value of estimated future cash receipts and estimated future payments to beneficiaries for all types of split-interest agreements are calculated using various discount rates based on beneficiary life expectancies and other actuarial assumptions.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 2 – Summary of Significant Accounting Policies – continued

Guarantees

The Institute accounts for guarantees at fair value when initially made. Subsequent adjustments are made based upon facts and circumstances over the life of the guarantee.

Tax Status

The Institute is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the Institute, management concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The Institute accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Institute has identified its tax status as a tax exempt entity and its determinations over which of its revenues are related and unrelated as its only significant tax positions. However, the Institute has determined that such tax positions do not result in an uncertainty requiring recognition. The Institute is not currently under examination by any taxing jurisdiction. The Institute’s Federal and state tax returns are generally open to examination for three years following the date filed.

Subsequent Events

The Institute has evaluated subsequent events through November 3, 2015, the date the financial statements were issued. No events occurred after June 30, 2015 through such date that the Institute is required to disclose or accrue in its fiscal 2015 financial statements.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 3 – Student Loans Receivable

Student loans receivable at June 30, 2015 and 2014 consist of the following:

	Perkins Loans	WIT Loans	WIT NIL Loans	Total
June 30, 2015				
Current	\$ 3,284,785	\$ 482,789	\$ 6,527	\$ 3,774,101
1 – 240 days past due	70,541	42,720	-	113,261
241 days – two years past due	277,490	70,254	-	347,744
Two – five years past due	134,006	74,018	-	208,024
Greater than five years past due	302,655	-	34,893	337,548
Student loans receivable, gross	4,069,477	669,781	41,420	4,780,678
Less present value discount	-	3,338	-	3,338
	4,069,477	666,443	41,420	4,777,340
Less allowance for uncollectible loans	-	224,207	41,420	265,627
Student loans receivable, net	<u>\$ 4,069,477</u>	<u>\$ 442,236</u>	<u>\$ -</u>	<u>\$ 4,511,713</u>
	Perkins Loans	WIT Loans	WIT NIL Loans	Total
June 30, 2014				
Current	\$ 2,901,310	\$ 649,756	\$ 6,527	\$ 3,557,593
1 – 240 days past due	163,013	43,878	-	206,891
241 days – two years past due	257,056	56,300	-	313,356
Two – five years past due	164,849	37,510	530	202,889
Greater than five years past due	264,471	-	35,763	300,234
Student loans receivable, gross	3,750,699	787,444	42,820	4,580,963
Less present value discount	-	9,673	-	9,673
	3,750,699	777,771	42,820	4,571,290
Less allowance for uncollectible loans	-	222,602	42,820	265,422
Student loans receivable, net	<u>\$ 3,750,699</u>	<u>\$ 555,169</u>	<u>\$ -</u>	<u>\$ 4,305,868</u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 3 – Student Loans Receivable – continued

Allowance for uncollectible loans as of June 30, 2015 and 2014, and for the years then ended, consist of the following:

	Perkins Loans	WIT Loans	WIT NIL Loans	Total
Balance as of July 1, 2013	\$ -	\$ 209,896	\$ 45,030	\$ 254,926
Provision for uncollectible loans	-	12,706	(2,210)	10,496
Balance as of June 30, 2014	-	222,602	42,820	265,422
Provision for uncollectible loans	-	1,605	(1,400)	205
Balance as of June 30, 2015	<u>\$ -</u>	<u>\$ 224,207</u>	<u>\$ 41,420</u>	<u>\$ 265,627</u>

Perkins Loans are guaranteed by the Federal government and, therefore, no allowance is made for uncollectible loans under the program. WIT Loans is an Institute loan program that began in the fall of 2009 with terms similar to the Perkins Loan program, including forbearance of interest while a student is enrolled full-time at Wentworth or another institute of higher education. The WIT Loan program ended in 2011. WIT NIL Loans was an institute loan program that ended in 2003.

Note 4 – Investments

Total return on investments for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
Investment income, net of investment advisory fees	\$ 1,321,549	\$ 1,573,063
Net realized gain	4,160,898	2,659,135
Net unrealized gain (loss)	(4,991,751)	9,178,903
Total return on investments	<u>\$ 490,696</u>	<u>\$ 13,411,101</u>

The following is a reconciliation of total investment return to amounts reported in the Statements of Activities for the years ended June 30, 2015 and 2014:

	2015	2014
Total return on investments	\$ 490,696	\$ 13,411,101
Bank interest and fees	54,315	87,964
Gain (loss) on split-interest agreements	(977,126)	138,624
Gain (loss) on deposits with trustees	484,616	(49,788)
Other	(29,959)	(39,759)
	<u>\$ 22,542</u>	<u>\$ 13,548,142</u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 4 – Investments – continued

	<u>2015</u>	<u>2014</u>
Per Statements of Activities		
Operating		
Interest income	\$ 373,205	\$ 316,974
Net realized and unrealized (loss) gain on short-term investments	(147,960)	133,046
Nonoperating		
Investment income	1,003,092	1,344,226
Net realized and unrealized (loss) gain on investments	<u>(1,205,795)</u>	<u>11,753,896</u>
	<u>\$ 22,542</u>	<u>\$ 13,548,142</u>

Investment advisory fees amounted to \$433,462 and \$391,918 for the years ended June 30, 2015 and 2014, respectively. Certain investment managers net their investment fees against returns, and accordingly, such amounts are not included in the aforementioned fees.

Note 5 – Fair Values of Financial Instruments

The valuation of the Institute's financial instruments using the fair value hierarchy on a recurring basis consisted of the following at June 30, 2015 and 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2015				
Assets				
Investments – short term	\$ 24,057,922	\$ -	\$ -	\$ 24,057,922
Funds restricted for property acquisitions	475,864	-	-	475,864
Investments – pooled				
Cash and cash equivalents	203,668	-	-	203,668
Domestic equity funds	21,420,212	-	-	21,420,212
International equity funds	20,063,097	6,922,044	-	26,985,141
Fixed income funds	8,647,852	4,007,679	-	12,655,531
Hedge funds	-	2,493,175	-	2,493,175
Private equity and venture funds	-	-	25,681,991	25,681,991
Investments – nonpooled	<u>211,904</u>	<u>-</u>	<u>1,721,326</u>	<u>1,933,230</u>
Total assets at fair value	<u>\$ 75,080,519</u>	<u>\$ 13,422,898</u>	<u>\$ 27,403,317</u>	<u>\$ 115,906,734</u>
Liabilities				
Obligation on interest rate swap agreements	<u>\$ -</u>	<u>\$ 11,332,117</u>	<u>\$ -</u>	<u>\$ 11,332,117</u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 5 – Fair Values of Financial Instruments – continued

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Assets				
Investments – short term	\$ 15,649,634	\$ -	\$ -	\$ 15,649,634
Deposits with trustees	4,411,730	1,761,874		6,173,604
Funds restricted for property acquisitions	473,261	-	-	473,261
Investments – pooled				
Cash and cash equivalents	113,606	-	-	113,606
Domestic equity funds	23,281,158	-	-	23,281,158
International equity funds	21,819,775	6,875,629	-	28,695,404
Fixed income funds	7,707,263	4,364,147	-	12,071,410
Hedge funds	-	3,303,892	-	3,303,892
Private equity and venture funds	-	-	23,996,366	23,996,366
Investments – nonpooled	183,190	-	714,858	898,048
Total assets at fair value	<u>\$ 73,639,617</u>	<u>\$ 16,305,542</u>	<u>\$ 24,711,224</u>	<u>\$ 114,656,383</u>
Liabilities				
Obligation on interest rate swap agreements	<u>\$ -</u>	<u>\$ (10,164,596)</u>	<u>\$ -</u>	<u>\$ (10,164,596)</u>

Management has determined that fair value approximates carrying value for cash and cash equivalents, student accounts receivable, and accounts payable, given the short-term nature of these instruments. Management has no practical or cost effective way of assessing fair value for other receivables, student loans receivable, pledges receivable, and obligations under split-interest agreements. The fair values of such instruments have been derived, in part, by management's assumptions, under Level 2 fair value methods. Different assumptions could significantly affect these estimated fair values.

The Institute owns interests in alternative investment funds, not in the securities underlying each fund; therefore, it is generally required to consider such investments as Level 2 or Level 3, even though the underlying securities may not be difficult to value or may be readily marketable. Management utilized NAV as a practical expedient to fair value for all Level 2 and Level 3 funds in the preceding table with the exception of one private equity fund (which represents approximately 2% of that category), two trusts and deposits with trustees. That fund's fair value has been estimated based upon management's estimate of the exit price utilizing observable market transaction information and issues regarding the fund's liquidity. To the extent NAV has been used as a practical expedient to estimate fair value of an investment, that investment's classification in the fair value hierarchy is based on the Institute's ability to redeem its interest at or near the date of the Statements of Financial Position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

The Institute owns mutual funds and alternative investment vehicles that, under certain unusual circumstances, managers may alter redemption provisions of their investment vehicles which could impact the ultimate liquidity of such funds.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 5 – Fair Values of Financial Instruments – continued

The following table presents the Institute's activities for the years ended June 30, 2015 and 2014, for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	<u>nonpooled</u>
Balance as of July 1, 2013	\$ 16,748,604
Realized gain (loss)	-
Unrealized gain	2,471,504
Transfer out of Level 3	-
Purchases	7,734,273
Sales	<u>(2,243,157)</u>
Balance as of June 30, 2014	24,711,224
Realized gain (loss)	-
Unrealized gain	877,321
Transfer out of Level 3	-
Purchases	3,510,818
Sales	<u>(1,696,046)</u>
Balance as of June 30, 2015	<u>\$ 27,403,317</u>
Current year unrealized gains for investments still held at June 30, 2015	<u>\$ 815,127</u>

Private equity and venture funds have unfunded commitments of \$6,303,394 at June 30, 2015.

Note 6 – Other Receivables

Other receivables consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Charitable remainder unitrusts	\$ 1,349,424	\$ 1,439,016
Student financial assistance	42,363	388,043
Other	<u>943,441</u>	<u>2,014,053</u>
	<u>\$ 2,335,228</u>	<u>\$ 3,841,112</u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 7 – Split-Interest Agreements

Split-interest agreements included in the Statements of Financial Position at June 30, 2015 and 2014 consist of the following:

	<u>Discount Rates Used for Valuation</u>	<u>2015</u>	<u>2014</u>
Charitable gift annuities			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	4.0% to 10.1%	\$ 3,652,142	\$ 3,326,678
Charitable remainder unitrusts held and administered by the Institute			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	7.0%	<u>133,134</u>	<u>152,950</u>
Total		<u>\$ 3,785,276</u>	<u>\$ 3,479,628</u>
Charitable remainder unitrusts held and administered by others			
Net present value included in other receivables	5.0% to 8.0%	<u>\$ 1,349,424</u>	<u>\$ 1,439,016</u>

Note 8 – Deposits with Trustees

At June 30, 2014, deposits with trustees consisted of \$6,173,604 of debt service and debt service reserve funds for the 2007A and 2007B Issues. Due to the refunding of the Series 2007A and Series 2007B Issues with Series 2015A and 2015B, respectively, in April 2015, there are no longer debt service fund requirements.

Interest income on deposits with trustees amounted to \$21,959 and \$69,934 in 2015 and 2014, respectively, and is reflected in the Statements of Activities within interest income.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 9 – Pledges Receivable

Pledges receivable at June 30, 2015 and 2014, are expected to be realized in the following time frames:

	<u>2015</u>	<u>2014</u>
Up to one year	\$ 1,552,320	\$ 216,848
One to five years	4,366,000	303,833
Five to ten years	75,000	75,000
More than ten years	<u>164,000</u>	<u>179,000</u>
	6,157,320	774,681
Less present value discount	<u>406,004</u>	<u>131,416</u>
	5,751,316	643,265
Less allowance for uncollectible pledges	<u>246,617</u>	<u>59,293</u>
Pledges receivable, net	<u><u>\$ 5,504,699</u></u>	<u><u>\$ 583,972</u></u>

Net pledges receivable are categorized as follows at June 30:

	<u>2015</u>	<u>2014</u>
Temporarily restricted	\$ 3,938,990	\$ 195,481
Permanently restricted	<u>1,565,709</u>	<u>388,491</u>
	<u><u>\$ 5,504,699</u></u>	<u><u>\$ 583,972</u></u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 10 – Property and Equipment

Property and equipment are stated at cost or, if received as gifts, at fair value as of the date of the gift, less accumulated depreciation, and consists of the following at June 30, 2015 and 2014:

	Estimated Useful Life in Years	2015	2014
Academic facilities			
Land		\$ 1,093,542	\$ 1,093,542
Buildings and building improvements	20 to 40	123,878,675	120,400,601
Equipment	2 to 10	35,231,400	31,641,703
Land improvements	10 to 20	4,749,857	4,690,502
Construction in progress		18,218	2,120,581
Auxiliary facilities			
Land		12,298,781	12,832,003
Buildings and building improvements	20 to 40	148,040,596	100,068,489
Equipment	3 to 10	5,445,528	4,052,903
Land improvements	10 to 20	1,866,102	1,832,873
Construction in progress		783,830	40,690,025
		333,406,529	319,423,222
Less accumulated depreciation		135,801,065	125,021,219
		<u>\$ 197,605,464</u>	<u>\$ 194,402,003</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$13,527,260 and \$12,640,989, respectively.

During the year ended June 30, 2015, the Institute disposed of property and equipment with a cost of \$2,758,572 and accumulated depreciation of \$2,742,349. Gain on disposal of property and equipment for the years ended June 30, 2015 and 2014 was \$203,874 and \$166,734, respectively, and is included in the Statements of Activities in other expenses.

Note 11 – Asset Retirement Obligations

Interest accretion costs were \$105,335 and \$103,063 for the years ended June 30, 2015 and 2014, respectively. Other increases or decreases in the amount of the liability are principally due to changes in the expected timing or estimated cost of planned remediation of environmental contamination. These amounts are included in other expenses in the Statements of Activities.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 12 – Pension and Postretirement Benefit Plans

Pension Plan

The Institute sponsors a defined contribution plan under IRC Section 403(b). The plan covers all employees who meet eligibility requirements. Contributions to the plan are made by the Institute at 10% of an employee's salary. Employees make voluntary deferred salary contributions to the plan subject to statutory limits. Total pension expense for the plan was \$3,297,026 and \$3,150,832 for the years ended June 30, 2015 and 2014, respectively.

Supplemental Retirement Plans

The Institute sponsors a deferred compensation plan under IRC Section 457(b) for the purpose of providing deferred compensation to allow a select group of employees to accumulate retirement assets. At June 30, 2015 and 2014, the Institute held assets included in the Statements of Financial Position in Investments – non-pooled of \$211,904 and \$183,190, respectively, associated with these agreements. These investments are designated by the Institute to pay future deferred compensation liabilities included in the Statements of Financial Position in accrued salaries and wages of \$211,904 and \$183,190 as of June 30, 2015 and 2014, respectively.

The Institute sponsors a nonqualified supplemental executive retirement plan for the purpose of providing deferred compensation to a select group of employees. The plan is intended to be an unfunded plan, though voluntary contributions may be made to a grantor trust. Total expense for the plan was \$0 and \$25,000 for the years ended June 30, 2015 and 2014, respectively. No contribution has been made to a grantor trust as of June 30, 2015.

Postretirement Benefit Plan

The Institute provides certain medical and dental benefits for substantially all former employees who retired after attaining specific age and service requirements. The cost of providing these benefits is shared with the retiree, and the Institute has capped the subsidy it provides to retirees at the level in effect since 1993. The plan was amended in 2001 to include only eligible employees that had achieved fifty years of age and ten years of service at the Institute at December 31, 2001. Employees who did not meet these criteria and employees hired after December 31, 2001 are not eligible for retiree benefits. The plan is unfunded. The estimated expected contribution for the year ending June 30, 2016 is \$217,000.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 12 – Pension and Postretirement Benefit Plans – continued

The funded status of the plan as of June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution	201,487	194,793
Plan participants' contributions	316,258	355,005
Benefits paid	(492,341)	(526,080)
Allocation for expected benefit payments (implicit subsidy)	<u>(25,404)</u>	<u>(23,718)</u>
Fair value of plan assets at end of year	\$ -	\$ -
Change in benefit obligation		
Accumulated postretirement benefit obligation at beginning of year	2,220,628	2,302,579
Interest cost	99,638	108,728
Plan participants' contributions	316,258	355,005
Benefits paid	(517,745)	(549,798)
Actuarial loss	<u>465,776</u>	<u>4,114</u>
Accumulated postretirement benefit obligation at end of year	<u>2,584,555</u>	<u>2,220,628</u>
Funded status at end of year	<u><u>\$ (2,584,555)</u></u>	<u><u>\$ (2,220,628)</u></u>

Net periodic postretirement benefit cost for the years ended June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Interest cost on accumulated postretirement benefit obligation	<u>\$ 99,638</u>	<u>\$ 108,728</u>
Net periodic postretirement benefit cost	<u><u>\$ 99,638</u></u>	<u><u>\$ 108,728</u></u>

The estimated net actuarial loss and prior service cost that will be amortized into net periodic benefit cost over the next fiscal year is \$106,000.

For measurement purposes, a 5.00% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2015 and 2014. The medical premiums currently exceed the maximum monthly employer subsidy; therefore, a trend rate no longer applies to the medical benefits.

The effect of a 1% increase in the health care cost trend rate is an increase of \$221,676 in the accumulated postretirement benefit obligation and an increase of \$7,517 in the service and interest cost components of the net postretirement benefit. The effect of a 1% decrease in the health care cost trend rate is a decrease of \$194,471 in the accumulated postretirement benefit obligation and a decrease of \$6,727 in the service and interest cost components of the net postretirement benefit.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 12 – Pension and Postretirement Benefit Plans – continued

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.75% as of June 30, 2015 and 2014.

Estimated future benefit payments, net of participant contributions, are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 217,000
2017	220,000
2018	221,000
2019	219,000
2020	215,000
2021 through 2025	<u>956,000</u>
	<u><u>\$ 2,048,000</u></u>

Note 13 – Bonds Payable and Interest Rate Swap Agreements

Bonds payable, consisting entirely of various issues of Massachusetts Development Finance Agency, consists of the following at June 30, 2015 and 2014:

	Maturity	Interest Rate	Carrying Value		Estimated
			2015	2014	Fair Value 2015
2015A Issue	October 1, 2033	Variable	\$ 35,290,000	\$ -	\$ 28,311,086
2015B Issue	October 1, 2035	Variable	10,990,000	-	9,085,615
2013A Issue	September 1, 2044	Variable	44,185,654	29,804,278	32,988,274
2013B Issue	October 1, 2030	Variable	22,452,500	23,552,500	19,494,887
2007A Issue	October 1, 2033	Variable	-	41,680,000	-
2007B Issue	October 1, 2035	Variable	<u>-</u>	<u>12,600,000</u>	<u>-</u>
			<u><u>\$ 112,918,154</u></u>	<u><u>\$ 107,636,778</u></u>	<u><u>\$ 89,879,862</u></u>

The estimated fair value of the bonds is not representative of the amount for which the Institute could settle the obligation and has been estimated using Level 2 fair value inputs.

2015A Issue

In April 2015, proceeds were received from the offering of the \$40,686,128 Wentworth Institute of Technology, Inc. Series 2015A Bonds, which included approximately \$6,000,000 from a bond service fund and used to refund the Series 2007A Issue. The 2015A Issue contains certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, filing of annual financial statements, and meeting certain debt coverage and liquidity ratios.

The 2015A Issue is collateralized by the Institute's unrestricted revenue. Interest is assessed at a variable rate of 69.75% x (LIBOR + 0.93%). The interest rate for the 2015A Issue at June 30, 2015 was 0.80%.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 13 – Bonds Payable and Interest Rate Swap Agreements – continued

2015B Issue

In April 2015, proceeds were received from the offering of the \$12,202,116 Wentworth Institute of Technology, Inc. Series 2015B Bonds, which were used to refund the Series 2007B Issue. The 2015B Issue contains certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, filing of annual financial statements, and meeting certain debt coverage and liquidity ratios.

The 2015B Issue is collateralized by the Institute's unrestricted revenue. Interest is assessed at a variable rate of 69.75% x (LIBOR + 0.93%). The interest rate for the 2015B Issue at June 30, 2015 was 0.80%.

2013A Issue

In February 2013, proceeds were received from the offering of the \$44,995,000 Wentworth Institute of Technology, Inc. Series 2013A Bonds, which is being used to fund the construction of a new residence hall known as the Apartments at 525. The 2013A Issue contains certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, filings of annual financial statements, and meeting certain debt coverage and liquidity ratios. Funds are being drawn on this Issue as costs are incurred for the construction project. The Institute expects to fully draw these funds by November 30, 2015.

The 2013A Issue is collateralized by the Institute's unrestricted revenue. Interest is assessed at a variable rate of 72% x (LIBOR+1.25%). The interest rate for the 2013A Issue at June 30, 2015 and 2014 was 0.98% and 0.97%, respectively.

2013B Issue

In February 2013, proceeds were received from the offering of the \$24,870,000 Wentworth Institute of Technology, Inc. Series 2013B Bonds, which were used to refund the Series 2008 Issue. The 2013B Issue contains certain restrictive covenants, including limitations on obtaining additional debt, restriction on the sale of assets, filings of annual financial statements, and meeting certain debt coverage and liquidity ratios.

The 2013B Issue is collateralized by the Institute's unrestricted revenue. Interest is assessed at a variable rate of 72% x (LIBOR+1.25%). The interest rate for the 2013B Issue at June 30, 2015 and 2014 was 0.98% and 0.97%, respectively.

2007A Issue

In November 2007, proceeds were received from the offering of the \$50,155,000 Wentworth Institute of Technology, Inc. Series 2007A Bonds, which were used to refund the 2003 Issue bonds. The 2007A Issue was refunded in April 2015 by the Series 2015A Issue.

2007B Issue

In November 2007, proceeds were received from the offering of the \$14,635,000 Wentworth Institute of Technology, Inc. Series 2007B Bonds, which were used to refund the 2005 Issue bonds. The 2007B Issue was refunded in April 2015 by the Series 2015B Issue.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 13 – Bonds Payable and Interest Rate Swap Agreements – continued

The aggregate maturities due on long-term debt include debt for the 2013A Issue which has not been fully drawn at June 30, 2015 and are as follows:

<u>Year Ending June 30,</u>	<u>Principal Amount</u>	<u>Committed Obligations</u>	<u>Total</u>
2016	\$ 3,764,279	\$ -	\$ 3,764,279
2017	3,881,410	-	3,881,410
2018	4,018,209	-	4,018,209
2019	4,141,424	-	4,141,424
2020	4,264,094	-	4,264,094
Thereafter	92,525,014	323,724	92,848,738
	<u>\$ 112,594,430</u>	<u>\$ 323,724</u>	<u>\$ 112,918,154</u>

Interest Rate Swap Agreements

The Institute uses interest rate swaps to manage interest rate risk exposure. The Institute's interest rate swaps mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt or payment of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The Institute does not enter into derivative instruments for trading or speculative purposes.

All of the Institute's interest rate swaps have been recorded in the Statements of Financial Position at fair value. Changes in fair value are recorded as Nonoperating Net unrealized gain (loss) on interest swaps in the Statements of Activities.

As a result of the use of derivative instruments, the Institute is exposed to the risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the Institute only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2015 and 2014, all of the counterparties to the Institute's interest rate swaps had investment grade ratings. The interest rate swap agreements contain provisions in which the counterparty could elect to terminate the agreement should the credit rating of the Institute or affiliated entities to the swap fall below investment grade. If this were to occur, the Institute could be required to terminate the swap agreement at its then fair value, which could result in the potential for cash outflows or the posting of a collateral account depending on the fair value of the swap at the time of the termination of the agreement. The agreements also require the posting of collateral by the Institute if the mark to market swap liability exceeds a certain threshold. At June 30, 2015, the Institute was not in jeopardy of exceeding these thresholds.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 13 – Bonds Payable and Interest Rate Swap Agreements – continued

The Institute had the following swaps outstanding at June 30, 2015 and 2014:

2015				
Interest Rate Received	Interest Rate Paid	Termination Date	Notional Amount	Fair Value
USD-LIBOR-BBA x 0.72 (.08%)	1.75%	2/1/2023	\$ 43,818,468	\$ (1,012,583)
USD-LIBOR-BBA x 0.67 (.07%)	3.57	10/1/2033	34,090,000	(6,356,439)
USD-LIBOR-BBA x 0.67 (.07%)	3.30	10/1/2030	11,020,000	(1,548,465)
USD-LIBOR-BBA x 0.67 (.07%)	3.62	10/1/2035	<u>12,165,000</u>	<u>(2,414,630)</u>
			<u>\$ 101,093,468</u>	<u>\$ (11,332,117)</u>
2014				
Interest Rate Received	Interest Rate Paid	Termination Date	Notional Amount	Fair Value
USD-LIBOR-BBA x 0.72 (.07%)	1.75%	2/1/2023	\$ 44,463,870	\$ (295,197)
USD-LIBOR-BBA x 0.67 (.06%)	3.57	10/1/2033	35,270,000	(6,086,487)
USD-LIBOR-BBA x 0.67 (.06%)	3.30	10/1/2030	11,525,000	(1,501,731)
USD-LIBOR-BBA x 0.67 (.06%)	3.62	10/1/2035	<u>12,910,000</u>	<u>(2,281,181)</u>
			<u>\$ 104,168,870</u>	<u>\$ (10,164,596)</u>

Note 14 – Commitments and Contingencies

The Institute is guarantor of loans made by a bank to various former students at the Institute of which balances were \$341,308 and \$607,956 at June 30, 2015 and 2014, respectively. The Institute has guaranteed the first 48% of potential loss in case of student default. At June 30, 2015 and 2014, the Institute recorded a liability of \$175,000 and \$195,000, respectively, in accrued expenses related to this guarantee.

The Institute is committed under long-term operating leases for the rental of certain equipment and under long-term agreements for receipt of certain services. The commitments expire at various dates through November 30, 2018. Rental and service expenses incurred under the operating leases and service agreements for the years ended June 30, 2015 and 2014 were \$2,843,437 and \$2,724,677, respectively.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 14 – Commitments and Contingencies – continued

At June 30, 2015, the minimum commitments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Commitments</u>
2016	\$ 2,065,522
2017	79,414
2018	41,761
2019	<u>17,614</u>
	<u>\$ 2,204,311</u>

The Institute is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot be determined, the Institute believes that an eventual liability, if any, will not have a material effect on the Institute's financial position.

The Institute participates in the Massachusetts Institute Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in Consumer Price Index plus 2%. This could result in discounts on tuition charged to students in the future.

All funds expended by the Institute in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2015.

For the year ended June 30, 2015, the Institute had a partially self-insured medical plan (the Plan) for certain medical benefits covering employees and certain retirees. The Plan was self-insured, with stop-loss insurance providing coverage for claims in excess of \$125,000 per participant in a calendar year, up to a lifetime stop-loss coverage limit of \$1,000,000 per participant. An accrual of \$300,000 was recorded for benefit claims incurred but not reported at June 30, 2015 and 2014.

The Institute has a partially self-insured dental plan (the Plan) for certain dental benefits covering employees and certain retirees. The Plan is self-insured up to a maximum of \$1,500 per participant in any policy year. An accrual of \$20,000 has been recorded for benefits incurred but not reported at June 30, 2015 and 2014, respectively.

The Institute has an employment agreement with its president through May 2019 that stipulates a variety of business terms typical in the education sector.

During fiscal year 2013, the Institute amended a long-term service contract with a vendor to provide certain services to the Institute. The amendment extends the service agreement to June 30, 2030 and calls for various credits, commissions and investments to be made by the vendor. The investments made by the vendor will amortize in equal amounts over the term of the agreement. In the event the agreement is terminated by either the Institute or the vendor, the Institute shall repay the vendor the unamortized portion of the investment made by the vendor. At June 30, 2015 and 2014, this investment is included in unearned tuition, fees and other deferred credits in the Statements of Financial Position and amounted to \$2,619,718 and \$2,794,366, net of amortization of \$174,648 for both June 30, 2015 and 2014, respectively. Monthly amortization is being credited to auxiliary expenditures in the Statements of Activities.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 14 – Commitments and Contingencies – continued

The Institute participates in a self-insured health insurance captive (the “Captive”) in order to manage its health insurance costs. The Institute is an equity participant in the Captive that currently includes ten other educational institutions. As a participant, the Institute is liable for its pro-rata share of any losses beyond the Captive’s ability to fund such losses after total participants’ equity is liquidated.

The Institute has a number of other agreements with organizations and schools offering a number of opportunities and advantages for students. One such agreement provides access to academic programs and co-curricular activities at five other colleges in direct proximity to the Institute’s campus.

The Institute is a participant in a workers’ compensation self-insured group (the “Group”). Workers’ compensation expense is determined based on annual premiums less dividends received plus the Institute’s prorated share of any excess of liabilities, if applicable. A comparison of net expense is as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Workers' compensation premiums	\$ 292,671	\$ 295,850
Less dividends received	109,099	120,367
Net workers' compensation cost	<u>\$ 183,572</u>	<u>\$ 175,483</u>

Specific excess reinsurance has been purchased to provide for statutory benefits and \$1,000,000 employer’s liability, subject to a \$500,000 per occurrence retention.

The Institute is jointly and severally liable, in connection with the workers’ compensation self-insured group, for the following:

- Any unfunded obligation of the Group which it may become legally obligated to pay, in respect to any fund year or part thereof that the Institute participated in the Group.
- All necessary assessments and charges, as determined by the group trustee, to be paid into the Group at required intervals.

Certain faculty, physical plant, and public safety employees of the Institute are subject to collective bargaining agreements which expire April 30, 2017, June 30, 2016, and December 31, 2016, respectively.

Note 15 – Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

Board designated are funds added to the endowment by the Board of Trustees to provide investment income to support operations. These amounts may only be used with the approval of the Board of Trustees.

Net investment in plant is the value of buildings and equipment, net of depreciation, used in the Institute’s operations. This amount is offset by outstanding liabilities related to the assets, such as bonds payable.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 15 – Net Assets and Endowment Matters – continued

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

Net realized and unrealized gains on investments, in accordance with GAAP and the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA), represents unappropriated net gains on permanently restricted endowment investments.

Physical plant represents amounts received with donor restrictions for capital additions and improvements which have not yet been expended for their designated purposes.

Scholarships represent amounts received with donor restrictions for student scholarships which have not yet been expended for their designated purposes.

Instruction represents amounts received with donor restrictions for instructional purposes which have not yet been expended for their designated purposes.

Split-interest agreements represent future interests in trusts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Pledges, net represents pledges received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Other represents amounts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

	<u>2015</u>	<u>2014</u>
Net realized and unrealized gains on investments		
Physical plant	\$ 105,682	\$ 109,715
Scholarships	6,457,892	7,236,351
Instruction	1,927,430	2,116,933
Other	<u>151,733</u>	<u>165,468</u>
	8,642,737	9,628,467
Other temporarily restricted net assets		
Physical plant	1,662,243	662,530
Scholarships	2,196,015	2,145,737
Instruction	1,306,850	1,447,813
Split-interest agreements	1,642,284	1,741,315
Pledges, net	3,938,990	195,481
Other	<u>321,396</u>	<u>351,261</u>
	<u><u>\$ 19,710,515</u></u>	<u><u>\$ 16,172,604</u></u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 15 – Net Assets and Endowment Matters – continued

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

Physical plant represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for physical plant expenditures and is recorded in temporarily restricted net assets until appropriated for expenditure.

Scholarships represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for student scholarships and is recorded in temporarily restricted net assets until appropriated for expenditure.

Instruction represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for instructional purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Pledges, net represents pledged amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Other represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Perpetual trusts represent funds invested with third parties; the earnings on which are spent for various purposes

	2015	2014
Endowed funds – physical plant	\$ 621,000	\$ 221,000
Endowed funds – scholarships	12,133,572	10,874,803
Endowed funds – instruction	2,465,103	2,459,268
Endowed funds – other	166,309	166,309
Perpetual trust	1,721,326	714,858
Pledges, net	1,565,709	388,491
	<u>\$ 18,673,019</u>	<u>\$ 14,824,729</u>

Increases in fair value associated with perpetual trusts are reflected as permanently restricted given that appropriation of such gains is under the control of a third party.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 15 – Net Assets and Endowment Matters – continued

Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restriction were for the following purposes for the years ended June 30, 2015 and 2014:

	2015	2014
Scholarships	\$ 1,063,346	\$ 602,233
Instruction	171,242	142,396
Physical plant	7,700	63,134
Other	148,140	172,112
Total operating	<u>\$ 1,390,428</u>	<u>\$ 979,875</u>
Instruction	\$ 358,798	\$ -
Split-Interest	133,626	-
Physical plant	224,422	2,463,208
Total nonoperating	<u>\$ 716,846</u>	<u>\$ 2,463,208</u>

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30, 2015 and 2014:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
June 30, 2015				
Donor-restricted endowment funds	\$ -	\$ 9,842,814	\$ 15,685,984	\$ 25,528,798
Board-designated endowment funds	64,210,920	-	-	64,210,920
Total endowment as of June 30, 2015	<u>\$ 64,210,920</u>	<u>\$ 9,842,814</u>	<u>\$ 15,685,984</u>	<u>\$ 89,739,718</u>
June 30, 2014				
Donor-restricted endowment funds	\$ -	\$ 10,846,745	\$ 13,721,380	\$ 24,568,125
Board-designated endowment funds	66,893,711	-	-	66,893,711
Total endowment as of June 30, 2014	<u>\$ 66,893,711</u>	<u>\$ 10,846,745</u>	<u>\$ 13,721,380</u>	<u>\$ 91,461,836</u>

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 15 – Net Assets and Endowment Matters – continued

The following represents required disclosures relative to the composition of the endowment at June 30, 2015 and 2014:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment as of June 30, 2013	\$ 60,405,339	\$ 8,451,242	\$ 13,033,570	\$ 81,890,151
Gifts and additions	(140,750)	2,391	687,810	549,451
Return on endowment				
Interest and dividends, net of fees	975,425	351,963	-	1,327,388
Net realized and unrealized gain	8,516,947	3,066,319	-	11,583,266
Expenditures				
Investment income used for operations	(2,863,250)	(1,025,170)	-	(3,888,420)
Endowment as of June 30, 2014	66,893,711	10,846,745	13,721,380	91,461,836
Gifts and additions	89,049	(1,617)	1,964,604	2,052,036
Return on endowment				
Interest and dividends, net of fees	724,356	270,832	-	995,188
Net realized and unrealized loss	(488,949)	(173,600)	-	(662,549)
Expenditures				
Investment income used for operations	(3,007,247)	(1,099,546)	-	(4,106,793)
Endowment as of June 30, 2015	<u>\$ 64,210,920</u>	<u>\$ 9,842,814</u>	<u>\$ 15,685,984</u>	<u>\$ 89,739,718</u>

Endowment

The Institute's endowment consists of 134 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the Institute has interpreted UPMIFA, enacted in the Commonwealth of Massachusetts as requiring the preservation of the original value of a gift of funds with permanent restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the following as permanently restricted net assets:

- The original value of gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- 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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 15 – Net Assets and Endowment Matters – continued

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Pooled investments are managed by one investment advisor and are maintained by one custodian. Distributions from the endowment are made using the total return method. Under the total return method, distributions consist of interest, dividends, realized and unrealized gains. Investment income is appropriated using a spending rate of 5% of a rolling three-year average fair value of the endowment. This spending rate was adopted by the Board of Trustees in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future. Units in the pool are assigned on the basis of market value at the time funds to be invested are received, and income is distributed quarterly thereafter on a per-unit basis. All realized and unrealized gains and losses arising from pooled investments are allocated to participating funds based on their respective number of units held on a quarterly basis.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 and 2014. Future market gains will be used to restore these deficiencies in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

Return Objectives and Risk Parameters

The Institute's endowment is managed to provide for the long-term support of the Institute. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain a total return that exceeds the spending rate plus inflation. The intent of this objective is to preserve, over time, the principal value of the assets as measured in inflation-adjusted terms.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute 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 Institute targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Institute seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements – Continued

Note 16 – Functional Expenses

Total operating expenses of the Institute by function for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Instruction	\$ 42,576,842	\$ 40,825,903
Auxiliary expenditures	25,035,683	21,243,810
Library	2,314,508	2,310,961
Student services	14,122,124	13,408,833
General administration	20,011,194	19,142,884
Institutional advancement	<u>2,731,675</u>	<u>2,180,446</u>
	<u><u>\$ 106,792,026</u></u>	<u><u>\$ 99,112,837</u></u>

Depreciation, maintenance, interest and other expenses have been allocated to the above functions. Methods used in allocating these expenses include actual expenses incurred and percentage of square footage utilized by each functional area. Advertising costs are expensed to their associated functions when incurred and were \$1,059,810 and \$917,852 for the years ended June 30, 2015 and 2014, respectively.