WENTWORTH INSTITUTE OF TECHNOLOGY

Financial Statements

June 30, 2016 and 2015

WENTWORTH INSTITUTE OF TECHNOLOGY, INC

Financial Statements

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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, 2016 and 2015, 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, 2016 and 2015, 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 1, 2016
Boston, Massachusetts

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	$ 24,359,264	$ 19,691,439
Investments - short-term	19,676,504	24,057,922
Student accounts receivable (net of allowance for doubtful accounts of $500,000 in 2016 and 2015)	1,808,690	1,177,939
Other receivables	2,405,571	2,335,228
Student loans receivable	4,537,403	4,511,713
Prepaid expenses and deposits	2,316,385	2,261,245
Funds restricted for property acquisitions	466,364	475,864
Pledges receivable, net	5,563,137	5,504,699
Investments - pooled	83,453,469	89,439,718
Investments - non-pooled	3,198,438	1,933,230
Property and equipment, net	205,541,758	197,605,464
Total assets	$ 353,326,983	$ 348,994,461
Liabilities and net assets:		
Accounts payable and accrued expenses	$ 4,207,756	$ 3,876,183
Accounts payable, construction	4,927,520	1,081,908
Accrued salaries and wages	2,208,380	3,549,360
Unearned tuition, fees and deposits	16,514,543	16,026,404
Obligation on charitable annuity agreements	3,435,103	3,785,276
Obligation on interest rate swap agreements	16,205,693	11,332,117
Asset retirement obligations	1,236,967	1,790,689
Accumulated postretirement benefit obligation	2,599,050	2,584,555
Bonds payable	108,290,414	111,953,652
Perkins and other government advances	3,737,429	3,727,401
Total liabilities	163,362,855	159,707,545
Commitments and contingencies		
Net assets:		
Unrestricted	153,266,202	150,903,382
Temporarily restricted	16,831,839	19,710,515
Permanently restricted	19,866,087	18,673,019
Total net assets	189,964,128	189,286,916
Total liabilities and net assets	$ 353,326,983	$ 348,994,461

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2016
(with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating:					
Revenues and gains:					
Student tuition and fees	$ 129,655,228	$ -	$ -	$ 129,655,228	$ 123,261,771
Less student aid	(46,766,690)	-	-	(46,766,690)	(44,433,301)
Net student tuition and fees	82,888,538	-	-	82,888,538	78,828,470
Auxiliary enterprises revenue	31,946,732	-	-	31,946,732	31,469,870
Gifts and bequests	846,602	585,038	-	1,431,640	1,233,536
Governmental appropriations	729,256	-	-	729,256	675,516
Interest income	382,427	27,141	-	409,568	373,205
Net realized and unrealized gain (loss) on short-term investments	336,239	-	-	336,239	(147,960)
Other income	777,856	48,080	-	825,936	224,730
Investment income used for operations	3,138,293	1,178,729	-	4,317,022	4,106,793
Net assets released from restrictions	2,046,866	(2,046,866)	-	-	-
Total operating revenues and gains	123,092,809	(207,878)	-	122,884,931	116,764,160
Expenses:					
Instruction	35,092,392	-	-	35,092,392	33,346,333
Auxiliary expenditures	4,885,611	-	-	4,885,611	5,007,941
Library	1,537,145	-	-	1,537,145	1,341,996
Student services	13,186,955	-	-	13,186,955	11,053,192
General administration	20,604,920	-	-	20,604,920	19,112,627
Institutional advancement	3,231,997	-	-	3,231,997	2,632,835
Physical plant	14,398,737	-	-	14,398,737	13,723,792
Depreciation and amortization	14,296,895	-	-	14,296,895	13,603,629
Interest expense	3,619,073	-	-	3,619,073	3,237,358
Other	3,627,852	-	-	3,627,852	3,732,323
Total operating expenses	114,481,577	-	-	114,481,577	106,792,026
Operating subtotal	8,611,232	(207,878)	-	8,403,354	9,972,134
Nonoperating:					
Gifts and bequests	-	2,568,342	1,204,727	3,773,069	9,251,411
Investment income	421,659	184,442	25,202	631,303	1,003,092
Net realized and unrealized loss on investments	(2,230,513)	(672,542)	(36,861)	(2,939,916)	(1,205,795)
Investment income used for operations	(3,138,293)	(1,178,729)	-	(4,317,022)	(4,106,793)
Net unrealized loss on interest swaps	(4,873,576)	-	-	(4,873,576)	(1,167,520)
Net assets released from restrictions	3,572,311	(3,572,311)	-	-	-
Nonoperating subtotal	(6,248,412)	(2,670,798)	1,193,068	(7,726,142)	3,774,395
Change in net assets	2,362,820	(2,878,676)	1,193,068	677,212	13,746,529
Net assets at beginning of year	150,903,382	19,710,515	18,673,019	189,286,916	175,540,387
Net assets at end of year	$ 153,266,202	$ 16,831,839	$ 19,866,087	$ 189,964,128	$ 189,286,916

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Operating:				
Revenues and gains:				
Student tuition and fees	$ 123,261,771	$ -	$ -	$ 123,261,771
Less student aid	(44,433,301)	-	-	(44,433,301)
Net student tuition and fees	78,828,470	-	-	78,828,470
Auxiliary enterprises revenue	31,469,870	-	-	31,469,870
Gifts and bequests	762,059	471,477	-	1,233,536
Governmental appropriations	675,516	-	-	675,516
Interest income	339,661	33,544	-	373,205
Net realized and unrealized loss on short-term investments	(147,960)	-	-	(147,960)
Other income	218,949	5,781	-	224,730
Investment income used for operations	3,007,247	1,099,546	-	4,106,793
Net assets released from restrictions	1,390,428	(1,390,428)	-	-
Total operating revenues and gains	116,544,240	219,920	-	116,764,160
Expenses:				
Instruction	33,346,333	-	-	33,346,333
Auxiliary expenditures	5,007,941	-	-	5,007,941
Library	1,341,996	-	-	1,341,996
Student services	11,053,192	-	-	11,053,192
General administration	19,112,627	-	-	19,112,627
Institutional advancement	2,632,835	-	-	2,632,835
Physical plant	13,723,792	-	-	13,723,792
Depreciation and amortization	13,603,629	-	-	13,603,629
Interest expense	3,237,358	-	-	3,237,358
Other	3,732,323	-	-	3,732,323
Total operating expenses	106,792,026	-	-	106,792,026
Operating subtotal	9,752,214	219,920	-	9,972,134
Nonoperating:				
Gifts and bequests	356,192	5,003,397	3,891,822	9,251,411
Investment income	724,356	278,726	10	1,003,092
Net realized and unrealized loss on investments	(1,014,513)	(147,740)	(43,542)	(1,205,795)
Investment income used for operations	(3,007,247)	(1,099,546)	-	(4,106,793)
Net unrealized loss on interest swaps	(1,167,520)	-	-	(1,167,520)
Net assets released from restrictions	716,846	(716,846)	-	-
Nonoperating subtotal	(3,391,886)	3,317,991	3,848,290	3,774,395
Change in net assets	6,360,328	3,537,911	3,848,290	13,746,529
Net assets at beginning of year	144,543,054	16,172,604	14,824,729	175,540,387
Net assets at end of year	$ 150,903,382	$ 19,710,515	$ 18,673,019	$ 189,286,916

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 677,212	$ 13,746,529
Gifts of stock and property	(263,627)	(549,068)
Contributions restricted for long-term investment	(3,549,939)	(3,910,127)
Net realized and unrealized loss on investments	2,247,357	839,911
Unrealized loss on interest swaps	4,873,576	1,167,521
Depreciation and amortization	14,296,895	13,603,629
(Gain) loss on sale and/or disposal of property and equipment	576,969	(203,874)
Changes in operating assets and liabilities:		
Student accounts and other receivables	(701,094)	750,617
Pledges receivable	(48,419)	(5,108,051)
Allowance for doubtful accounts	(10,019)	387,324
Prepaid expenses and deposits	(55,140)	(523,076)
Accounts payable, accrueds and unearned tuition, fees and deposits	(521,268)	1,600,304
Asset retirement obligations	(553,722)	38,625
Accumulated postretirement benefit obligation	14,495	363,927
Net cash provided by operating activities	16,983,276	22,204,191
Cash flows from investing activities:		
Purchases of property and equipment	(19,066,517)	(25,012,507)
Proceeds from sale of property and equipment	218,145	220,096
(Increase) decrease in funds restricted for property acquisitions	9,500	(2,603)
Proceeds from sale of investments	26,638,578	31,948,964
Purchases of investments	(19,529,781)	(39,669,275)
Net student loans advanced	(737,405)	(811,405)
Proceeds from student loans	711,715	605,560
Net cash used in investing activities	(11,755,765)	(32,721,170)
Cash flows from financing activities:		
Net Perkins and other government advances	10,028	24,197
Payments for financing costs	-	(447,723)
Change in funds held by trustees	-	6,181,720
Change in obligation on charitable annuity agreements	(350,173)	305,648
Gifts and bequests restricted for permanent endowment	1,601,448	2,709,706
Gifts and bequests restricted for acquisition of property and equipment	1,948,491	1,200,421
Proceeds from issuance of bonds payable	-	15,190,722
Principal payments on bonds payable	(3,769,480)	(9,909,346)
Net cash provided by (used in) financing activities	(559,686)	15,255,345
Net increase in cash and cash equivalents	4,667,825	4,738,366
Cash and cash equivalents at beginning of year	19,691,439	14,953,073
Cash and cash equivalents at end of year	$ 24,359,264	$ 19,691,439
Supplemental data:		
Noncash investing activity - Gifts of stock and property	$ 263,627	$ 549,068
Noncash financing activity - Proceeds from issuance of bonds used to pay principal on bonds payable and closing costs	$ -	$ 46,280,000
Interest paid	$ 3,680,143	$ 3,321,576

The accompanying notes are an integral part of these 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 20 undergraduate programs and Masters degrees for 5 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 in accordance with accounting principles generally accepted in the United States of America ("GAAP") 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 and net unrealized and realized gains (losses) on investments are reported as follows:

- increases (decreases) in permanently restricted net assets if the terms of the contributions require these to be added to the principal;

- increases (decreases) in temporarily restricted net assets if the terms of the contributions or state law impose restrictions on the current use of the income or net gains; or

- increases (decreases) in unrestricted net assets in all other cases.

Note 2 – Summary of Significant Accounting Policies – continued

Nonoperating revenues include permanently restricted gifts, gifts for property and equipment, large estate gifts, investment income and realized and unrealized gains and losses on long-term investments, realized and unrealized gains and losses on interest rate swaps, 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 8), 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 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 could 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, 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 ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows 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 financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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.

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 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.

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 7 – Fair Value Measurements.

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 consist of donor restricted gifts that are earmarked for specific property, plant, and equipment acquisitions. These funds are separately invested from other investments of the Institute and consist principally of publicly-traded money market and mutual funds.

Note 2 – Summary of Significant Accounting Policies – continued

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.

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.

Investments

Investments are reported at fair value. The Institute's short-term investments primarily consist of publicly-traded mutual funds and certificates of deposits 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.

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 gain or loss on interest rate swaps.

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. The initially recorded fair value of liabilities of split-interest agreements have generally represented Level 2 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.

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.

Note 2 – Summary of Significant Accounting Policies – continued

Revenue Recognition

A substantial portion of the Institute's revenue is derived from student tuition and fees 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.

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.

Note 2 – Summary of Significant Accounting Policies – continued

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

During 2016, the Institute retrospectively adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*, and debt issuance costs are now presented as a deduction of debt on the financial statements for each year. Accordingly, bonds payable originally stated at $112,918,154 in the June 30, 2015 financial statements have been restated to $111,953,652 to reflect $964,502 of unamortized issuance costs previously included in other assets. Additionally, during 2016, the Institute retrospectively adopted FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and investments valued at NAV are now presented in a separate column in the related footnote disclosure for 2016 and 2015.

Subsequent Events

The Institute has evaluated subsequent events through November 1, 2016, the date the financial statements were issued.

Note 3 – Other Receivables

Other receivables consist of the following at June 30, 2016 and 2015:

	2016	2015
Charitable remainder unitrusts	$ 1,328,365	$ 1,349,424
Student financial assistance	522,490	42,363
Other	554,716	943,441
Total	$ 2,405,571	$ 2,335,228

Note 4 – Student Loans Receivable

Student loans receivable at June 30, 2016 and 2015 consist of the following:

June 30, 2016	Perkins Loans	Institute Loans	Total
Current	$ 3,375,960	$ 358,665	$ 3,734,625
1 - 240 days past due	77,235	17,962	95,197
241 days - two years past due	89,932	51,972	141,904
Two - five years past due	282,823	105,990	388,813
Greater than five years past due	322,982	11,357	334,339
Student loans receivable, gross	4,148,932	545,946	4,694,878
Less allowance for uncollectible loans	-	157,475	157,475
Student loans receivable, net	$ 4,148,932	$ 388,471	$ 4,537,403

June 30, 2015	Perkins Loans	Institute Loans	Total
Current	$ 3,284,785	$ 489,316	$ 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	31,555	334,210
Student loans receivable, gross	4,069,477	707,863	4,777,340
Less allowance for uncollectible loans	-	265,627	265,627
Student loans receivable, net	$ 4,069,477	$ 442,236	$ 4,511,713

Note 4 – Student Loans Receivable – continued

The activity for the allowance for uncollectible loans for the years ended June 30, 2016 and 2015 consists of the following:

	Institute Loans
Balance as of July 1, 2014	$ 265,422
Change in provision for uncollectible loans	205
Balance as of June 30, 2015	265,627
Change in provision for uncollectible loans	(108,152)
Balance as of June 30, 2016	$ 157,475

Perkins Loans are guaranteed by the Federal government and, therefore, no allowance is made for uncollectible loans under the program. Institute Loans is a loan program that began in the fall of 2009 and ended in 2011 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.

Note 5 – Pledges Receivable

Pledges receivable at June 30, 2016 and 2015, are expected to be realized in the following time frames:

	2016	2015
Up to one year	$ 2,040,238	$ 1,552,320
One to five years	3,829,736	4,366,000
Five to ten years	75,000	75,000
More than ten years	149,000	164,000
	6,093,974	6,157,320
Less present value discount	294,239	406,004
	5,799,735	5,751,316
Less allowance for uncollectible pledges	236,598	246,617
Pledges receivable, net	$ 5,563,137	$ 5,504,699

Net pledges receivable are categorized as follows at June 30:

	2016	2015
Temporarily restricted	$ 4,406,580	$ 3,938,990
Permanently restricted	1,156,557	1,565,709
Total	$ 5,563,137	$ 5,504,699

Note 6 – Investments

Total return on investments for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Investment income, net of fees	$ 985,412	$ 1,321,549
Net realized gains	1,401,374	4,160,898
Net unrealized losses	(3,640,755)	(4,991,751)
Total return on investments	$ (1,253,969)	$ 490,696

The following is a reconciliation of total investment return to amounts reported in the Statements of Activities for the years ended June 30, 2016 and 2015:

	2016	2015
Total return on investments	$ (1,253,969)	$ 490,696
Bank interest, net of fees	55,459	54,315
Loss on split-interest agreements	(371,108)	(977,126)
Gain on deposits with trustees	-	484,616
Other	6,812	(29,959)
Total	$ (1,562,806)	$ 22,542

	2016	2015
Per Statements of Activities		
Operating		
Interest income	$ 409,568	$ 373,205
Net realized and unrealized gain (loss) on short-term investments	336,239	(147,960)
Nonoperating		
Investment income	631,303	1,003,092
Net realized and unrealized loss on investments	(2,939,916)	(1,205,795)
Total	$ (1,562,806)	$ 22,542

Management, advisory, and performance fees were $496,312 and $433,462 for the years ended June 30, 2016 and 2015, respectively, and are netted with realized and unrealized gains or losses. Certain investment managers net their investment fees against returns, and accordingly, such amounts are not included in the aforementioned fees.

Note 7 – Fair Value Measurements

The valuation of the Institute's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at June 30, 2016 and 2015:

June 30, 2016	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets					
Investments – short term	$ 19,676,504	$ -	$ -	$ -	$ 19,676,504
Funds restricted for property acquisitions	466,364	-	-	-	466,364
Investments – pooled					
Cash and cash equivalents	66,721	-	-	-	66,721
Domestic equity funds	18,226,431	-	-	-	18,226,431
International equity funds	16,452,465	-	-	5,808,931	22,261,396
Fixed income funds	9,123,665	-	-	4,313,813	13,437,478
Hedge funds	-	-	-	2,095,887	2,095,887
Private equity and venture funds	-	-	-	27,365,556	27,365,556
Investments – nonpooled	2,569,766	-	628,672	-	3,198,438
Total assets at fair value	$ 66,581,916	$ -	$ 628,672	$ 39,584,187	$ 106,794,775
Liabilities					
Obligation on interest rate swap agreements	$ -	$ 16,205,693	$ -	$ -	$ 16,205,693

June 30, 2015	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
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	1,261,707	-	671,523	-	1,933,230
Total assets at fair value	$ 76,130,322	$ -	$ 671,523	$ 39,104,889	$ 115,906,734
Liabilities					
Obligation on interest rate swap agreements	$ -	$ 11,332,117	$ -	$ -	$ 11,332,117

Note 7 – Fair Value Measurements - continued

At June 30, 2016 and 2015, the Institute had $12,218,631 and $13,422,897 of investments measured at NAV with redemption periods of 90 days or less, and $27,365,556 and $25,681,992 with redemption periods of over 90 days.

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.

Private equity and venture funds have unfunded commitments of $5,291,709 at June 30, 2016.

Beneficial interests in perpetual trusts included in Level 3 consist of trusts with marketable underlying investments; however, the Institute's share of the trust is not marketable.

The following table presents the Institute's changes in perpetual trusts for the years ended June 30, 2016 and 2015, for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Investments nonpooled
Balance as of July 1, 2014	$ 714,858
Realized gain (loss)	-
Unrealized gain (loss)	(43,335)
Transfer out of Level 3	-
Purchases	-
Sales	-
Balance as of June 30, 2015	671,523
Realized gain (loss)	-
Unrealized gain (loss)	(42,851)
Transfer out of Level 3	-
Purchases	-
Sales	-
Balance as of June 30, 2016	$ 628,672

Note 8 – Endowment

The Institute's endowment consists of approximately 122 donor-restricted and 12 board-restricted individual funds established for a variety of purposes. 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.

Note 8 – Endowment – continued

Interpretation of Relevant Law

The Board of Trustees of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted in 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: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The accumulated unspent gains associated with the donor-restricted endowment funds are 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

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. Deficiencies of this nature that are reported in unrestricted net assets were $59,367 at June 30, 2016. There were no funds with deficiencies at June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted 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.

Spending Policy

It is the Institute's policy to distribute annually up to 5% of a trailing 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. Permanently restricted individual endowed funds with a deficiency as of June 30 will receive no distribution in the subsequent fiscal year.

Note 8 – Endowment – continued

For the fiscal year ending 2017, the Board of Trustees has designated only a portion of the Institute's Board-designated endowment funds for support of current operations. The distribution from the individual Board-designated endowment funds and the individual donor-restricted endowment funds are estimated to be $259,000 and $1,188,000, respectively, for the year ending June 30, 2017. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other institutional purposes beyond the originally budgeted amount of spending.

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.

Under the Institute's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds as unrestricted and temporarily restricted net assets depending if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds with unrestricted funds being charged if no accumulated unspent gains remain.

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30, 2016 and 2015:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
June 30, 2016				
Donor-restricted endowment funds	$ (59,367)	$ 8,181,993	$ 16,353,903	$ 24,476,529
Board-designated endowment funds	59,636,308	-	-	59,636,308
Total endowment as of June 30, 2016	$ 59,576,941	$ 8,181,993	$ 16,353,903	$ 84,112,837

	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	$ 64,210,920	$ 9,842,814	$ 15,685,984	$ 89,739,718

Note 8 – Endowment – continued

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

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment as of July 1, 2014	$ 66,893,711	$ 10,846,745	$ 13,721,380	$ 91,461,836
Gifts, additions, and reclassifications	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	64,210,920	9,842,814	15,685,984	89,739,718
Gifts, additions, and reclassifications	49,871	6,444	667,919	724,234
Return on endowment				
Interest and dividends, net of fees	346,022	167,261	-	513,283
Net realized and unrealized loss	(1,891,579)	(655,797)	-	(2,547,376)
Expenditures				
Investment income used for operations	(3,138,293)	(1,178,729)	-	(4,317,022)
Endowment as of June 30, 2016	$ 59,576,941	$ 8,181,993	$ 16,353,903	$ 84,112,837

Note 9 – 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, 2016 and 2015:

	Estimated Useful Life in Years	2016	2015
Land		$ 13,392,323	$ 13,392,323
Buildings and building improvements	20 to 40	273,586,026	271,919,271
Equipment	2 to 10	44,172,194	40,676,928
Land improvements	10 to 20	7,011,889	6,615,959
Construction in progress		14,215,223	802,048
		352,377,655	333,406,529
Less accumulated depreciation		(146,835,897)	(135,801,065)
Property and equipment, net		$ 205,541,758	$ 197,605,464

Note 9 – Property and Equipment – continued

Depreciation expense for the years ended June 30, 2016 and 2015 was $14,190,653 and $13,527,260, respectively. During the years ended June 20, 2016 and 2015, the Institute capitalized interest of $61,170 and $84,219, respectively.

The Institute sold and/or disposed of $3,873,569 and $2,758,571 of property and equipment with accumulated depreciation of $3,078,455 and $2,742,349 for proceeds of $218,145 and $220,096 for the years ended June 30, 2016 and 2015, respectively. A gain (loss) on sale and/or disposal of property and equipment of $(576,969) and $203,874 was included in other expenses in the Statements of Activities for the years ended June 30, 2016 and 2015, respectively.

Note 10 – Split-Interest Agreements

Split-interest agreements included in the Statements of Financial Position at June 30, 2016 and 2015 consist of the following:

	Discount Rates Used for Valuation	2016	2015
Charitable gift annuities			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	4.0% to 10.1%	$ 3,321,517	$ 3,652,142
Charitable remainder unitrusts held and administered by the Institute			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	7.0%	113,586	133,134
Total		$ 3,435,103	$ 3,785,276
Charitable remainder unitrusts held and administered by others			
Net present value included in other receivables	5.0% to 8.0%	$ 1,328,365	$ 1,349,424

Note 11 – Asset Retirement Obligations

Interest accretion costs were $50,375 and $105,335 for the years ended June 30, 2016 and 2015, 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.

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 $3,592,257 and $3,297,026 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the Institute held assets included in the Statements of Financial Position in Investments – non-pooled of $234,284 and $211,904, 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 $234,284 and $211,904 as of June 30, 2016 and 2015, 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 $26,313 and $0 for the years ended June 30, 2016 and 2015, respectively. No contribution has been made to a grantor trust as of June 30, 2016.

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, 2017 is $236,000.

Note 12 – Pension and Postretirement Benefit Plans – continued

The funded status of the plan as of June 30, 2016 and 2015 is as follows:

	2016	2015
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	199,290	201,487
Plan participants' contributions	306,528	316,258
Benefits paid	(479,776)	(492,341)
Allocation for expected benefit payments (implicit subsidy)	(26,042)	(25,404)
Fair value of plan assets at end of year	-	-
Change in benefit obligation		
Accumulated postretirement benefit obligation at beginning of year	2,584,555	2,220,628
Interest cost	117,190	99,638
Plan participants' contributions	306,528	316,258
Benefits paid	(505,818)	(517,745)
Actuarial loss	96,595	465,776
Accumulated postretirement benefit obligation at end of year	2,599,050	2,584,555
Funded status at end of year	$ (2,599,050)	$ (2,584,555)

Net periodic postretirement benefit cost for the years ended June 30, 2016 and 2015 consists of the following:

	2016	2015
Interest cost on accumulated postretirement benefit obligation	$ 117,190	$ 99,638
Amortization of net actuarial loss	106,139	-
Net periodic postretirement benefit cost	$ 223,329	$ 99,638

The estimated net actuarial loss and prior service cost that will be amortized into net periodic benefit cost over the next fiscal year is $118,000.

For measurement purposes, a 5.00% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2016 and 2015. 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 $216,207 in the accumulated postretirement benefit obligation and an increase of $10,530 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 $190,102 in the accumulated postretirement benefit obligation and a decrease of $9,237 in the service and interest cost components of the net postretirement benefit.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.0% and 4.75% as of June 30, 2016 and 2015, respectively.

Note 12 – Pension and Postretirement Benefit Plans – continued

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

Year Ending June 30,		
2017	$	236,000
2018		229,000
2019		231,000
2020		217,000
2021		208,000
2022 through 2026		902,000
Total	$	2,023,000

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, 2016 and 2015:

		Interest Rate Variable					
	Maturity	2016	2015		2016		2015
2015A Issue	October 1, 2033	1.00%	0.80%	$	33,645,000	$	35,290,000
2015B Issue	October 1, 2035	1.00%	0.80%		10,990,000		10,990,000
2013A Issue	September 1, 2044	1.24%	0.98%		43,197,424		44,185,654
2013B Issue	October 1, 2030	1.24%	0.98%		21,316,250		22,452,500
					109,148,674		112,918,154
Less bond issuance costs					(858,260)		(964,502)
Total bonds payable				$	108,290,414	$	111,953,652

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 which were used to refund the Series 2007A Issue. In addition, 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.

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Bond issuance costs of $1,136,963 are included in bonds payable, net of accumulated amortization of $278,703 and $172,461, at June 30, 2016 and 2015, respectively. Amortization expense was $106,242 and $75,098 for the years ended June 30, 2016 and 2015, respectively.

The Series 2015A, 2015B, 2013A and 2013B bonds contain 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. All of the bonds are collateralized by the Institute's unrestricted revenue.

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

The required principal amounts to be paid on the bonds payable are as follows at June 30:

Fiscal year	Amounts Due
2017	$ 3,881,410
2018	4,018,209
2019	4,141,424
2020	4,264,094
2021	4,491,198
Thereafter	88,352,339
Total	$ 109,148,674

Interest Rate Swap Agreements

The Institute uses interest rate swaps to manage interest rate risk exposure. The Institute's interest rate swaps effectively 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 making 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, 2016 and 2015, 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, 2016, the Institute was not in jeopardy of exceeding these thresholds.

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

The Institute had the following swaps outstanding at June 30, 2016 and 2015:

	2016			
Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Liability
USD-LIBOR-BBA x 0.72 (.08%)	1.75%	2/1/2023	$ 42,832,522	$ (2,727,488)
USD-LIBOR-BBA x 0.67 (.07%)	3.30%	10/1/2030	10,495,000	(1,984,934)
USD-LIBOR-BBA x 0.67 (.07%)	3.57%	10/1/2033	32,870,000	(8,312,781)
USD-LIBOR-BBA x 0.67 (.07%)	3.62%	10/1/2035	11,765,000	(3,180,490)
Total			$ 97,962,522	$ (16,205,693)

	2015			
Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Liability
USD-LIBOR-BBA x 0.72 (.07%)	1.75%	2/1/2023	$ 43,818,468	$ (1,012,583)
USD-LIBOR-BBA x 0.67 (.06%)	3.30%	10/1/2030	11,020,000	(1,548,465)
USD-LIBOR-BBA x 0.67 (.06%)	3.57%	10/1/2033	34,090,000	(6,356,439)
USD-LIBOR-BBA x 0.67 (.06%)	3.62%	10/1/2035	12,165,000	(2,414,630)
Total			$ 101,093,468	$ (11,332,117)

Note 14 – Commitments and Contingencies

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 January 31, 2019. Rental and service expenses incurred under the operating leases and service agreements for the years ended June 30, 2016 and 2015 were $3,410,549 and $2,843,437, respectively.

At June 30, 2016, the minimum annual commitments under these agreements are as follows:

Year Ending June 30,	Commitments
2017	$ 2,690,054
2018	75,949
2019	38,684
Total minimum commitments	$ 2,804,687

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.

Note 14 – Commitments and Contingencies – continued

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, 2016.

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

Certain faculty, physical plant, and public safety employees of the Institute are subject to collective bargaining agreements which expire April 30, 2017, June 30, 2019, and December 31, 2016, respectively.

For the year ended June 30, 2016, 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 $270,000 and $300,000 was recorded for benefit claims incurred but not reported at June 30, 2016 and 2015, respectively.

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 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, 2016 and 2015:

	2016	2015
Workers' compensation premiums	$ 306,472	$ 292,671
Less dividends received	115,831	109,099
Net workers' compensation cost	$ 190,641	$ 183,572

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.

Note 15 – Net Assets

Unrestricted Net Assets

Unrestricted net assets are comprised of the following at June 30:

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.

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.

	2016	2015
Operating and net investment in plant	$ 93,689,261	$ 86,692,462
Board-designated funds operating as endowment	59,636,308	64,210,920
Endowment unrealized losses	(59,367)	-
Unrestricted net assets	$ 153,266,202	$ 150,903,382

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 UPMIFA, represents unappropriated net gains on permanently restricted endowment investments.

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.

Physical plant represents amounts received with donor restrictions for capital additions and improvements 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.

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.

Note 15 – Net Assets – continued

	2016	2015
Accumulated unspent gains on permanently restricted:		
Scholarships	$ 5,169,891	$ 6,457,892
Instruction	1,626,538	1,927,430
Physical plant	84,480	105,682
Other	129,179	151,733
Total accumulated unspent gains	7,010,088	8,642,737
Purpose restricted:		
Scholarships	1,802,242	2,196,015
Instruction	1,031,215	1,306,850
Physical plant	551,535	1,662,243
Other	427,967	321,396
Split-interest agreements	1,602,212	1,642,284
Pledges, net	4,406,580	3,938,990
Total purpose restricted	9,821,751	11,067,778
Temporarily restricted net assets	$ 16,831,839	$ 19,710,515

Permanently Restricted Net Assets

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

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.

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.

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

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.

Note 15 – Net Assets – continued

	2016	2015
Endowed funds – scholarships	$ 13,058,158	$ 12,133,572
Endowed funds – instruction	2,478,436	2,765,103
Endowed funds – physical plant	651,000	621,000
Endowed funds – other	166,309	166,309
Other trusts	2,355,627	1,421,326
Pledges, net	1,156,557	1,565,709
Permanently restricted net assets	$ 19,866,087	$ 18,673,019

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

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, 2016 and 2015:

	2016	2015
Scholarships	$ 1,575,139	$ 1,063,346
Instruction	346,564	171,242
Physical plant	13,378	7,700
Other	111,785	148,140
Total operating net assets released from restrictions	$ 2,046,866	$ 1,390,428
Instruction	$ 260,598	$ 358,798
Physical plant	3,311,713	224,422
Split-Interest	-	133,626
Total nonoperating net assets released from restrictions	$ 3,572,311	$ 716,846

Note 16 – Functional Expenses

Total operating expenses of the Institute by function for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Instruction	$ 44,770,333	$ 42,576,842
Auxiliary expenditures	25,476,593	24,617,891
Library	2,548,687	2,314,508
Student services	16,347,937	14,122,124
General administration	22,000,004	20,428,986
Institutional advancement	3,338,023	2,731,675
Total operating expenses	$ 114,481,577	$ 106,792,026

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 $1,209,423 and $1,059,810 for the years ended June 30, 2016 and 2015, respectively.