REED COLLEGE

REACTOR FACILITY
3203 Southeast
Woodstock Boulevard
Portland, Oregon
97202-8199

telephone
503/777-7222
fax
503/777-7274
email
reactor@reed.edu
web
http://reactor.reed.edu

Oct. 16, 2015

ATTN: Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001
Docket: 50-288
License No: R-112

Enclosed are the following

1. Financial Assurance for Reed Institute dba Reed College.
2. Financial Statements for The Reed Institute Jun30, 2015 and 2014.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on Oct 16 2015

Melinda Krahenbuhl, Ph.D.
Director, Reed Research Reactor

A020
NRR

REED COLLEGE

OFFICE OF
THE TREASURER

3203 Southeast
Woodstock Boulevard
Portland, Oregon
97202-8199

telephone
503/777-7506
fax
503/777-7775
email
arvinl@reed.edu

October 13, 2015

Financial Assurance for Cost of Decommissioning Activities
Self-Guarantee Agreement
Guarantee made by Reed College, a non-profit college, organized under the laws of the State of Oregon, herein referred to as the "guarantor" to the U.S. Nuclear Regulatory commission, on behalf of the college as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this self-guarantee by the by-laws of the trustees of Reed College.
2. This self-guarantee is being issued to comply with regulations issued by NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Cold of Federal Regulations, Part 50, which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 50 provide assurance that funds will for, a materials license issued pursuant to 10 CFR part 50 provide assurance that falls will be available when needed for required decommissioning activities.
3. The self-guarantee is issued to provide financial assurance for decommissioning activates for the licenses and facilities shown.

License# and Docket #	License description	Estimate based on year 2015 dollars	Certified amounts of 2015 cost estimates
R-112 50-288	Research and test reactor and related facilities located at Reed Collage Portland Oregon 97202	$1,810,000.00	$1,810,000.00
	Subtotal		$1,810,000.00
	25% Contingency fund		$453,750.00
	Total Estimated cost		$2,263,750.00

4. The Guarantor meets or exceeds the following financial test for a nonprofit college that issues bonds. Specifically, the current rating for Reed College is Aa2/VMIGI by Moody's Investor Services, and Reed College agrees to comply with all notification requirements as specified in 10 CFR part 50, and Appendix A to 10 CFR part 30.
5. The guarantor does not have a parent company holding majority control of its voting stock.
6. Decommissioning activities as used below refer to activities required by 10 CFR Part 50 for decommissioning of the facilities identified.

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7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that the guarantor shall carry out the required decommissioning activities, as required by the license listed above.
8. The guarantor agrees to submit revised financial statements, financial test data annually within 90 days of the completion of the fiscal year audit.
9. The guarantor agrees that if, at the end of any fiscal year before termination of this self-guarantee, it fails to meet the self-guarantee financial test criteria, it shall send in 90 days of the end of the fiscal year, by certified mail to the NRC that it intends to provide alternative financial assurance as specified in 10 CFR Part 30. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance.
10. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the self guarantee financial test criteria or it is disallowed from continuing as a self guarantor, it shall establish alternative financial assurance as specified in 10 CFR part 50 within 30 days.
11. The guarantor as well as its successors and assignees, agrees to remain bound jointly and severally under this guarantee notwithstanding all of the following: amendment or modification of the license or NRC –approved decommission funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licenses pursuant to 10 CFR Parts 50 and 70.
12. The guarantor agrees that it shall be liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
13. The guarantor agrees to remain bound under the self guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR Part 50, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to the NRC, such cancellation to become effective not before an alternative financial assurance mechanism has been put in place by the guarantor.
14. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specific if 10 CFR parts 50 and 70 and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC from the guarantor, the guarantor shall make full payment under self-guarantee.
15. The guarantor expressly waives notice of acceptance of this self- guarantee by the NRC. The guarantor expressly waives notice of amendments or modifications of decommissioning requirements.
16. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to the NRC during each year in which this self-guarantee is in effect.

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17. The guarantor agrees that if, at any time before termination of this self-guarantee, its most recent bond issuance ceased to be rated in the category of "A" or above by either Standard & Poor's or Moody's, it shall provide notice in writing of such fact to the NRC within 20 days of publication of the change by the rating service.

I herby certify that this self-guarantee is true and correct to the best of my knowledge.

Effective date 10/13/15

Reed College by:

Lorraine Arvin, Vice President and Treasurer

State of :Oregon
County of: Multnomah

Signed before me this 13th day of October, 2015

OFFICIAL STAMP
PATRICIA BLESSINGTON HENEGHAN
NOTARY PUBLIC-OREGON
COMMISSION NO. 936063
MY COMMISSION EXPIRES FEBRUARY 09, 2019

Patricia Blessington Heneghan

Patricia Blessington Heneghan, Notary Public – State of Oregon

KPMG

THE REED INSTITUTE

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

THE REED INSTITUTE

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Trustees
The Reed Institute:

We have audited the accompanying statements of financial position of The Reed Institute (an Oregon nonprofit corporation) as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 The Reed Institute as of June 30, 2015 and 2014, and the change in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 2, 2015

THE REED INSTITUTE

Statements of Financial Position

June 30, 2015 and 2014

Assets	2015	2014
Current assets:		
Cash and cash equivalents	$ 14,168,589	6,506,607
Accounts receivable – student and other (note 8)	3,572,591	852,073
Short-term investments (note 3)	166,983	104,592
Contributions receivable, net of allowance $36,000 in 2015 and $37,000 in 2014 (note 8)	681,944	703,856
Prepaid expenses and other assets	4,900,976	4,659,873
Total current assets	23,491,083	12,827,001
Noncurrent assets:		
Cash and cash equivalents whose use is limited	6,171,930	6,174,350
Accounts receivable noncurrent – student and other, net of allowance of $60,239 in 2015 and $60,239 in 2014 (note 8)	5,040,340	5,088,951
Property, plant, and equipment, net (note 4)	139,745,333	138,782,755
Contributions receivable – noncurrent net of allowance of $454,000 in 2015 and $587,000 in 2014 (note 8)	8,597,760	11,120,028
Funds held in trust by others (note 7)	1,190,977	1,172,563
Long-term investments (note 3)	568,186,670	576,758,467
Other assets	555,955	480,865
Total noncurrent assets	729,488,965	739,577,979
Total assets	$ 752,980,048	752,404,980
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,708,406	6,329,393
Postretirement benefits payable (note 6)	870,043	794,443
Debt and capital leases, current portion (note 5)	1,340,614	41,601,305
Deferred revenue	1,960,120	1,413,955
Total current liabilities	9,879,183	50,139,096
Long-term liabilities:		
Liability for split-interest agreements	11,096,869	11,177,015
Postretirement benefits payable (note 6)	25,662,500	24,705,839
Refundable loan programs	2,698,841	2,756,743
Asset retirement obligation	3,079,868	3,053,284
Debt and capital leases, net of current portion (note 5)	78,875,353	39,819,982
Other liabilities	1,928,246	2,149,050
Total long-term liabilities	123,341,677	83,661,913
Total liabilities	133,220,860	133,801,009
Net assets (note 9):		
Unrestricted	373,159,780	358,720,805
Temporarily restricted	82,363,062	95,501,981
Permanently restricted	164,236,346	164,381,185
Total net assets	619,759,188	618,603,971
Total liabilities and net assets	$ 752,980,048	752,404,980

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2015
Revenues, gains, and other support:				
Tuition and fees	$ 62,326,717	—	—	62,326,717
Less college-funded scholarships	(23,625,581)	—	—	(23,625,581)
Net tuition and fees	38,701,136	—	—	38,701,136
Auxiliary enterprises	13,537,300	—	—	13,537,300
Gifts and private grants	9,312,432	600,796	932,979	10,846,207
Government grants, contracts, and student aid	1,902,067	—	—	1,902,067
Realized and unrealized gains (losses)	25,282,834	(2,056,368)	—	23,226,466
Other investment losses	(327,066)	—	(1,060,000)	(1,387,066)
Other revenues and additions	2,331,724	—	18,218	2,349,942
Subtotal	52,039,291	(1,455,572)	(108,803)	50,474,916
Net assets released from restrictions	11,269,727	(11,269,727)	—	—
Total revenues, gifts, and other support	102,010,154	(12,725,299)	(108,803)	89,176,052
Expenses:				
Educational and general:				
Instruction	31,704,230	—	—	31,704,230
Research	1,845,015	—	—	1,845,015
Academic support	9,969,415	—	—	9,969,415
General institutional support	15,952,269	—	—	15,952,269
Student services	7,052,409	—	—	7,052,409
Public affairs	5,557,383	—	—	5,557,383
Total educational and general	72,080,721	—	—	72,080,721
Auxiliary enterprises	15,154,996	—	—	15,154,996
Total expenses	87,235,717	—	—	87,235,717
Increase (decrease) from operations	14,774,437	(12,725,299)	(108,803)	1,940,335
Nonoperating activity:				
Other interest expense	(158,958)	—	—	(158,958)
Change in value of split-interest agreements	—	(383,979)	(68,534)	(452,513)
Decrease in underwater endowments	10,597	(10,597)	—	—
Other additions (deductions)	(187,101)	(19,044)	32,498	(173,647)
Total nonoperating activity	(335,462)	(413,620)	(36,036)	(785,118)
Increase (decrease) in net assets	14,438,975	(13,138,919)	(144,839)	1,155,217
Net assets, beginning of year	358,720,805	95,501,981	164,381,185	618,603,971
Net assets, end of year	$ 373,159,780	82,363,062	164,236,346	619,759,188

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014
Revenues, gains, and other support:				
Tuition and fees	$ 62,110,883	—	—	62,110,883
Less college-funded scholarships	(22,800,465)	—	—	(22,800,465)
Net tuition and fees	39,310,418	—	—	39,310,418
Auxiliary enterprises	13,234,897	—	—	13,234,897
Gifts and private grants	11,501,436	2,906,083	125,803	14,533,322
Government grants, contracts, and student aid	1,269,601	—	—	1,269,601
Realized and unrealized gains	46,756,262	26,145,122	—	72,901,384
Other investment gains (losses)	(375,541)	—	276,828	(98,713)
Other revenues and additions	2,136,325	—	23,820	2,160,145
Subtotal	74,522,980	29,051,205	426,451	104,000,636
Net assets released from restrictions	9,921,004	(9,921,004)	—	—
Total revenues, gifts, and other support	123,754,402	19,130,201	426,451	143,311,054
Expenses:				
Educational and general:				
Instruction	31,123,091	—	—	31,123,091
Research	1,331,839	—	—	1,331,839
Academic support	9,301,215	—	—	9,301,215
General institutional support	15,952,198	—	—	15,952,198
Student services	6,641,523	—	—	6,641,523
Public affairs	5,471,642	—	—	5,471,642
Total educational and general	69,821,508	—	—	69,821,508
Auxiliary enterprises	14,983,570	—	—	14,983,570
Total expenses	84,805,078	—	—	84,805,078
Increase from operations	38,949,324	19,130,201	426,451	58,505,976
Nonoperating activity:				
Other interest expense	(133,632)	—	—	(133,632)
Change in value of split-interest agreements	—	1,302,448	1,704,371	3,006,819
Decrease in underwater endowments	1,710,101	(1,710,101)	—	—
Other additions (deductions)	(19,139)	(292,336)	111,334	(200,141)
Total nonoperating activity	1,557,330	(699,989)	1,815,705	2,673,046
Increase in net assets	40,506,654	18,430,212	2,242,156	61,179,022
Net assets, beginning of year	318,214,151	77,071,769	162,139,029	557,424,949
Net assets, end of year	$ 358,720,805	95,501,981	164,381,185	618,603,971

See accompanying notes to financial statements.

THE REED INSTITUTE

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Increase in net assets	$	1,155,217	61,179,022
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation and amortization costs		5,327,380	4,680,816
Loss on disposal of assets		2,541	—
Contributions restricted for long-term investment		(2,083,893)	(4,420,840)
Noncash contributions		(5,181,801)	(4,158,312)
Net realized and unrealized gains on investments		(20,887,152)	(71,972,813)
Net realized and unrealized gains on split-interest agreements		571,363	(2,773,155)
Change in value of split-interest agreements		(18,414)	(233,664)
Change in asset retirement obligation		26,584	29,977
Change in fair value of derivative instruments		(220,804)	(233,585)
Changes in operating assets and liabilities that provided (used) cash:			
Cash whose use is limited		2,420	1,919,828
Accounts receivable		(2,671,907)	386,004
Contributions receivable		2,544,180	1,587,558
Prepaid and other		(216,020)	(460,900)
Accounts payable and accrued liabilities		(620,987)	(1,140,123)
Postretirement		1,032,261	1,522,172
Deferred revenue		546,165	(427,780)
Net cash used in operating activities		(20,692,867)	(14,515,795)
Cash flows from investing activities:			
Proceeds from maturities/sales of investments		204,134,885	228,389,564
Purchases of investments		(168,683,262)	(206,732,589)
Contracts receivable collected		102,194	46,532
Contracts receivable advanced		(202,368)	(16,278)
Purchase of property, plant, and equipment		(6,173,493)	(9,940,908)
Net cash provided by investing activities		29,177,956	11,746,321
Cash flows from financing activities:			
Contributions restricted for long-term investment		2,083,893	4,420,840
Payment of debt principal/capital lease obligations		(1,324,326)	(2,486,530)
Payments on split-interest agreements		(1,444,626)	(1,346,359)
(Decrease) increase in obligations for split-interest agreements		(80,146)	1,659,439
Changes in governmental loan funds		(57,902)	(55,599)
Net cash (used in) provided by financing activities		(823,107)	2,191,791
Net increase (decrease) in cash and cash equivalents		7,661,982	(577,683)
Cash and cash equivalents, beginning of year		6,506,607	7,084,290
Cash and cash equivalents, end of year	$	14,168,589	6,506,607
Supplemental disclosure of cash flow information:			
Interest paid	$	2,037,577	2,046,182

See accompanying notes to financial statements.

(1) Background

The Reed Institute (Reed College) was founded in 1908 by Simeon and Amanda Reed, with one central commitment: to provide a balanced, comprehensive education in liberal arts and sciences, fulfilling the highest standards of intellectual excellence. Reed College offers a B.A. in one of 22 major fields and numerous interdisciplinary fields, as well as a master of arts in liberal studies degree. The Reed College educational program pays particular attention to a balance between broad study in the various areas of human knowledge and close, in-depth study in a recognized academic discipline.

(2) Summary of Significant Accounting Policies

(a) *Accrual Basis*

The financial statements of Reed College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) *Basis of Presentation*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations or donor-restricted contributions whose restrictions are met in the same reporting period.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of Reed College or the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be permanently maintained by Reed College. Generally, the donors of these assets permit Reed College to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets with the exception of activity related to life income agreements. 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 either by donor stipulation or by law. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are reported as "net assets released from restriction" in the statements of activities and changes in net assets. Restrictions related to contributions for the purchase of capital additions are released when the asset is placed in service.

Income and net gains on investments of endowment and similar funds are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or Reed College's interpretation of relevant state law require they be added to the principal of a permanently restricted net asset.

- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or if endowment income has not yet been appropriated for expenditure.
- Increases in unrestricted net assets in all other cases.

Reed College follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. See note 10 for further disclosures.

(c) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for student and contributions receivables; and the valuation of the interest rate swaps, investments, split-interest agreements, and actuarial assumptions.

(d) *Revenues*

The principal sources of revenue, consisting of tuition, room and board, various other educational fees, unrestricted income from funds functioning as endowment, unrestricted gifts, and net assets released from restrictions, are accounted for in unrestricted net assets. Unrestricted net assets also include revenue from grants, auxiliary enterprises, and gains on disposal of assets.

The following assets have become available for general operating purposes from release from donor restrictions through the passage of time and through the maturation of various planned giving agreements for the years ended June 30, 2015 and 2014, respectively.

		2015	**2014**
Maturation of planned giving agreements	$	106,936	32,086
Passage of time		1,123,052	981,258
Endowment earnings appropriated for expenditure		10,039,739	8,907,660
Total net assets released from restrictions	$	11,269,727	9,921,004

With a few exceptions, the monies in the endowment and similar funds are invested as a pool, and the related income of the pool is distributed to each participating fund based upon a spending formula and its relative proportion of the pool.

In addition, monies, which are not required to meet short-term demands, are combined and invested. The income earned on these intermediate investments is allocated to each participating fund based upon its relative proportion of the combined investment.

(e) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. In conjunction with the adoption of FASB ASC Topic 820, *Fair Value Measurement*, Reed College has adopted the measurement provisions of FASB ASC Subtopic 820-10, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, and real estate. Net asset value (NAV), in many instances may not equal fair value that would be calculated pursuant to ASC Topic 820.

Realized and unrealized gains and losses arising from the sale, collection, or other disposition of investments, as well as all dividends, interest, and other investment income, are shown in the statements of activities and changes in net assets. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period that the gains and income are recognized. Losses on investments related to gifts that the donor required to be invested in perpetuity (i.e., endowment funds) are classified as decreases in temporarily restricted net assets until the investments fall below the original gift at which point they decrease unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level are classified as increases in unrestricted net assets.

During the year ended June 30, 2015, the College adopted ASU 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value*. Investments valued utilizing net asset value as a practical expedient are excluded from the fair value hierarchy under this guidance (Note 12).

(f) Split-Interest Agreements

Reed College has been named as a beneficiary for various split-interest agreements. Each agreement provides for contractual payments to stated beneficiaries for their lifetimes, after which remaining principal and interest revert to Reed College. Assets contributed are recorded at fair value. In addition, Reed College has recognized the present value of estimated future payments to be made to beneficiaries over their expected lifetimes as a long-term liability. The present values of these estimated payments were determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using the risk-free rate adjusted for mortality uncertainties and are not changed after the date of the gift. Annual adjustments are made between the liability and the net assets to record actuarial gains or losses. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as contribution revenue in the year established. These donations are either temporarily restricted on the basis of time or permanently restricted based on the intent of the donor.

(g) ***Contributions Receivable***

Unconditional promises to give (contributions) are recorded as gifts and private grant income and contributions receivable. Promises to give are not recognized until they become unconditional, that is, when the donor-imposed restrictions are substantially met. Contributions other than cash are recorded at their estimated fair value. Management estimates an allowance for uncollectible contributions based on risk factors such as prior collection history, type of contribution, and the nature of the fund-raising activity. Contributions are generally receivable within five years of the date the commitment was made and were discounted to present value using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(h) ***Derivative Instruments***

Reed College accounts for derivatives in accordance with FASB ASC Subtopic 815-10, *Derivative and Hedging – Overall*, as amended, which requires that all derivative instruments be recorded on the statements of financial position at their estimated fair values. Changes in the fair value are recognized in unrealized gains and losses, unrestricted, in the statements of activities and changes in net assets.

(i) ***Property, Plant, and Equipment, Net***

Property, plant, and equipment are stated at cost at the date of acquisition, if purchased, or at fair market value, at the date of receipt, if acquired by donation. Equipment under capital leases are stated at the present value of minimum lease payments. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (twenty to fifty years) and equipment and furnishings (five years). Equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Routine repair and maintenance expenses and equipment replacement costs are expensed as incurred.

(j) ***Donated Materials***

Donated materials are included in the statements of activities and changes in net assets as "Gifts and private grants" at their estimated fair values at date of receipt. These materials are subsequently expensed when used.

(k) ***Income Tax Status***

The Internal Revenue Service has recognized Reed College as exempt from tax under the provisions of Section 501(a) as an organization described under Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business income under Sections 511 through 515. Management believes that unrelated business income tax, if any, is immaterial, and therefore, no tax provision has been made. Reed College accounts for income taxes in accordance with FASB ASC Subtopic 740-10, *Income Taxes – Overall*, an Interpretation of FASB Statement 109, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The College does not have any uncertain tax positions.

(l) *Cash and Cash Equivalents*

Cash and cash equivalents represent cash in bank and other highly liquid investments with original maturities of three months or less, except for certain cash and cash equivalents included in the investment portfolio that are intended to be invested on a long-term basis. Cash and cash equivalents whose use is limited are restricted for the Federal Perkins Loan program.

(m) *Deferred Revenue*

Deferred revenues consist primarily of prepayments of tuition and fees related to future academic years.

(n) *Postretirement Benefits*

Reed College has a noncontributory postretirement medical benefit plan covering participating employees upon their retirement. Reed College maintains a postretirement medical benefit plan and accounts for the plan within the framework of FASB ASC Topic 958-715, *Not-for-Profit Entities – Compensation–Retirement Benefits*.

Reed College records annual amounts relating to its postretirement medical benefit plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and healthcare cost trend rates. Reed College reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. Reed College believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(o) *Concentration of Risk*

Reed College's standard financial instruments include commercial paper, U.S. government and agency securities, corporate obligations, equity securities, mutual funds, hedge funds, private equity, and real estate. These financial instruments may subject Reed College to concentrations of risk. Federal depository insurance coverage covers up to $250,000 per depositor, for each account ownership category.

(3) Investments

The fair value of investments at June 30, 2015 and 2014 are as follows:

		2015	2014
Investments:			
Bond funds	$	11,480,423	19,861,676
Equity mutual funds		92,535,131	107,618,626
Hedge funds		297,064,459	297,254,925
Private equity		156,928,498	139,622,099
REITs		3,002,609	3,333,711
Real estate		3,718,469	3,522,313
Money market and other		3,624,064	5,649,709
Total investments	$	568,353,653	576,863,059

At June 30, 2015 and 2014, Reed College has approximately $454 million and $437 million, respectively, of investments that are not readily marketable (alternative investments). These investments represent 80% and 76% of total investments and 73% and 71% of total net assets at June 30, 2015 and 2014, respectively. These investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. See note 12 for investment fair value measurements.

The alternative investments are reported at net asset value (NAV). These investments are redeemable at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Reed College interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Reed College interest in the funds.

At June 30, 2015, Reed College has committed $165,490,000 to private equity partnerships and hedge funds. As of June 30, 2015, Reed College has funded $82,274,580 of these commitments leaving an unfunded balance of $83,215,420. These commitments are callable by the general partners/advisers between now and 2024. The terminations of these partnerships/funds are based upon specific provisions in the agreements.

Included in investments are $23,900,177 and $25,659,799 of planned giving trusts held in mutual funds that are not available for spending as of June 30, 2015 and 2014, respectively.

Within private equity and hedge funds, Reed College has funds invested in seventy and fifty-seven limited partnerships, respectively, with ownership interests ranging from 0.02% to 16.57% at June 30, 2015 and June 30, 2014. Included in the assets of the various partnerships at times there are certain positions of derivative financial instruments.

Total investment income and realized and unrealized gains on investments that are not readily marketable was approximately $19,473,000 and $51,347,000 for the years ended June 30, 2015 and 2014, respectively.

(4) Property, Plant, and Equipment, Net

Property, plant, and equipment at June 30, 2015 and 2014 consist of the following:

	2015	2014
Land and land improvements	$ 14,482,214	14,482,214
Buildings	193,338,669	183,687,925
Construction in progress	1,654,646	5,600,861
Equipment, furniture, and fixtures	14,315,996	14,125,246
	223,791,525	217,896,246
Less accumulated depreciation	(84,046,192)	(79,113,491)
Net property, plant, and equipment	$ 139,745,333	138,782,755

Depreciation expense was $5,251,253 and $4,486,684 for the years ended June 30, 2015 and 2014, respectively, and is allocated to the functional expenses based on the relative square footage of the department.

(5) Long-Term Debt

(a) *Capital Lease Obligations*

Reed College leases copiers over various terms. The carrying values of assets under capital lease at June 30, 2015 and 2014 are $140,558 and $97,679, respectively. Amortization costs of $76,127 and $108,331 are included in accumulated depreciation for the years ended June 30, 2015 and 2014, respectively.

The payment schedule for the capital lease obligation is as follows:

2016	$ 74,613
2017	53,084
2018	37,714
2019	37,714
2020	18,857
	221,982
Less amount representing interest	(53,265)
	$ 168,717

(b) *Notes Payable*

During 2008, Reed College refinanced the 2006 and the 2007 State of Oregon Bonds in the amount of $47,060,000. The 2008 State of Oregon notes mature on July 1, 2038 and bear interest based on a weekly basis set through the remarketing process.

Effective March 22, 2011, Reed College refinanced the 2000 State of Oregon Bonds in the amount of $19,080,000 and borrowed an additional $20,950,000 to be used to finance the construction of a new performing arts building.

Wells Fargo Bank is the liquidity facility provider for the 2008 Bond Issue should the bonds fail to remarket. The Liquidity Facility agreement was renewed in May 2015 for an additional three years and remains in effect until June 2, 2018, unless renewed or terminated pursuant to the conditions set forth in the 2008 Liquidity Facility.

Notes payable are summarized as follows:

	2015	2014
2008 State of Oregon notes	$ 40,445,000	41,710,000
2011 State of Oregon notes	40,030,000	40,030,000
	80,475,000	81,740,000
Less discount	(399,590)	(416,392)
Total	$ 80,075,410	81,323,608

Principal payments on the notes payable become due as follows:

	2011 State of Oregon notes	2008 State of Oregon notes	Total
2016	$ —	1,310,000	1,310,000
2017	—	1,375,000	1,375,000
2018	—	1,415,000	1,415,000
2019	—	1,465,000	1,465,000
2020	—	1,535,000	1,535,000
Thereafter	40,030,000	33,345,000	73,375,000
	$ 40,030,000	40,445,000	80,475,000

Interest on the State of Oregon notes payable bonds and amortization of discount and issuance costs are as follows:

	2015	2014
Interest	$ 2,037,577	2,046,183
Amortization of discount and issuance costs	31,149	31,149
Total interest expensed	$ 2,068,726	2,077,332

Notes payable discount, net of amortization was $399,590 and $416,392 at June 30, 2015 and 2014, respectively. Issuance costs, net of amortization were $338,342 and $352,689 at June 30, 2015 and

(Continued)

2014, respectively. Amortization is calculated over the life of the notes. The fair value of the notes payable at June 30, 2015 and 2014 was approximately $86,364,000 and $86,064,000, respectively.

(c) *Interest Rate Risk Management*

In order to take advantage of fluctuations in long-term interest rates, Reed College has entered into an interest rate swap agreement with a notional amount $16,650,000, which allows Reed College to change the variable interest rate to a fixed interest rate on the State of Oregon notes payable.

In June 2006, Reed College issued $16,650,000 of auction rate debt through the Oregon Facilities Authority. Reed College entered into an interest rate swap of like term, amortization, and notional amount with an investment bank to hedge this underlying variable rate debt. Reed College has subsequently refinanced the 2006 notes, however, retained this swap arrangement for interest rate risk management. Pursuant to this swap, Reed College works with a consulting firm to aid in monitoring changes in interest rates and the impact they may have on long-term debt.

During the years ended June 30, 2015 and 2014, $502,637 and $532,938 was paid, respectively, and is recorded in the statements of activities and changes in net assets as other investment gains (losses). The change in unrealized gain and loss on the swap agreements for the years ended June 30, 2015 and 2014 was a gain of $220,804 and a gain of $233,585, respectively, and is recorded in the statements of activities and changes in net assets as realized and unrealized gains. The fair value of the swap agreement as of June 30, 2015 and 2014 was a liability of $1,928,246 and $2,149,050, respectively, which is recorded in the statements of financial position as other long-term liabilities.

(6) Retirement and Postretirement Benefits

(a) *Retirement Plan*

Reed College has a defined-contribution pension plan administered through Teachers Insurance and Annuity Association – College Retirement Equities Fund. Employees are able to voluntarily contribute funds to this plan beginning on the first day of employment provided they are not students. Employees are eligible for fixed employer contributions the first month following the completion of a year of service, and must have attained the age of twenty-one. Participants are immediately vested in their employee and employer contributions and earnings thereon. Reed College's policy is to fund pension expenses as incurred. Expenditures relating to the plan were $3,307,207 and $3,266,429 for the years ended June 30, 2015 and 2014, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

(b) *Defined Benefit Retiree Medical Insurance Plan*

Reed College maintains a defined benefit retiree medical insurance plan which is not funded. Employees hired after June 30, 2006 do not participate in this plan. In order to participate, employees hired prior to September 2, 2001 must retire from Reed College at or after age 55 with at least 10 years of continuous service. In order to participate, employees hired between September 1, 2001 and June 30, 2006 must retire from Reed College at or after age 55 with 20 years of continuous service.

Participating retirees have the option of continuing to be insured by either Pioneer Educators Health Trust or a supplemental Kaiser plan. Both plans are supplemental to Medicare. Participating retirees who retired prior to September 2, 2001 and spouses/domestic partners are covered for their lifetime.

All other participating retirees are covered at the lowest premium plan for their lifetime and spouses/domestic partners are covered at the rate of 50% of the lowest premium plan for their lifetime. Employer premium expenses were $794,907 and $753,292 for the years ended June 30, 2015 and 2014, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

The accrued liability for postretirement benefits at year-end is as follows:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 25,500,282	23,978,110
Service cost	455,648	471,440
Interest cost	1,213,534	1,104,535
Benefits paid	(794,443)	(746,693)
Actuarial gain (loss)	157,522	692,890
Benefit obligation at end of year and funded status	$ 26,532,543	25,500,282
Amounts recognized in the balance sheet consist of:		
Postretirement benefits payable – current	$ 870,043	794,443
Postretirement benefits payable	25,662,500	24,705,839
	$ 26,532,543	25,500,282

Net periodic benefit cost for the years ended June 30 included the following components:

	2015	2014
Interest cost	$ 1,213,534	1,104,535
Service cost	455,648	471,440
Net periodic benefit cost	$ 1,669,182	1,575,975

Reed College used the following actuarial assumptions to determine its employee benefit obligations at and net periodic benefit cost for the years ended June 30, 2015 and 2014, as measured at June 30:

	2015	2014
Benefit obligation:		
Weighted average discount rate	4.65%	4.40%
Rate of increase in per capita cost of covered healthcare benefits	7% trending to 4% in 2022	7.5% trending to 4% in 2022
Net periodic benefit cost:		
Weighted average discount rate	4.40%	4.85%
Rate of increase in per capita cost of covered healthcare benefits	7.5% trending to 4% in 2022	8% trending to 4% in 2022

Reed College's policy is to fund the plan as claims payments are made. In the 2015–2016 fiscal year, Reed College expects to contribute, from ongoing cash flows and current assets, $870,043 to the plan. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

Year:		
2016	$	870,043
2017		919,181
2018		974,723
2019		1,044,400
2020		1,113,984
2021–2023		6,526,465

(c) *Emeriti Retiree Defined-Contribution Health Plan*

Reed College has a defined-contribution retiree health plan for employees hired on or after July 1, 2006. Reed College makes contributions on each eligible employee's behalf once the individual reaches the age of 40 years. Employees are also eligible to make discretionary after-tax contributions to their account if the individual is 21 years or older. Employees are eligible to receive benefits from the plan if the employee has attained age 55 years and achieved 20 years of continuous service to Reed College. Employer expenses related to this plan were $202,454 and $256,061 for fiscal years ended June 30, 2015 and 2014, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

(7) Funds Held in Trust by Others

Reed College has been named beneficiary of a portion of the remainder of three trusts in 2014 and four trusts in 2013 maturing at specified dates in the future. These trusts are administered by other entities. Reed College revalues the receivables using the fair value of expected future cash flows. At June 30, 2015 and 2014, the trusts receivable were $1,190,977 and $1,172,563, respectively, and were included under funds held in trust by others, noncurrent, in the statements of financial position.

(8) Contributions and Accounts Receivable

Contributions receivable consist of the following:

		2015	2014
Annual fund	$	1,170,984	1,358,869
Campaign fund		559,937	547,470
Endowment fund		6,533,909	8,323,632
Plant fund		1,958,474	2,769,372
Gross contributions receivable	$	10,223,304	12,999,343

Contributions receivable reported on the statements of financial position were as follows:

		2015	2014
Current:			
Gross contributions receivable	$	717,944	740,856
Less allowance for doubtful accounts		(36,000)	(37,000)
Total current net contributions receivable		681,944	703,856
Long-term (one to five years):			
Gross contributions receivable		9,505,360	12,258,487
Less allowance for doubtful accounts		(454,000)	(587,000)
Net long-term contributions receivable		9,051,360	11,671,487
Less discount to present value		(453,600)	(551,459)
Total long-term net contributions receivable		8,597,760	11,120,028
Total net contributions receivable	$	9,279,704	11,823,884

Reed College expects to receive $3,916,480 in fiscal year 2016 and $5,363,224 over the following three fiscal years, related to receivables outstanding at June 30, 2015.

Contributions receivable due in excess of one year are discounted at 0.568% to 1.57% and 0.743% to 1.552% for the years ended June 30, 2015 and 2014, respectively.

Of the net unconditional promises to give included above, $6,047,308 represents an unconditional promise to give from 7 members of the Reed College board of trustees due in one to three years.

Accounts receivable consist of the following at June 30, 2015:

		Unrestricted	Restricted	Loan fund	Endowment	Total
Current:						
Student accounts receivable	$	(27,685)	—	—	—	(27,685)
Related parties		—	66,036	—	375,338	441,374
Other receivables		2,649,206	502,812	—	6,884	3,158,902
		2,621,521	568,848	—	382,222	3,572,591
Noncurrent:						
Student accounts receivable		—	—	18,537	—	18,537
Reed loans		—	—	1,236,825	—	1,236,825
Related parties		—	—	(2,846)	—	(2,846)
Federal Perkins loans		—	—	3,848,063	—	3,848,063
		—	—	5,100,579	—	5,100,579
Less allowance for doubtful accounts		—	—	(60,239)	—	(60,239)
	$	2,621,521	568,848	5,040,340	382,222	8,612,931

Accounts receivable consist of the following at June 30, 2014:

		Unrestricted	Restricted	Loan fund	Endowment	Total
Current:						
Student accounts receivable	$	(3,831)	—	—	—	(3,831)
Related parties		—	24,080	—	464,938	489,018
Other receivables		190,196	176,690	—	—	366,886
		186,365	200,770	—	464,938	852,073
Noncurrent:						
Student accounts receivable		—	—	8,597	—	8,597
Reed loans		—	—	1,237,070	—	1,237,070
Related parties		—	—	(324)	—	(324)
Federal Perkins loans		—	—	3,903,847	—	3,903,847
		—	—	5,149,190	—	5,149,190
Less allowance for doubtful accounts		—	—	(60,239)	—	(60,239)
	$	186,365	200,770	5,088,951	464,938	5,941,024

The Federal Perkins Loans and Reed loans are generally payable at interest rates of 5% to 9% over approximately ten years. Repayment begins after a designated grace period following the student's college attendance. Principal payments, interest, and losses due to cancellation are shared by Reed College and the U.S. government in proportion to their share of funds provided. The Federal Perkins Loan program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancelations). Such employment cancellations are absorbed in full by the U.S. government.

(9) Net Assets

At June 30, 2015 and 2014, net assets consisted of the following:

		2015	2014
Unrestricted:			
Operating	$	2,899,677	4,235,170
Designated for special programs		3,843,402	11,281,607
Institutional loan programs		5,017,687	4,842,199
Funds functioning as endowment		126,934,328	126,491,681
Accumulated quasi-endowment gains		179,367,431	168,352,248
Net investment in plant		55,097,255	43,517,900
Total unrestricted	$	373,159,780	358,720,805
Temporarily restricted:			
Educational and general programs	$	11,880,424	11,505,112
Annuity and life income funds		10,339,181	11,113,433
Accumulated endowment gains		57,798,353	70,289,646
Other temporarily restricted net assets		2,345,104	2,593,790
Total temporarily restricted	$	82,363,062	95,501,981
Permanently restricted:			
True endowment funds	$	160,349,343	159,809,527
Annuity and life income funds		3,887,003	4,571,658
Total permanently restricted	$	164,236,346	164,381,185

(10) Endowments

Through December 31, 2007, Reed College's management and investment of donor-restricted endowment funds were subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, UPMIFA, that serves as a guideline to states using the enacted legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from the endowment fund, in favor of a more robust set of guidelines about what constitutes prudent spending. Effective January 1, 2008, the State of Oregon enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date.

In August 2008, the FASB issued FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. ASC Subtopic 958-205 was effective for fiscal years 2015 and 2014 for Reed College. The major change in net assets classification resulting from ASC Subtopic 958-205 relates to the portion of the fund not stipulated by the donor to be restricted in perpetuity. In the absence of explicit donor instructions on the use of such funds, the earnings previously classified as either permanently restricted or unrestricted must be reported as temporarily restricted until appropriated for spending.

Reed College's endowment consists of approximately 450 individual funds of which approximately 65%, or 291, funds are donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of those donor restrictions. Endowment funds are invested on the basis of a total return policy to provide income and to realize appreciation on invested assets. Under this policy, a portion of realized and unrealized gains, in addition to interest and dividend income, can be used to support operations. Investment income used to support operations is allocated from funds that have a fair value in excess of historical value and are utilized in accordance with donor-imposed restrictions.

Reed College spends endowment income and capital gains within a spending policy that preserves principal in accordance with the UPMIFA. The policy on spending endowment income is to spend 5.25% and 5.3% over a rolling 13-quarter moving average of the fair value or market value of endowment assets for fiscal years 2015 and 2014, respectively. If losses reduce the assets of a donor-restricted endowment fund below the donor-restricted corpus, temporarily restricted net assets will be reduced until the accumulated gains associated with a fund are reduced to $0. At that point, further losses reduce unrestricted net assets. The value of donor-restricted endowment funds with a fair value of associated assets that is less than the original gift amount is $376,615 and $366,018 for the years ended at June 30, 2015 and 2014, respectfully. Future gains that restore the corpus value will be recorded as increases in temporarily restricted net assets after replacing any losses charged to unrestricted net assets.

Endowment net assets by type of fund as of June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (376,615)	69,342,397	160,349,343	229,315,125
Board-designated endowment funds	305,498,530	—	—	305,498,530
Total funds	$ 305,121,915	69,342,397	160,349,343	534,813,655

Endowment net assets by type of fund as of June 30, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (366,018)	81,449,103	159,809,527	240,892,612
Board-designated endowment funds	294,414,691	—	—	294,414,691
Total funds	$ 294,048,673	81,449,103	159,809,527	535,307,303

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2014	$ 294,048,673	81,449,103	159,809,527	535,307,303
Investment return:				
Net investment gain	119,948	610,048	—	729,996
Net appreciation (depreciation) of investments	24,120,302	(2,066,968)	—	22,053,334
Contributions	—	—	442,586	442,586
Contributions from trust terminations	106,936	—	1,125,557	1,232,493
Appropriation of endowment assets for expenditure	(13,609,655)	(10,649,786)	—	(24,259,441)
Transfers to create board-designated endowment fund	436,426	—	—	436,426
Transfers and other reclassifications	(100,715)	—	(1,028,327)	(1,129,042)
Endowment net assets, June 30, 2015	$ 305,121,915	69,342,397	160,349,343	534,813,655

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2013	$ 255,075,308	65,921,743	159,401,101	480,398,152
Investment return:				
Net investment gain	180,276	840,404	—	1,020,680
Net appreciation of investments	47,136,677	24,435,019	—	71,571,696
Contributions	—	—	(162,352)	(162,352)
Contributions from trust terminations	32,086	—	451,136	483,222
Appropriation of endowment assets for expenditure	(13,207,812)	(9,748,063)	—	(22,955,875)
Transfers to create board-designated endowment fund	4,957,778	—	—	4,957,778
Transfers and other reclassifications	(125,640)	—	119,642	(5,998)
Endowment net assets, June 30, 2014	$ 294,048,673	81,449,103	159,809,527	535,307,303

(11) Commitments and Contingencies

Reed College has placed certain of its medical and dental insurance coverage with the Pioneer Educators Health Trust (PEHT), formulated by seven Oregon colleges and universities for the purpose of providing medical and dental insurance to higher education institutions. Under the agreement, member institutions are required to make contributions to the fund at such times and in an amount as determined by the board of trustees for the various benefit programs sufficient to provide the benefits, pay the administrative expenses of the Plan, which are not otherwise paid by Reed College directly, and to establish and maintain a minimum reserve as determined by the board of trustees. In the event losses of PEHT exceed its capital and secondary coverages, the maximum contingent liability exposure to Reed College is approximately $538,000. This exposure fluctuates based on changes in actuarial assumptions, medical trend rates, and reinsurance amounts. The level of reinsurance is not expected to fluctuate significantly in the future.

On July 1, 1988, Reed College elected to place its liability insurance coverage with the College Liability Insurance Company, Ltd. (CLIC). CLIC was formed by seven similar western colleges and universities for the purpose of providing liability insurance to higher education institutions. As a portion of its capital, CLIC has placed a $2,000,000 standby letter of credit of which Reed College is contingently liable for a pro rata portion based upon premium contributions from covered institutions. In the event the losses of CLIC exceed its capital and secondary coverages, the maximum contingent liability exposure to Reed College is approximately $199,000. As of June 30, 2015 and 2014, there were no amounts outstanding against the standby letter of credit.

From time to time, Reed College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, most of these claims and legal actions are covered by insurance and the ultimate disposition of these matters will not have a material effect on Reed College's financial position, statements of activities and changes in net assets, or cash flows.

(12) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, and accounts receivable: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Contributions receivable and funds held in trust by others: The fair value is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows.

Investments: Equity securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Debt securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. Investments in real estate for which fair value is not readily determinable are carried at estimated fair values, if purchased, or at fair value at the date of receipt, if acquired by donation. Alternative investments, which are not readily marketable, are carried at estimated fair values. Reed College reviews and evaluates the values provided by the investment managers and estimates the fair value of the alternative investments using the NAV as a practical expedient.

Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and Reed College.

Long-term debt: The fair value of Reed College's long-term debt is measured using quoted offered-side prices when quoted market prices are available.

(b) ***Fair Value Hierarchy***

Reed College adopted FASB ASC Topic 820 *Fair Value Measurements and Disclosures* on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Reed College has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In accordance with ASU 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value,* investments valued utilizing net asset value as a practical expedient are excluded from the fair value hierarchy.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2015:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Bond funds	$ 11,480,423	6,413,990	5,066,433	—
Equity mutual funds	92,535,131	77,382,489	15,152,642	—
REITs	3,002,609	—	3,002,609	—
Real estate	3,718,469	—	—	3,718,469
Money market and other	3,624,064	2,945,571	678,493	—
Funds held in trust by others	1,190,977	—	—	1,190,977
Total	115,551,673	86,742,050	23,900,177	4,909,446
Investments where NAV was used as a practical expedient to measure fair value:				
Hedge funds	297,064,459			
Private equity	156,928,498			
Total investments at fair value	$ 569,544,630	86,742,050	23,900,177	4,909,446
Liabilities:				
Interest rate swap	$ 1,928,246	—	1,928,246	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2014:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Bond funds	$ 19,861,676	14,456,224	5,405,452	—
Equity mutual funds	107,618,626	91,354,379	16,264,247	—
REITs	3,333,711	—	3,333,711	—
Real estate	3,522,313	—	—	3,522,313
Money market and other	5,649,709	4,982,626	667,083	—
Funds held in trust by others	1,172,563	—	—	1,172,563
Total	141,158,598	110,793,229	25,670,493	4,694,876
Investments where NAV was used as a practical expedient to measure fair value:				
Hedge funds	297,254,925			
Private equity	139,622,099			
Total investments at fair value	$ 578,035,622	110,793,229	25,670,493	4,694,876
Liabilities:				
Interest rate swap	$ 2,149,050	—	2,149,050	—

The College's beneficial interest in irrevocable split-interest agreements held or controlled by a third party is classified as Level 1, Level 2, and Level 3 as the fair values are based on a combination of Level 1 inputs (observable market values of the trusts' investment portfolios), indirect observable inputs (Real Estate Investments Trusts), and significant unobservable inputs (real estate). The fair values are measured at the present value of the future distributions the College expects to receive over the term of the agreements.

Treasuries, registered bond mutual funds, registered large cap equity mutual funds, and money market funds are classified in Level 1 of the fair value hierarchy as defined above because their fair values are based on quoted prices for identical securities. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities. Even though these shares and units in nonregistered investment funds are classified in Levels 2 and 3, some of the underlying securities are marketable or not difficult to value. In addition to evaluating the inputs as described above, the College's ability to redeem its interest at or near the date of the statements of financial position is also considered in determining the level in which a fund's fair value measurement is classified. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

The following table presents Reed College's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and June 30, 2014, respectively:

Balance at June 30, 2013	$ 4,620,060
Total realized and unrealized gains	471,643
Purchases, issuances, and settlements (net)	(396,827)
Balance at June 30, 2014	4,694,876
Total realized and unrealized gains	(580,430)
Purchases, issuances, and settlements (net)	795,000
Balance at June 30, 2015	$ 4,909,446

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2015:

	Fair value	Lockup period	Redemption frequency	Redemption notice period
Hedge funds	$ 105,469	liquidating	N/A	N/A
Hedge funds	87,999,695	1 month	Monthly	10–30 days
Hedge funds	12,244,199	3 months	Monthly	90 days
Hedge funds	9,343,939	2 months	Quarterly	60 days
Hedge funds	130,573,237	3 months	Quarterly	30–75 days
Hedge funds	12,354,004	3 months	Semiannually	90 days
Hedge funds	20,751,147	9 months	Annually	60–90 days
Hedge funds	8,000,000	12 months	Annually	60 days
Hedge funds	4,704,575	18 months	Annually	45 Days
Hedge funds	10,988,194	3 months	Triennial	60 days
	$ 297,064,459			

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2014:

	Fair value	Lockup period	Redemption frequency	Redemption notice period
Hedge funds	$ 397,621	liquidating	N/A	N/A
Hedge funds	4,633,620	none	Daily	1 day
Hedge funds	5,187,770	3 months	Monthly	90 days
Hedge funds	90,630,351	1 month	Monthly	10–30 days
Hedge funds	6,099,600	12 months	Quarterly	45 days
Hedge funds	146,060,541	3 months	Quarterly	30–75 days
Hedge funds	7,617,539	3 months	Triennial	15 days
Hedge funds	12,713,585	9 months	Semi annual	90 days
Hedge funds	23,914,298	9 months	Annually	60–90 days
	$ 297,254,925			

Reed College holds investments in private equity limited partnerships where NAV is used as a practical expedient to measure fair value at June 30, 2015. These partnerships do not allow for periodic redemptions, but rather liquidate upon the termination date as stated in the partnership agreement. Therefore, the private equity investments are considered illiquid investments. At June 30, 2015, Reed held $156,928,498 of private equity limited partnerships and had termination dates that ranged from 2016 to 2024.

(13) Split-Interest Agreements

The following schedule summarizes the change in value and its presentation in the statements of activities as related to the change in value of split-interest agreements:

	2015	2014
Dividends and interest	$ 1,011,410	776,985
Beneficiary payments	(1,444,626)	(1,346,359)
Investment fees	(214,861)	(207,340)
Net realized gain (loss)	461,577	312,804
Net unrealized (loss) gain	(266,013)	3,470,729
Total change in value	$ (452,513)	3,006,819

(14) Fund-Raising Expense

Reed College expended $3,022,228 and $2,939,622 for the years ended June 30, 2015 and 2014, respectively, for payroll and benefits, informational materials, travel, and special events relating to fund-raising activities. These costs are all classified as public affairs in the statements of activities and changes in net assets.

(15) Subsequent Events

Reed College has evaluated subsequent events from the statement of financial position date through October 2, 2015, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.