Amherst College Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2016

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The Trustees of Amherst College administer Amherst College in Amherst, Mass., and the Folger Shakespeare Memorial Library in Washington, D.C.

The Corporation | Fiscal Year 2015–16

A Message from the President

To all alumni and friends of Amherst,

In the report that follows you will see that Amherst continues to be in excellent financial health. The College's educational excellence and financial well-being have always depended on the generosity of alumni and friends, and that remains the case today. Our alumni and friends sustain what makes this one of the best colleges in the world: the quality of the teacher-scholars who constitute our faculty, the caliber of our students, the ability to provide a superb education to thousands of individuals who otherwise could not dream of gaining access to it, and the incredible, outsized record of achievement on the part of every generation of graduates.

Amherst would not long remain Amherst without the selfless commitments of its donors. In the context of this financial report, nothing demonstrates the importance of philanthropy more than one stark fact: the average cost of an Amherst education to students and their families has remained flat, on an inflation-adjusted basis, for about 20 years. The actual cost of providing a superb education has risen substantially, reflecting the pervasive national trend, but unlike the vast majority of other schools, Amherst has kept the overall average charges for its programs stable, effectively discounting their cost by approximately 65 percent compared to the average outlay by the College's students and their families.

This achievement is remarkable, particularly in light of what this small, private institution has done to maintain and enhance the depth and rigor of its curriculum, while also enriching the residential experience critical to a liberal arts education. Further, one of our biggest, most treasured investments has been the active recruitment and support of young talent from all socioeconomic strata of our society, yielding a student population that not only reflects the demographic realities of our world today, but also nourishes in vital new ways the intellectual vibrancy that has always defined Amherst. This mission has required a very large investment year after year in financial aid to meet the needs of students with modest or little means of their own.

The affordability of an Amherst education has never been more important. High achievers in all career fields, including science, mathematics and engineering, attest to the unique value of the liberal arts to critical thinking, creativity and problem-solving. But the inexorably rising, often prohibitive cost of this or any other form of higher education has made access a painful or impossible issue for the vast majority of Americans. Frequently, alumni tell me of their pride in the pioneering role Amherst has played in tackling this challenge.

Without a rock-solid endowment and robust annual donations to operating funds, which together have subsidized the increasing cost of an Amherst education, we would not be able to make the investments in financial aid and in education essential to securing the school's leadership position among or at the top of the very best liberal arts colleges. To sustain those resources—and the necessary confidence in the school's future strength—we must respond to two imperatives: continue building the endowment while also receiving a

substantial flow of annual support for our operations; and maintain the financial discipline that we have imposed in recent years.

That discipline has created a strategic plan with specific objectives against which we analyze the validity and long-term ramifications of potential expenditures, whether in financial aid, hiring of faculty and staff, curricular development, student services, or facilities construction. In addition, we permanently tightened controls on budgetary and spending-approval processes. And we have continually enforced a conservative approach to our annual draw on the endowment, at less than 5 percent.

One barometer of our financial strength and flexibility is that bond-rating agencies consistently give us grades among the highest in the educational sector, a factor essential to the low-cost funding we can readily obtain for major projects. This and many other measures of our financial condition testify to the skill of our in-house team and the small group of alumni who advise them.

As the impact of the 2008 financial crisis revealed and the special ambitions of this great College require, we cannot afford to be complacent about the need to ensure vigorous financial discipline and intensify donor support, notwithstanding the College's current strength. I believe the subsequent pages will show that those of us entrusted with Amherst's educational leadership and its financial health understand these challenges and our responsibility to protect the College with the vigilance that all of its benefactors deserve.

Sincerely,

Biddy Martin
President

Report from the Chief Financial Officer

Greetings from Amherst. As always, it is my great privilege to report the College's financial results to you.

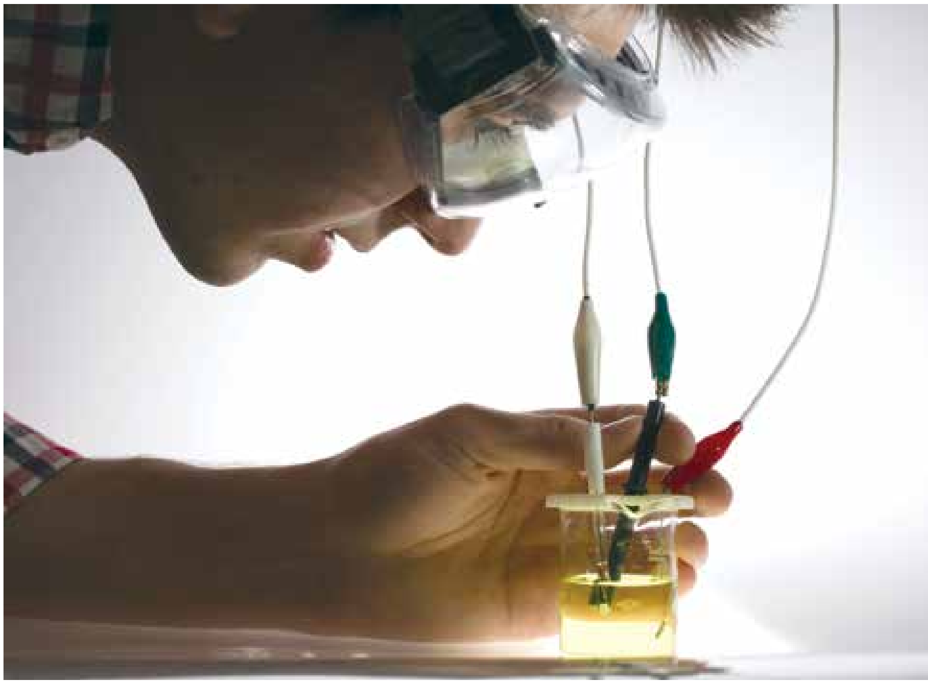
The school's performance during the fiscal year that concluded on June 30, 2016 (FY16) involved a mix of positive results and challenging developments. On the plus side, operating results were very strong, including an operating surplus of $6.6 million, or 3.7 percent. Expenses grew at a modest rate of 1.4 percent, the slowest rate of growth since the financial crisis and the "Great Recession," reflecting strong budgetary oversight. In addition, Amherst completed the Greenway Dorms on time and under budget, and was able to reduce the budget for the Science Center project through effective contract negotiations. Consequently, Amherst was able to begin executing its plan to bring down long-term debt through the recent retirement of an outstanding variable-rate debt issuance.

Kevin C. Weinman
Chief Financial Officer

On the downside, the endowment experienced a difficult year due to challenging investment markets. While the endowment's performance over the long term remains strong compared to peers and to benchmarks, Amherst's high reliance on its endowment to fund operating expenditures makes the College particularly sensitive to investment-market volatility. Nevertheless, the College enjoys exceptional financial health and remains well-positioned to continue deploying its financial resources in the successful pursuit of an ambitious mission.

Following this letter are the audited financial statements for the Trustees of Amherst College (Institution), prepared in accordance with accounting standards generally accepted in the United States of America. These statements show the individual as well as combined operations of Amherst College (College) and the Folger Shakespeare Memorial Library (Library). For a more detailed description of the financial presentation, please see Footnote #1 on page 32, *Basis of Presentation*.

While statements in this format give a true financial picture of the Institution as a whole and provide consistency and comparability among nonprofit institutions, they do not reflect how the Institution is internally managed. In fact, the College, the Library and the Emily Dickinson Museum (Museum) are managed as independent operations, with separate operating budgets. These budgets are based on the principles of fund accounting, basically dividing the operation into operating resources, which fund the day-to-day business of the Institution; endowment resources, which help to finance the Institution over the long term; and facilities, concerned with the management and investment of the Institution's physical assets. The operating results for the College are on page 8; detailed information related to the Library follows this narrative on page 21.



AMHERST COLLEGE OPERATING RESULTS

The FY16 College operating budget was established at $177.3 million, with an expectation of balanced revenues and expenditures. As you can see from the presentation on page 8, overall FY16 activities resulted in an operating surplus of about $6.6 million, or 3.7 percent of budget. This compares very favorably to an operating deficit of $0.3 million in FY15. Effective budgetary oversight across the institution contributed to the surplus. In addition, current-use gifts, bequests and trust distributions were higher than anticipated.

Cost per student (excluding scholarships) rose to approximately $96,700 in FY16, an increase of 1.1 percent, the College's lowest rate of expenditure growth since 2011. The College is benefitting from more stringent operating and capital budget processes that have been put in place over the last few years and emphasize the reallocation of existing resources to meet new needs. Amherst's comprehensive fee of $62,940 continues to be a substantial discount to the College's cost per student. Thus, all students, even those who did not receive financial aid, experienced a 35 percent discount relative to the full cost of education. In addition, Amherst continues to offer an extensive set of financial aid policies and practices that make an Amherst education affordable

Statement of Operating Resources and Expenses

for the years ended June 30, 2016 and 2015

	2016	2015
Resources available		
Student tuition and fees	$111,635,000	$106,919,000
Amherst College scholarship	(50,703,000)	(49,083,000)
Net tuition and fees collected	60,932,000	57,836,000
Auxiliary and other revenues	7,674,000	7,722,000
Net utilization of new and prior restricted fund receipts	(1,488,000)	(1,004,000)
Total Resources Available before support from Alumni and Friends	**67,118,000**	**64,554,000**
Current expenses		
Educational & General		
Instruction	41,696,000	40,244,000
Academic support	11,262,000	11,540,000
Research	3,422,000	4,168,000
Library	6,958,000	6,856,000
Student services	21,119,000	20,632,000
Operation and maintenance of plant	23,123,000	22,130,000
General and administration	23,245,000	22,864,000
Pensions and professional fees	4,102,000	4,306,000
Total Education & General	**134,927,000**	**132,740,000**
Other Expenses		
Academic awards	1,348,000	1,232,000
Auxiliary activities & other	15,212,000	15,320,000
Debt service	20,136,000	19,982,000
Total current expenses	**171,623,000**	**169,274,000**
Deficit before support from Alumni and Friends	(101,528,000)	(104,720,000)
Distribution from endowment	90,628,000	83,473,000
Annual Fund	10,073,000	10,170,000
Gifts and grants for operating purposes	10,389,000	10,777,000
Total support from Alumni and Friends	**111,090,000**	**104,420,000**
Surplus/(Deficit) before designation to reserves	**6,585,000**	**(300,000)**
Transfer of surplus to designated reserves	(2,878,000)	
Surplus/(Deficit) to General Operating Reserve	**$ 3,707,000**	**$ (300,000)**

and accessible to every talented prospective student from anywhere in the world. All scholarships are awarded based on the financial need of students and families, and represent an important institutional priority. Amherst continues to be "need-blind" in its admissions practices for both domestic and international applicants, and the College meets the full demonstrated need of every admitted student entirely through grants and not loans. As a result, Amherst students paid an average of $34,300 after financial aid, a 46 percent discount rate compared to the comprehensive fee, and a discount rate of nearly 65 percent compared to the College's cost per student. Such discounting for all students—those receiving financial aid and those not—is possible only through the generosity of the College's friends and donors to the endowment, Annual Fund and current budget.

In FY16, revenues totaled $178.2 million, an increase of 5.4 percent over the prior year. The sources of revenue available for the operating budget remain highly concentrated. Approximately 85 percent of the College's revenues are derived from two key sources: student fees net of financial aid, and endowment distribution. In FY16, net student fees (comprehensive fee, room, board and other charges), after discounting for financial aid, provided only 34 percent of the College's revenues. Distribution from Amherst's endowment continues to be a substantial and growing portion of the College's operating revenue, totaling nearly 51 percent in FY16, one of the very highest percentages in all of higher education. This is possible only because of the extraordinary generosity, past and present, of alumni, parents and friends of the College; the expertise and acumen of the Investment Committee of the Board of Trustees and professionals in our internal Investment Office; and a long tradition of prudent utilization of the endowment to fund current operations.

Despite Amherst's unusually high reliance upon its endowment to fund current operations, its endowment "spending rate" is a responsible and healthy 4.4 percent of the three-year average endowment value (and only 4.2 percent of the FY16 beginning market value). Amherst's target is to keep this distribution rate between 4 and 5 percent; it has been below 5 percent every year since the late 1990s. Amherst continuously monitors this utilization rate closely in an effort to balance the needs of the present and the future. The Annual Fund provides 6 percent of the total operating budget, which allows Amherst to fund its most important priorities, including financial access and affordability, superb teaching and research, facilities upkeep and enhancements, and student activities and services. Revenue from other gifts and grants, including research, funds another 5 percent of the budget. Auxiliary activities cover the remaining 4 percent.

On the expense side, Amherst's expenditures have been proportionately consistent for several decades. In FY16, nearly one-quarter (24 percent) of expenditures were incurred directly for instruction. Instruction and related activities—including academic support, research and library—totaled 37 percent of the budget. Together, plant and debt service (which is generally incurred to fund facility construction and renovation) constituted about one-quarter of Amherst's budget.

DEBT

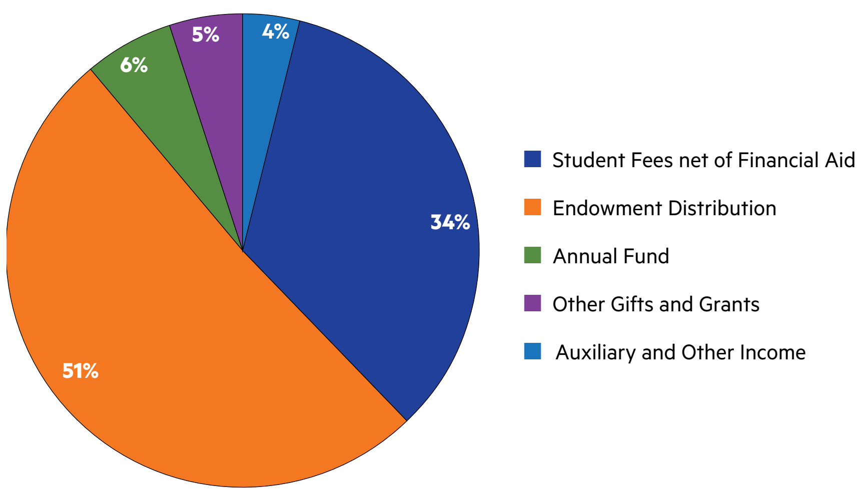
As of FY16 year-end, the College's outstanding debt balance totaled $534 million, up from $392 million as of the last year-end. As mentioned in last year's report, the College issued $150 million of 30-year fixed-rate debt in November 2015 at an interest rate of 4.1 percent. The proceeds from this taxable issuance provide the College with ample capital for the complete construction of the Greenway Projects (discussed in detail in the "Facilities and Other Projects" section). In particular, the issuance serves as bridge financing; as anticipated gift pledges and receipts materialize for these projects, the College plans to repay several term bonds or variable-rate bonds to reduce its outstanding debt balance. At the time this occurs, the College's overall debt levels will decrease, and the composition of its debt will continue a shift from roughly a 50 percent/50 percent mix of fixed-rate and variable-rate (or synthetically fixed-rate) debt, as existed at FY15 year-end, to a mix much more heavily weighted toward fixed-rate debt. We view this as a very positive shift that will protect the College against the potential for rising interest rates in the future.

After year-end but prior to the issuance of this report, the College already made progress toward this commitment by retiring the $27.5 million balance on the "Series F" variable-rate bonds. Amherst was able to do so as a result of a significant reduction in the expected cost of the Science Center through the successful negotiation of contractor and subcontractor bid packages, as well as the receipt of an anonymous unrestricted gift. Combined with normal annual amortization, Amherst's outstanding debt balance is down to $504 million as of the end of calendar 2016. In addition, the College converted its $45.7 million Series K-2 term-mode bond into a bank direct purchase in November 2016, at a fixed rate for five years of 1.41 percent, including a full call option.

After these actions, the College's endowment-to-debt ratio, one of the simplest but most important measurements of the strength of a college's balance sheet, is roughly 4-to-1. This is down from 5.6-to-1 at the end of FY15, but is still indicative of a very strong balance sheet. The College maintains a AAA credit

FY16 REVENUES = $178.2 MILLION

Nearly 85% of the College's revenues come from student fees net of financial aid and endowment distribution.



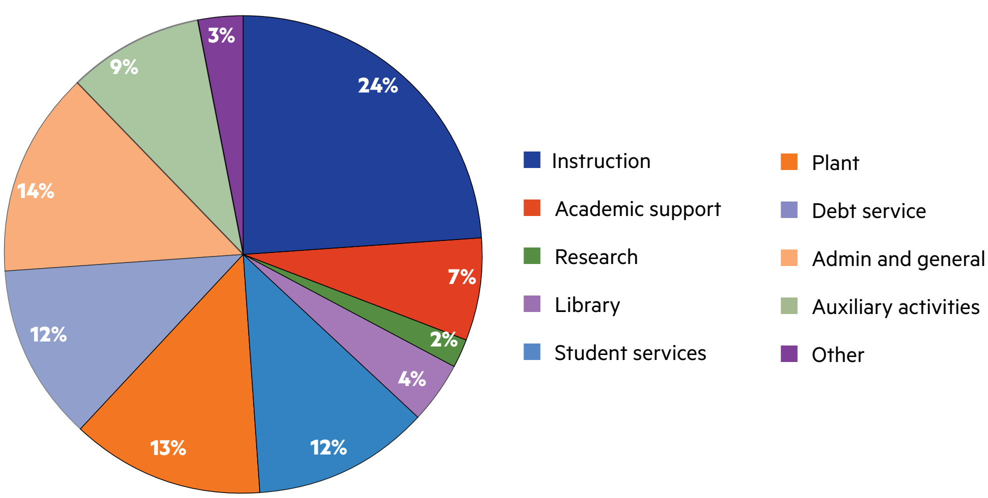
rating from Moody's and a AA+ rating from Standard & Poor's. The College's debt trades very actively and is in high demand in the market, resulting in a very low overall cost of debt. Amherst continually monitors its liquidity to ensure it has access to funds to meet operational obligations and to protect against any potential difficulties in the remarketing of its variable-rate bonds. The College has adequate cash balances on hand and access to a number of low-cost lines of credit with several financial institutions that provide further security. Amherst has no outstanding borrowings on any of these lines.

GIVING TO THE COLLEGE

In FY16, Amherst's alumni, parents and friends provided the College with cash gifts and bequests totaling $35.4 million. Although this was the lowest annual amount since the years prior to the *Lives of Consequence* campaign, it still reflects a remarkable record of generosity for an institution of Amherst College's size. The Annual Fund, composed of the Alumni Fund and the Parents' Fund, raised $9.7 million this past year, slightly down from the $10.2 million level in FY15. The Annual Fund is a critically important source of unrestricted operating revenue, and is a meaningful way for alumni, parents and friends at all economic levels to participate in the College's fundraising efforts. Many of Amherst's most generous alumni began their support of the College with participation in the Annual Fund. Although their giving now includes endowment, facilities and life-income gifts, these donors remain loyal supporters of the Annual Fund. Because of this loyalty, Amherst is a national leader in alumni participation, with about 50 percent of alumni currently participating. In FY16, the College received $9.2 million in new endowment gifts. In addition to Annual Fund receipts, gifts totaling $8.4 mil-

FY16 EXPENDITURES = $171.6 MILLION

The College incurs a diversified array of expenditures that directly and indirectly support the student experience inside and outside the classroom.



lion were received to support current operations in such areas as instruction, research, library, scholarships and fellowships. Gifts for facilities totaled $4.8 million this past year.

FACILITIES AND OTHER CAPITAL PROJECTS

In September 2016, Amherst College celebrated the opening of four new residence halls with 300 beds in total. These residences replace the Social Dorms, which were razed over the summer. The residence halls are the first of several Greenway Projects, which will also include a 240,000-square-foot Science Center and a Greenway that will connect the new dorms and the Science Center in a spectacular outdoor setting that better integrates the southeastern quadrant with the rest of campus. All of these projects are on time and under budget; as previously mentioned, the savings against budget was a major factor permitting the College to retire its Series F variable-rate debt issuance before its ultimate maturity date. The new Science Center will be completed in time for the FY19 fall semester—late summer of 2018 on the calendar.

Amherst College sets aside funds annually to address deferred maintenance needs, which will always be acute on an older campus in a climate that is often harsh and unforgiving. As a result, Amherst is continuously evaluating the adequacy of its annual and accumulated funding for such projects, and considers a wide variety of potential funding sources for these needed expenditures, including debt proceeds and philanthropy. As the College turns its attention to the enormous task of constructing the new Greenway and Science Center, construction and renovation activities on the rest of campus have slowed significantly, from over $20 million two years ago to about

$8 million in FY16. The College is mindful of the need to continually invest in the revitalization of its facilities, and monitors the state of its maintenance needs against both widely accepted benchmarks and peer institutions. While there is always more to be done, the College's facilities are in excellent condition relative to these markers.

CONGRESSIONAL INQUIRY

In February 2016, the U.S. Senate Committee on Finance and the House of Representatives Committee on Ways and Means sent an inquiry to all colleges and universities with endowments over $1 billion, a group of institutions that includes Amherst College. Their letter requested a variety of information about each school's endowment investing and spending policies and practices. Amherst very much welcomed the opportunity to participate in this important conversation. It allowed the College the opportunity to demonstrate its longstanding commitment to putting its endowment to use to further its ambitious mission, particularly with respect to financial access and affordability. Ever-rising tuition "sticker prices" at colleges nationwide, student loan debt and tightening job prospects for college graduates rightfully result in a cause for concern, and we fully understand Congress's interest in this subject. We do not shy away from this conversation; we are confident that Amherst College is as energetic and as successful as any institution of higher learning in mitigating these concerns. Amherst was one of a handful of institutions to make its response fully accessible to the public. Our 29-page response, signed by President Biddy Martin, can be found on the College's website.

It continues to be a terrific privilege to serve you as Amherst's chief financial officer. I have had the pleasure to meet and speak with many students, parents, alumni and friends over the last 12 months, on campus and in places as varied as Southern California and London. I look forward to meeting many more of you in the near future. As always, I welcome your outreach and am happy to answer any questions you might have about the College's finances. It is a great pleasure to be here and to do my part to help enable the priorities of this incredible college.

Kevin C. Weinman

Kevin C. Weinman
Chief Financial Officer

Report from the Chief Investment Officer

Amherst's endowment plays a pivotal role for the College across a broad spectrum of initiatives, providing 51 percent of revenue in Fiscal Year 2016 (FY16). Withdrawals from the endowment funded approximately 30 percent of Amherst's operating budget 10 years ago, and FY16 marks the first time in the College's history that the endowment has contributed more than half of the operating budget. When the fiscal year ended on June 30, 2016, the endowment had a market value of $2.032 billion (compared to $2.194 billion on June 30, 2015—a decrease of $162 million). The return on the College's investments was -3.5 percent, net of investment management fees and related expenses. FY16 marked the first negative fiscal year investment return for the College since the global financial crisis (FY09). Gifts of $9.2 million and another $1.5 million in transfers to the endowment from terminated life-income funds also contributed to the College's endowment for the year.

Mauricia Geissler
Chief Investment Officer

The Folger Shakespeare Memorial Library's Endowment Fund decreased from $328.8 million to $303.2 million during the fiscal year. Funds managed by the trustees under life-income agreements totaled $77.4 million as of June 30, 2016, showing a net decrease of $10.5 million from the prior year.

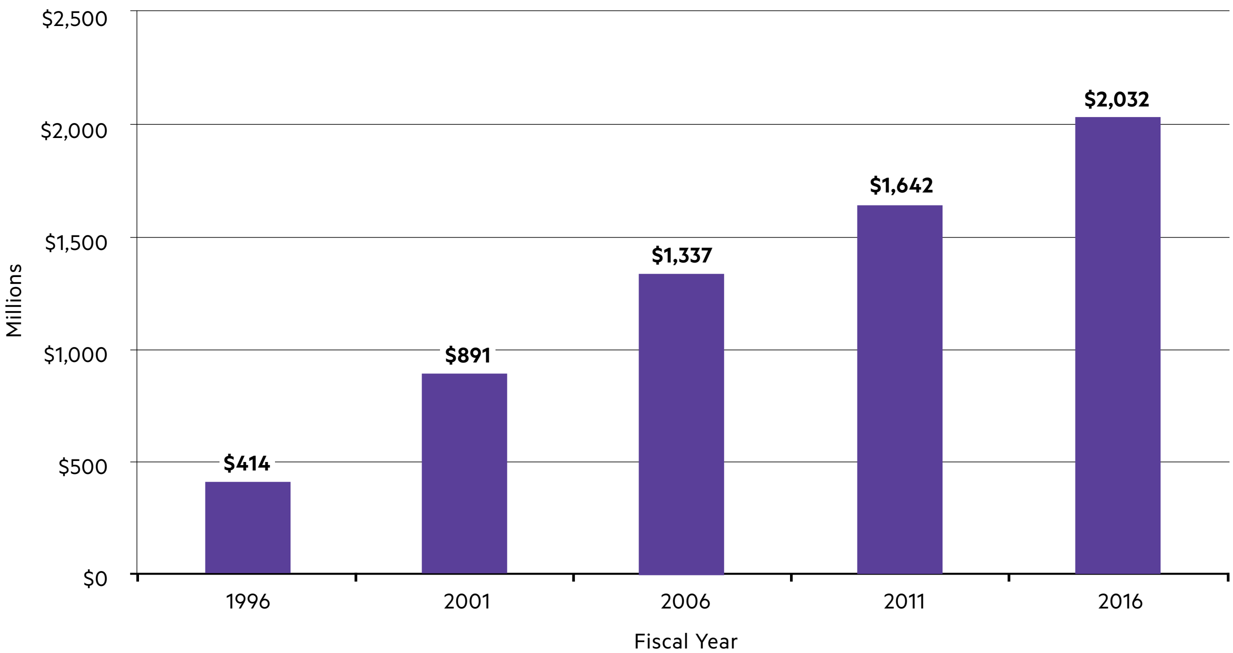
A summary of the Amherst endowment's growth over the past two decades is shown at right:

FISCAL YEAR 2016 MARKETS AND RETURNS

Perhaps fittingly, FY16 ended with the announcement that the United Kingdom had voted to leave the European Union. The historic "Brexit" vote, which took place during the last week of June, was the culmination of a year that saw a growing populist trend around the globe. Political uncertainty, particularly within the United States, has served to fuel global market volatility. Monetary policies are being pushed to extremes in many countries; U.S. bond yields are at record lows, even after the first Fed rate hike in 10 years; and negative bond yields are becoming commonplace (as in Japan, Germany and Switzerland). China, which had been the engine of global growth, is now adjusting to its own slower growth outlook. Commodity prices, while slightly up from historic lows, continue to be depressed. Currency volatility has hit record levels in many countries, spawned by a strengthening U.S. dollar.

While the U.S. equity market generated its lowest fiscal-year return since 2009 (the S&P 500 Index returned 4.0 percent for

Amherst endowment growth over the past 20 years



the fiscal year), it still outperformed nearly all other international equity markets. Notably, the United Kingdom declined 12.1 percent over the fiscal year; Japan declined 8.9 percent; and Europe, excluding the UK, dropped 10.8 percent. Emerging markets also had a challenging year, with China declining 23.2 percent, in turn fueling a broader decline of 11.7 percent for the MSCI Emerging Markets Index.

Continued record low interest rates, including an increasing number of negative interest rate securities, helped bonds produce strong returns for the fiscal year. The Citigroup World Government Bond Index and the U.S. 10-year Treasuries both produced double-digit returns for the fiscal year, returning 11.3 percent and 10.1 percent respectively. The few other standouts in FY16 for market performance included REITs (the FTSE NAREIT All Equity REITs Index returned 23.6 percent) and gold (returned 13.0 percent). While oil prices recovered from their recent lows in February, the Bloomberg Commodity Index Total Return declined 13.3 percent for the year.

The College's -3.5 percent return for the fiscal year trailed its strategic policy benchmark, which rose 0.8 percent for the period. The College's return also lagged behind the 60 percent S&P 500 Index/40 percent Bloomberg Barclays U.S. Aggregate Bond Index blended return of 5.0 percent. Disappointedly, the College's FY16 return ranked below the median of the Cambridge Associates performance universe for college and university endowments. However, longer-term results remain quite strong, with the College's 10-, 15- and 20-year annualized returns standing at 6.7 percent, 8.4 percent and 10.7 percent, respectively. These returns rank in the top decile of returns for U.S. college and university endowments.

Clearly FY16 was an extremely difficult performance year, and represented a detrimental "perfect storm" for the

Amherst portfolio; diversification hurt rather than helped returns, and the endowment portfolio was underallocated to the best-performing segments of the market, U.S. Stocks and Bonds. Additionally, the College's managers within those asset segments underperformed the market fairly significantly. A combination of these negative contributions from asset allocation and manager selection hurt short-term returns.

While a one-year return can be impactful, whether positive or negative, we tend to focus our strategy and our energy on achieving consistent long-term returns, and our diversified portfolio and disciplined investment approach has served Amherst well. Anecdotally, the trailing 12-month performance ending Sept. 30, 2016, was 6.0 percent, a full 9.5 percent higher than the trailing 12-month performance just a quarter earlier. This is a convenient and tangible reminder of the perils of focusing on such a short-term investment period.

Over the past 20 years, by investing alongside well-aligned investment managers, across a variety of asset classes and markets, the College has cumulatively added roughly $1 billion in value to the endowment—relative to a passive benchmark of 60 percent S&P 500 Index and 40 percent Bloomberg Barclays Aggregate Bond Index—as shown in the chart to the right:

Summary of the College's longer-term returns versus various indices

Annualized Returns for the Fiscal Year Ended June 30, 2016

	1 Year	5 Years	10 Years	20 Years
Amherst Portfolio[1]	-3.5%	6.9%	6.7%	10.7%
Policy Portfolio Benchmark[2]	0.8	5.6	5.4	6.4
60/40 Stock Bond Portfolio[3]	5.0	8.9	6.8	7.3
CA Mean[4]	-2.5	5.5	5.2	7.8

[1] Amherst portfolio returns are net of all fees and expenses.

[2] Amherst's policy portfolio/strategic benchmark is a weighted average return derived by applying the target strategic policy portfolio weights of each asset class to the performance of the respective asset class benchmarks.

[3] A passive benchmark of 60 percent S&P 500 Index and 40 percent Bloomberg Barclays Aggregate Bond Index.

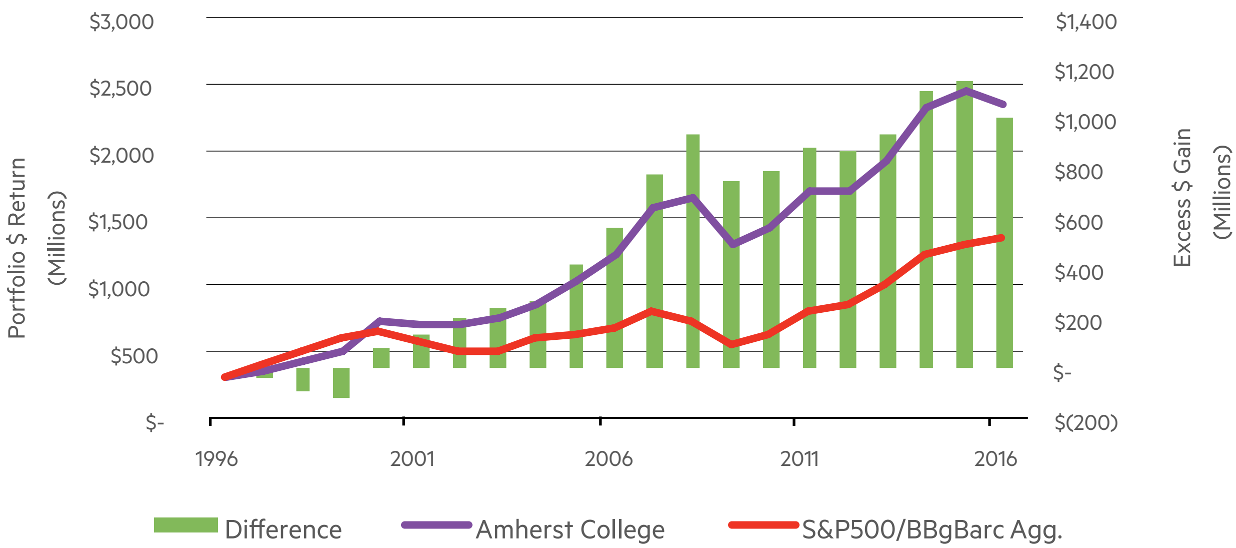
[4] Cambridge Associates mean for colleges and universities. The universe consists of 161 institutions reporting returns to Cambridge Associates for one year, 160 institutions reporting for five years, 152 institutions reporting for 10 years and 124 institutions reporting for 20 years.

The table below presents annual returns for the last 10 years:

Annual Fiscal-Year Returns

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Amherst	-3.5%	5.4%	19.6%	13.0%	1.3%	19.1%	8.4%	-20.3%	4.6%	27.7%
Benchmark	0.8	2.6	14.5	10.4	0.5	18.0	12.0	-16.1	-2.2	18.5
Difference	-4.3	2.8	5.1	2.6	0.8	1.1	-3.6	-4.2	6.8	9.2

Benefits of Diversification



POLICY PORTFOLIO AND INVESTMENT STRATEGY

The portfolio continues to be invested across a diverse set of asset classes, strategies, geographies and managers. The strategic policy portfolio, established by the Amherst College Investment Committee, guides overall asset allocation and liquidity. The Investment Committee continues to define the strategic policy portfolio across four broad asset categories: Global Equities, Absolute Return, Real Assets and Fixed Income & Cash. The Investment Committee and Office of Investments staff regularly review the expectations upon which the strategic policy portfolio is based and, within each of these broader categories, will refine the allocation to various sub-asset classes—for example, public versus private and developed versus developing markets—with the goal of improving the portfolio's risk/return characteristics. FY16 marked an unusual period, where investment portfolios that had significant equity exposures outside the U.S., and/or had below-average exposure to U.S. fixed income, were likely destined to see disappointing returns.

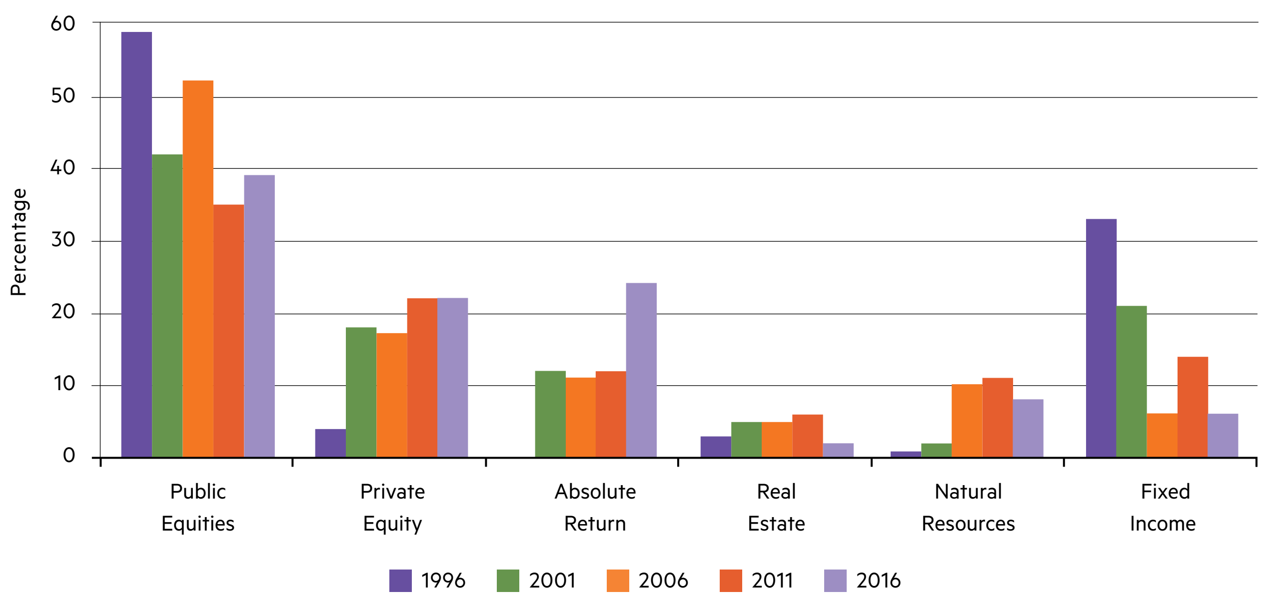
In addition to broadly diversifying the investments across asset classes, the Investment Committee and Office of Investments staff aim to maintain sufficient exposure to liquid investments to satisfy the endowment's growing financial support of the College's operations, and to provide the portfolio liquidity needed to meet its private capital obligations and the nimbleness to take advantage of market opportunities. To this end, nearly 50 percent of the portfolio is fully convertible to cash in under a year, and almost 20 percent is convertible in less than 30 days.

The College continues to maintain a strategic underweight to dedicated Fixed Income strategies, given their continued low yields, and has increased its exposure in Absolute Return strategies, funding managers who have the ability to invest across asset classes and security types, as can be seen in the table on the following page:

Amherst College Strategic Policy and Actual Allocation as of June 30, 2016

	Strategic Policy Target	Policy Range	Actual Asset Allocation
Global Equities	55%	30–70%	60%
Public Equities			39
Private Equity / Venture Capital			21
Absolute Return	20%	15–25%	24%
Real Assets	15%	10–20%	10%
Real Estate			2
Natural Resources			8
Fixed Income and Cash	10%	0–20%	6%
Bonds			3
Cash			3
Total Pool	100%		100%

Portfolio Diversification over the past 20 years:



SUSTAINABILITY

In February 2015, the Board of Trustees issued a statement defining environmental sustainability as a fundamental College objective. The Office of Investments and Investment Committee pledged to achieve this goal through a process of ongoing inquiry, analysis and engagement with our managers on issues related to environmental sustainability, rather than systematically excluding direct investments in certain companies, industries or sectors. As a part of this effort, the College reached out to each of its investment managers, asking that they consider carefully the financial risks and impact of climate change when evaluating potential investments. The majority of managers affirmatively indicated that they take these risks into consideration when evaluating prospective investments. In addition, the College continues to proactively evaluate and vote its shareholder proxies in alignment with ESG (Environmental, Social and Governance) principles, advocating for corporate accountability with respect to social, ethical, environmental and governance issues. The Office of Investments has partnered with Ceres, a nonprofit organization that advocates for sustainability leadership. Through membership in Ceres' Investor Network on Climate Risk, Amherst College is able to advocate for, and participate in, various initiatives on environmental sustainability and efforts that will lead to a reduction of greenhouse gas emissions. In addition, the Office of Investments continues to proactively evaluate investment strategies and opportunities that clearly incorporate sustainability as a part of their core focus.

LOOKING AHEAD

While FY16 was disappointing on both an absolute and a relative basis, we remain disciplined and focused on the long-term-return objective. The Investment Committee and Office of Investments staff remain committed to a diversified investment approach across a broad spectrum of asset classes and geographies. While there will be periods, such as FY16, when this approach may fall out of favor, we remain confident that, over longer market cycles, the College will be rewarded.

The Investment Committee, along with the Office of Investments staff, understands the need to be strong stewards of the College's endowment on behalf of the thousands of alumni who have helped to grow this tremendous resource for the College. Our focus remains on positioning the endowment to take advantage of market opportunities, without taking excess risk, as we strive to protect and strengthen the resources provided by all the generous donors to the College endowment.

Mauricia Geissler
Chief Investment Officer

Report from the Folger Shakespeare Memorial Library

The Folger launched its celebration of 400 years of Shakespeare, *The Wonder of Will*, in January 2016 with a tour of the First Folio to 50 states, Puerto Rico and Washington, D.C. Hundreds of thousands of people saw the *First Folio! The Book that Gave Us Shakespeare* exhibition, participated in family programs and attended teacher workshops. Folger Theatre's new one-man play, *Gravedigger's Tale*, accompanied the tour to many states.

Throughout 2016, the Folger invited theatergoers, artists, students and scholars to share their Shakespeare stories. On April 23, the 400th anniversary of Shakespeare's death, the Folger gathered some of these storytellers, including Supreme Court Justice Stephen Breyer and actor Kal Penn, for *The Wonder of Will Live*, broadcast on C-SPAN's *BookTV*.

As part of the new Humanities in the Public Square initiative from the National Endowment for the Humanities, the Folger convened CrossTalk DC, a series of public conversations and workshops about race and religion using two plays, Shakespeare's *The Merchant of Venice* and a Folger Theatre-commissioned variation, *District Merchants.*

Michael Witmore
Director,
Folger Shakespeare Memorial Library

In addition to producing this new play and a critically acclaimed production of *A Midsummer Night's Dream*, Folger Theatre also participated in the Women's Voices Festival with a play about Elizabeth I, brought the Oregon Shakespeare Festival's *Pericles* to the Folger stage and premiered the Reduced Shakespeare Company's *William Shakespeare's Long Lost First Play (abridged)*.

Folger Consort and English vocal ensemble Stile Antico inaugurated *The Wonder of Will* in New York City with early and new music celebrating Shakespeare, after a blizzard forced the cancelation of their Washington, D.C., performance. The O.B. Hardison Poetry Series commemorated the 20th anniversary of Cave Canem, a group of African American writers.

Folger Education continued its partnership with the District of Columbia Public Schools, providing professional development and *Romeo and Juliet* curriculum for all ninth graders. It also welcomed 29 teachers from across the United States for its first-ever Summer Academy, a spin-off of the Teaching Shakespeare Institute. Folger Institute awarded 21 microgrants, funded by the NEH, to strengthen undergraduate-level instruction of Shakespeare's plays and celebrated the 30th anniversary of its Center for Shakespeare Studies with a Shakespeare Anniversary Lecture Series.

Partnering with the Bodleian Libraries at the University of Oxford, the British Library, Shakespeare Birthplace Trust and The National Archives UK, the Folger launched the online resource *Shakespeare Documented*, the largest and most authoritative collection of primary-source materials documenting Shakespeare's life. Nearly 500 references, found in roughly 400 print and manuscript documents, provide a rich portrait of Shakespeare's life and career. The Folger exhibition *Shakespeare: Life of an Icon* brought together 50 of these documents, some on public display for the first time.

While preparing *Shakespeare Documented* and *Life of an Icon*, Folger Curator of Manuscripts Heather Wolfe (Amherst '92) made a major discovery reported by *The New York Times*: previously unknown depictions of Shakespeare's coat of arms. These documents cast new light on Shakespeare's status as a gentleman-writer, but also affirm existing understandings of his identity as both the famous playwright and the man from Stratford.

Other Folger exhibitions in FY16 explored the roots of American law in Shakespeare's Britain and the enduring influence of Shakespeare on American culture.

In collaboration with Zooniverse and the Oxford English Dictionary, the Folger launched an online platform to crowd-source transcriptions of manuscripts from Shakespeare's lifetime. These transcriptions will become available in a searchable database as part of the Early Modern Manuscripts Online project.

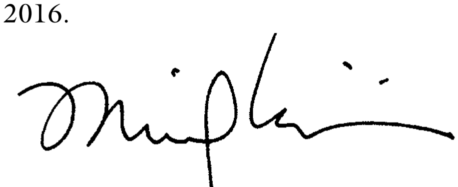
In December 2015 at the Sotheby's sale of early English books and manuscripts belonging to the collector Robert S. Pirie, the Folger made several major acquisitions, including rare works by John Milton, Sir Philip Sidney and Edmund Spenser.

Statement of Operating Resources and Expenses

for the years ended June 30, 2016 and 2015

	2016	2015
Resources available		
Distribution from endowment	$13,881,000	$11,647,000
Income from current fund investments	1,000	1,000
U. S. Government grants	1,506,000	1,029,000
Gifts and other grants	2,187,000	2,955,000
Other	3,650,000	3,946,000
	21,225,000	19,578,000
Restricted expendable funds availed of—net	1,021,000	155,000
Appropriation for collection acquisitions	(250,000)	(301,000)
	21,996,000	19,432,000
Current expenses		
General and administration	6,995,000	6,631,000
Development office	1,219,000	892,000
Central Library	4,764,000	3,917,000
Museum Shop and Rental Properties	317,000	265,000
Folger Institute	1,214,000	1,183,000
Digital Media/Publications	951,000	854,000
Education programs	679,000	649,000
Public programs	3,480,000	3,534,000
Grant activities	1,376,000	916,000
	20,995,000	18,841,000
Capital Campaign expenses		
Reserve transfer	(520,000)	(116,000)
Plant transfer for building projects	(475,000)	(475,000)
Surplus	**$ 6,000**	**$ 0**

During the past year the Folger Board of Governors welcomed Vint Cerf, Jarrett Arp, Rebecca Bushnell and Lady Darroch. This fiscal year also saw the resignation of Lady Westmacott, Louisa Newlin and Ed Leahy. Longtime board member Paul Ruxin (Amherst '65) passed away in April 2016.



Michael Witmore
Director, Folger Shakespeare Library

Twenty Years in Review

	2016	2015	2011	2006	2001	1996
Assets (000's omitted)						
Total Assets	$3,104,805	$3,108,489	$2,468,873	$1,813,126	$1,210,543	$610,085
Endowment Funds at Market	2,031,843	2,193,511	1,641,511	1,337,158	890,511	413,635
Life Funds at Market	77,425	87,933	80,491	70,798	69,198	41,653
Student Loans Outstanding	1,919	2,221	3,503	3,816	4,311	4,303
Income (000's omitted)						
Net Student Income	60,932	57,837	52,474	44,118	38,814	31,749
Student Income—% of Operating Expenditures	35.5%	34.2%	39.0%	45.6%	51.0%	54.7%
Gifts, Bequests, and Grants Received	35,348	44,802	67,012	34,528	56,808	30,636
Annual Fund, utilized	10,072	10,170	10,093	7,940	7,321	4,659
Endowment Income Distributed	91,087	84,158	59,225	44,121	28,713	18,815
Expenditures (000's omitted)						
Net Operating Expenditures	171,624	169,274	134,382	96,791	76,098	58,019
Educational and General	134,927	132,740	107,328	85,160	66,017	49,011
Scholarships Awarded (000's omitted)	50,703	49,083	38,645	21,067	14,074	10,016
Miscellaneous						
Number of Students, average for year	1,776	1,770	1,787	1,606	1,633	1,591
Comprehensive Fee	$ 62,940	$ 60,400	$ 50,820	$ 40,980	$ 32,400	$ 26,270
Net Cost per Student (net of scholarships)	96,635	95,635	75,200	60,270	46,600	36,467
Endowment per Student, based on fall enrollment	1,131,946	1,224,057	914,491	820,846	528,180	259,332
Comparative Investment Performances						
(Total Return Indexed)						
Amherst College Consolidated Fund	769	797	553	402	231	100
Standard and Poor's 500	455	437	257	222	197	100
Barclays Aggregate	302	284	251	183	143	100
MSCI EAFE, net	217	242	200	186	115	100
Investments (000's omitted)						
Funds (at market)						
Consolidated Fund	$2,030,844	$2,192,486	$1,640,283	$1,335,197	$ $888,207	$406,379
Folger Shakespeare Memorial Library	303,196	328,846	267,172	233,729	162,794	84,325
Separately Invested Endowment Funds	999	1,025	1,228	1,960	2,304	7,256
Immediate Life Income Funds	2,391	5,826	6,662	9,520	12,443	8,409
Balanced Life Income Funds	5,780	6,221	8,078	7,972	6,856	4,799
Gift Annuities	7,641	8,491	5,835	7,109	3,963	
Separately Invested Life Funds	61,613	67,395	59,916	46,197	45,936	28,446
Folger Life Income Funds	940	1,004	682	1,230	1,411	
Other Investments	170,342	205,678	272,577	33,516	33,449	
Total Funds	**2,583,746**	**2,816,972**	**2,262,433**	**1,676,430**	**1,157,363**	**539,614**
Investments by Asset Allocation						
Cash and Cash Equivalents	84,931	96,196	62,953	47,877	71,591	11,202
Domestic Equities	157,968	205,890	209,683	273,038	206,090	182,878
Foreign Equities	221,155	228,704	283,354	293,185	89,763	68,588
Global Equities	358,542	440,339	87,623			
Private Equities	560,346	559,872	454,874	270,929	189,803	15,467
Fixed Income	57,798	61,505	259,419	96,078	211,379	188,334
Absolute Return	869,608	909,347	520,232	462,970	296,421	45,854
Natural Resources	267,499	308,810	370,834	208,228	89,918	10,854
Other Investments	5,899	6,309	13,461	24,125	2,398	16,437
Total Investments	**$2,583,746**	**$2,816,972**	**$2,262,433**	**$1,676,430**	**$1,157,363**	**$539,614**

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Report of Independent Auditors

To the Board of Trustees of Amherst College

We have audited the accompanying consolidated financial statements of the Trustees of Amherst College (the "Institution") and the individual financial statements of Amherst College and Folger Shakespeare Memorial Library, which comprise the consolidated and individual balance sheets as of June 30, 2016, and the related consolidated and individual statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Consolidated and Individual Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated and individual 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 consolidated and individual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or error In making those risk assessments, we consider internal control relevant to the Institution's preparation and fair presentation of the consolidated and individual 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 Institution's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and individual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and individual financial statements referred to above present fairly, in all material respects, the financial position of the Trustees of Amherst College and the individual financial positions of Amherst College and Folger Shakespeare Memorial Library as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 26, 2016

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
T· (860) 241 7000, F· (860) 241 7590, www.pwc.com/us

Balance Sheet

June 30, 2016

	Amherst College	Folger Shakespeare Memorial Library	Total
Assets			
Cash and cash equivalents	$ 181,332,379	$ 1,499,640	$ 182,832,019
Short term investments	121,148,942		121,148,942
Accounts receivable, net	6,583,931	1,078,777	7,662,708
Contributions receivable, net	36,469,354	214,541	36,683,895
Beneficial interest in perpetual trusts	15,438,073		15,438,073
Other assets	8,767,454	1,736,555	10,504,009
Investments	2,277,427,674	306,317,959	2,583,745,633
Student loans receivable, net	1,918,683		1,918,683
Property, plant and equipment, net	455,718,611	44,315,693	500,034,304
Total assets	**$3,104,805,101**	**$355,163,165**	**$3,459,968,266**
Liabilities and Net Assets			
Accounts payable	$14,063,352	$494,879	$14,558,231
Accrued liabilities	9,767,085	124,131	9,891,216
Deferred income and deposits	1,933,762	509,407	2,443,169
Liability for life income obligations	35,896,998	485,867	36,382,865
Pension and postretirement benefit obligations	64,548,646	9,757,636	74,306,282
Bonds payable	533,737,081		533,737,081
Government grants refundable	952,763		952,763
Interest rate swap agreement	20,476,476		20,476,476
Asset retirement obligations	5,600,860	169,365	5,770,225
Other liabilities	4,525,423	552,322	5,077,745
Total liabilities	**691,502,446**	**12,093,607**	**703,596,053**
Net Assets			
Unrestricted	865,851,925	64,774,831	930,626,756
Temporarily restricted	1,061,451,899	253,096,605	1,314,548,504
Permanently restricted	485,998,831	25,198,122	511,196,953
Total net assets	**2,413,302,655**	**343,069,558**	**2,756,372,213**
Total liabilities and net assets	**$3,104,805,101**	**$355,163,165**	**$3,459,968,266**

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

Statement of Activities | Amherst College

for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support				
Student fee revenue	$ 88,317,410			$ 88,317,410
Residence and dining hall revenue	23,317,648			23,317,648
Less Amherst College scholarships awarded	(50,702,589)			(50,702,589)
Net student fee revenue	60,932,469			60,932,469
Endowment distribution	35,827,054	$ 57,118,073		92,945,127
U. S. Government grants		1,662,477		1,662,477
Gifts and other grants	12,295,773	17,845,636		30,141,409
Other	8,640,351	636,060		9,276,411
Net assets released from restrictions for operations	93,938,007	(93,938,007)		
Total operating revenues and other support	**211,633,654**	**(16,675,761)**		**194,957,893**
Operating expenses				
Instruction and academic programs	53,820,664			53,820,664
Academic support	16,642,921			16,642,921
Student services	29,213,727			29,213,727
Library	10,482,190			10,482,190
Research and public programs	4,065,691			4,065,691
Administrative and general	29,494,270			29,494,270
Academic prizes, fellowships and awards	1,348,367			1,348,367
Auxiliary activities	28,165,235			28,165,235
Other	7,123,723			7,123,723
Total operating expenses	**180,356,788**			**180,356,788**
Change in net assets from operations	31,276,866	(16,675,761)		14,601,105
Nonoperating activities				
Realized and change in unrealized gains on investments, and investment income	(47,675,650)	(34,382,285)	$ (255,853)	(82,313,788)
Allocation of endowment spending to operations	(35,827,054)	(57,118,073)		(92,945,127)
Change in net value of life income funds		75,471	342,716	418,187
Unrealized loss and net settlement on interest rate swap	(8,768,825)			(8,768,825)
Gifts to life funds, endowment and plant	2,386,731	6,122,862	7,625,579	16,135,172
Change in post-retirement benefits, other than periodic pension cost	(9,670,847)			(9,670,847)
Other expense	(650,452)			(650,452)
Transfers between net asset categories	(2,991,460)		2,991,460	
Net assets released from restrictions for nonoperations	5,464,935	(5,464,935)		
Total nonoperating activities	**(97,732,622)**	**(90,766,960)**	**10,703,902**	**(177,795,680)**
(Decrease) Increase in net assets	(66,455,756)	(107,442,721)	10,703,902	(163,194,575)
Net assets, beginning of year	**932,307,681**	**1,168,894,620**	**475,294,929**	**2,576,497,230**
Net assets, end of year	**$865,851,925**	**$1,061,451,899**	**$485,998,831**	**$2,413,302,655**

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

Statement of Activities | Folger Shakespeare Memorial Library

for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support				
Endowment distribution	$ 10,328,958	$ 3,777,840		$ 14,106,798
U. S. Government grants		1,500,888		1,500,888
Gifts and other grants	524,182	2,066,594		2,590,776
Other	3,679,928			3,679,928
Net assets released from restrictions for operations	20,540,554	(20,540,554)		
Total operating revenues and other support	**35,073,622**	**(13,195,232)**		**21,878,390**
Operating Expenses				
Instruction and academic programs	2,227,489			2,227,489
Academic support				
Student services				
Library	7,160,338			7,160,338
Research and public programs	5,597,252			5,597,252
Administrative and general	6,347,926			6,347,926
Academic prizes, fellowships and awards				
Auxiliary activities				
Other	9,484			9,484
Total operating expenses	**21,342,489**			**21,342,489**
Change in net assets from operations	13,731,133	(13,195,232)		535,901
Nonoperating activities				
Realized and change in unrealized gains on investments, and investment income	(2,328,846)	(9,098,134)		(11,426,980)
Allocation of endowment spending to operations	(10,328,958)	(3,777,839)		(14,106,797)
Change in net value of life income funds		17,872	(42)	17,830
Gifts to life funds, endowment and plant	50,933	25,210	319,925	396,068
Change in post-retirement benefits, other than periodic pension cost	(1,264,681)			(1,264,681)
Transfers between net asset categories	203,441		(203,441)	
Net assets released from restrictions for nonoperations	7,377	(7,377)		
Total nonoperating activities	**(13,660,734)**	**(12,840,268)**	**116,442**	**(26,384,560)**
Increase (decrease) in net assets	70,399	(26,035,500)	116,442	(25,848,659)
Net assets, beginning of year	**64,704,432**	**279,132,105**	**25,081,680**	**368,918,217**
Net assets, end of year	**$64,774,831**	**$253,096,605**	**$25,198,122**	**$343,069,558**

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

Statement of Activities | Total

for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support				
Student fee revenue	$ 88,317,410			$ 88,317,410
Residence and dining hall revenue	23,317,648			23,317,648
Less Amherst College scholarships awarded	(50,702,589)			(50,702,589)
Net student fee revenue	60,932,469			60,932,469
Endowment distribution	46,156,012	$ 60,895,913		107,051,925
U. S. Government grants		3,163,365		3,163,365
Gifts and other grants	12,819,955	19,912,230		32,732,185
Other	12,320,279	636,060		12,956,339
Net assets released from restrictions for operations	114,478,561	(114,478,561)		
Total operating revenues and other support	**246,707,276**	**(29,870,993)**		**216,836,283**
Operating Expenses				
Instruction and academic programs	56,048,153			56,048,153
Academic support	16,642,921			16,642,921
Student services	29,213,727			29,213,727
Library	17,642,528			17,642,528
Research and public programs	9,662,943			9,662,943
Administrative and general	35,842,196			35,842,196
Academic prizes, fellowships and awards	1,348,367			1,348,367
Auxiliary activities	28,165,235			28,165,235
Other	7,133,207			7,133,207
Total operating expenses	**201,699,277**			**201,699,277**
Change in net assets from operations	45,007,999	(29,870,993)		15,137,006
Nonoperating activities				
Realized and change in unrealized gains on investments, and investment income	(50,004,496)	(43,480,419)	$ (255,853)	(93,740,768)
Allocation of endowment spending to operations	(46,156,012)	(60,895,912)		(107,051,924)
Change in net value of life income funds		93,343	342,674	436,017
Unrealized loss and net settlement on interest rate swap	(8,768,825)			(8,768,825)
Gifts to life funds, endowment and plant	2,437,664	6,148,072	7,945,504	16,531,240
Change in post-retirement benefits, other than periodic pension cost	(10,935,528)			(10,935,528)
Other expense	(650,452)			(650,452)
Transfers between net asset categories	(2,788,019)		2,788,019	
Net assets released from restrictions for nonoperations	5,472,312	(5,472,312)		
Total nonoperating activities	**(111,393,356)**	**(103,607,228)**	**10,820,344**	**(204,180,240)**
(Decrease) increase in net assets	(66,385,357)	(133,478,221)	10,820,344	(189,043,234)
Net assets, beginning of year	**997,012,113**	**1,448,026,725**	**500,376,609**	**2,945,415,447**
Net assets, end of year	**$930,626,756**	**$1,314,548,504**	**$511,196,953**	**$2,756,372,213**

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

Statement of Cash Flows

for the year ended June 30, 2016

	Amherst College	Folger Shakespeare Memorial Library	Total
Cash flows from operating activities			
Decrease in net assets	$(163,194,575)	$(25,848,659)	$(189,043,234)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation	15,420,453	874,640	16,295,093
Unrealized loss on investments	189,631,855	25,842,068	215,473,923
Unrealized loss on interest rate swap agreement	6,652,322		6,652,322
Change in beneficial interest in perpetual trusts	1,357,965		1,357,965
Realized gain on investments, net	(78,356,842)	(10,579,384)	(88,936,226)
Contributions for long term investment	(15,576,697)	(396,068)	(15,972,765)
Change in bond discount	130,290		130,290
(Increase) decrease in assets:			
Accounts receivable, net	(2,647,178)	(1,531,399)	(4,178,577)
Contributions receivable	(12,117,406)	(41,945)	(12,159,351)
Other assets	(2,821,603)	948,327	(1,873,276)
(Decrease) increase in liabilities:			
Accounts payable	(1,908,059)	(88,294)	(1,996,353)
Accrued liabilities	6,051,400	(8,063)	6,043,337
Deferred income and deposits	(687,953)	(27,613)	(715,566)
Liability for life income obligations	(7,260,450)	(91,449)	(7,351,899)
Pension and postretirement benefit obligations	15,064,968	1,983,819	17,048,787
Asset retirement obligations	(3,355,151)	5,946	(3,349,205)
Other liabilities	175,939	1,152	177,091
Net cash used in operating activities	**(53,440,722)**	**(8,956,922)**	**(62,397,644)**
Cash flows from investing activities			
Purchases of plant and equipment, net	(69,510,642)	(1,918,735)	(71,429,377)
Net change in student loans receivable	302,102		302,102
Purchases of short term investments	(170,229,758)	(104,413)	(170,334,171)
Proceeds from sales of short term investments	88,588,746	104,413	88,693,159
Purchases of investments	(216,401,790)	(27,816,459)	(244,218,249)
Proceeds from sales and maturities of investments	316,928,015	38,546,437	355,474,452
Net cash (used in) provided by investing activities	**(50,323,327)**	**8,811,243**	**(41,512,084)**

Statement of Cash Flows

(continued)

	Amherst College	Folger Shakespeare Memorial Library	Total
Cash flows from financing activities			
Contributions for long term investment	15,576,697	386,068	15,962,765
Payments to beneficiaries under split interest agreements	(4,514,051)	(43,461)	(4,557,512)
Decrease in government grants refundable	(337,095)		(337,095)
Proceeds from bond issuance	149,242,421		149,242,421
Payments on long-term debt/line of credit	(7,210,000)		(7,210,000)
Net cash provided by financing activities	**152,757,972**	**342,607**	**153,100,579**
Net change in cash and cash equivalents	48,993,923	196,928	49,190,851
Cash and cash equivalents, beginning of year	**132,338,456**	**1,302,712**	**133,641,168**
Cash and cash equivalents, end of year	**$181,332,379**	**$1,499,640**	**$182,832,019**
Supplemental data			
Interest and net swap settlements paid	$ 15,124,084		$15,124,084
Gifts in kind	509,606		509,606
Purchases of plant and equipment included in accounts payable	8,265,363		8,265,363
Contributed securities	$ 4,095,707	$ 104,413	$ 4,200,120

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

Notes to Consolidated Financial Statements

1. Accounting Policies

ORGANIZATION

The Trustees of Amherst College (the "Institution") include the activities of Amherst College (the "College") and Folger Shakespeare Memorial Library (the "Library"). The College is an academically rigorous, residential, full-time, private, nonsectarian institution of higher education committed to the liberal education of young men and women. The Library is a center for advanced research in Shakespeare and the early modern period. It also sponsors a rich and varied season of cultural, educational and academic programs and is the home of *The Shakespeare Quarterly*.

In accordance with the terms of the wills of Henry Clay Folger, Class of 1879, and his wife, Emily Jordan Folger, the Institution established the Folger Shakespeare Memorial Library. The original gift to establish the Library provides that 25% of the Folger Fund annual investment income up to a maximum of $226,000 is to be distributed for the general operations of the College. The maximum was distributed in fiscal year 2016.

The Institution qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Institution owns 100% of the common stock of Amherst Inn Company (the "Company"). The Company has been consolidated in the Institution's consolidated financial statements.

In November 2011, the Company closed a transaction with two financial institutions (the "HTC Investors") related to the historic rehabilitation of the Lord Jeffery Inn (the "Project"). The Project, completed in 2011, helps to ensure the preservation and protection of a historic structure through the restoration of the historic interior and exterior of the Lord Jeffery Inn. Because the Company may not have been able to take full advantage of available historic tax credits, the Company entered into a venture with the HTC Investors for this Project. The HTC Investors agreed to contribute an aggregate of approximately $2.8 million to the project in four installments from the closing date in 2011 through expiration of the historical tax credit recapture period in 2016, subject to the Company's achievement of certain conditions that include its compliance with applicable federal regulations. Since the last Qualified Rehabilitation Expenditure was ultimately placed in service in fiscal year 2013, the recapture period was extended to fiscal year 2018. As of June 30, 2016, the HTC Investors have paid $2.8 million for these credits; however, since the payment is subject to recapture if certain conditions are not met, 20%, or approximately $0.5 million, of this contribution has been included in Other Liabilities in the consolidated balance sheet. In exchange for their contributions, the HTC Investors will receive substantially all of the benefits derived from the tax credits.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues, gains and expenses recognized during the reporting period. Actual results could differ from those estimates.

The Institution's significant estimates include the fair value of its alternative investments, reserves for contributions, student loans and accounts receivable, retirement and postretirement benefit obligations, asset retirement obligations, and its liability for life income obligations.

The classifications of net assets and revenues, expenses, gains, and losses are determined by the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institution. Generally, the donors of these assets permit the Institution to use all or part of the income earned on these assets. Such assets primarily include the Institution's permanent endowment funds.

Temporarily Restricted—Net assets whose use by the Institution is subject to donor-imposed stipulations that can be fulfilled by actions of the Institution or that expire by the passage of time. Realized and unrealized gains and losses on permanently and temporarily restricted donor funds are recorded as temporarily restricted net assets in accordance with Massachusetts law.

Unrestricted—Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Contributions are reported as increases in the applicable category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in the applicable category of unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Revenues from other sources are generally reported as increases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitment is received. Contributions received with donor imposed restrictions are reported as permanently or temporarily restricted revenues depending upon the specific restriction. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Grant revenue from exchange contracts is recognized in the period in which the grant expenditures are incurred.

Nonoperating activities include transactions of a capital nature including realized and changes in unrealized gains and losses on investments to be reinvested by the College to generate a return that will support operations, additions or changes in the value of split-interest agreements, contributions to endowment, life income and plant, unrealized gains and losses, and net settlements on interest rate swaps, and post retirement benefit changes other than net periodic pension cost.

INTERPRETATION OF RELEVANT LAW

Absent explicit donor stipulations to the contrary, The Board of Trustees of the Institution has interpreted Massachusetts' Uniform Prudent Management of Institutional Funds Act ("UPMIFA") statute, which was enacted in July 2009, and related Commonwealth of Massachusetts Attorney General guidance to require the preservation of donor-restricted endowment funds at their fair value measured on the date of the gift. As a result of this interpretation, the Institution classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institution in a manner consistent with the standard of prudence prescribed by UPMIFA.

INVESTMENTS

The Institution has established a diversified investment portfolio in accordance with the investment strategy determined by the Investment Committee of the Board of Trustees.

Investments are recorded at fair value. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market values of the underlying securities. Private equities and certain other nonmarketable securities, including alternative investments, are valued using current estimates of fair value based upon the net asset value of the funds determined by the general partner or investment manager for the respective funds. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The Institution's alternative investments include venture capital funds, private equity funds and investments in real estate and natural resources. These alternative investments represented approximately 32% of the Institution's investments at June 30, 2016.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect investment balances and results included in the consolidated financial statements.

Under the terms of certain limited partnership agreements that represent venture capital, private equity, real estate and natural resources investments, the Institution is obligated to remit additional funding periodically as capital calls are exercised.

Purchases and sales of investments are recorded on the trade date of the transaction. Realized investment gains and losses are recorded based on the average cost method for all investments except where specific identification is required by tax law.

DERIVATIVE FINANCIAL INSTRUMENTS

The Institution's investment policies allow for the use of derivative financial instruments to manage currency exchange and interest rate risks arising from investments in nonderivative assets in proportion to the assets at risk. Such instruments consist of forward foreign exchange and interest rate futures contracts entered into as part of the investments of the Institution.

The College utilizes swap agreements to moderate its exposure to interest rate risk on certain bond issuances. (See Note 6)

The Institution also has investments which participate directly, or have the option to participate in, derivative financial instruments. These investments represent 34% of the Institution's total consolidated endowment funds. Derivatives held by fund managers in which the Institution invests pose no off balance sheet risk to the Institution due to the limited liability structure of the investment.

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Beneficial interest in perpetual trusts represent resources neither in the possession of nor under the control of the Institution, but held and administered by outside fiscal agents, with the College deriving income from such funds. The trusts are recorded at their respective fair values, which are reported periodically to the College by the outside fiscal agent.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. The cost of collections at the College are expensed as incurred.

The Institution capitalizes the cost of construction and major improvements to buildings, and purchases of equipment, and library books. Depreciation is calculated on a straight line basis over the estimated useful life of the asset. Purchases for the Library's collections are recorded at cost. (See Note 11)

CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets of endowment and similar funds and life income funds are included in long-term investments. Cash equivalents are recorded at cost which approximates fair value.

SHORT TERM INVESTMENTS

Short term investments are comprised of equity securities received as gifts and identified for liquidation by the Institution, as well as funds identified for specific capital projects expected to be liquidated in the short term.

LIFE INCOME OBLIGATIONS

Life income obligations result from annuity and life income agreements which are irrevocable charitable remainder agreements. The assets held for these agreements are reported as part of the Institution's investments at their fair value. The College records contribution revenue for the gift, net of the liability calculated as the present value of the estimated future payments to be made to the beneficiaries. The liability has been determined using discount rates ranging from 1.0% to 6.9% dependent upon the year in which the agreement was entered. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation ("ARO") is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time or revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College reduces ARO liabilities when the related obligations are settled.

UNCERTAIN TAX POSITIONS

The Institution is generally exempt from federal and state income taxes. Management performs an annual review for uncertain tax positions along with any related interest and penalties and believes that the Institution has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate, upon the Institution's balance sheet, or the related statements of activities, or cash flows.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". Under the new guidance, recognition of revenue from customer contracts is a principles-based framework. ASU No. 2014-09 is effective for the fiscal year ended June 30, 2019; the Institution is currently evaluating the impact that its adoption will have on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of debt premium or discount. ASU No. 2015-03 is effective for the fiscal year ended

June 30, 2017; the Institution is currently evaluating the impact that its adoption will have on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for the fiscal year ended June 30, 2021; the Institution is currently evaluating the impact that its adoption will have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "Presentation of Consolidated Financial Statements for Not-for-Profit Entities". Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification and eliminating the disclosure of investment expenses that are netted against investment returns. ASU No. 2016-14 is effective for the fiscal year ended June 30, 2019; the Institution is currently evaluating the impact that its adoption will have on the consolidated financial statements.

2. Investments

The Institution records its investments at fair value. Fair value is the amount that would be received when selling an asset or paying to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in developing those assumptions generally correlate to the level of pricing observability. The availability of observable inputs can vary among financial assets and liabilities.

For investments, fair value is affected by a wide variety of factors including the type of investment, whether the investment is new and not yet established in the market place, and other characteristics particular to the investment. The inputs used for valuing investments are not necessarily an indication of the risk associated with investing in those securities.

The Institution's investments have been categorized based upon a fair value hierarchy comprised of the following three broad levels:

Level 1: Valuations based on observable inputs that reflect quoted prices in active markets for identical assets and liabilities. Assets and liabilities utilizing Level 1 inputs include exchange traded securities, short term money market funds and actively-traded obligations issued by the U.S. Treasury.

Level 2: Valuations based upon quoted prices for identical or similar assets or liabilities in markets that are less active or other significant market-based inputs which are observable, either directly or indirectly.

Level 3: Valuations based on unobservable inputs that are significant to determining an overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include real estate partnerships, private equity investments, and other illiquid securities with little, if any, market activity. Valuation of these instruments entails a significant degree of estimation and judgment. The investments of the Institution classified as Level 3 are perpetual trusts where the College has been named a beneficiary and certain investments held in custody by TIAA and further disclosed in Note 9.

In accordance with ASU 2015-07, Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), the Institution has displayed those investments valued at net asset value outside of the leveling table. The Institution has performed due diligence procedures related to these investments to support recognition at fair value as of June 30, 2016.

The comparison of fair value and cost for investments in accordance with the fair value hierarchy was as follows as of June 30, 2016:

College
Fair Value Measurements as of June 30, 2016

Description	Level 1	Level 2	Level 3	Total	Cost
Financial Assets					
Cash and equivalents	$77,505,977			$77,505,977	$77,505,977
Due to broker	(2,195,189)			(2,195,189)	(2,195,189)
Domestic equities	139,261,063			139,261,063	124,615,528
Fixed income	47,727,487			47,727,487	47,910,209
Absolute return	52,033,392			52,033,392	43,986,548
Other investments	85,322			85,322	111,637
Investments valued at net asset value				1,963,009,622	1,597,412,146
Total Investments	**314,418,052**	**0**	**0**	**2,277,427,674**	**1,889,346,856**
Beneficial interest in perpetual trusts			15,438,073	15,438,073	16,782,366
Total Financial Assets	**$314,418,052**	**$0**	**$15,483,073**	**$2,292,865,747**	**$1,906,129,222**

As of June 30, 2016, the College had interest rate swaps with a fair value liability of $20,476,476 which were valued using significant other observable inputs (Level 2).

Library
Fair Value Measurements as of June 30, 2016

Description	Level 1	Level 2	Level 3	Total	Cost
Financial Assets					
Cash and equivalents	$9,748,217			$9,748,217	$9,748,217
Due to broker	(128,015)			(128,015)	(128,015)
Domestic equities	18,707,497			18,707,497	15,579,252
Fixed income	5,396,462			5,396,462	5,174,382
Absolute return	7,014,942			7,014,942	5,621,547
Other investments	139,671			139,671	163,007
Investments valued at net asset value				265,439,185	204,967,185
Total Investments	**$40,878,774**	**$0**	**$0**	**$306,317,959**	**$241,125,575**

There were no transfers between levels during fiscal year 2016.

The Institution's investments as of June 30, 2016 are comprised of the following:

	College	Library	Total
Endowment assets	$2,031,842,927	$303,196,003	$2,335,038,930
Other assets invested	168,159,878	939,910	169,099,788
Life income assets	77,424,869	2,182,046	79,606,915
Total	**$2,277,427,674**	**$306,317,959**	**$ 2,583,745,633**

The Institution's major investment categories are comprised of the following:

DOMESTIC EQUITIES

The Domestic Equities category includes investments in separate accounts and institutional commingled funds that invest primarily in the equity securities of U.S. domiciled corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality. The fair values of the investments in this category are estimated using the net asset value (NAV) per share of the fund, or in the case of the majority of these assets where the securities are directly owned in a separate account, they are recorded at the market value of the underlying securities at the close of business on June 30. Level one securities are marketable securities for which there exists readily determinable prices, which usually derive from exchanges or other active markets.

GLOBAL EQUITIES

The Global Equities category includes investments in institutional commingled funds that invest primarily in the equity securities of both U.S. domiciled and foreign corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality. The fair values of the investments in this category are estimated using the NAV per share of the funds.

FOREIGN EQUITIES

The Foreign Equities category includes investments in institutional commingled funds that invest primarily in the equity securities of non-U.S. domiciled corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality. The fair values of the investments in this category are estimated using the NAV per share of the funds.

PRIVATE EQUITIES

The Private Equities category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. domiciled companies. Private Equity includes venture capital (early-stage) and buyout (later-stage) investments. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, uniqueness of market and product, strategic advantage, corporate management quality, financial conditions and financing requirements, and anticipated exit strategies. These investments are generally illiquid, with partnership commitment terms of often at least ten years. The fair values of the investments in this category are estimated using the General Partner's valuation of investments, generally equal to or based upon the reported capital account or NAV of the underlying investee funds.

FIXED INCOME

The Fixed Income category includes investments in separate accounts and commingled funds that invest primarily in the debt securities of U.S. domiciled corporations. Fund managers hold long and short portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, duration, convexity, liquidity, credit risk, term structures, and strategic advantage. Liquidity for these funds is provided daily. The fair values of the investments in this category are estimated using the NAV per share of the funds or in the case of the separate accounts where the securities are directly owned, they are recorded at the market value of the underlying securities at the close of business on June 30. Level one securities are marketable securities for which there exists readily determinable prices, which usually derive from exchanges or other active markets.

ABSOLUTE RETURN

The Absolute Return category includes investments in commingled funds that invest primarily in the equity, debt, and derivative securities of U.S. and non-U.S. domiciled corporations.

Fund managers hold long and short portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality. The fund managers may also invest in securities related to interest rates, exchange rates, and privately held assets. The fair values of the investments in this category are estimated using the NAV per share of the funds. Level one securities are marketable securities for which there exists readily determinable prices, which usually derive from exchanges or other active markets.

REAL ESTATE AND NATURAL RESOURCES

The Real Estate and Natural Resources category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. real estate, timber, and oil and gas assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, uniqueness of market and product, strategic advantage, corporate management quality, financial conditions and financing requirements, and anticipated exit strategies. These investments are generally illiquid, with partnership commitment terms of often at least ten years. The fair values of the investments in this category are estimated using the General Partner's valuation of investments, generally equal to or based upon the reported capital account or NAV of the underlying investee funds.

OTHER

The Other category includes investments in separate account and general partnership funds that have been or are currently being liquidated. Level one securities are marketable securities for which there exists readily determinable prices, which usually derive from exchanges or other active markets.

The unfunded commitment and redemption frequencies of the Institution's investment categories as of June 30, 2016 were as follows:

Institution

Investment Strategy	Unfunded Commitments	Notice Period and Redemption Frequency
Domestic equities		No notice period to 60 days; immediate to annual redemption
Global equities	$ 8,000,000	30 day notice; between quarterly and five year redemption
Foreign equities		6–90 day notice; between monthly and five year redemption
Private equities	282,950,000	Not redeemable
Fixed income	25,000	No notice period; between immediate and not redeemable
Absolute return	8,000,000	Daily–180 day notice; between daily and five year redemption
Real estate and natural resources	65,920,000	Not redeemable
	$364,895,000	

The investments in domestic equities do not possess a defined liquidation period. These investments can be liquidated as deemed appropriate by the Institution. The Institution is unable to redeem its investments in private equities, real estate and natural resources until the underlying partnerships are dissolved and the funds closed, although the Institution would have the ability to liquidate these partnerships through a negotiated transaction in the secondary market. Investments in private equities, real estate and natural resources have remaining durations from one to fifteen years as of June 30, 2016. Lockup periods on the investment strategies above range from thirty days to five years.

The rollforward of the Level 3 total financial assets for the Institution as of June 30, 2016 is as follows:

Institution
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Investment Category	Beginning Balance	Net Unrealized Loss	Purchases and Issuances	Sales and Settlements	Net Transfers In (Out) of Level 3	Ending Balance
Perpetual trusts	$16,796,038	(1,357,965)				$15,438,073

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Institution has adopted a spending policy that is calculated as a percentage of the average market value of the endowment for the three previous years. This allows for the smoothing of growth and decline in endowment fair values. Specifically, the formula used to set the amount of annual spending increases the prior year's distribution by a factor equal to inflation plus the percentage growth in the endowment from prior year capital gifts. This amount is compared to the budgetary needs of the Institution and is increased with approval of the Board of Trustees, if possible, to reflect the use of market growth over time. The calculated amount is also evaluated as a percentage of the endowment's market value and the growth portion of the formula would be held to a rate at or below inflation if the spending rate were to continue to exceed 5.0% over time. It is expected that over time the rate will range between 3.5% and 5.0% of the average market value of the endowment for the three previous years—higher in years of market decline and lower in years of market growth.

The Institution has adopted investment policies for its endowment assets that seek to ensure that current and future spending requirements are supported, while also preserving the endowment fund in perpetuity. Endowment assets include those assets that have been restricted by the donor or designated by the Trustees and are invested to provide future revenue to support the Institution's activities. Under the Institution's investment policy, as approved by the Committee on Investment of the Board of Trustees, an asset allocation or strategic policy portfolio is developed based on long-term return, risk and correlation assumptions that seek to balance the need for liquidity, preservation of purchasing power, and risk tolerance. The Institution uses two benchmarks to assess aggregate performance:

- Simple Market Benchmark—serves to help evaluate the value added from asset allocation in creating a well-diversified investment program versus a non-diversified market index. This benchmark consists of: 60% S&P 500 Index and 40% Barclays U.S. Aggregate Bond Index.
- Strategic Policy Portfolio Benchmark—serves to evaluate the impact of manager selection and active management versus passive management. This benchmark is a weighted average return derived by applying the target policy weights of each asset class to the performance of the respective asset class benchmarks.

The Institution expects its endowment funds, over time, to provide an average real rate of return of approximately 3.5% annually (or a nominal annual rate of return of approximately 6.0%). The investments in the Institution's endowment portfolio involve various risks, and actual returns in any given year may vary from this anticipated long-term average annual rate of return.

To satisfy its long-term return objectives, the Institution 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 Institution has established a strategic policy portfolio that is diversified across asset classes.

3. Endowment and Similar Funds

Included in unrestricted, temporarily restricted, and permanently restricted net assets are the College's and Library's endowment and similar funds and life income funds.

Endowment and similar funds is a commonly used term to refer to the resources that have been restricted by the donor or designated by the Trustees that will be invested to provide future revenue to support the Institution's activities. Included in endowment are funds which were not restricted by the donor and, accordingly, are unrestricted net assets of the Institution.

Included in Endowment are the Consolidated Endowment Funds for both the College and the Library and separately invested endowment funds. The fair value of the Amherst College Consolidated Endowment Fund as of June 30, 2016 was $2,030,844,038 with a per share fair value of $23.16 ($25.17 at June 30, 2015). The fair value of the separately invested endowment funds as of June 30, 2016 was approximately $1,000,000. The fair value of the Folger Fund as of June 30, 2016 was $303,196,003 with a per share fair value of $35.13 ($38.09 at June 30, 2015). The total endowment shares in the Amherst College Consolidated Endowment Fund as of June 30, 2016 were 87,673,526. The total endowment shares in the Folger Fund as of June 30, 2016 were 8,630,136.

Net assets of life income funds represent the difference between the investment assets of the funds and the estimated liability for the obligation to beneficiaries.

Net assets included the following endowment and similar funds at June 30, 2016:

College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds				
Endowment				
Income unrestricted	$ 7,883,299	$ 141,525,745	$ 172,051,031	$ 321,460,075
Income restricted	12,959,140	834,609,818	277,261,871	1,124,830,829
Quasi-endowment				
Income unrestricted	421,721,382			421,721,382
Income designated	96,028,756			96,028,756
Appropriated for spending	67,801,885			67,801,885
	$606,394,462	**$ 976,135,563**	**$449,312,902**	**$2,031,842,927**
Life income funds				
Income		$4,015,551	$522,699	$4,538,250
Balanced		3,527,508	1,486,706	5,014,214
Annuity		2,017,329	2,260,831	4,278,160
Unitrusts		15,150,708	12,546,539	27,697,247
		$ 24,711,096	**$ 16,816,775**	**$ 41,527,871**

Library

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds				
Endowment				
Income unrestricted		$ 202,455,349	$ 5,944,903	$ 208,400,252
Income restricted	$ 2,690,137	49,759,019	19,092,376	71,541,532
Quasi-endowment				
Income unrestricted	11,868,513			11,868,513
Income designated	9,457,089			9,457,089
Appropriated for spending	1,928,617			1,928,617
	$25,944,356	**$252,214,368**	**$25,037,279**	**$303,196,003**
Life Income Funds		**$ 303,642**	**$ 150,401**	**$ 454,043**

The activity of the endowment and similar funds net assets for the College and Library for the year ended June 30, 2016 is as follows:

College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 658,644,802	$ 1,099,732,127	$ 435,133,806	$ 2,193,510,735
Investment return:				
Investment income, net of fees	(2,328,066)		1,100,790	(1,227,276)
Net realized and unrealized (depreciation) appreciation	(21,773,721)	(50,281,905)	1,317	(72,054,309)
Total investment return	(24,101,787)	(50,281,905)	1,102,107	(73,281,585)
Contributions	509,326	80,052	8,566,085	9,155,463
Appropriation of endowment return for expenditure	(26,890,410)	(73,394,711)		(100,285,121)
Transfer from life funds			1,519,444	1,519,444
Other changes	(1,767,469)		2,991,460	1,223,991
Endowment net assets, end of year	**$606,394,462**	**$ 976,135,563**	**$449,312,902**	**$2,031,842,927**

Library

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 28,363,554	$275,561,656	$ 24,920,793	$ 328,846,003
Investment return:				
Investment income, net of fees	4,734	13,321		18,055
Net realized and unrealized depreciation	(1,099,558)	(10,143,032)		(11,242,590)
Total investment return	(1,094,824)	(10,129,711)		(11,224,535)
Contributions	50,933	15,210	319,926	386,069
Appropriation of endowment return for expenditure	(1,104,063)	(13,232,786)		(14,336,849)
Other changes	(271,244)		(203,441)	(474,685)
Endowment net assets, end of year	**$25,944,356**	**$252,214,369**	**$25,037,278**	**$303,196,003**

TOTAL RETURN DISTRIBUTION ON INVESTMENTS

The Institution adds interest and dividends earned on the College's investments and the Folger Fund, which represent approximately 99% of the investments of its endowments and similar funds, to the income allocation pools from which returns are distributed to the respective funds at a predetermined, per share rate set annually by the Board of Trustees. The Institution's spending is determined on a total return basis. The total amount distributed for spending in 2016 was $100,285,121 for the College and $14,336,849 for the Library. In addition, investment manager fees and expenses, which include the general partners' share of gains in limited partnerships, were distributed from this pool and were $33,045,797 for the College and $4,158,922 for the Library. Interest and dividend income earned in 2016 by the Funds was $30,200,747 and $4,054,506 for the College and Library, respectively. The amount distributed in excess of interest and dividend income earned was provided by transferring realized gains from the Institution's investment pools of $103,130,171 for the College and $14,441,265 for the Library.

In accordance with UPMIFA statutes, the Institution considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration of the fund

(2) The purpose of the Institution and donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Institution

(7) The investment policies of the Institution

4. Contributions

Contributions receivable, net, are summarized as follows at June 30, 2016:

	College	Library
Unconditional promises expected to be collected within:		
One year	$ 15,703,904	$ 214,541
Two to five years	13,683,964	
Over five years	9,945,600	
	39,333,468	214,541
Less: Unamortized discount and allowance for uncollectible accounts	(2,864,114)	
	$36,469,354	**$214,541**

At June 30, 2016 the College had also received conditional promises to give of $5,650,000. These conditional promises will not be recognized as assets until the conditions are substantially met. They are generally restricted for specific purposes stipulated by donors, primarily endowments for faculty support, scholarships, buildings and improvements or general operating support.

5. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2016 consisted of the following:

	Useful Life	College	Library
Land	-	$ 8,552,404	$ 908,397
Land improvements	10	22,639,512	
Buildings and improvements	50	454,576,873	31,120,798
Faculty residences	30	15,019,807	
Equipment	5–10	70,104,013	5,171,121
Library books	10	33,004,399	
Folger collection			24,684,814
		603,897,008	61,885,130
Less: Accumulated depreciation		(250,814,332)	(17,569,437)
		353,082,676	44,315,693
Construction in progress		102,635,935	
		$455,718,611	**$44,315,693**

In fiscal year 2016 depreciation of these assets amounted to $15,420,453 for the College and $874,640 for the Library.

6. Bonds Payable

The Institution has financed the cost of constructing and renovating various College facilities through the issuance of Massachusetts Development Finance Agency (the "Agency" or "MDFA") bonds. The Institution issued taxable bonds in fiscal year 2009 for working capital and other eligible purposes and in fiscal years 2013 and 2016 issued taxable bonds to finance certain capital projects and other eligible purposes.

The College's fiscal year 2016 debt service and bonds payable as of June 30, 2016 were as follows:

MDFA Series/ Taxable Bonds	**Final Year of Maturity**	**2016 Debt Service**	**Bonds Payable**
F	2026	$ 2,132,034	$ 27,300,000
H	2033	315,400	39,425,000
I	2028	1,932,260	27,500,000
J-1	2035	35,103	30,000,000
J-2	2035	18,254	20,000,000
K-1	2021	717,650	3,835,000
K-2	2038	1,066,320	45,865,000
Taxable Bonds, Series 2009A	2039	5,875,000	100,000,000
Taxable Bonds, Series 2012A	2042	5,417,935	92,930,000
Taxable Bonds, Series 2015	2045	3,331,250	150,000,000
Less bond discounts			(3,117,919)
		$20,841,206	$533,737,081

The Series F bonds are a variable rate issue and a general obligation of the College. The average interest rate for fiscal year 2016 was 0.11% and the interest rate at June 30, 2016 was 0.40%.

The bonds are redeemable at par prior to maturity at the option of the Agency with the consent of the College.

The Series H bonds are a variable rate issue and a general obligation of the College. The interest rate during fiscal year 2016 was 0.80%. The bonds are subject to optional redemption at par plus accrued interest at the option of the College.

The Series I bonds are a variable rate issue and a general obligation of the College. The average interest rate for fiscal year 2016 was 0.11% and the interest rate at June 30, 2016 was 0.40%. The bonds are subject to optional redemption at par plus accrued interest at the option of the College.

The Series J bonds are a variable rate issue and a general obligation of the College. The interest rate on the issue averaged 0.11% for the Series J-1 bonds and 0.09% for the Series J-2 bonds for the fiscal year 2016. The interest rate was 0.40% for the Series J-1 bonds and 0.40% for the Series J-2 bonds at June 30, 2016. The bonds are subject to optional redemption at par plus accrued interest at the option of the College.

The Series K-1 bonds were issued at a fixed rate and are a general obligation of the College. The average interest rate on the issue was 4.05% for the year ended June 30, 2016. The Series K-2 bonds are a variable rate issue and a general obligation of the College. The interest rate during fiscal year 2016 was 1.70%. The proceeds were used for capital projects. The Series K-1 bonds maturing on or after November 1, 2018 are subject to optional redemption after that date, at the option of the Agency with the written consent of the College or at the written direction of the College. The Series K-2 bonds are not subject to optional redemption.

The Series 2009A taxable bonds were issued at a fixed rate of 5.875% and are a general obligation of the College. The proceeds of the bonds were used by the College for the payment of the issuance costs, working capital, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the College with a make-whole provision.

The Series 2012A taxable bonds remaining were issued at rates fixed between 0.965% to 3.794% and are a general obligation of the College. The proceeds of the bonds were used by the College for the payment of the issuance costs, certain capital projects, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the College with a make-whole provision.

The Series 2015 taxable bonds were issued at a fixed rate of 4.10% and are a general obligation of the College. The proceeds of the bonds were used by the College for the payment of the issuance costs, certain capital projects, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the College with a make-whole provision.

In connection with the issuance of the Series I and Series J bonds, the College entered into interest rate swap agreements to moderate its exposure to interest rate changes. The swaps were not designated as cash flow hedges for the bonds. The interest rate swap agreements effectively change the interest rate exposure on the issues from a variable rate to a fixed rate of 3.07% for Series I and 3.13% for Series J. The interest rate swap agreements have a notional amount of $77,500,000 as of June 30, 2016 and termination date equal to the maturity date of the respective bonds. On June 30, 2016, the fair value of the interest rate swap agreements was a liability of $20,476,476, which is a level 2 fair value measurement. The change in the fair value of the liability from the prior year balance and the net settlements was $8,768,825 for the year ended June 30, 2016.

The principal payments on all of the Institution's bonds for the fiscal years 2017 through 2021 is $7,390,000; $7,580,000; $7,775,000; $8,305,000; and $8,045,000, respectively. The combined principal payments thereafter approximates $497,760,000.

The Series F, H, I, J and K-2 bonds are subject to tender by bondholders. As of June 30, 2016, the Series J-2 bonds are set to remarket in a daily mode, the Series F, I and J-1 bonds set in a weekly mode and Series H and K-2 in a term mode until December 2017 and November 2016, respectively. If these bonds had been fully tendered as of June 30, 2016, or on their next remarketing date, the principal payments for fiscal years 2017 through 2021 would have been approximately, $193,100,000; $3,000,000; $3,100,000; $3,300,000 and $3,000,000, respectively. The principal payments thereafter would have approximated $331,400,000. The College has not experienced a failed remarketing of its bonds.

The fair value of the bonds payable at June 30, 2016 approximates $609,000,000 and is a Level 2 fair value measurement.

7. Lines of Credit

The College has uncollateralized bank lines of credit for purposes of repurchasing its outstanding bonds if they are unable to be remarketed as of June 30, 2016 as follows:

Available Borrowing Capacity	Balance Outstanding	Interest Rate	Termination Date
$50,000,000	$0	Greater of Prime + 1.5%, Federal Funds Rate + 3.0%, or 7.5%	June 29, 2017

The College has uncollateralized bank lines of credit for operational purposes as of June 30, 2016 as follows:

Available Borrowing Capacity	Balance Outstanding	Interest Rate	Termination Date
$37,500,000	$0	LIBOR plus 0.30%	September 1, 2016
37,500,000	0	LIBOR plus 0.25%	October 31, 2017
$25,000,000	$0	LIBOR plus 0.25%	February 25, 2017

8. Pension Benefits

The Institution has defined contribution pension plans administered by TIAA for faculty, administrative and staff employees of the College, and for Library administrative and staff employees. Eligibility for the plans begins following two years of employment for individuals, unless they were previously enrolled in a qualifying plan, or had qualifying service in another institution within six months of employment with the College or Library, in which case they would be immediately eligible. Contributions to the plans, based on a percentage of salaries, were $6,439,722 for the College and $533,892 for the Library for the year ended June 30, 2016.

The Institution has maintained a TIAA noncontributory, defined benefit pension plan for College staff employees who, prior to July 1, 1994, were not covered by the defined contribution plan, were at least twenty-one years of age, and had completed one year of service. All participants in this plan are fully vested as of June 30, 2016. Retirement benefits are calculated based on a percentage of final three-year average salary times the participant's years of service with a minimum benefit payable equal to $50 per year times the number of years of credited service. Years of service for purposes of calculating the benefit accrual were frozen on June 30, 1994, when all active College employees began participating in the defined contribution plan. The defined benefit plan continues to provide prior service benefits for participants active at July 1, 1994, and supplemental benefits to certain long-term employees whose retirement benefit would have been negatively affected by the change.

The Institution has a TIAA noncontributory, defined benefit pension plan for Library employees who are not covered by the defined contribution plan, who are at least twenty-one years of age, and who have completed one year of service. An employee is fully vested after five years of participation in the plan. Retirement benefits are calculated based on a percentage of final three-year average salary times the participant's years of service with a minimum benefit payable equal to $50 per year times the number of years of credited service. Effective July 1, 2013, the Library Plan was amended to close the Plan to new participants, discontinue service accruals for participants less than the age of forty, and to determine the amount of offset attributable to participation in the defined contribution plan as the earlier of the employee's termination or retirement date.

For those who have participated in the defined contribution plans, benefits purchased by employer contributions will reduce the benefits from these defined benefit plans. This defined contribution offset benefit is the annual single life annuity retirement benefit commencing at the normal retirement date which is the actuarial equivalent of the defined contribution account balance using the applicable mortality and interest rates under the Internal Revenue Code.

The Institution contributes to each defined benefit pension plan an amount equal to the required minimum plan contribution as of the beginning of the plan year with interest to the date of payment. The Institution contributed $606,419 to the College's Plan in 2016.

The plan's accumulated benefit obligation at June 30, 2016 was approximately $27,500,000 and $4,200,000 for the College Plan and Library Plan, respectively. Net actuarial loss amortization of $1,161,933 and $181,959 is expected to be recognized in fiscal year 2017 for the College Plan and Library Plan, respectively. Amortization of prior service cost of $5,391 is expected to be recognized in fiscal year 2017 for the Library Plan.

The following were the components of net periodic pension cost for the defined benefit pension plans for the fiscal year ended June 30, 2016:

	College Employee Plan	Library Employee Plan
Service cost	$ 1,581	$ 72,598
Interest cost	1,053,897	160,600
Expected return on plan assets	(1,408,827)	(164,853)
Amortization of unrecognized prior service cost		(5,391)
Amortization of net actuarial loss	680,109	43,163
Net periodic pension cost	$326,760	$106,117

The following is a summary of the projected benefit obligation, plan assets, and funded status of the defined pension plans as of June 30, 2016.

	College Employee Plan	Library Employee Plan
Change in projected benefit obligation:		
Projected benefit obligation, June 30, 2015	$ 26,653,055	$ 3,863,306
Decrease due to benefits paid	(1,284,706)	(134,933)
Increase due to employee service	1,581	72,598
Increase due to accrual of interest	1,053,897	160,600
Increase due to changes in actuarial assumptions and other sources	2,440,777	973,339
Projected benefit obligation, June 30, 2016	$ 28,864,604	$ 4,934,910
Change in plan assets:		
Fair value of plan assets, June 30, 2015	$ 19,072,484	$ 2,267,037
Actual return	(153,462)	2,229
Employer contributions	606,419	
Change in surrender charge	15,592	3,243
Benefits paid	(1,284,706)	(134,933)
Fair value of plan assets, June 30, 2016	$ 18,256,327	$ 2,137,576
Funded status:		
Projected benefit obligation	$(28,864,604)	$(4,934,910)
Fair value of plan assets	18,256,327	2,137,576
Funded status	$(10,608,277)	$(2,797,334)
Cumulative net actuarial loss:		
Cumulative net actuarial loss, June 30, 2015	$ 6,899,275	$ 768,624
Amortization	(680,109)	(43,163)
Net loss	3,987,474	1,132,720
Cumulative net actuarial loss, June 30, 2016	$ 10,206,640	$ 1,858,181

Defined benefit plan assets consist of Deposit Administration Group Annuity Contracts with Teachers Insurance and Annuity Association.

The discount rates used in determining benefit obligations as of June 30, 2016 were 3.17% for the College Employee Plan and 3.48% for the Library Employee Plan. The rate of compensation increase used in determining benefit obligations and the net periodic pension cost was 3.00% for the College Employee plan and 2.50% for the Library Employee Plan. The discount rates used in determining the net periodic pension cost were 4.05% for the College Employee Plan and 4.34% for the Library Employee Plan. The long-term expected rate of return was 7.50% for both plans.

The expected long-term rate of return on plan assets is determined by reviewing historical returns, taking into account current asset diversification between equity and fixed income investments. Current market factors such as inflation and interest rates are evaluated.

The asset allocations at June 30, 2016 of the defined benefit plans were as follows:

	College Employee Plan		Library Employee Plan	
Equity securities	$ 13,000,138	71%	$ 1,265,435	59%
Fixed income	5,256,189	29%	872,141	41%
Total	**$18,256,327**	**100%**	**$2,137,576**	**100%**

The defined benefit plans' assets are valued using the same fair value hierarchy as the Institution's investments as described in Note 2, Investments.

The following table summarizes the Institution's fair values of investments by major type held by the defined benefit plans at June 30, 2016:

	College Employee Plan			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities		$ 13,000,138		$ 13,000,138
Fixed income			$ 5,256,189	5,256,189
Total		**$13,000,138**	**$5,256,189**	**$18,256,327**

	Library Employee Plan			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities		$ 1,265,435		$ 1,265,435
Fixed income			$ 872,141	872,141
Total		**$1,265,435**	**$872,141**	**$2,137,576**

The reconciliation of Level 3 total investments for the defined benefit plans as of June 30, 2016 is as follows:

	Level 3 Fair Value Measurements		
	College Employee Plan	**Library Employee Plan**	**Total**
Beginning balance	$5,710,903	$966,419	$6,677,322
Contributions	606,419		606,419
Interest income	207,981	37,412	245,393
Sales, net	(1,269,114)	(131,690)	(1,400,804)
Total	**$5,256,189**	**$872,141**	**$6,128,330**

The equity securities account seeks a favorable long-term return through both appreciation of capital and investment income by investing primarily in a broadly diversified portfolio of common stocks. The account is divided into three segments. One segment is designed to track U.S. equity markets and invests in the Russell 3000 Index. Another segment contains stocks that are selected for their investment potential and the third segment invests in foreign stocks and other equity securities.

The fixed income account guarantees both principal and a specified interest rate. The account seeks to achieve the highest rate of return over long periods of time, within reasonable risk measures. Investments are held in funds which invest in publicly traded bonds, loans to business and industry, commercial mortgages and income producing real estate.

The Institution expects the 2017 contribution to be reasonably consistent with the current year. The following benefit payments, which reflect expected future service, are expected to be paid:

	College Employee Plan	**Library Employee Plan**
2017	$ 1,470,000	$ 137,000
2018	1,481,000	151,000
2019	1,512,000	163,000
2020	1,535,000	178,000
2021	1,583,000	195,000
2022–2026	8,288,000	1,095,000
Total	**$15,869,000**	**$1,919,000**

The Institution offers a phased retirement program to faculty of the College. Faculty members may enter the program at any time between age 60 and 65. Upon entering the program, faculty members receive a reduced salary. Participants also receive stipends for part-time work which they can continue until age 70 when they fully retire. The Institution has recorded a liability for this program of $1,264,612 as of June 30, 2016. This program is funded on a cash basis as benefits are paid.

9. Other Postretirement Benefits

The Institution provides a defined benefit health insurance plan to eligible College employees employed before July 1, 2003 who have met certain age and service criteria. The Institution also provides a defined benefit health insurance plan to eligible Library employees and their dependents who have met certain age and service criteria. The Institution funds these plans on a cash basis as benefits are paid.

The Institution provides a defined contribution health program for the College employees that do not qualify for the defined benefit plan described above. Under this plan, each year eligible participants (regular, benefited employees) are entitled to a contribution based on 66.7% of the College's Medicare supplemental insurance cost and interest that is credited to a notional account. Eligibility for contributions begins at age 40 for a maximum of 25 years and vesting requires 10 years of service after the age of 40 and attainment of age 62 when retiring from the College.

As of June 30, 2016 a $52,675,757 and $6,960,302 postretirement benefit obligation liability is recorded for the College and Library, respectively.

The components of net periodic postretirement benefit cost for the Institution's plans as of June 30, 2016 were as follows:

	College Employee Plan	Library Employee Plan
Service cost	$ 1,152,664	$ 230,932
Interest cost	1,967,531	254,799
Amortization of actuarial loss	871,230	127,290
Net periodic postretirement benefit cost	**$3,991,425**	**$613,021**

The following provides a reconciliation of the accumulated benefit obligation, plan assets and funded status of the plans:

	College Employee Plan	Library Employee Plan
Change in accumulated postretirement benefit obligation		
Benefit obligation, June 30, 2015	$ 40,638,495	$ 6,177,548
Service cost	1,152,664	230,932
Interest cost	1,967,531	254,799
Medicare Part D subsidy	121,610	
Plan participants' contributions	354,813	13,901
Actuarial losses, net	10,467,350	455,848
Benefits paid	(2,026,706)	(172,726)
Benefit obligation, June 30, 2016	$ 52,675,757	$ 6,960,302
Change in plan assets		
Fair value of plan assets, June 30, 2015	$0	$0
Employer contribution	1,550,283	158,825
Plan participants' contributions	354,813	13,901
Medicare Part D subsidy	121,610	
Benefits paid	(2,026,706)	(172,726)
Fair value of plan assets, June 30, 2016	$0	$0
Funded status		
Retirees and dependents	$ (24,666,618)	$ (2,258,213)
Actives fully eligible	(1,319,725)	(979,730)
Actives not fully eligible	(26,689,414)	(3,722,359)
Accumulated postretirement benefit obligation	(52,675,757)	(6,960,302)
Fair value of plan assets	0	0
Funded status	**$(52,675,757)**	**$(6,960,302)**

As of June 30, 2016 the College Plan had a cumulative net actuarial loss of $16,647,477. The Library Plan had a cumulative net actuarial loss of $2,842,373. In fiscal year 2017 the College and Library have an expected amortization from unrestricted net assets into net periodic benefit of $1,234,263 and $179,610, respectively.

Included in actuarial losses, net for the College Plan and Library Plan are losses from assumption changes in the discount rate amounting to approximately $6,362,000 and $1,006,000, respectively, offset by other factors including a mortality gain of $1,783,000 and $213,000, respectively.

The discount rate used in determining the accumulated postretirement benefit obligation as of June 30, 2016 for the College Plan was 3.41% compared to 4.29% at June 30, 2015. The discount rate for the Library Plan was 3.57% as of June 30, 2016 compared to 4.43% as of June 30, 2015.

The assumed health care cost trend rate used in measuring the Amherst Plan's accumulated postretirement benefit obligation for participants not yet Medicare eligible was 8.00% and the Folger Plan trend rate was 7.00%. A trend rate of 5.00% was used for participants who are Medicare eligible in both plans. The ultimate trend rate for both plans declines gradually to 5.00% in 2018. The discount rate used in determining the net periodic postretirement benefit cost for the fiscal year ending June 30, 2016, which is determined as of July 1, 2015, was 4.29% for the College Plan and 4.43% for the Library Plan.

Following is the effect of a change in the trend rates at June 30, 2016:

	College Employee Plan	Library Employee Plan
Impact of 1% increase in health care cost trend		
Interest cost plus service cost	$ 488,000	$ 119,000
Accumulated postretirement benefit obligation	8,591,000	1,509,000
Impact of 1% decrease in health care cost trend		
Interest cost plus service cost	(387,000)	(89,000)
Accumulated postretirement benefit obligation	$(5,902,000)	$(1,166,000)

The following benefit payments, which reflect expected future service, are expected to be paid by the Institution:

	College Employee Plan	Library Employee Plan
2017	$ 2,022,000	$ 154,000
2018	2,109,000	169,000
2019	2,206,000	188,000
2020	2,234,000	207,000
2021	2,354,000	220,000
2022–2026	13,448,000	1,434,000
Total	**$24,373,000**	**$2,372,000**

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2016

	College	Library
Program services	$ 53,306,280	$ 478,972
Student loans	3,740,784	
Life income funds	24,340,686	403,265
Buildings and improvements	3,928,586	
Realized and unrealized gains available for distribution under the limits of total return policy	976,135,563	252,214,368
	$1,061,451,899	**$253,096,605**

Temporarily restricted net assets released from restrictions during the year for the Institution's activities were used for the following purposes:

	College	Library
Program services	$ 65,881,771	$ 7,307,768
Buildings and improvements	2,487,894	7,377
General	31,033,277	13,232,786
	$99,402,942	**$20,547,931**

Permanently restricted net assets are summarized as follows at June 30, 2016:

	College	Library
Permanent endowment	$ 449,312,902	$ 25,037,279
Contributions receivable	4,060,673	
Life income funds	17,187,183	160,843
Beneficial interest in perpetual trusts	15,438,073	
	$485,998,831	**$25,198,122**

11. Collections

The Library holds the largest and most complete collection of Shakespeareana in the world and the largest collection of English printed books from 1475 to 1640 outside of England, as well as extensive Continental Renaissance holdings. The collection includes books, manuscripts, documents, paintings, illustrations, tapestries, furnishings, musical instruments, scores, and curios from the Renaissance and theater history.

The Emily Dickinson Museum consists of two historic houses, and their contents, in the center of Amherst, Massachusetts, closely associated with the poet Emily Dickinson and members of her family during the nineteenth and early twentieth centuries.

The Mead Art Museum exhibits selections from its diverse collection of 19,500 works including American art, Russian modernist art, French art, British portraiture, African art, Japanese art, 19th and 20th century photography, and master and modern prints and drawings.

The Beneski Museum of Natural History houses research collections of vertebrate and invertebrate paleontology, minerals, anthropology and modern vertebrates, as well as numerous exhibits which illustrate the evolution and ecology of major groups of animals.

The College and the Library maintain policies and procedures addressing the collections' upkeep as well as other aspects of their management, including accession and deaccession policies.

12. Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2016, through October 26, 2016 the date the consolidated financial statements were available to be issued. Management is not aware of any other subsequent events that would have a material impact on the June 30, 2016 consolidated financial statements.

Gifts, Bequests and Grants Received

Amherst College | for the year ended June 30, 2016

	Fund							
	Endowment							
Purpose	Permanent	Term	Quasi	Life Income	Plant	Current	2016 Total	2015 Total
Unrestricted	5,039,839	80,052	1,025			2,180,306	7,301,222	4,657,363
Administration	4,815					929,983	934,798	506,642
Instruction	53,329					103,700	157,029	1,369,023
Library	30,427		100,000			29,733	160,160	97,731
Physical Plant					4,769,749		4,769,749	11,317,446
Scholarships and Student Aid	2,583,436		178,646			4,065,046	6,827,128	8,574,144
Prizes	36,816					400	37,216	3,371
Fellowships	37,593					60,000	97,593	398,693
Research						1,862,256	1,862,256	2,732,930
Annual Fund	2,916					*9,323,170	9,326,086	9,819,109
Academic Services	399,862		5,089			209,094	614,045	1,087,538
Student Services	376,053		224,566			1,653,204	2,253,823	2,540,583
Remainder Interest				151,188			151,188	1,225,393
Dickinson Museum	1,000				195,017	659,342	855,359	472,338
Total—2016	**8,566,086**	**80,052**	**509,326**	**151,188**	**4,964,766**	**21,076,234**	**35,347,652**	
Total—2015	**7,382,577**	**1,262,215**	**1,595,726**	**1,225,393**	**11,342,914**	**21,993,479**		**44,802,304**

*This amount does not include endowment income transferred to the 2016 Annual Fund. When that amount is included, the total of the 2016 Annual Fund is $9,673,092.

Gifts, Bequests and Grants Received

Folger Shakespeare Memorial Library | for the year ended June 30, 2016

	Fund							
	Endowment							
Purpose	Permanent	Term	Quasi	Life Income	Plant	Current	2016 Total	2015 Total
Unrestricted		15,210				1,063,627	1,078,837	1,135,413
Administration							-	25
Director							-	-
Research Division			584			975	1,559	17,280
Digital Media Division						10,000	10,000	
Public Programs	1,000		50,099			552,452	603,551	456,381
Education	308,125		250			118,990	427,365	369,259
Grant Support						1,557,460	1,557,460	1,338,658
Technology						37,500	37,500	37,500
Central Library						250,459	250,459	645,782
Acquisitions	10,800					65,829	76,629	160,435
Folger Unitrust				10,000			10,000	-
Total—2016	**319,925**	**15,210**	**50,933**	**10,000**	**0**	**3,657,292**	**4,053,360**	
Total—2015	**174,893**	**1,000**	**205**	**0**	**25**	**3,984,610**		**4,160,733**

Photography by Maria Stenzel, Rob Mattson and Shana Surek