Pomona College

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

COVER: *The Gates of Pomona College*

POMONA COLLEGE

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
Pomona College:

Report on the Financial Statements

We have audited the accompanying financial statements of Pomona College (the College), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
November 21, 2017

POMONA COLLEGE

Statements of Financial Position

June 30, 2017 and 2016

(In thousands of dollars)

Assets		**2017**	**2016**
Cash and cash equivalents	$	5,642	3,766
Accounts and other receivables, net of allowance		5,631	7,725
Prepaid expenses and deposits		2,636	3,014
Short-term investments		54,713	46,304
Contributions receivable, net		31,637	29,310
Notes receivable, net of allowance		11,360	12,233
Long-term investments:			
Pooled		2,271,643	2,071,113
Separately invested		134,377	140,073
Property, plant, and equipment, net of accumulated depreciation		406,155	393,348
Total assets	$	2,923,794	2,706,886
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	6,830	6,133
Accrued payroll and other liabilities		18,135	16,616
Life income and annuities obligation		92,245	86,962
Long-term debt		203,309	206,134
Government advances for student loans		2,379	2,628
Funds held in trust for others		13,744	12,525
Total liabilities		336,642	330,998
Net assets:			
Unrestricted		1,234,077	1,152,434
Temporarily restricted		949,534	841,629
Permanently restricted		403,541	381,825
Total net assets		2,587,152	2,375,888
Total liabilities and net assets	$	2,923,794	2,706,886

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2017

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Student revenues	$ 104,672	—	—	104,672
Less student financial aid	(42,012)	—	—	(42,012)
Net student revenues	62,660	—	—	62,660
Federal grants and contracts	1,599	—	—	1,599
Private gifts and grants	7,589	20,545	6,856	34,990
Private contracts	883	35	—	918
Endowment income appropriated for operations	89,204	—	—	89,204
Sales and services of education departments	3,854	27	—	3,881
Other revenues	183	—	58	241
	103,312	20,607	6,914	130,833
Net assets released from restriction	54,756	(54,756)	—	—
Transfers among net asset categories	(2,231)	(2,342)	4,573	—
Total revenues, gains, and other support	218,497	(36,491)	11,487	193,493
Expenses:				
Instruction	64,678	—	—	64,678
Research	3,122	—	—	3,122
Public service	1,210	—	—	1,210
Academic support	16,848	—	—	16,848
Student services	21,239	—	—	21,239
Institutional support	32,154	—	—	32,154
Auxiliary enterprises	29,831	—	—	29,831
Total expenses	169,082	—	—	169,082
Increase (decrease) in net assets from operating activities	49,415	(36,491)	11,487	24,411
Nonoperating activities:				
Net realized and unrealized gains on investments	111,702	135,497	3,412	250,611
Net investment income	5,003	8,103	2,272	15,378
Endowment income appropriated for operations	(89,204)	—	—	(89,204)
Changes in actuarially determined gift liabilities	3,559	1,436	4,583	9,578
Other actuarial adjustments	(85)	—	—	(85)
Annuity and life income funds released	647	(609)	(38)	—
Other	606	(31)	—	575
Change in net assets from nonoperating activities	32,228	144,396	10,229	186,853
Change in net assets	81,643	107,905	21,716	211,264
Net assets, beginning of year	1,152,434	841,629	381,825	2,375,888
Net assets, end of year	$ 1,234,077	949,534	403,541	2,587,152

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2016

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Student revenues	$ 101,119	—	—	101,119
Less student financial aid	(38,481)	—	—	(38,481)
Net student revenues	62,638	—	—	62,638
Federal grants and contracts	2,083	—	—	2,083
Private gifts and grants	6,896	7,592	26,802	41,290
Private contracts	842	10	—	852
Endowment income appropriated for operations	82,455	—	—	82,455
Sales and services of education departments	3,231	24	—	3,255
Other revenues	499	—	—	499
	96,006	7,626	26,802	130,434
Net assets released from restriction	44,702	(44,702)	—	—
Transfers among net asset categories	(15,788)	13,226	2,562	—
Total revenues, gains, and other support	187,558	(23,850)	29,364	193,072
Expenses:				
Instruction	63,442	—	—	63,442
Research	3,824	—	—	3,824
Public service	1,390	—	—	1,390
Academic support	16,072	—	—	16,072
Student services	21,370	—	—	21,370
Institutional support	31,892	—	—	31,892
Auxiliary enterprises	27,753	—	—	27,753
Total expenses	165,743	—	—	165,743
Increase (decrease) in net assets from operating activities	21,815	(23,850)	29,364	27,329
Nonoperating activities:				
Net realized and unrealized loss on investments	(32,379)	(36,173)	(332)	(68,884)
Investment income	5,095	29	1,275	6,399
Endowment income appropriated for operations	(82,455)	—	—	(82,455)
Changes in actuarially determined gift liabilities	(5,853)	171	(1,154)	(6,836)
Other actuarial adjustments	61	—	—	61
Annuity and life income funds released	820	(820)	—	—
Loss on disposal of fixed assets	(93)	—	—	(93)
Transfer for staff retirement plan termination	(800)	—	—	(800)
Change in net assets from nonoperating activities	(115,604)	(36,793)	(211)	(152,608)
Change in net assets	(93,789)	(60,643)	29,153	(125,279)
Net assets, beginning of year	1,246,223	902,272	352,672	2,501,167
Net assets, end of year	$ 1,152,434	841,629	381,825	2,375,888

See accompanying notes to financial statements.

POMONA COLLEGE

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands of dollars)

		2017	2016
Cash flows from operating and nonoperating activities:			
Change in net assets	$	211,264	(125,279)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		17,276	17,465
Accretion of interest on CEFA bonds		3,015	2,877
Amortization of bond premium		(1,044)	(1,093)
Contributions restricted for long-term investment		(12,565)	(30,017)
Net realized and unrealized (gain) loss on investments		(250,611)	68,884
Noncash gifts		(380)	(393)
Adjustments of actuarial liabilities		(9,578)	7,142
Change in assets and liabilities:			
Decrease (increase) in accounts receivable		(854)	28,528
Increase in contributions receivable		(2,909)	(5,037)
Decrease in inventory		(75)	—
Decrease (increase) in prepaid expenses and deposits		453	(321)
Increase in accounts payable		797	1,189
Increase (decrease) in accrued payroll and other liabilities		1,287	(774)
Net cash used in operating activities		(43,924)	(36,829)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(29,951)	(18,403)
Purchase of investments		(666,490)	(894,489)
Proceeds from sale of investments		713,770	904,646
Disbursements of student loans		(818)	(1,113)
Collections of student loans		1,691	1,658
Disbursements of trust deed loans		(1,131)	(6,018)
Collections of trust deed loans		4,547	4,394
Net cash provided by (used in) investing activities		21,618	(9,325)
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		5,926	26,009
Investment in life income		4,772	2,311
Investment in plant		1,867	1,697
Proceeds from loan		17,225	9,750
Government advances for student loans		(249)	(2,123)
Payments on long-term debt		(4,800)	(1,285)
Retirement of CEFA bonds payable		(17,221)	—
Investment income on life income and annuities		2,069	2,021
Proceeds from life income and annuities		17,537	8,861
Payments on life income and annuities		(2,944)	(2,891)
Net cash provided by financing activities		24,182	44,350
Net change in cash and cash equivalents		1,876	(1,804)
Cash and cash equivalents, beginning of year		3,766	5,570
Cash and cash equivalents, end of year	$	5,642	3,766
Supplementary cash flow information:			
Cash paid during the year for interest	$	6,559	6,739

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Organization

Founded in 1887, Pomona College (the College) is an independent, coeducational liberal arts college offering instruction in all major fields of the fine arts, humanities, social sciences, and natural sciences. The College has an enrollment of approximately 1,635 students and a student-faculty ratio of eight to one.

Pomona College is a member of an affiliated group of colleges known as The Claremont Colleges. Each affiliated college is a separate corporate entity governed by a separate board of trustees. The Claremont University Consortium, a member of this group, acts as the coordinating institution, which provides common student and administrative services including certain central facilities utilized by all the colleges. The costs of these services and facilities are shared by the members of the group.

(b) Basis of Presentation

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Classification of Net Assets

The accompanying financial statements present information regarding the College’s financial position and activities according to the following three net asset categories:

(i) Unrestricted Net Assets

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

(ii) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the College may spend the funds, and earnings on endowment funds that have not yet been appropriated.

(iii) Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor restrictions requiring that the assets be maintained in perpetuity. The investment income generated from these assets is temporarily restricted until appropriated by the board of trustees in support of the College’s programs and operations.

(d) Cash and Cash Equivalents

Cash includes all short term, highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents representing assets held in the investment pool are included in long-term investments (see note 6).

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

(e) *Investments*

Investments are reflected at fair value. The College uses net asset value (NAV) as a practical expedient for determining fair value of its financial instruments, in cases where appropriate criteria are met.

(f) *Management of Pooled Investments*

The College follows an investment policy that anticipates a greater long-term return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields, the board of trustees has adopted a spending policy for pooled investments whereby annually, if the ordinary income from the pooled investments is insufficient to provide the full amount of investment return specified by the adopted spending policy, the balance may be appropriated from cumulative realized gains of the pooled investments.

(g) *Fair Value of Financial Instruments*

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 6 for further information regarding investments and their fair value.

(i) Cash Equivalents, Accounts and Other Receivables, Accounts Payable, Accrued Payroll, and Other Liabilities

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government.

(ii) Long-Term Debt

Fair value of bonds is estimated with Level 2 inputs, based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for similar maturities and credit quality. See note 8 for further information regarding CEFA bonds payable and their fair value.

(iii) Life Income and Annuities Obligation

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets (generally, 7 years for equipment and land improvements, 40 years for buildings and 30 years for residence halls). Construction in progress will be depreciated over the useful lives of the respective assets when they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the statements of activities.

(i) Art Collection

The collections, which were acquired through purchase and contributions since the college's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets use to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

(j) Life Income and Annuities Obligation

The actuarial liability for life income and annuity contracts and agreements are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 1.41% to 7.50% and over estimated lives according to the 2012 IAR Mortality Tables.

(k) Revenue and Expense Recognition

Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues and are included in accrued payroll and other liabilities on the statements of financial position. Revenues from federal grants and contracts are recorded as allowable expenditures under such agreements as incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments, investment income, and other revenues are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation.

(l) Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Depreciation expense, operation and maintenance of plant, and interest expense are allocated based on square footage occupancy of college facilities. Expenses related to fund-raising, included in institutional support, are $10,777,000 and $8,942,000, respectively, for the years ended June 30, 2017 and 2016.

(m) Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(Continued)

The College follows the policy of reporting as unrestricted support donor-imposed restricted contributions whose restrictions are met in the same period as received. It is the College's policy to lift the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

(n) Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

(o) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

(q) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

(2) Net Student Revenues

Student revenues for the years ended June 30, 2017 and 2016, in thousands of dollars, consist of the following:

		2017	2016
Tuition and fees	$	81,740	78,795
Room and board		22,932	22,324
Gross student revenues		104,672	101,119
Less:			
Sponsored financial aid		(18,105)	(18,563)
Unsponsored financial aid		(23,907)	(19,918)
Student financial aid		(42,012)	(38,481)
Net student revenues	$	62,660	62,638

"Sponsored" financial aid consists of funds provided by external entities (including donors of restricted funds), whereas "unsponsored" aid consists of funds provided by the College.

(3) Accounts and Other Receivables

Accounts and other receivables, net of allowance at June 30, 2017 and 2016, in thousands of dollars, are as follows:

		2017	2016
Private gifts and grants	$	1,080	366
Investments		1,718	2,885
Federal grants and contracts		381	2,420
Sales and other		2,573	2,116
		5,752	7,787
Less allowance for doubtful accounts		(121)	(62)
Accounts and other receivables, net of allowance	$	5,631	7,725

(4) Notes Receivable

Notes receivable at June 30, 2017 and 2016, in thousands of dollars, are as follows:

		2017	2016
Loans receivable from students	$	12,425	13,283
Less allowance for doubtful accounts		(1,065)	(1,050)
Notes receivable, net of allowance	$	11,360	12,233

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

(5) Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 2.40% to 1.41% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2017 and 2016 have been discounted at credit-adjusted rates commensurate with the risks associated with the contribution in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 6.26%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the active market.

At June 30, 2017 and 2016, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2017	2016
In one year or less	$	10,256	13,594
Between one year and five years		7,187	11,393
More than five years		14,110	267
		31,553	25,254
Less discount		(1,791)	(742)
Pledged contributions		29,762	24,512
Split-interest agreements		1,875	4,798
Contributions receivable, net	$	31,637	29,310

Unconditional promises to give and split-interest agreements at June 30, 2017 and 2016, in thousands of dollars, have the following restrictions:

		2017	2016
Endowment for programs, activities, and scholarships	$	10,193	16,494
Building construction		16,805	4,099
Education and general		6,430	9,459
		33,428	30,052
Less discount		(1,791)	(742)
Contributions receivable, net	$	31,637	29,310

(6) Investments

(a) Fair Value Measurement

The fair value of investments at June 30, 2017 and 2016, in thousands of dollars, is as follows:

		2017	2016
Pooled investments:			
Cash and cash equivalents	$	93,930	35,327
Domestic equities		352,512	309,366
International equities		271,497	223,119
Emerging markets		227,537	204,007
Fixed income		167,192	164,067
Fixed income – Trust Deeds		26,268	30,253
Venture capital		303,356	286,583
Private equity		112,108	117,674
Absolute return		412,567	385,890
Real assets[1]		304,676	314,827
Total long-term investments – pooled		2,271,643	2,071,113
Separately invested:			
Cash and cash equivalents		6,734	16,532
Domestic equities		33,208	30,217
International equities		3,028	2,324
Fixed income		73,315	74,238
Real assets[1]		3,893	3,849
Other		14,199	12,913
Total long-term investments – separately invested		134,377	140,073
Short-term investments (cash and cash equivalents)		54,713	46,304
	$	2,460,733	2,257,490

[1] Real assets include marketable hard assets, private real estate/timber and private energy/mining.

The College's investment income net of related expenses for the years ended June 30, 2017 and 2016 was as follows, in thousands of dollars:

		2017	2016
Interest and dividends	$	21,394	12,068
Less investment expenses		(6,016)	(5,669)
Net investment income		15,378	6,399
Net realized and unrealized gains (losses) on investments		250,611	(68,884)
Total investment income (loss), net	$	265,989	(62,485)

(b) Absolute Return Strategies

These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following tables summarize these investments by investment strategy type at June 30, 2017 and 2016, in thousands of dollars.

	2017			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	70,081	153,230
Long-short equity	5		73,169	120,476
Global Macro/Systematic	3		75,000	71,531
Event arbitrage	4		24,000	41,060
Distressed securities	1		25,000	26,270
	18	$	267,250	412,567

	2016			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	70,255	136,864
Long-short equity	8		129,016	163,701
Event arbitrage	2		31,086	56,189
Distressed securities	2		20,000	29,136
	17	$	250,357	385,890

(c) Pending Purchases and Sales

At June 30, 2017 and 2016, the College had pending security purchases of $16,479,000 and $872,000, respectively; and pending security sales of $4,919,000 and $6,207,000, respectively.

(d) Pooled Fund

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit fair value method. The following table summarizes data pertaining to this method for the years ended June 30, 2017 and 2016, in thousands of dollars:

		2017	2016
Unit fair value at end of year	$	1,051	968
Units owned:			
Unrestricted:			
Funds functioning as endowment		897,222	896,641
Designated for annuity and life income funds		69,413	74,077
Total unrestricted		966,635	970,718
Temporarily restricted:			
Restricted for specific purposes		3,323	3,323
Funds functioning as endowment		210	354
Annuities and life income funds		8,257	8,634
Total temporarily restricted		11,790	12,311

		2017	2016
Permanently restricted:			
Endowment funds		1,148,435	1,129,195
Annuities and life income funds		35,084	29,293
Total permanently restricted		1,183,519	1,158,488
Total units		2,161,944	2,141,517
Weighted average units		2,148,921	2,122,015
Net pooled investment income per weighted average unit	$	44	41

(e) Fair Value Hierarchy

The College’s fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities, futures, options, and certain fixed-income securities.

(Continued)

Level 2 – Quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include equity swaps, forward contracts, certain fixed-income securities, over-the-counter option contracts, and certain other derivatives.

Level 3 – Pricing inputs are unobservable for the asset and reflect management's own assumptions to determine fair value.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College's perceived risk of that investment.

The investments in cash and cash equivalents, short-term investments, certain domestic and international equities, certain emerging markets, certain real assets, and certain domestic fixed income are valued based on quoted market prices, and are, therefore, classified within Level 1.

The investments in certain international equities, certain emerging markets, domestic fixed income, and international fixed income are valued based on quoted market prices of comparable assets, and are, therefore, classified within Level 2.

The investments in private equity, venture capital, absolute return hedge funds, certain real assets, certain investment funds focused on domestic and international equities, and international fixed incomes are held primarily through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

Certain nonpooled investments, primarily in real assets, are classified as Level 3. Management's assumptions are used to determine fair value.

Effective as of fiscal year 2015, the College retroactively adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removed the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV as a practical expedient to estimate fair value. The ASU also required that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the Consolidated Statement of Financial Position.

Basis of Reporting

Pooled investments are presented in the accompanying financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general

 (Continued)

partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

The following tables summarize the valuation of the College's investments, in thousands of dollars, by the fair value hierarchy levels as of June 30, 2017 and 2016. Consistent with ASU 2015-007, investments measured at net asset value (NAV) are not classified in the fair value hierarchy:

	Investments measured at NAV	2017 Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	93,930	—	—	93,930
Domestic equities	316,374	36,138	—	—	352,512
International equities	221,790	—	49,707	—	271,497
Emerging markets	126,621	44,127	56,789	—	227,537
Fixed income	61,967	—	105,225	—	167,192
Fixed income – Trust Deeds	—	—	26,268	—	26,268
Venture capital	303,356	—	—	—	303,356
Private equity	112,108	—	—	—	112,108
Absolute return	412,567	—	—	—	412,567
Real assets	162,258	142,418	—	—	304,676
Total pooled investments	1,717,041	316,613	237,989	—	2,271,643
Other invested assets:					
Cash and cash equivalents	—	61,447	—	—	61,447
Domestic equities	—	33,208	—	—	33,208
International equities	—	3,028	—	—	3,028
Fixed income	—	14,027	59,288	—	73,315
Real assets	—	30	—	3,863	3,893
Other	—	75	14,120	4	14,199
Total other invested assets	—	111,815	73,408	3,867	189,090
Total	$ 1,717,041	428,428	311,397	3,867	2,460,733

POMONA COLLEGE

Notes to Financial Statements

June 30, 2017 and 2016

	Investments measured at NAV	2016 Investments classified in the fair value hierarchy Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	35,327	—	—	35,327
Domestic equities	288,418	20,948	—	—	309,366
International equities	178,870	—	44,249	—	223,119
Emerging markets	168,485	35,522	—	—	204,007
Fixed income	66,462	28,480	99,378	—	194,320
Fixed income – Trust Deeds	—	—	30,253	—	30,253
Venture capital	286,583	—	—	—	286,583
Private equity	117,674	—	—	—	117,674
Absolute return	385,890	—	—	—	385,890
Real assets	161,078	153,749	—	—	314,827
Total pooled investments	1,653,460	274,026	173,880	—	2,101,366
Other invested assets:					
Cash and cash equivalents	—	62,836	—	—	62,836
Domestic equities	—	30,216	—	1	30,217
International equities	—	2,324	—	—	2,324
Fixed income	—	12,752	61,486	—	74,238
Real assets	—	32	—	3,817	3,849
Other	—	46	12,863	4	12,913
Total other invested assets	—	108,206	74,349	3,822	186,377
Total	$ 1,653,460	382,232	248,229	3,822	2,287,743

(Continued)

The following is a reconciliation of Level 3 assets for which unobservable inputs were used to determine fair value. The tables represent the activity of Level 3 securities held at the beginning and end of the period, in thousands of dollars:

	June 30, 2017			
	Beginning balance at June 30, 2016	Changes in unrealized gains (losses)	Sales	Ending balance at June 30, 2017
Other invested assets:				
Domestic equities	$ 1	(1)	—	—
Real assets	3,817	46	—	3,863
Other	4	—	—	4
Total other invested assets	$ 3,822	45	—	3,867

	June 30, 2016			
	Beginning balance at June 30, 2015	Changes in unrealized gains (losses)	Sales	Ending balance at June 30, 2016
Other invested assets:				
Domestic equities	$ 1	—	—	1
Real assets	4,282	(465)	—	3,817
Other	423	—	(419)	4
Total other invested assets	$ 4,706	(465)	(419)	3,822

(Continued)

The College uses the NAV to determine the fair value of all the underlying investments, which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, the following table lists investments in other investment companies (in partnership format) by major category, in millions of dollars:

		June 30, 2017							
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 303.3	83	1–15 years	$ 64.1	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	112.1	57	1–15 years	111.9	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	162.3	62	1–15 years	107.0	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		577.7	202		283.0				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	412.6	18	N/A	—	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	726.7	11	N/A	—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,717.0	231		$ 283.0				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] Of these commitments, approximately $103,000,000 is due within one year.

The College uses the NAV to determine the fair value of all the underlying investments, which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, the following table lists investments in other investment companies (in partnership format) by major category, in millions of dollars:

		June 30, 2016							
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 286.6	84	1–15 years	$ 72.9	up to 6 years	N/A[1]	N/A[1]	N/A[1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	117.7	50	1–15 years	82.8	up to 6 years	N/A[1]	N/A[1]	N/A[1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	161.1	59	1–15 years	111.8	up to 6 years	N/A[1]	N/A[1]	N/A[1]
Total private investments		565.4	193		267.5				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	385.9	17	N/A	20.0	N/A	Ranges between monthly with 30 days' notice, to annually with 180 days' notice.	1 fund has two months remaining of a twelve month lock-up period	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	702.2	15	N/A	—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 50% annual gate; 1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,653.5	225		$ 287.5				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] Of these commitments, approximately $78,000,000 is due within one year.

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2017 and 2016, in thousands of dollars, are as follows:

		2017	2016
Land	$	8,601	7,980
Land improvements		12,092	11,932
Buildings		538,247	523,750
Equipment		16,982	14,604
Construction in progress		16,122	3,815
		592,044	562,081
Less accumulated depreciation		(185,889)	(168,733)
Property, plant, and equipment, net of accumulated depreciation	$	406,155	393,348

Outstanding commitments for design and construction contracts amounted to approximately $4,081,000 and $2,521,000 as of June 30, 2017 and 2016, respectively.

(8) Long-Term Debt

Long-term debt consists of bonds payable and a loan payable.

Bonds payable, in thousands of dollars, issued through the California Educational Facilities Authority (CEFA), and associated interest rates and maturities at June 30, 2017 and 2016 are as follows, in thousands of dollars:

	2017			
	Interest rates	Maturity dates		Principal amount
Series 2009A	5.0 %	2019, 2024	$	62,290
Series 2008A	4.4%–5.0%	2018		66,200
Series 2005A	4.4%–5.2%	2018–2045		42,328
				170,818
Plus unamortized premium				1,576
CEFA bonds payable				172,394
Private placement loans payable				30,915
			$	203,309

	2016			
	Interest rates	**Maturity dates**		**Principal amount**
Series 2011A	4.0 %	2017	$	1,335
Series 2009A	5.0 %	2019, 2024		62,290
Series 2008A	4.4%–5.0%	2018		65,318
Series 2005A	4.4%–5.2%	2018–2045		60,086
				189,029
Plus unamortized premium				3,105
CEFA bonds payable				192,134
Private placement loan payable				14,000
			$	206,134

		Principal amount
Schedule of maturities:		
Year(s) ending:		
2018	$	70,318
2019		34,678
2020		3,201
2021		3,086
2022		2,972
2023–2049		89,054
	$	203,309

The CEFA agreements contain covenants relating to maintenance of the College, insurance, and other general items. Management believes that the College is in compliance with all the debt covenants.

At June 30, 2017 and 2016, the fair value of the College's CEFA bonds payable was approximately $188,695,000 and $228,315,000, respectively. Fair value was estimated based upon dealer quotes for similar instruments.

On June 26, 2014, the College executed a $25 million private placement tax-exempt loan agreement with First Republic Bank and California Municipal Finance Authority. The interest rate is fixed at 3.25% and the funds can be drawn down over three years. The term is 30 years. As of June 30, 2017 and 2016, $14 million had been drawn down.

On October 18, 2016, the College executed a $17,225,000 private placement tax-exempt loan agreement with Boston Private and California Municipal Finance Authority. This transaction current refunded the 2005A CEFA CIBs with a matching maturity schedule. The term is 30 years. The interest rate is fixed at 2.96%.

(9) Net Assets

At June 30, 2017 and 2016, net assets consist of the following, in thousands of dollars:

		2017	2016
Unrestricted:			
For plant and other designated purposes	$	58,073	63,614
Designated for annuity and life income funds		30,834	29,719
Funds functioning as endowment		941,991	867,539
Invested in property, plant, and equipment, net of related debt		203,179	191,562
Total unrestricted		1,234,077	1,152,434
Temporarily restricted:			
Restricted for specific purposes and time		54,801	38,048
Annuity and life income funds		23,443	23,810
Donor-restricted endowment funds		159	324
Accumulated unappropriated gains on endowment		871,131	779,447
Total temporarily restricted		949,534	841,629
Permanently restricted:			
Loan funds		14,587	15,488
Annuity and life income funds		37,027	28,717
Endowment funds		351,927	337,620
Total permanently restricted		403,541	381,825
Total net assets	$	2,587,152	2,375,888

(10) Retirement Plans

The College participates with other members of The Claremont Colleges in a defined-contribution retirement plan administered by the Claremont University Consortium. This plan provides retirement benefits for all employees through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA). Under this plan, College contributions are used to purchase fixed and/or variable annuities offered by TIAA. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. In conjunction with this plan, employees are able to contribute a portion of their salary into a tax-deferred annuity account and invest such assets in mutual funds offered by TIAA, Fidelity Investments Institutional Services Company, Inc., or The Vanguard Group. For the years ended June 30, 2017 and 2016, the College's contributions to this plan amounted to approximately $6,094,000 and $6,266,000, respectively.

Prior to July 1, 2005, certain retirement eligible employees participated in a defined-benefit plan, wherein the benefits were based on years of service, compensation, and the amount of employee contributions, if any. On June 30, 2005, the plan was frozen and all participants were immediately eligible to become participants in the defined-contribution plan. The defined-benefit plan continued to be funded in accordance with the Employee Retirement Income Security Act of 1974. Plan assets were invested in a diversified group of equity and fixed-income securities, in an insurance company's separate and general accounts. At June 30, 2017 and 2016, the College's allocation of net pension costs was approximately $0 and $563,000, respectively. Also included in the statements of activities for the years ended June 30, 2017 and 2016 are comprehensive gains of $0 and $214,000, respectively, relating to the staff retirement plan.

On March 4, 2014, the Council of the Claremont Colleges passed a resolution to terminate the Plan effective June 30, 2014, and to amend the Plan to offer a single lump sum distribution option in addition to the other forms of distribution available under the Plan. As of June 30, 2016, all plan assets were liquidated to fund the financial obligation of the plan termination. Accrued benefit liability and employer contributions were allocated to each of The Claremont Colleges based on participant data or other methods deemed appropriate by the Plan's actuary. Pomona College made final contributions of $2,627,000 during the year ended June 30, 2016. An additional $800,000 contribution was made during the year ended June 30, 2016 to cover a share of Claremont University Consortium's final contribution. Additional information on the Plan can be obtained from the audited financial statements of the Claremont University Consortium.

For the years ended June 30, 2017 and 2016, contributions made by employees to the College's 457(b) Plan of approximately $5,495,000 and $4,635,000, respectively, were included in separately invested assets and accrued payroll and other liabilities on the statements of financial position.

(11) Workers' Compensation

The College participates with other members of The Claremont Colleges in collective insurance agreements including self-insurance for workers' compensation. At June 30, 2017 and 2016, the College had approximately $81,000 and $154,000, respectively, in accrued payroll and other liabilities to provide for payment of claims pending. Management believes that the ultimate disposition of these or other claims would not result in any material adjustments to the financial statements.

(12) Endowment

The net assets of the College include permanent endowment funds and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). While funds functioning as endowment have been established by the board of trustees to function as endowment, any portion of such funds may be expended.

The College's endowment consists of approximately 1,800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of trustees of the College has interpreted the UPMIFA (the Act) as permitting the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

1. The duration and preservation of the fund
2. The purposes of the College and the 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 College
7. The investment policies of the College

(b) Return Objective and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom benchmark that reflects the College’s current asset allocation targets and a simple benchmark composed of 85% of the S&P 500 Index and 15% of the Barclays Capital Government/Credit Bond Index, while assuming a moderate level of investment risk.

The College expects its endowment funds to attain, over time and within acceptable risk levels, an average annual real rate of return of approximately 5.00%, net of all investment management and related fees and without regard to whether the return is in the form of income or capital gains. Actual returns in any given year may vary from this amount.

(c) *Strategies Employed for Achieving Objectives*

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

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The College has a policy of appropriating for distribution each year 4.50% to 5.50% of its endowment funds' average fair value over the prior 12 quarters through June 30 one year prior to the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For years ended June 30, 2017 and 2016, the board of trustees authorized distributions of $89,204,000 and $82,455,000, respectively, based on an approved spending rate of 4.50%, for current operations from the net realized investment gains of pooled investments.

Endowment net assets consist of the following at June 30, 2017 and 2016, in thousands of dollars:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	159	351,927	352,086
Board-designated endowment funds		189,658	—	—	189,658
Accumulated unappropriated gains		752,333	871,131	—	1,623,464
Total endowment net assets	$	941,991	871,290	351,927	2,165,208

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(885)	324	337,620	337,059
Board-designated endowment funds		189,776	—	—	189,776
Accumulated unappropriated gains		678,648	779,447	—	1,458,095
Total endowment net assets	$	867,539	779,771	337,620	1,984,930

Changes in endowment net assets for the year ended June 30, 2017 are as follows, in thousands of dollars:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2016	$	867,539	779,771	337,620	1,984,930
Pooled investment returns:					
Earned income		6,299	7,994	1	14,294
Net realized and unrealized gains on investments during the year		106,023	134,429	570	241,022
Total pooled investment returns		112,322	142,423	571	255,316
Distributions per spending policy		(89,204)	—	—	(89,204)
Net pooled investment returns appropriated to pool		23,118	142,423	571	166,112
Other changes in endowment:					
Gifts		58	84	5,783	5,925
Releases, changes, gains, losses, and transfers per donor restrictions		942	(1,135)	5,889	5,696
Endowment income reinvested		467	14	2,064	2,545
Appropriation of endowment assets for expenditure		49,867	(49,867)	—	—
Total other changes in endowment		51,334	(50,904)	13,736	14,166
Total changes in endowed equity		74,452	91,519	14,307	180,278
Endowment net assets, June 30, 2017	$	941,991	871,290	351,927	2,165,208

Changes in endowment net assets for the year ended June 30, 2016 are as follows, in thousands of dollars:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2015	$	932,740	858,884	307,079	2,098,703
Pooled investment returns:					
Earned income		5,934	—	—	5,934
Net realized and unrealized losses on investments during the year		(31,928)	(35,389)	(331)	(67,648)
Total pooled investment returns		(25,994)	(35,389)	(331)	(61,714)
Distributions per spending policy		(82,455)	—	—	(82,455)
Net pooled investment returns appropriated to pool		(108,449)	(35,389)	(331)	(144,169)
Other changes in endowment:					
Gifts		7	120	25,882	26,009
Releases, changes, gains, losses, and transfers per donor restrictions		(909)	49	3,775	2,915
Endowment income reinvested		245	12	1,215	1,472
Appropriation of endowment assets for expenditure		43,905	(43,905)	—	—
Total other changes in endowment		43,248	(43,724)	30,872	30,396
Total changes in endowed equity		(65,201)	(79,113)	30,541	(113,773)
Endowment net assets, June 30, 2016	$	867,539	779,771	337,620	1,984,930

(Continued)

(e) Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficits of this nature that are reported in unrestricted net assets were $0 and $855,000 as of June 30, 2017 and 2016, respectively. Deficits result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(13) Affiliated Institutions

The amounts paid by the College to Claremont University Consortium for the common student and administrative services and the use of facilities for the years ended June 30, 2017 and 2016 totaled $7,570,000 and $7,275,000, respectively.

(14) Commitments and Contingencies

(a) Line of Credit

At June 30, 2016, the College had a $50,000,000 line of credit. Any borrowings on the line would bear interest at a rate set by the bank (2.50% at June 30, 2016). There were no borrowings on the line and it expired on May 31, 2017. It was replaced by a $35,000,000 line of credit. Any borrowings on this line would bear interest at a rate set by the bank (3.25% at June 30, 2017). There were no borrowings outstanding on this line of credit at June 30, 2017.

(b) Federal Funding

Certain federal grants that the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

(15) Subsequent Events

On October 17, 2017 the College executed a contract with Hathaway Dinwiddie for $30,868,000, to build the new Pomona College Museum of Art. Construction is expected to be completed in 2019.

Subsequent events have been evaluated through November 21, 2017, which corresponds to the date when the financial statements were available to be issued. There are no other subsequent events that require disclosure.

Pomona College

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