

Boston College

**Report on Federal Awards in Accordance With
OMB Uniform Guidance**

May 31, 2016

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Boston College
Report on Federal Awards in Accordance With OMB Uniform Guidance
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Part I

**Consolidated Financial Statements and Schedule of
Expenditures of Federal Awards**



Independent Auditor's Report

To the Trustees of Boston College:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boston College (the "University"), which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, the related consolidated statement of activities for the year ended May 31, 2016 and the related consolidated statements of cash flows for the years ended May 31, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boston College as of May 31, 2016 and 2015, the changes in its net assets for the year ended May 31, 2016 and its cash flows for the years ended May 31, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We previously audited the consolidated statement of financial position as of May 31, 2015, and the related consolidated statement of activities and cash flows for the year then ended (not presented herein), and in our report dated September 25, 2015, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of May 31, 2015 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended May 31, 2016 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the University'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 for the year ended May 31, 2016. 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 University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

September 30, 2016

Boston College
Consolidated Statement of Financial Position
As of May 31, 2016 and 2015

<i>(in thousands)</i>	2016	2015
Assets		
Cash and cash equivalents	\$ 8,055	\$ 10,038
Accounts receivable, net (Note B)	40,091	37,141
Contributions receivable, net (Note C)	206,882	159,508
Notes and other receivables, net (Note B)	54,528	57,700
Investments (Note D)	2,417,926	2,648,195
Funds held by trustees (Note D)	8,456	21,792
Other assets	7,641	6,508
Property, plant and equipment, net (Note F)	<u>1,459,919</u>	<u>1,329,389</u>
Total assets	<u>\$ 4,203,498</u>	<u>\$ 4,270,271</u>
Liabilities		
Accounts payable	\$ 5,503	\$ 5,276
Accrued liabilities	217,784	189,171
Deposits payable and deferred revenues	29,233	31,133
Bonds and mortgages payable, net (Note G)	903,518	930,783
U.S. Government loan advances	<u>36,253</u>	<u>35,995</u>
Total liabilities	<u>1,192,291</u>	<u>1,192,358</u>
Net Assets		
Unrestricted (Note H)	1,465,879	1,524,374
Temporarily restricted (Note H)	574,300	642,477
Permanently restricted (Note H)	<u>971,028</u>	<u>911,062</u>
Total net assets	<u>3,011,207</u>	<u>3,077,913</u>
Total liabilities and net assets	<u>\$ 4,203,498</u>	<u>\$ 4,270,271</u>

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

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2016
(with summarized financial information for the Year Ended May 31, 2015)

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating					
Revenues and other support					
Tuition and fees before student aid	\$ 586,118	\$ -	\$ -	\$ 586,118	\$ 559,943
Auxiliary enterprises before student aid	160,721	-	-	160,721	165,176
Sponsored research and other programs	47,932	-	-	47,932	42,932
Government financial aid programs	4,857	-	-	4,857	4,697
Sales and services	5,117	-	-	5,117	5,064
Other revenues	9,436	-	-	9,436	11,354
Nonoperating assets utilized or released from restrictions for operations	123,256	-	-	123,256	111,561
Total revenues and other support before student aid	937,437	-	-	937,437	900,727
Student aid applicable to tuition and fees	(170,100)	-	-	(170,100)	(161,883)
Student aid applicable to auxiliary enterprises	(5,959)	-	-	(5,959)	(5,775)
Net revenues	761,378	-	-	761,378	733,069
Expenses					
Instruction	298,570	-	-	298,570	282,393
Academic support	69,897	-	-	69,897	67,408
Research	40,356	-	-	40,356	34,692
Student services	60,089	-	-	60,089	55,960
Public service	4,529	-	-	4,529	3,512
General administration	121,757	-	-	121,757	119,460
Auxiliary enterprises	166,048	-	-	166,048	169,517
Total expenses	761,246	-	-	761,246	732,942
Increase in net assets from operating activities	132	-	-	132	127
Nonoperating					
Contributions	5,675	96,574	62,120	164,369	144,954
Realized and unrealized investment (losses) gains, net	(43,913)	(56,197)	(915)	(101,025)	152,129
Investment income, net	6,246	567	(36)	6,777	8,146
Other losses	(10,473)	(790)	(2,440)	(13,703)	(6,462)
Nonoperating assets utilized or released from restrictions for operations	(32,740)	(90,516)	-	(123,256)	(111,561)
Net assets reclassified or released from restrictions	16,578	(17,815)	1,237	-	-
(Decrease) increase in net assets from nonoperating activities	(58,627)	(68,177)	59,966	(66,838)	187,206
Total (decrease) increase in net assets	(58,495)	(68,177)	59,966	(66,706)	187,333
Net assets					
Beginning of year	1,524,374	642,477	911,062	3,077,913	2,890,580
End of year	\$ 1,465,879	\$ 574,300	\$ 971,028	\$ 3,011,207	\$ 3,077,913

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

Boston College
Consolidated Statement of Cash Flows
Years Ended May 31, 2016 and 2015

<i>(in thousands)</i>	2016	2015
Cash flows from operating activities		
Total (decrease) increase in net assets	\$ (66,706)	\$ 187,333
Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities		
Depreciation, amortization and accretion	61,330	59,501
Allowance for uncollectible contributions	10,736	(2,922)
Discount on contributions	14,741	(1,613)
Net gain on retirement or disposal of property, plant and equipment	(72)	(177)
Loss on recognition of asset retirement obligation	6,356	-
Contributions of property and equipment	(4,159)	(315)
Loan cancellations	865	1,069
Contributed securities	(18,808)	(18,493)
Proceeds from sale of contributed securities	5,171	5,429
Realized and unrealized investment losses (gains), net	100,331	(152,129)
Change in assets and liabilities		
Accounts receivable, net	(2,950)	(5,296)
Notes and other receivables	348	551
Contributions receivable	(72,851)	(81)
Accounts payable and accrued liabilities	25,025	(970)
Deposits payable and deferred revenue	(1,900)	2,162
Other assets	(1,133)	510
Contributions to be used for long-term investment	(69,518)	(96,769)
Net cash and cash equivalents used in operating activities	<u>\$ (13,194)</u>	<u>\$ (22,210)</u>
Cash flows from investing activities		
Proceeds from sales of investments	\$ 888,686	\$ 1,117,655
Purchases of investments	(756,969)	(1,069,877)
Student loans granted	(4,993)	(6,277)
Student loans collected	6,952	6,217
Purchases of property, plant and equipment	(192,164)	(133,589)
Change in funds held by trustees	13,336	21,371
Net cash and cash equivalents used in investing activities	<u>(45,152)</u>	<u>(64,500)</u>
Cash flows from financing activities		
Payment of bonds and mortgages payable	(25,271)	(18,661)
Change in U.S. Government loan advances	258	163
Payments to beneficiaries of split interest agreements	(1,779)	(1,402)
Proceeds from sale of contributed securities	13,637	13,064
Contributions to be used for long-term investment	69,518	96,769
Net cash and cash equivalents provided by financing activities	<u>56,363</u>	<u>89,933</u>
Net change in cash and cash equivalents	(1,983)	3,223
Cash and cash equivalents		
Beginning of year	<u>10,038</u>	<u>6,815</u>
End of year	<u>\$ 8,055</u>	<u>\$ 10,038</u>
Supplemental data		
Interest paid, net of amounts capitalized	\$ 38,991	\$ 40,129
Change in asset retirement obligations recognized	7,959	(1,322)
Net fixed asset recognized related to asset retirement obligation	1,812	-
Contributed securities	18,808	18,493

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

Boston College

Notes to Consolidated Financial Statements

May 31, 2016 and 2015

A. Accounting Policies

The accompanying consolidated financial statements include certain other entities under the financial control of Boston College, including Boston College Ireland, Ltd. ("BCI") which is a non-profit entity established as an institute of education in the Republic of Ireland.

Boston College and entities included herein are referred to individually and collectively as the "University."

The significant accounting policies followed by the University are set forth below and in other sections of these notes.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified into three categories based on the existence or absence of externally imposed restrictions. The net assets of the University are classified and defined as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted

Net assets where use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the University.

Permanently Restricted

Reflects the historical value of contributions (and in certain circumstances investment returns from those contributions), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

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

Nonoperating Activity

Nonoperating activity includes all contributions, investment income, gains and losses on investments, gains and losses on postretirement healthcare benefits, unfulfilled promises to give, gains and losses on sale or disposal of property, foreign currency translation, losses on the recognition of asset retirement obligations, and life income adjustments. All other activity is classified as operating revenue or expense.

To the extent contributions, investment income, and gains are used for operations, they are reclassified as "nonoperating assets utilized or released from restrictions for operations."

Expirations of temporary restrictions on net assets or other clarifications from donors are presented as "net assets reclassified or released from restrictions."

Boston College

Notes to Consolidated Financial Statements

May 31, 2016 and 2015

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues in the year received. Contributions receivable are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value.

Contributions and investment return with donor-imposed restrictions, which are reported as temporarily restricted revenues, are released to unrestricted net assets when an expense is incurred that satisfies the restriction.

Contributions restricted for the purchase of property, plant and equipment are reported as nonoperating temporarily restricted revenues and are released to unrestricted net assets upon acquisition of the assets or when the asset is placed into service.

Contributions received for which the designation is pending by the donor are classified as temporarily restricted net assets. Once a designation is made by the donor, the contributions are reclassified to the appropriate net asset category as part of "net assets reclassified or released from restrictions."

Sponsored Activities

Revenues associated with research and other contracts and grants are recognized when related costs are incurred. Facilities and administrative cost recovery on U.S. Government contracts and grants is based upon a predetermined negotiated rate and is recorded as unrestricted revenue.

Fundraising Activities

Expenses incurred in carrying out the fundraising activities of the University, which amounted to \$22,041,000 and \$20,956,000 for the years ended May 31, 2016 and 2015, respectively, are included primarily in the general administration expense category on the consolidated statement of activities.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of operating funds deposited in cash management accounts, and other investments with maturities at the time of purchase of 90 days or less, and are carried at market value. Cash and cash equivalents held in the investment portfolio are included in investments.

Investment transactions are recorded on the trade date and dividend income is recorded on the ex-dividend date.

Split-Interest Agreements

The University has split-interest agreements consisting primarily of charitable gift annuities, pooled income funds, charitable remainder trusts, and charitable lead trusts. Split-interest agreements which are included in investments amount to \$33,887,000 and \$36,013,000 as of May 31, 2016 and 2015, respectively. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted with rates that range from 1.2% to 10.6%. The liability of \$12,798,000 and \$13,460,000 as of May 31, 2016 and 2015, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions.

Boston College

Notes to Consolidated Financial Statements

May 31, 2016 and 2015

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The University is a qualified tax-exempt organization under section 501(c) (3) of the Internal Revenue Code.

Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information, but do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's audited financial statements for the year ended May 31, 2015, from which the summarized information was derived.

Subsequent Events

The University has assessed the impact of subsequent events through September 30, 2016, the date the audited consolidated financial statements were issued, and concluded there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Recent Accounting Pronouncements

The University adopted Accounting Standards Update (ASU) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The adoption of this standard eliminates the requirement for the University to disclose the fair value of financial instruments measured at amortized cost.

B. Accounts, Notes and Other Receivables

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2016 and 2015, the allowance related to accounts receivable is \$3,172,000 and \$3,253,000, respectively.

Notes and other receivables consist of amounts due from students under U.S. Government sponsored loan programs and from the Weston Jesuit Community, Inc. under a ground lease agreement. As of May 31, 2016 and 2015, the amount due under the U.S. Government sponsored loan program is \$38,836,000 and \$41,660,000, respectively. The notes receivable due from students under U.S. Government sponsored loan programs are subject to significant restrictions and, accordingly, it is not practicable to determine the fair value of such amounts. As of May 31, 2016 and 2015, the allowance related to student notes receivable is \$1,140,000.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

C. Contributions Receivable

Contributions receivable are summarized as follows as of May 31:

<i>(in thousands)</i>	2016	2015
Unconditional promises scheduled to be collected in		
Less than one year	\$ 76,711	\$ 76,526
Between one year and five years	149,366	100,907
More than five years	25,750	1,543
Less: Discount and allowance for unfulfilled promises to give	<u>(44,945)</u>	<u>(19,468)</u>
Contributions receivable, net	<u>\$ 206,882</u>	<u>\$ 159,508</u>

A present value discount of \$21,321,000 and \$6,580,000 as of May 31, 2016 and 2015, respectively, has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

The University has reflected contributions received during fiscal 2016 and 2015 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$32,805,000 and \$42,051,000 as of May 31, 2016 and 2015, respectively, are not recorded in the consolidated financial statements.

D. Investments

Investments are stated at fair value and include accrued income. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics, prior to investment and on a regular basis going forward. The University believes that these valuations are a reasonable estimate of fair value as of May 31, 2016 and 2015, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Included in the investment balances and investment return amounts, which follow, are funds held by trustees consisting principally of investments in United States Government obligations. These funds are maintained by the University to meet the requirements of certain licensing, secured note, and bond agreements. As of May 31, 2016 and 2015 there are \$0 and \$13,185,000, respectively, of construction funds held by trustees associated with certain University bond issues that were drawn down to fund various capital projects.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

Investments, including funds held by trustees, consist of the following as of May 31:

<i>(in thousands)</i>	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,312,928	\$ 1,734,582	\$ 1,348,625	\$ 1,993,441
Fixed income	551,854	582,840	577,741	576,422
Real assets	111,363	108,960	103,760	100,124
	<u>\$ 1,976,145</u>	<u>\$ 2,426,382</u>	<u>\$ 2,030,126</u>	<u>\$ 2,669,987</u>

Equities include common stock, mutual funds, commingled funds and limited partnership interests. Fixed income includes money market funds, limited partnership interests, treasury and agency securities. Real assets include limited partnership interests and real estate.

A three level hierarchy of valuation inputs has been established based on the extent to which the inputs are observable in the marketplace. Level I is considered observable based on inputs such as quoted prices in active markets. Level II is considered observable based on inputs other than quoted prices in active markets, and Level III is considered unobservable.

As of May 31, 2016, the University's investments include \$829,530,000 of Level I equities, \$479,932,000 of Level I fixed income securities, \$9,387,000 of Level II fixed income securities and \$4,732,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2016 are \$905,052,000 of equities, \$88,789,000 of fixed income and \$76,054,000 of real assets for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2016 are \$32,906,000 of real estate investments valued at cost.

As of May 31, 2015, the University's investments include \$983,643,000 of Level I equities, \$560,694,000 of Level I fixed income securities, \$9,721,000 of Level II fixed income securities and \$6,007,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2015 are \$1,009,798,000 of equities and \$67,836,000 of real assets for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2015 are \$32,288,000 of real estate investments valued at cost.

As of May 31, 2016, \$19,768,000, \$9,387,000 and \$4,732,000 of split interest agreements are included in Level I, Level II and Level III, respectively. As of May 31, 2015, \$20,285,000, \$9,721,000 and \$6,007,000 of split interest agreements are included in Level I, Level II and Level III, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

The fair values of limited partnerships are represented by the net asset value of each partnership. The objective of these investments is to generate long term returns significantly higher than public equity markets on a risk adjusted basis. Redemption terms for those investments valued at net asset value consist of the following as of May 31, 2016 and 2015, respectively:

<i>(in thousands)</i>	2016			
	Equities	Fixed Income	Real Assets	Total
Redemption Terms				
Within 30 days	\$ 130,602	\$ 15,207	\$ -	\$ 145,809
Quarterly				
30-90 days prior written notice	92,154	-	-	92,154
Semi-Annually, Annually				
30-180 days prior written notice	335,473	73,582	-	409,055
1-5 years	290,832	-	31,463	322,295
6-10 years	55,991	-	44,591	100,582
Total	905,052	88,789	76,054	1,069,895
Level I securities	829,530	479,932	-	1,309,462
Other investments	-	14,119	32,906	47,025
Total investments	\$ 1,734,582	\$ 582,840	\$ 108,960	\$ 2,426,382

<i>(in thousands)</i>	2015			
	Equities	Fixed Income	Real Assets	Total
Redemption Terms				
Within 30 days	\$ 181,218	\$ -	\$ -	\$ 181,218
Quarterly				
30-90 days prior written notice	88,727	-	-	88,727
Semi-Annually, Annually				
30-180 days prior written notice	415,890	-	-	415,890
1-5 years	271,917	-	37,428	309,345
6-10 years	52,046	-	30,408	82,454
Total	1,009,798	-	67,836	1,077,634
Level I securities	983,643	560,694	-	1,544,337
Other investments	-	15,728	32,288	48,016
Total investments	\$ 1,993,441	\$ 576,422	\$ 100,124	\$ 2,669,987

The University is committed to invest in private equity investments up to an additional amount of \$183,900,000 and \$166,900,000 as of May 31, 2016 and 2015, respectively.

The University recognized net realized and unrealized losses of \$101,025,000 and investment income of \$6,777,000, net of investment advisory fees of \$19,466,000, for the year ended May 31, 2016.

The University recognized net realized and unrealized gains of \$152,129,000 and investment income of \$8,146,000, net of investment advisory fees of \$16,945,000, for the year ended May 31, 2015.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

E. Endowment

The net assets associated with the University's endowment funds are classified in accordance with relevant state law as interpreted by the Board of Trustees. These classifications are unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include Board-designated funds, and any accumulated income and appreciation thereon. Temporarily restricted net assets include contributions not yet designated by donors and accumulated appreciation on temporarily and permanently restricted funds. Permanently restricted net assets include contributions designated by donors to be invested in perpetuity to produce income for general or specific purposes.

The long-term performance objective of the endowment portfolio is to attain an average annual total return that exceeds the University's spending rate plus inflation within acceptable levels of risk over a full market cycle. To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

The University has a spending policy for its donor restricted endowment, as approved by the University's Board of Trustees, that aims to provide a stable and predictable source of funding for the University's academic and strategic initiatives and also to protect the real value of the endowment over time. Under this policy the amount that can be expended for current operations is a weighted average based on two components; prior year spending adjusted for an inflationary factor, and 5% of a twelve quarter moving average of market values.

As of May 31, 2016 the market value attributable to certain endowment funds was less than the historical value of the related permanently restricted contribution by an aggregate of \$744,000. This is reflected as a reduction of unrestricted net assets and will be restored to unrestricted net assets when the market value exceeds historical value. This deficit resulted from unfavorable market fluctuations. As of May 31, 2015, there were no endowment funds with a market value less than historical value.

F. Property, Plant and Equipment

The physical plant assets of the University are stated at cost on the date of acquisition or at fair market or appraised value on the date of donation in the case of contributions. Physical plant assets consist of the following as of May 31:

<i>(in thousands)</i>	2016	2015
Land and improvements	\$ 282,570	\$ 260,310
Buildings	1,425,715	1,351,695
Equipment	237,260	229,853
Library books	196,054	187,295
Rare book and art collections	24,776	22,863
Purchase options	2,855	2,855
Plant under construction	154,382	82,542
Property, plant and equipment, gross	<u>2,323,612</u>	<u>2,137,413</u>
Accumulated depreciation/amortization	<u>(863,693)</u>	<u>(808,024)</u>
Property, plant and equipment, net	<u>\$ 1,459,919</u>	<u>\$ 1,329,389</u>

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

Annual provisions for depreciation of physical plant assets are computed on a straight-line basis over the expected useful lives of the individual assets, averaging 20 years for land improvements, 25-60 years for buildings, and 2-15 years for equipment. Depreciation for the years ended May 31, 2016 and 2015 amounted to \$58,977,000 and \$57,719,000, respectively, and is allocated to functional expense categories on the statement of activities based on square foot usage calculations.

Library books are amortized over 50 years. Amortization amounted to \$3,921,000 and \$3,746,000 for the years ended May 31, 2016 and 2015, respectively. Rare book and art collections are reflected at historical cost and are not amortized.

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and gains or losses are included in the statement of activities. The University retired or disposed of \$7,411,000 and \$7,192,000 in gross plant assets for the years ended May 31, 2016 and 2015, respectively.

Property, plant and equipment additions of \$15,668,000 and \$20,215,000 included in accrued liabilities are reflected as a noncash item in the statement of cash flows for the years ended May 31, 2016 and 2015, respectively.

The University recognized \$402,000 and \$443,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended May 31, 2016 and 2015, respectively. Conditional asset retirement obligations of \$15,988,000 and \$7,627,000 as of May 31, 2016 and 2015, respectively, are included in accrued liabilities.

The University has commitments of \$38,256,000 to complete various capital projects as of May 31, 2016.

G. Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following as of May 31:

<i>(in thousands)</i>	2016	2015
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	\$ 134,285	\$ 134,285
Massachusetts Development Finance Agency (MDFA)		
Boston College Issues (fixed rate)		
Series P, 4.75 - 5.00%, due 2019-2042	176,980	176,980
Series Q, 4.00 - 5.00%, due 2016-2029	72,135	76,640
Series R, 4.00 - 5.00%, due 2016-2040	166,655	173,290
Series S, 4.12 - 5.00%, due 2016-2038	131,600	140,220
Trustees of Boston College (fixed rate)		
Taxable Bonds, Series 2013, 1.33 - 5.09%, due 2016-2043	176,255	181,030
Department of Education (fixed rate)		
Library building bonds, 3.41%, due 2016 - 2022	4,645	5,210
Secured note, 3.00%, due 2016 - 2018	358	529
Bonds and mortgages payable, par	<u>862,913</u>	<u>888,184</u>
Net unamortized original bond issue premium	45,459	47,673
Unamortized debt issuance cost	<u>(4,854)</u>	<u>(5,074)</u>
Bonds and mortgages payable, net	<u>\$ 903,518</u>	<u>\$ 930,783</u>

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

The Department of Education building bonds are collateralized by a mortgage on the O'Neill Library and the secured note is collateralized by funds held by trustees.

As of May 31, 2016, principal payments due on all long-term bonds and mortgages payable are as follows: 2017 - \$26,256,000; 2018 - \$27,367,000; 2019 - \$28,580,000, 2020 - \$29,890,000, 2021 - \$31,155,000 and thereafter - \$719,665,000.

Interest expense for the years ended May 31, 2016 and 2015 amounted to \$36,373,000 and \$37,503,000, respectively. Interest expense has been allocated to the functional expense categories on the statement of activities based on each functional area's corresponding use of the related space or equipment that was constructed or acquired through debt financing. The University capitalized interest of \$3,723,000 and \$3,479,000 for the years ended May 31, 2016 and 2015, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2016 and 2015, there was no balance outstanding on the line of credit.

H. Net Assets

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Unrestricted		Donor Restricted			
			Temporarily Restricted		Permanently Restricted	
	2016	2015	2016	2015	2016	2015
Endowment net assets, beginning of year						
Board designated	\$ 919,322	\$ 889,262				
Donor restricted	-	-	\$ 515,606	\$ 477,129	\$ 911,062	\$ 831,891
Contributions, net of allowance	-	-	(8,100)	9,706	62,120	83,083
Investment return:						
Investment income	233	1,990	470	2,807	(36)	87
Net (losses) gains	(40,288)	65,515	(56,198)	89,739	(915)	(2,947)
Total investment return	(40,055)	67,505	(55,728)	92,546	(951)	(2,860)
Appropriation of endowed assets for expenditure	(45,703)	(41,623)	(61,506)	(56,554)	-	-
Net assets reclassified or released from restrictions	(571)	4,183	1,102	(6,716)	1,237	631
Other losses	(167)	(5)	437	(506)	(2,440)	(1,683)
Endowment net assets, end of year						
Board designated	832,826	919,322				
Donor restricted	-	-	391,811	515,605	971,028	911,062
Designated for specific purposes	84,301	141,059	-	-	-	-
Net investment in plant	548,752	463,993	-	-	-	-
Program support	-	-	67,973	60,651	-	-
Contributions for plant assets	-	-	113,613	65,342	-	-
Student loans	-	-	903	879	-	-
Total net assets	\$ 1,465,879	\$ 1,524,374	\$ 574,300	\$ 642,477	\$ 971,028	\$ 911,062

I. Retirement Programs

All eligible full-time personnel may elect to participate in a defined contribution retirement program. Under the program, the University makes contributions, currently limited to 8-10% of the annual wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS limitations. The limitation applicable to University contributions is on a combined plan basis. For the years ended May 31, 2016 and 2015, the University's contributions to the retirement program were \$24,755,000 and \$23,573,000, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

The University provides certain health care benefits for retired employees through either a defined benefit retirement medical program or a Retirement Medical Savings Account depending upon certain age and service requirements. Employees will become eligible for this benefit if they reach retirement while employed by the University. The plan does not hold assets and is funded as benefits are paid. The estimated future cost of providing postretirement health care benefits is recognized on an accrual basis over the period of service during which benefits are earned.

The net periodic postretirement health care benefit cost and other changes in plan assets and benefit obligation recognized in unrestricted net assets were determined as follows for the years ended May 31:

<i>(in thousands)</i>	2016	2015
Service cost	\$ 3,139	\$ 3,031
Interest cost	3,602	3,255
Amortization of prior service cost	(757)	(757)
Amortization of loss	<u>632</u>	<u>391</u>
Net periodic postretirement benefit cost	<u>6,616</u>	<u>5,920</u>
Net (gain) loss	3,431	(3,703)
Amortization of prior service cost	757	757
Amortization of loss	<u>(632)</u>	<u>(391)</u>
Other changes in plan assets and benefit obligation	<u>3,556</u>	<u>(3,337)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 10,172</u>	<u>\$ 2,583</u>

In fiscal 2017, the prior service cost credit of \$757,000 and unrecognized net loss of \$620,000 are expected to be amortized as a component of net periodic postretirement benefit cost.

For measurement purposes, the assumed annual rates of increase for measuring the obligation at May 31, 2015 and the cost for the year ending May 31, 2016 were: 7.5% in the per capita cost of covered health care benefits for post-65 benefits and 7.0% in the per capita cost of covered health care benefits for pre-65 benefits. Both rates were assumed to decrease gradually to 5.00% in 2020 and remain at that level thereafter. The assumed annual rates of increase for measuring the obligation at May 31, 2016 and the cost for the year ending May 31, 2017 were: 7.0% in the per capita cost of covered health care benefits for post-65 benefits and 6.75% in the per capita cost of covered health care benefits for pre-65 benefits. Both rates were assumed to decrease gradually to 5.00% in 2023 and remain at that level thereafter.

A one percentage point change in the assumed health care cost trend rates would have the following effect:

<i>(in thousands)</i>	Increase	Decrease
Effect on total of service and interest cost components	\$ 1,048	\$ (843)
Effect on postretirement benefit obligation	12,948	(10,656)

The discount rate used to determine the accumulated benefit obligation is 4.25% and 4.50% as of May 31, 2016 and 2015, respectively. The discount rate used to determine the net periodic postretirement benefit cost is also 4.50% as of both May 31, 2016 and 2015.

Boston College
Notes to Consolidated Financial Statements
May 31, 2016 and 2015

A reconciliation of the accumulated postretirement benefit obligation and plan assets are as follows as of May 31:

<i>(in thousands)</i>	2016	2015
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	\$ 78,905	\$ 78,282
Service cost	3,139	3,031
Interest cost	3,602	3,255
Plan participant contributions	740	630
Actuarial (gain) loss	3,431	(3,703)
Benefits paid	(2,844)	(2,590)
Benefit obligation, end of year	<u>\$ 86,973</u>	<u>\$ 78,905</u>
Amounts not yet recognized as a component of net periodic benefit cost		
Prior service cost	\$ (813)	\$ (1,571)
Net actuarial loss	14,716	11,918
	<u>\$ 13,903</u>	<u>\$ 10,347</u>

As of May 31, 2016 and 2015, the benefit obligation is reflected in accrued liabilities on the Consolidated Statement of Financial Position.

Expected benefit payments, net of participant contributions, are as follows: 2017 - \$2,720,000; 2018 - \$2,950,000; 2019 - \$3,200,000; 2020 - \$3,390,200; 2021 - \$3,610,000; and the five fiscal years thereafter - \$22,930,000.

J. Related Party

The University has mortgages, loans and notes due from various related parties of \$23,209,000 and \$22,129,000 as of May 31, 2016 and 2015, respectively.

K. Commitments and Contingencies

The University has several legal cases pending that have arisen in the normal course of its operations. The University believes that the outcome of these cases will have no material adverse effect on the financial position of the University.

Schedule of Expenditures of Federal Awards

Boston College
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Research and Development Cluster					
Direct Programs					
Department of Agriculture					
Agriculture Research Service					
National Institute of Food and Agriculture	10.226			\$ 6,914	\$ -
Subtotal of 10.226				<u>6,914</u>	<u>-</u>
Department of Defense					
Department of the Navy, Office of the Chief of Naval Research					
Basic and Applied Scientific Research	12.300			54,816	-
Subtotal of 12.300				<u>54,816</u>	<u>-</u>
Department of Army Material Command					
Basic Scientific Research	12.431			64,206	-
Subtotal of 12.431				<u>64,206</u>	<u>-</u>
Department of Air Force					
Air Force Research Laboratory, Office of Naval Research	12.RD			1,404,188	-
Subtotal of 12.RD				<u>1,404,188</u>	<u>-</u>
Air Force Defense Research Sciences Program	12.800			605,132	37,801
Subtotal of 12.800				<u>605,132</u>	<u>37,801</u>
National Security Agency					
Mathematical Sciences Grant Program	12.901			7,208	-
Subtotal of 12.901				<u>7,208</u>	<u>-</u>
Department of Interior					
U.S. Geological Survey					
Earthquake Hazards Research Grants	15.807			1,121	-
Subtotal of 15.807				<u>1,121</u>	<u>-</u>
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			157,858	41,754
Subtotal of 43.001				<u>157,858</u>	<u>41,754</u>
National Science Foundation					
Engineering Grants	47.041			108,778	-
Subtotal of 47.041				<u>108,778</u>	<u>-</u>
Mathematical and Physical Sciences	47.049			1,905,095	-
Mathematical and Physical Sciences	47.049			20,230	-
Subtotal of 47.049				<u>1,925,325</u>	<u>-</u>
Geosciences	47.050			1,192,381	117,464
Geosciences	47.050			99,679	-
Subtotal of 47.050				<u>1,292,060</u>	<u>117,464</u>
Computer and Information Science and Engineering	47.070			180,759	-
Subtotal of 47.070				<u>180,759</u>	<u>-</u>
Biological Sciences	47.074			646,833	-
Subtotal of 47.074				<u>646,833</u>	<u>-</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Research and Development Cluster, continued					
Social, Behavioral, and Economic Sciences	47.075			317,385	-
Social, Behavioral, and Economic Sciences	47.075			<u>3,979</u>	-
Subtotal of 47.075				<u>321,364</u>	-
Education and Human Resources	47.076			1,182,057	159,474
Education and Human Resources	47.076			<u>311,325</u>	-
Education and Human Resources	47.076			<u>8,462</u>	-
Education and Human Resources	47.076			<u>57,611</u>	-
Education and Human Resources	47.076			<u>11,569</u>	-
Education and Human Resources	47.076			<u>41,847</u>	-
Education and Human Resources	47.076			<u>22,062</u>	-
Subtotal of 47.076				<u>1,634,933</u>	<u>159,474</u>
Polar Program	47.078			<u>39,397</u>	-
Subtotal of 47.078				<u>39,397</u>	-
NSF IPA	47.RD			<u>49,541</u>	-
Subtotal of 47.RD				<u>49,541</u>	-
Department of Energy					
Office of Science Financial Assistance Program	81.049			<u>527,826</u>	<u>108,249</u>
Subtotal of 81.049				<u>527,826</u>	<u>108,249</u>
Renewable Energy Research and Development	81.087			<u>156,133</u>	<u>3,836</u>
Subtotal of 81.087				<u>156,133</u>	<u>3,836</u>
Department of Education					
Education Research, Development and Dissemination	84.305			<u>302,136</u>	<u>86,007</u>
Subtotal of 84.305				<u>302,136</u>	<u>86,007</u>
Department of Health and Human Services					
National Institutes of Health					
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048			<u>165,423</u>	<u>5,000</u>
Subtotal of 93.048				<u>165,423</u>	<u>5,000</u>
Oral Diseases and Disorders Research	93.121			<u>30,724</u>	-
Subtotal of 93.121				<u>30,724</u>	-
Research on Healthcare Costs, Quality and Outcomes	93.226			<u>35,311</u>	<u>16,477</u>
Subtotal of 93.226				<u>35,311</u>	<u>16,477</u>
Mental Health Research Grants	93.242			<u>1,365,616</u>	<u>76,379</u>
Mental Health Research Grants	93.242			<u>6,140</u>	-
Subtotal of 93.242				<u>1,371,756</u>	<u>76,379</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			<u>232,291</u>	-
Subtotal of 93.243				<u>232,291</u>	-
Occupational Safety and Health Program	93.262			<u>96,514</u>	-
Subtotal of 93.262				<u>96,514</u>	-
Drug Abuse and Addiction Research Programs	93.279			<u>190,488</u>	-
Subtotal of 93.279				<u>190,488</u>	-
Minority Health and Health Disparities Research	93.307			<u>1,114,373</u>	<u>949,086</u>
Subtotal of 93.307				<u>1,114,373</u>	<u>949,086</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Research and Development Cluster, continued					
Trans-NIH Research Support	93.310			2,727,504	2,332,655
Subtotal of 93.310				<u>2,727,504</u>	<u>2,332,655</u>
Nurse Education, Practice Quality and Retention Grants	93.359			260,120	184,201
Subtotal of 93.359				<u>260,120</u>	<u>184,201</u>
Nursing Research	93.361			96,290	5,614
Subtotal of 93.361				<u>96,290</u>	<u>5,614</u>
Child Care and Development Block Grant	93.575			8,003	-
Subtotal of 93.575				<u>8,003</u>	<u>-</u>
Head Start	93.600			15,366	-
Subtotal of 93.600				<u>15,366</u>	<u>-</u>
Diabetes, Endocrinology and Metabolism Research	93.847			141,421	-
Subtotal of 93.847				<u>141,421</u>	<u>-</u>
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			842,668	172,368
Subtotal of 93.853				<u>842,668</u>	<u>172,368</u>
Allergy, Immunology and Transplantation Research	93.855			1,705,560	20,356
Allergy, Immunology and Transplantation Research	93.855			10,988	-
Subtotal of 93.855				<u>1,716,548</u>	<u>20,356</u>
Biomedical Research and Research Training	93.859			2,234,083	-
Subtotal of 93.859				<u>2,234,083</u>	<u>-</u>
Child Health and Human Development Extramural Research	93.865			610,668	190,891
Subtotal of 93.865				<u>610,668</u>	<u>190,891</u>
Aging Research	93.866			156,608	27,264
Subtotal of 93.866				<u>156,608</u>	<u>27,264</u>
Social Security Administration					
Social Security-Research and Demonstration	96.007			2,349,568	877,523
Subtotal of 96.007				<u>2,349,568</u>	<u>877,523</u>
Research and Development Cluster Direct Programs Subtotal				<u>23,882,255</u>	<u>5,412,399</u>
Pass-through Programs					
Department of Agriculture					
Agriculture Research Service					
Food for Education	10.608	Catholic Relief Services	81177440169-02	38,384	-
Food for Education	10.608	Catholic Relief Services	CT-44-2015	40,743	-
Subtotal of 10.608				<u>79,127</u>	<u>-</u>
Department of Defense					
Defense Threat Reduction Agency					
Basic Scientific Research-Combating Weapons of Mass Destruction	12.351	Radiation Monitoring Devices, Inc.	C12-12	719	-
Subtotal of 12.351				<u>719</u>	<u>-</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Research and Development Cluster, continued					
Pass-through Programs, continued					
Department of Air Force					
Air Force Defense Research Sciences Program	12.800	Ohio State University	60028686	85,624	-
Subtotal of 12.800				85,624	-
Air Force Research Laboratories	12.RD	Pacific Defense Solutions, LLC	N/A	177,169	-
Air Force Research Laboratories	12.RD	Systems & Technology Research	2015-1082	504,541	-
Air Force Office of Scientific Research	12.RD	Lowell Digisonde International, LLC	LDI20140813-1	17,265	-
Air Force SBIR Phase I	12.RD	ASTRA LLC	162-01	31,413	-
Subtotal of 12.RD				730,388	-
Department of Justice					
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.203	Fairleigh Dickinson University	DOJ0003-02	3,340	-
Subtotal of 16.203				3,340	-
Department of Labor					
Employee Benefits Security Administration, Office of Policy and Research	17.RD	IMPAQ International	2411	27,989	-
Subtotal of 17.RD				27,989	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001	Southwest Research Institute	F99053CHL	26,576	-
Science	43.001	University of Central Florida	66016031-2	11,450	-
Science	43.001	Cornell University	73921-10523	19,001	-
Subtotal of 43.001				57,027	-
USRA/SOFIA	43.RD	Universities Space Research Association	SOF 03-0079	4,797	-
Subtotal of 43.RD				4,797	-
National Science Foundation					
Engineering Grants	47.041	Ohio State University	60046373	57,293	-
Subtotal of 47.041				57,293	-
Mathematical and Physical Sciences	47.049	Princeton University	00002126	5,478	-
Subtotal of 47.049				5,478	-
Geosciences	47.050	Massachusetts Institute of Technology	5710004035	29,785	-
Subtotal of 47.050				29,785	-
Computer and Information Science and Engineering	47.070	SimBiotic Software	N/A	21,631	-
Subtotal of 47.070				21,631	-
Education and Human Resources	47.076	University of California, Berkeley	00007716	114,706	-
Education and Human Resources	47.076	Technical Education Research Centers	4104	27,388	-
Subtotal of 47.076				142,094	-
Department of Energy					
Office of Science Financial Assistance Program	81.049	Massachusetts Institute of Technology	5710003751	93,919	-
Subtotal of 81.049				93,919	-
Department of Education					
PIRLS	84.RD	International Association for the Evaluation of Educational Achievement	IEA/BC 18	213,784	-
TIMSS	84.RD	International Association for the Evaluation of Educational Achievement	IEA/BC 19	522,485	-
Subtotal of 84.RD				736,269	-

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College Schedule of Expenditures of Federal Awards Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Research and Development Cluster, continued					
Pass-through Programs, continued					
Postsecondary Education Scholarships for Veteran's Dependents Subtotal of 84.408	84.408	Harvard University	108129-5076415	30,585	-
Comprehensive Centers Subtotal of 84.283	84.283	Education Northwest	N/A	75,953	-
Special Education-Educational Technology, Media, and Materials for Individuals with Disabilities Program Subtotal of 84.327	84.327	CAST Inc.	BC0913-16	63,840	-
Department of Health and Human Services					
National Institutes of Health					
Mental Health Research Grants Subtotal of 93.242	93.242	Yale University	M14A12071(A09021)	7,235	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research Subtotal of 93.433	93.433	University of Illinois	2015-01151-06-00 AS	35,599	-
Allergy, Immunology and Transplantation Research Subtotal of 93.855	93.855	Boston University Medical Center	4500001917	35,684	-
Microbiology and Infectious Diseases Research Subtotal of 93.856	93.856	Massachusetts General Hospital	224838	90,673	-
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	5710003176	224,293	-
Biomedical Research and Research Training	93.859	University of Massachusetts - Worcester	WA00228174/RF5201506	90,667	-
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	N/A	117,707	-
Biomedical Research and Research Training Subtotal of 93.859	93.859	National Bureau of Economic Research, Inc.	NB16005	31,032	-
Child Health and Human Development Extramural Research	93.865	University of Michigan	3002628871	110,396	-
Child Health and Human Development Extramural Research	93.865	University of Chicago	FP049758	14,208	-
Child Health and Human Development Extramural Research Subtotal of 93.865	93.865	University of Washington	UWSC8151	29,591	-
Aging Research Subtotal of 93.866	93.866	Brandeis University	402461	38,431	-
National Network of Libraries of Medicine-New England Region-Data Carpentry Workshop Pilot Program	93.RD	University of Massachusetts - Worcester	N/A	13,036	-
Center for Medicare and Medicaid Services-Center for Medicare and Medicaid Innovation Subtotal of 93.RD	93.RD	New Editions Consulting, Inc.	N/A	14,938	-
Social Security Administration	96.007	National Bureau of Economic Research, Inc.	NB15-12/QTR2	51,398	-
Social Security-Research and Demonstration Subtotal of 96.007	96.007			51,398	-
Research and Development Cluster Pass-through Programs Subtotal				3,150,746	-
Total Research and Development Cluster				27,033,001	5,412,399

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity's Number	Federal Expenditures	Subrecipient Expenditures
Student Financial A					
Iuster					
Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			1,456,322	
Federal Work Study Program	84.033			2,224,846	
Federal Perkins Loan					
Outstanding loans as of June 1, 2015	84.038			29,479,245	
New loans issued during FY2016	84.038			3,514,353	
Administrative cost allowance	84.038			327,629	
Federal Pell Grant Program	84.063			5,390,061	
Federal Direct Student Loan	84.268			71,928,152	
Teacher Education Assistance for College and Higher Education Grants	84.379			27,950	
Subtotal of 84.				<u>114,449,168</u>	<u>-</u>
Nursing Student Loans					
Outstanding loans as of June 1, 2015	93.364			1,584,292	
New loans issued during FY2016	93.364			215,350	
Subtotal of 93.364				<u>1,799,642</u>	<u>-</u>
Total Student Financial A				<u>116,248,810</u>	<u>-</u>
TRIO Cluster					
TRIO Direct Programs					
Department of Education					
TRIO-Student Support Services	84.042			259,766	
TRIO-McNair Post Baccalaureate Achievement	84.217			238,574	
Total TRIO Cluster				<u>498,340</u>	<u>-</u>
Other Programs					
Direct Programs					
Department of Defense					
Department of Air Force					
Air Force Defense Research Sciences Program	12.800			22,216	
Department of State					
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415			82,407	
Promotion of the Humanities-Professional Development	45.163			17,376	
Department of Veterans Affairs					
Veterans Health Administration-Office of Geriatrics and Extended Care-Veteran Directed Home and Community Based Serv	64.U00			295,810	14,994
Department of Education					
Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325			16,416	
Bonds Payable to U.S. Department of Education					
Par value at June 1, 2015	84.U00			5,738,834	
New debt issued during FY2016				-	
Total Other Direct Programs				<u>6,173,059</u>	<u>14,994</u>
Total Federal Award Expenditures				<u>\$ 149,953,210</u>	<u>\$ 5,427,393</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston College
Notes to Schedule of Expenditures of Federal Awards
May 31, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of the University under programs of the federal government for the year ended May 31, 2016. Because the Schedule presents only the federal award activity of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. Full CFDA numbers and pass-through numbers are provided when available.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

2. Summary of Significant Accounting Policies for Federal Awards

The Schedule has been prepared using the accrual basis of accounting.

Expenditures for federal student financial aid programs are recognized as incurred and include such items as Federal Pell Grants to students, the federal share of the Supplemental Educational Opportunity Grants, Federal Work-Study program earnings and administrative cost allowances where applicable. Expenditures for research and other federal award programs are determined using the cost accounting principles and procedures set forth in Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) or OMB Circular A-21, as applicable. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures for awards (other than student financial aid) include facilities and administrative cost recoveries ("F&A"), relating primarily to facilities operation and maintenance, facilities and equipment depreciation and general departmental administration services, which are allocated to direct costs based on negotiated rates. F&A costs allocated to such awards for the year ended May 31, 2016 were based on predetermined fixed rates the University negotiated with DHHS Division of Cost Allocation. The University's current F&A cost agreement runs through May 31, 2016. Recoveries of F&A costs under sponsored programs are classified as unrestricted revenues in the University's basic financial statements. The University elected not to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance. The University has a negotiated indirect cost rate agreement established with DHHS, its cognizant agency, as such there is no requirement for the University to use the 10% de minimis indirect (F&A) rate.

3. Federal Student Loan Programs

The Federal Perkins and Nursing Student Loans programs are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. The balances of loans outstanding at May 31, 2016 consist of:

Federal Perkins Loan Program	\$ 27,539,421
Nursing Student Loans	<u>1,431,696</u>
Total campus-based loans	<u>\$ 28,971,117</u>

Boston College
Notes to Schedule of Expenditures of Federal Awards
May 31, 2016

4. Loan Programs

As of May 31, 2016, the University had \$5,002,778 in debt building bonds and a secured note payable to the Department of Education (CFDA #84.U00). Details of the debt balances outstanding, maturity dates and other related information is included in Note G to the basic financial statements.

Part II

Reports on Internal Control and Compliance



**Report of Independent Auditor's on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Trustees of Boston College:

We have audited, 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, the consolidated financial statements of Boston College (the "University"), which comprise the consolidated statement of financial position as of May 31, 2016, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

September 30, 2016



**Report of Independent Auditor's on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Uniform Guidance**

To the Board of Trustees of Boston College:

Report on Compliance for Each Major Federal Program

We have audited Boston College's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2016. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2016.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

November 18, 2016

Part III

Audit Findings and Questioned Costs

Boston College
Schedule of Findings and Questioned Costs
Year Ended May 31, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be Material weaknesses?	yes	<u> X </u> none reported
Noncompliance material to financial statements noted	yes	<u> X </u> no

Federal Awards

Internal control over major programs		
Material weakness(es) identified?	yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be Material weakness(es)?	yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major programs CFDA Number	Name of Federal Program or Cluster
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Various	Research and Development Cluster
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Various	Student Financial Assistance Programs Cluster
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Dollar threshold used to distinguish between Type A and Type B programs	\$1,011,132
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Auditee qualified as low-risk auditee	<u> X </u> yes	<u> </u> no
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Boston College
Schedule of Findings and Questioned Costs
Year Ended May 31, 2016

II. Findings Related to the Financial Statements

None noted.

III. Federal Awards Findings and Questioned Costs

None noted.

Boston College
Status of Prior Year Audit Findings
Year Ended May 31, 2016

Prior Year Findings and Questioned Costs for Federal Awards

There are no findings from prior years that require an update in this report.