



FURMAN UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

And Report of Independent Auditor

Furman University

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Report of Independent Auditor

To the Board of Trustees of
Furman University
Greenville, South Carolina

We have audited the accompanying consolidated financial statements of Furman University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 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 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 Furman University as of June 30, 2015 and 2014, and the consolidated changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Greenville, South Carolina
December 4, 2015

Furman University

Consolidated Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 44,063,481	\$ 26,453,789
Accounts receivable, net	2,123,838	1,980,950
Prepaid expenses and other assets	4,761,845	4,455,386
Contributions receivable, net	13,801,730	15,934,074
Investments	525,375,459	545,967,480
Equity interest in The Hollingsworth Funds, Inc.	156,355,673	157,375,677
Student loans and other notes receivable, net	4,856,804	4,436,632
Lease receivable, net	7,818,482	7,120,638
Property and equipment, net	260,355,969	261,795,019
Total assets	\$ 1,019,513,281	\$ 1,025,519,645
Liabilities and Net Assets		
Liabilities:		
Payables and accrued liabilities	\$ 8,634,536	\$ 5,489,992
Accrued compensation and withholdings	4,145,803	4,380,196
Deferred revenue	8,685,269	9,215,219
Actuarial liability for annuities payable	1,986,568	2,345,873
Advances from federal government for student loans	4,443,337	4,377,624
Bonds, notes and leases payable	101,105,908	103,096,664
Fair value of interest rate exchange agreement	1,668,070	1,796,607
Total liabilities	130,669,491	130,702,175
Net assets:		
Unrestricted	339,910,697	331,743,621
Temporarily restricted	382,281,395	401,943,463
Permanently restricted	166,651,698	161,130,386
Total net assets	888,843,790	894,817,470
Total liabilities and net assets	\$ 1,019,513,281	\$ 1,025,519,645

See notes to consolidated financial statements.

	2015			2014	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Total
Operating revenues and support:					
Tuition and fees	\$ 126,094,900	\$ -	\$ -	\$ 126,094,900	\$ 120,982,383
Less student aid	(56,648,348)	-	-	(56,648,348)	(52,669,001)
	69,446,552			69,446,552	68,313,382
Contributions	5,370,906	4,563,994	-	9,934,900	9,546,726
Grants and contracts	2,293,954	928,566	-	3,222,520	2,700,212
Investment return designated for operations:					
Endowment spending	7,112,393	21,257,256	-	28,369,649	28,445,938
Other investment income	1,027,860	-	-	1,027,860	965,365
Room, board and other auxiliary services	34,388,154	-	-	34,388,154	32,977,539
Intercollegiate athletics	3,338,534	-	-	3,338,534	4,024,324
Other	2,460,359	-	-	2,460,359	2,681,714
Satisfaction of program restrictions	27,570,675	(27,570,675)	-	-	-
Total operating revenues and support	153,009,387	(820,859)	-	152,188,528	149,655,200
Operating expenses:					
Instruction	55,478,363	-	-	55,478,363	55,740,254
Research	1,876,975	-	-	1,876,975	1,633,049
Public service	52,933	-	-	52,933	47,046
Academic support	16,838,354	-	-	16,838,354	17,353,731
Student services	25,961,166	-	-	25,961,166	25,280,642
Institutional support	17,438,107	-	-	17,438,107	18,541,435
Room, board and other auxiliary services	23,116,973	-	-	23,116,973	22,226,083
Total operating expenses	140,762,871	-	-	140,762,871	140,822,240
Change in net assets from operating activities	12,246,516	(820,859)	-	11,425,657	8,832,960
Non-operating activities:					
Investment return in excess of amounts designated for current operations	(7,761,218)	(16,977,853)	85,422	(24,653,649)	57,584,953
Contributions	-	1,107,750	4,394,600	5,502,350	4,330,618
Net assets released from restrictions for plant	3,351,387	(3,351,387)	-	-	-
Donor designation changes	(904,088)	363,715	540,373	-	-
Change in interest rate exchange agreement	128,537	-	-	128,537	170,917
Other	1,105,942	16,566	500,917	1,623,425	814,229
Change in net assets	8,167,076	(19,662,068)	5,521,312	(5,973,680)	71,733,677
Net assets, beginning of year	331,743,621	401,943,463	161,130,386	894,817,470	823,083,793
Net assets, end of year	\$ 339,910,697	\$ 382,281,395	\$ 166,651,698	\$ 888,843,790	\$ 894,817,470

See notes to consolidated financial statements.

Furman University
Consolidated Statements of Activities

Year Ended June 30, 2014

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Operating revenues and support:				
Tuition and fees	\$ 120,982,383	\$ -	\$ -	\$ 120,982,383
Less student aid	(52,669,001)	-	-	(52,669,001)
	68,313,382	-	-	68,313,382
Contributions	5,660,723	3,886,003	-	9,546,726
Grants and contracts	2,065,572	634,640	-	2,700,212
Investment return designated for operations:				
Endowment spending	6,935,483	21,510,455	-	28,445,938
Other investment income	965,365	-	-	965,365
Room, board and other auxiliary services	32,977,539	-	-	32,977,539
Intercollegiate athletics	4,024,324	-	-	4,024,324
Other	2,681,714	-	-	2,681,714
Satisfaction of program restrictions	27,406,062	(27,406,062)	-	-
Total operating revenues and support	151,030,164	(1,374,964)	-	149,655,200
Operating expenses:				
Instruction	55,740,254	-	-	55,740,254
Research	1,633,049	-	-	1,633,049
Public service	47,046	-	-	47,046
Academic support	17,353,731	-	-	17,353,731
Student services	25,280,642	-	-	25,280,642
Institutional support	18,541,435	-	-	18,541,435
Room, board and other auxiliary services	22,226,083	-	-	22,226,083
Total operating expenses	140,822,240	-	-	140,822,240
Change in net assets from operating activities	10,207,924	(1,374,964)	-	8,832,960
Non-operating activities:				
Investment return in excess of amounts designated for current operations	14,597,277	42,183,314	804,362	57,584,953
Contributions	-	1,381,936	2,948,682	4,330,618
Net assets released from restrictions for plant	3,712,820	(3,712,820)	-	-
Donor designation changes	(297,409)	(60,600)	358,009	-
Change in interest rate exchange agreement	170,917	-	-	170,917
Other	681,091	8,834	124,304	814,229
Change in net assets	29,072,620	38,425,700	4,235,357	71,733,677
Net assets, beginning of year	302,671,001	363,517,763	156,895,029	823,083,793
Net assets, end of year	<u>\$ 331,743,621</u>	<u>\$ 401,943,463</u>	<u>\$ 161,130,386</u>	<u>\$ 894,817,470</u>

See notes to consolidated financial statements.

Furman University

Consolidated Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,973,680)	\$ 71,733,677
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and accretion	12,343,346	12,502,528
Amortization of bond premium and bond issuance costs	(98,801)	(117,002)
(Gain) loss on disposal of property and equipment	(85,552)	198,286
Net realized gain on sale of investments	(29,004,647)	(45,304,415)
Net unrealized (gain) loss on investments	40,405,252	(30,258,338)
Change in fair value of interest rate exchange agreement	(128,537)	(170,917)
Contributions restricted for long-term investment	7,288,099	7,909,566
Change in value of obligations under split-interest agreements	(120,887)	257,611
Proceeds from sale of donated securities	1,170,792	864,749
Non-cash contributions and other	(116,282)	95,422
Change in assets and liabilities		
Accounts receivable	(142,888)	170,156
Prepaid expenses and other assets	(363,131)	360,051
Contributions receivable	2,132,344	3,586,126
Lease receivable	(697,844)	(837,722)
Payables and accrued liabilities	657,591	(2,464,794)
Accrued compensation and withholdings	(234,393)	(1,284,251)
Deferred revenue	(529,950)	1,639,187
Net cash from operating activities	<u>26,500,832</u>	<u>18,879,920</u>
Cash flows from investing activities:		
Capital expenditures	(7,673,783)	(11,837,133)
Purchases of investments	(74,804,016)	(70,461,049)
Proceeds from sales and maturities of investments	82,119,651	79,856,154
Proceeds from disposals of property and equipment	156,249	12,951
Change in advances from federal government for student loans	65,713	(402,162)
Loans made to students	(1,135,644)	(920,622)
Repayment of student loans	822,864	932,352
Net cash from investing activities	<u>(448,966)</u>	<u>(2,819,509)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	(7,288,099)	(7,909,566)
Principal payments on notes and bonds payable	(2,640,650)	(9,075,146)
Payments on split-interest agreements	(238,418)	(319,582)
Proceeds from sale of donated securities	1,724,993	2,125,320
Proceeds from borrowings	-	5,000,000
Net cash from financing activities	<u>(8,442,174)</u>	<u>(10,178,974)</u>
Net change in cash and cash equivalents	17,609,692	5,881,437
Cash and cash equivalents, beginning of year	<u>26,453,789</u>	<u>20,572,352</u>
Cash and cash equivalents, end of year	<u>\$ 44,063,481</u>	<u>\$ 26,453,789</u>
Supplemental cash flow information:		
Capital lease incurred to purchase property and equipment	<u>\$ 805,367</u>	<u>\$ 72,344</u>
Accounts payable for property and equipment acquisitions	<u>\$ 2,466,476</u>	<u>\$ 640,191</u>

See notes to consolidated financial statements.

1 - Organization

Furman University (the "University"), founded in 1826, is a private, coeducational, not-for-profit institution of higher education located in Greenville, South Carolina. The University's primary emphasis is on providing a liberal arts education at the undergraduate level. The University also offers graduate and continuing education programs. The President and Board of Trustees, a self-perpetuating governing board with thirty-six members drawn from private, public and community interests, have oversight responsibility for all of the University's financial affairs.

The accompanying financial statements are the consolidated statements of the University and the Furman University Foundation (the "Foundation"). All material intercompany balances and transactions have been eliminated.

2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Based on the existence or absence of donor-imposed restrictions, the University classifies resources into three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains, and losses that are not temporarily restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

Temporarily restricted net assets are limited as to use by donor-imposed stipulations that expire with the passage of time or that can be satisfied by action of the University. These net assets may include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Trustees for distribution.

Permanently restricted net assets are amounts required by donors to be held in perpetuity. These net assets may include unconditional pledges, donor-restricted endowments (at historical value), split-interest agreements, and interests in trusts held by others. Generally, the donors of these assets permit the University to use a portion of the income earned on related investments for specific purposes.

Expirations of temporary restrictions on net assets, i.e., the passage of time, annual Board of Trustees approval of the endowment spending rate, and/or fulfilling donor-imposed stipulations, are reported as net assets released from restrictions between the applicable classes of net assets in the consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents, reported at fair value, are liquid assets with minimal interest rate risk and maturities of three months or less when purchased. Such assets primarily consist of depository account balances and money market funds.

2 - Summary of Significant Accounting Policies, continued*Investments*

Investments, funds held in trust and beneficial interests in trusts are recorded at fair value and primarily include investments in securities and investment funds.

Investments in securities include equity securities, fixed income instruments, registered mutual funds and exchange traded funds. Fair value for these investments is measured based on quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying managers after considering various sources of information and is reviewed by the University.

Investment funds primarily include investments in traditional equity and fixed income funds, hedge funds and private equity funds. These investments are generally shares or units of trusts, partnerships or other types of commingled vehicles and are reported at fair value in accordance with the University's valuation policies and procedures and GAAP. In accordance with GAAP, the University has estimated the fair value of its investments in investment funds on the basis of the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient.

Of the amounts reported at NAV, approximately 75% of those investments as of June 30, 2015 are currently redeemable at NAV in 90 days or less under the current terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value, such estimates of fair value may differ from values that would have been applied had a readily available market existed and those differences could be material. Although a secondary market exists for these investments, the market is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and that discount could be significant.

The University's investments in investment funds are subject to the terms of the respective funds' agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge funds and private equity arrangements. Additionally, such funds in which the University invests may restrict both the transferability of the University's interest and the University's ability to withdraw. In light of such restrictions imposed, an investment in these funds can be viewed as illiquid and subject to liquidity risks during periods of heightened volatility or market disruptions.

Investments are exposed to several risks including, but not limited to, market, credit, liquidity, currency, counterparty, interest rate, geopolitical, and other difficult to predict macro risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

2 - Summary of Significant Accounting Policies, continued*Fair Value Measurements*

The University follows the Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are prices and valuations that are both significant to the fair value measurement and unobservable.

Fair Value Measurements of Financial Instruments

The carrying amounts of accounts receivable, prepaid expenses and other assets, payables and accrued liabilities, accrued compensation and withholding and deferred revenue approximate fair value because of the short maturity of these financial instruments. Management has estimated the net realizable value of student loans and other notes receivable, evaluated collection history and has concluded the carrying amount approximates fair value. Management has estimated the net realizable value of contributions receivable based on the net present value of anticipated future cash flows reduced by an allowance for uncollectible contributions and has concluded the carrying amounts approximate fair value. Management has estimated the net realizable value of annuities payable based on the actuarial lifespan of the youngest intermediate beneficiary, discounted by the beneficiary income rate provided by the trust agreement and has concluded the carrying amounts approximate fair value. The fair value of investments is estimated as noted above and in note 12. The fair value of interest rate exchange agreements is determined using pricing models developed based on the LIBOR rate and other unobservable market data. The carrying amount of notes payable with variable rates approximates the fair value because the variable rates reflect current market rates for notes payable with similar maturities and credit qualities. The fair value of notes payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities.

Notes Receivable

The loan portfolio primarily consists of loans granted by the University under the federally funded Perkins (formerly NDSL) program, and the A.C.E. institutional loan program. These funds are disbursed by the University based upon the demonstration of exceptional financial need, as presented by the student.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. The University capitalizes assets that are greater than \$5,000 and have a useful life of at least 3 years. Repairs and maintenance costs are charged to operating expenses. Depreciation is calculated on the straight-line method over the assets' estimated useful lives ranging from 3 to 75 years. Depreciation is not calculated on land, art collections or construction in progress.

Conditional asset retirement obligations related to legal requirements to perform certain future activities associated with the retirement, disposal, or abandonment of capital assets are accrued to estimate the net present value for applicable future costs, e.g., asbestos abatement or removal.

2 - Summary of Significant Accounting Policies, continued*Costs of Borrowing*

Interest costs incurred on borrowed funds during the construction of capital assets, net of investment income on proceeds of borrowings that are held by a trustee, are capitalized as a component of the cost of acquiring the assets. Bond issuance costs are amortized over the term of the bonds.

Debt Portfolio Financial Instruments

Long-term debt and capital leases are reported at carrying value. The University employs an interest rate exchange agreement to manage market risks associated with a portion of its variable-rate debt. Gains or losses that result from changes in fair value are recognized as a non-operating item in the consolidated statements of activities. Periodic net cash settlement amounts with counterparties are accounted for as adjustments to interest expense on the related debt.

Parties to interest rate exchange agreements are subject to market risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. The University's counterparty is a financial institution that meets rating criteria for financial stability and credit worthiness. Additionally, the agreement requires the posting of collateral when amounts subject to credit risk under the exchange arrangement exceeds specified levels.

Revenue Recognition

The University's revenue recognition policies are as follows:

Tuition and fees, net - Student tuition and fees are recorded as revenue in the fiscal year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Financial aid provided by the University is reflected as a reduction of tuition and fees.

Grants - Grant revenue is recognized when qualified grant expenditures are incurred as they have been determined to be exchange transactions.

Auxiliary enterprises - Auxiliary enterprises furnish services to students, faculty and staff and include residence halls, an apartment complex, golf course, multi-purpose arena, conference center, food service and bookstore and are recorded as revenue in the fiscal year that the related services are rendered.

Operating lease - The Foundation, as lessor, has a ground lease with Upstate Senior Living, Inc. (USL), a South Carolina not-for-profit corporation. USL constructed a continuing care retirement community on the property. USL is responsible for all operating expenses, maintenance, repairs and capital improvements of the continuing care retirement community.

The lease, which was amended as of March 1, 2012, is for a term of one hundred years that ends December 31, 2105. Cumulative lease revenue of \$83,772,252 is recognized on the straight-line basis over the one hundred year lease term. Lease payments were deferred for eight years through December 31, 2014.

2 - Summary of Significant Accounting Policies, continued*Contributions*

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until donor stipulations are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, with payments due to the University in future years, are recorded as temporarily restricted or permanently restricted net assets at the estimated present value of estimated future cash flows, using a credit risk adjusted discount rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in the appropriate net asset class. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and other relevant factors.

Operating Results

Operating results (operating revenues and support in excess of expenses) in the consolidated statement of activities excludes non-operating activities related to endowment and other investments, changes in fair value of derivative financial instruments, contributions supporting major capital purchases, permanently restricted contributions, and certain other non-recurring items.

Endowment distributions reported as operating revenue consist of endowment returns (regardless of when such income or returns were earned) distributed to support current operational needs. The University's Board of Trustees approves the determination of amounts to be distributed from the endowment pool on an annual basis. Objectives of the endowment distribution methodology include reducing the impact of capital market fluctuations on current operations.

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based on facility usage. Additionally, interest expense is allocated to the activities that have benefited most directly from the debt proceeds.

Income Taxes

The University is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code. However, certain income unrelated to its exempt function is subject to income taxation.

The University's policy is to record a liability for any tax position taken that is beneficial to the University, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2015 or 2014 and, accordingly, no liability has been accrued.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates inherent in the preparation of the consolidated financial statements include estimates of the allowance for uncollectible accounts, estimates of fair value on non-publicly-traded securities, useful lives of depreciable assets, cash flows and actuarial assumptions used, and accruals for asset retirement obligation, interest rate exchange agreements and self-insurance liabilities.

2 - Summary of Significant Accounting Policies, continued*Concentration of Credit Risk*

The University places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts. The University from time to time may have amounts on deposit in excess of the insured limits.

New Accounting Pronouncements

On May 1, 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Instead, the amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. ASU 2015-07 is effective for fiscal years beginning after December 14, 2016 and early adoption is permitted. The adoption of ASU 2015-07 is not expected to have a material impact on the University's financial statements.

On April 7, 2015, the FASB issued ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30)*. The amendments in ASU 2015-03 require that debt issuance costs be presented in the statement of financial position as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendments in this Update. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and early adoption is permitted. The adoption of ASU 2015-03 is not expected to have a material impact on the University's financial statements.

3 - Accounts Receivable

Accounts receivable as of June 30 are as follows:

	2015	2014
Students	\$ 1,311,095	\$ 1,020,283
Grants	665,291	679,051
Physical Therapy Clinic	2,422	146,243
Agency funds	230,432	125,702
Other	222,001	384,694
Accounts receivable	2,431,241	2,355,973
Less: Allowance for uncollectible accounts	(307,403)	(375,023)
Accounts receivable, net	\$ 2,123,838	\$ 1,980,950

Student accounts receivable are reported at the estimated net realizable amount and are written off after one year. Grants receivable are due primarily from federal and state agencies and are considered fully collectible. Physical Therapy Clinic receivables are reported net of allowances for contractual adjustments. An allowance for doubtful accounts is established based on prior collection experience. Patient account balances are written off when they are deemed to be permanently uncollectible.

4 - Contributions Receivable

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

	2015	2014
Unconditional contributions expected to be collected in:		
Less than one year	\$ 7,937,311	\$ 7,760,730
One to five years	6,557,176	8,904,883
Over five years	382,551	503,175
Charitable remainder trusts held by others	2,544,285	2,629,030
Contributions receivable	17,421,323	19,797,818
Less:		
Unamortized discount	(1,153,143)	(1,269,326)
Allowance for uncollectible pledges	(2,466,450)	(2,594,418)
Contributions receivable, net	\$ 13,801,730	\$ 15,934,074

Contributions receivable are discounted at a rate commensurate with the scheduled timing of receipt. The discount rate used for contributions receivable ranged from .33% and 6.2% at June 30, 2015 and 2014. The discount rate used for charitable remainder trusts held by others averaged approximately 5.6% at June 30, 2015 and 2014.

As of June 30, 2015 and 2014, the University has conditional contributions totaling \$990,000 and \$1 million, respectively. The outstanding conditional contribution, if received, will be restricted for the study away program.

At June 30, 2015 and 2014, gross written unconditional promises to give from members of the Board of Trustees and Officers of the University were \$4,265,369 and \$6,926,950, respectively.

5 - Investments

Investments by security type as of June 30 are as follows:

	2015	2014
Equities		
U.S. equity	\$ 59,638,887	\$ 54,409,009
U.S. equity funds	64,557,846	76,008,883
Developed international equity	110,424,682	111,325,704
Emerging markets	45,853,649	48,767,677
Closely-held stock	100,029	379,079
Fixed Income		
Bond funds	34,848,305	41,617,955
U.S. government bond funds	26,169	81,997
Hedged Strategies	122,309,572	123,214,185
Private Capital	32,351,991	27,782,829
Other		
Real estate	105,292	-
Real asset funds	34,035,504	47,937,061
Funds held in perpetual trust by others	4,932,084	5,130,167
Short-term investments	9,925,098	4,871,209
Receivable from redemptions	1,236,620	12,464
Total fair value	<u>520,345,728</u>	<u>541,538,219</u>
Real estate ⁽¹⁾	3,379,731	3,429,261
Private Capital	<u>1,650,000</u>	<u>1,000,000</u>
Total at cost	<u>5,029,731</u>	<u>4,429,261</u>
Total investments	\$ <u>525,375,459</u>	\$ <u>545,967,480</u>
Total cost	\$ <u>416,380,011</u>	\$ <u>397,769,953</u>

(1) Direct investments in real estate are recorded at cost if purchased and at fair value at the date of the gift if donated.

The fair value of investments held by the University under split-interest agreements was approximately \$4.9 and \$5.8 million at June 30, 2015 and 2014, respectively. The University's investment activity for the years ended June 30 is detailed below. Management fees are netted against interest and dividends and totaled \$3.1 million and \$2.8 million in fiscal 2015 and 2014, respectively.

Net investment return on investments:

	2015	2014
Interest and dividends	\$ 16,144,465	\$ 11,433,503
Net realized gains from sales of investments	29,004,647	45,304,415
Change in appreciation (depreciation)	<u>(40,405,252)</u>	<u>30,258,338</u>
Total net investment return	<u>4,473,860</u>	<u>86,996,256</u>
Included in the consolidated statement of activities as Investment return designated for current operations:		
Endowment spending	(28,369,649)	(28,445,938)
Other investment income	<u>(1,027,860)</u>	<u>(965,365)</u>
Investment return in excess of (less than) amounts Designated for current operations	\$ <u>(24,653,649)</u>	\$ <u>57,584,953</u>

6 - Equity Interest in Hollingsworth Funds, Inc.

In December 2000, the equity interest of John D. Hollingsworth On Wheels, Inc. and substantial real estate holdings passed to an Internal Revenue Service (IRS) qualified supporting organization, Hollingsworth Funds, Inc. (the Funds) upon the death of John D. Hollingsworth, the company's founder and sole stockholder. According to Mr. Hollingsworth's last will and testament, Furman University will receive approximately forty-five percent of the annual distribution to beneficiaries of the Funds. During the year ending June 30, 2004, the estate of Mr. Hollingsworth cleared probate court and accordingly, the University recognized its equity interest in his estate of \$115,346,777. The University and the Funds are financially inter-related organizations for financial reporting purposes and as a result, the University accounts for this interest under the equity method of accounting and recognizes its share of changes in net assets of the Funds.

The University recognized an unrealized loss of \$1,020,004 for fiscal year 2015 and an unrealized gain of and \$4,565,680 for fiscal 2014 which are included in the investment return in excess of amounts designated for current operations on the consolidated statements of activities. Income distributions from the Funds, which are reported as investment return were \$3,006,040 and \$2,636,039 for fiscal 2015 and 2014, respectively.

Summarized unaudited financial information of the Funds as of and for the years ended December 31 is as follows:

	2015	2014
Total assets	\$ 353,365,614	\$ 359,483,075
Total liabilities	7,631,089	11,493,111
Net assets	345,734,525	347,989,964
Total liabilities and net assets	\$ 353,365,614	\$ 359,483,075
Revenues and gains	\$ 19,723,168	\$ 29,390,461
Expenses and losses	(20,776,189)	(18,953,260)
Income tax provision	(1,223,260)	(341,545)
Equity in net income of subsidiaries	20,839	-
Change in net assets	\$ (2,255,442)	\$ 10,095,656
Share of change in net assets	\$ (1,020,004)	\$ 4,565,680

7 - Endowment

The University's endowment consists of approximately 900 separate funds established over many years for scholarships, professorships, academic programs and general institutional support. Endowment related net assets include donor-restricted endowments, board-designated endowments, The University's equity interest in Hollingsworth Funds, Inc., and interests in perpetual trusts held by others. Gift annuities and pledges are not considered components of the endowment.

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowments under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), barring the existence of any donor-specific provisions, is to preserve intergenerational equity. Under this broad guideline, future endowment beneficiaries should receive at least the same level of economic support that the current generation enjoys. The overarching objective is to preserve and enhance the real (inflation-adjusted) purchasing power of the fund in perpetuity.

UPMIFA specifies that unless stated otherwise in a gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, the University reports the historical value for such endowments as permanently restricted net assets and the net accumulated appreciation as temporarily restricted net assets. In this context, historical value represents the original value of initial gifts restricted as permanent endowment plus the original value of subsequent gifts, and if applicable, the value of accumulations made in accordance with the direction of specific donor gift agreements.

The University 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. The University expects its endowment funds, over the majority of rolling five year periods, to provide an average annual real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. To satisfy 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 (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation with investments in equity, fixed income, hedged, private capital, and natural resource/real asset strategies to achieve its long-term, risk-adjusted return objectives.

The Board designates only a portion of the University's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. Specific appropriation for expenditure of the University's endowment funds occurs each spring when the Board approves the University's operations budget for the ensuing year. The University's endowment spending rate is based on 4.5% of the "spending base" established as of June 30, 2000. The base amount is increased at a rate of 4% annually, plus the nominal value of endowment gifts received through December 31 of the previous year.

The University considered the expected return on its endowment, when it established these policies. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to or greater than planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

7 - Endowment, continued

Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (21,124)	\$ 369,047,342	157,883,848	526,910,066
Board-designated endowment funds	<u>104,487,336</u>	<u>-</u>	<u>-</u>	<u>104,487,336</u>
Total endowed net assets	\$ <u>104,466,212</u>	\$ <u>369,047,342</u>	<u>157,883,848</u>	<u>631,397,402</u>

Endowment net assets consist of the following at June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (20,202)	\$ 386,145,585	\$ 153,006,593	\$ 539,131,976
Board-designated endowment funds	<u>110,902,674</u>	<u>-</u>	<u>-</u>	<u>110,902,674</u>
Total endowed net assets	\$ <u>110,882,472</u>	\$ <u>386,145,585</u>	\$ <u>153,006,593</u>	\$ <u>650,034,650</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 100,493,183	343,801,957	148,701,703	592,996,843
Investment return:				
Investment income	10,405,956	38,169,374	-	48,575,330
Net appreciation	<u>6,064,334</u>	<u>25,533,061</u>	<u>588,944</u>	<u>32,186,339</u>
Total investment return	16,470,290	63,702,435	588,944	80,761,669
Gifts and additions to endowment, net	854,482	151,648	3,715,946	4,722,076
Distributions	<u>(6,935,483)</u>	<u>(21,510,455)</u>	<u>-</u>	<u>(28,445,938)</u>
Endowment net assets, June 30, 2014	110,882,472	\$ 386,145,585	\$ 153,006,593	\$ 650,034,650
Investment return:				
Investment income	8,552,434	33,316,641	-	41,869,075
Net depreciation	<u>(8,031,924)</u>	<u>(29,047,334)</u>	<u>(239,256)</u>	<u>(37,318,514)</u>
Total investment return	520,510	4,269,307	(239,256)	4,550,561
Gifts and additions to endowment, net	175,623	(110,294)	5,116,511	5,181,840
Distributions	<u>(7,112,393)</u>	<u>(21,257,256)</u>	<u>-</u>	<u>(28,369,649)</u>
Endowment net assets, June 30, 2015	\$ <u>104,466,212</u>	<u>369,047,342</u>	<u>157,883,848</u>	<u>631,397,402</u>

7 - Endowment, continued

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 University to retain as a fund of perpetual duration. As of June 30, 2015 and 2014, the University had deficiencies of this nature of approximately \$21 thousand and \$20 thousand, respectively. These deficiencies resulted from unfavorable market declines that occurred after the investment of recent permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets or permanently restricted net assets, as applicable. Management believes these deficiencies will be relatively short-term in duration.

Descriptions of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	<u>2015</u>	<u>2014</u>
Permanently Restricted Net Assets		
(1) The portion of perpetual funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>157,883,848</u>	\$ <u>153,006,593</u>
Total endowment funds classified as permanently restricted net assets	\$ <u><u>157,883,848</u></u>	\$ <u><u>153,006,593</u></u>
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ 157,243,305	\$ 158,263,309
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	13,632,999	18,436,988
With purpose restrictions	<u>198,171,038</u>	<u>209,445,288</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u><u>369,047,342</u></u>	\$ <u><u>386,145,585</u></u>

8 - Notes Receivable

Notes receivable as of June 30 are as follows:

	2015	2014
Federal Perkins loans	\$ 5,035,503	\$ 4,732,391
Institutional loans	53,073	58,134
Other	28,306	15,000
Notes receivable	<u>5,116,882</u>	<u>4,805,525</u>
Less allowance for doubtful accounts:		
Beginning of year	(368,893)	(273,470)
Change	108,815	(95,423)
End of year	<u>(260,078)</u>	<u>(368,893)</u>
Notes receivable, net	\$ <u>4,856,804</u>	\$ <u>4,436,632</u>

Student notes receivable:

The University makes uncollateralized student loans which are funded through the Federal Perkins revolving loan fund and an institutional loan fund created by the University to assist students in funding their education. The University acts as agent for the federal government in administering the Perkins revolving loan program. Student loans represented .5% of total assets at June 30, 2015 and 2014.

The availability of funds for loans under the Perkins federal revolving loan program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The aging of notes receivable as of June 30, 2015 is presented as follows:

	Enrolled or Grace Borrowers	Current	Days Past Due				Total
			30-59	60-89	90-120	120+	
Federal Perkins Loans	\$ 2,365,804	2,089,063	148,182	-	62,939	369,515	5,035,503
Institutional Loans	-	10,522	7,587	-	-	34,964	53,073
Other	-	28,306	-	-	-	-	28,306
Total Notes Receivable	<u>\$ 2,365,804</u>	<u>2,127,891</u>	<u>155,769</u>	<u>-</u>	<u>62,939</u>	<u>404,479</u>	<u>5,116,882</u>
Percentage of total	<u>46.2%</u>	<u>41.6%</u>	<u>3.1%</u>	<u>0.0%</u>	<u>1.2%</u>	<u>7.9%</u>	

8 - Notes Receivable, continued

The aging of notes receivable as of June 30, 2014 is presented as follows:

	Enrolled or Grace Borrowers	Current	Days Past Due				Total
			30-59	60-89	90-120	120+	
Federal Perkins Loans	\$ 1,713,464	\$ 2,492,866	\$ 65,494	\$ -	\$ 31,924	\$ 428,643	\$ 4,732,391
Institutional Loans	-	21,435	3,835	-	-	32,864	58,134
Other	-	15,000	-	-	-	-	15,000
Total Notes Receivable	<u>\$ 1,713,464</u>	<u>\$ 2,529,301</u>	<u>\$ 69,329</u>	<u>\$ -</u>	<u>\$ 31,924</u>	<u>\$ 461,507</u>	<u>\$ 4,805,525</u>
Percentage of total	<u>35.7%</u>	<u>52.6%</u>	<u>1.4%</u>	<u>0.0%</u>	<u>.7%</u>	<u>9.6%</u>	

9 - Property and Equipment

Property and equipment consists of the following at June 30:

	2015	2014
Land and land improvements	\$ 27,997,536	\$ 27,301,686
Buildings	295,876,672	294,648,545
Equipment	63,780,003	61,700,118
Library books	24,884,714	24,542,347
Collections	3,766,999	3,766,999
Construction in progress	6,806,471	642,259
	<u>423,112,395</u>	<u>412,601,954</u>
Less accumulated depreciation	<u>(162,756,426)</u>	<u>(150,806,935)</u>
Total	\$ <u>260,355,969</u>	\$ <u>261,795,019</u>

Depreciation expense totaled \$12,322,869 and \$12,486,856 in 2015 and 2014, respectively, and included depreciation expense for assets held under capital leases of \$130,228 and \$141,779 for the same periods.

The University has identified unconditional asset retirement obligations (ARO), primarily for the costs of asbestos removal and disposal. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related asset by the same amount as the liability. The liabilities were established using an inflation rate of 3% and a discount rate of 4.2% based on relevant factors at origination. ARO liabilities of \$1,553,738 and \$1,036,757 for fiscal years 2015 and 2014, respectively, are included in other liabilities in the consolidated statements of financial position. Accretion expense related to the ARO was \$39,944 and \$15,672 for the years ended June 30, 2015 and 2014, respectively.

10 - Long-Term Debt and Capital Leases

Outstanding long-term debt and capital lease obligations as of June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Educational Facilities Revenue Bonds:		
Series 2006A, serial and term bonds, due in varying installments (ranging from \$9,275,000 to \$10,755,000) beginning October 1, 2035 through October 1, 2038. The bonds bear interest, payable semi-annually, at rates ranging from 4.625% to 5.000%.	\$ 40,000,000	\$ 40,000,000
Series 2006B, due in varying installments (ranging from \$625,000 to \$1,220,000 with a balloon payment of \$13,375,000) through October 1, 2039. The bonds bear interest, payable monthly, at a variable rate (0.03% at June 30, 2015) which is determined by the remarketing agent pursuant to the Series 2006B Indenture.	40,920,000	41,735,000
Series 2010, serial bonds, due in varying installments (ranging from \$250,000 to \$1,845,000) through October 1, 2026. The bonds bear interest, payable semi-annually, at rates ranging from 3.000% to 5.000%.	13,590,000	14,870,000
Notes Payable:		
Note payable in monthly installments of \$35,555 through May 2016 with a balloon payment due at maturity, with interest at a variable rate of LIBOR plus a negotiated spread.	4,728,915	5,155,575
Par amount of long-term debt	99,238,915	101,760,575
Unamortized net premium	1,027,606	1,183,079
Total long-term debt	100,266,521	102,943,654
Capital leases	839,387	153,010
Long-term debt and capital leases	\$ 101,105,908	\$ 103,096,664

The preceding table reflects fixed/variable allocations before the effects of an interest rate exchange agreement used by the University to manage its debt portfolio. The exchange agreement is covered in more detail in a subsequent note.

10 - Long-Term Debt and Capital Leases, continued

Aggregate maturities of long-term debt and capital leases for each of the five fiscal years subsequent to June 30, 2015 are as follows:

2016	\$	7,115,502
2017		2,479,391
2018		2,567,767
2019		2,645,013
2020		2,595,629
Thereafter		82,675,000
Total	\$	<u>100,078,302</u>

The estimated fair value of the University's long-term debt, including current maturities, at June 30 is as follows:

	2015	2014
Educational Facilities Revenue Bonds	\$ 99,035,813	\$ 98,976,244
Term Loans	4,728,915	5,155,575
Capital leases	839,387	153,010
Total estimated fair value of long-term debt	\$ <u>104,604,115</u>	\$ <u>104,284,829</u>

Interest expense on a cash and accrual basis for the years ended June 30 follows:

	2015	2014
Cash paid for interest	\$ 3,106,939	\$ 3,271,361
Amortization of bond premium	(155,473)	(176,590)
Change in year-end accrual	25,488	(31,082)
Interest cost capitalized	(57,912)	(49,347)
Total interest expense	\$ <u>2,919,042</u>	\$ <u>3,014,342</u>

Liquidity support for the Series 2006B variable rate debt is provided by a bank standby bond purchase agreement. The commitment expires in July 2017. Since initiation of the credit agreement, there have been no borrowings required to support redemptions of variable rate debt.

The University capitalizes and amortizes on a straight-line basis the original issue premium or discount and costs related to applicable bond issues. At June 30, 2015 and 2014, unamortized bond issuance costs, net, of \$622,886 and \$679,558, respectively, are included in prepaid expenses and other assets on the consolidated statements of financial position. Additionally, unamortized original issue net premium on related bonds of \$1,027,606 and \$1,183,079 for the years ended June 30, 2015 and 2014, respectively, is included in bonds, notes and leases payable on the University's consolidated statements of financial position. Net amortization expense for issuance costs and premiums was \$98,801 and \$117,002 for the years ended June 30, 2015 and 2014, respectively.

The University's note payable contains certain covenants and restrictions involving maintenance of a specified debt coverage ratio. Management believes it is in compliance with all covenants and restrictions at June 30, 2015 and 2014.

11 - Interest Rate Exchange Arrangement

The University manages the fixed/variable mix of its debt portfolio, including hedging exposure to increasing interest expense from variable-rate debt, by using an interest rate exchange agreement. The agreement took effect on September 29, 2006 and continues to its scheduled expiration in October 2026.

The notional amount outstanding was \$12,610,000 and \$13,425,000 at June 30, 2015 and 2014, respectively. Under this exchange agreement, the University receives a floating rate of interest based on 68% of LIBOR and makes payments at a fixed interest rate of 3.635% on the notional amount. Under certain circumstances, the University may be required to post collateral or, in an event of default, the counterparty may terminate the transaction.

Periodic net cash settlements paid to counterparties totaled \$414,401 and \$479,660 in fiscal 2015 and 2014, respectively, and were reflected as adjustments to interest expense.

As of June 30, 2015, the University's adjusted long-term debt portfolio, after taking into consideration the aforementioned derivative, was approximately 67% fixed and 33% variable.

12 - Fair Value Measurement

The University uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

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

12 - Fair Value Measurement, continued

The following is a summary of the levels within the fair value hierarchy for the University's assets and liabilities measured at fair value at June 30:

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Equities				
U.S. equity	\$ 59,638,887	\$ -	\$ -	\$ 59,638,887
U.S. equity funds	772,801	63,785,045	-	64,557,846
Developed international equity	36,379,558	74,045,124	-	110,424,682
Emerging markets	17,828,503	28,025,146	-	45,853,649
Closely-held stock	-	-	100,029	100,029
Fixed Income				
Bond funds	7,421,535	27,426,770	-	34,848,305
U.S. government bond funds	-	26,169	-	26,169
Hedged Strategies	6,113,706	56,303,457	59,892,409	122,309,572
Private Capital	-	-	32,351,991	32,351,991
Other				
Short-term investments	9,925,098	-	-	9,925,098
Real estate	-	-	105,292	105,292
Real asset funds	186,663	19,811,651	14,037,190	34,035,504
Funds held in perpetual trust by others	-	-	4,932,084	4,932,084
Receivable from redemptions	1,236,620	-	-	1,236,620
Total investments	\$ 139,503,371	\$ 269,423,362	\$ 111,418,995	\$ 520,345,728
Liabilities				
Interest rate exchange agreement	\$ -	\$ 1,668,070	\$ -	\$ 1,668,070
	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Equities				
U.S. equity	\$ 54,409,009	\$ -	\$ -	\$ 54,409,009
U.S. equity funds	810,554	75,198,329	-	76,008,883
Developed international equity	37,031,769	74,293,935	-	111,325,704
Emerging markets	19,863,945	28,903,732	-	48,767,677
Closely-held stock	-	-	379,079	379,079
Fixed Income				
Bond funds	15,234,370	26,383,585	-	41,617,955
U.S. government bond funds	-	81,997	-	81,997
Hedged Strategies	6,063,693	57,079,542	60,070,950	123,214,185
Private Capital	-	-	27,782,829	27,782,829
Other				
Short-term investments	4,871,209	-	-	4,871,209
Real asset funds	363,549	20,768,852	26,804,660	47,937,061
Funds held in perpetual trust by others	-	-	5,130,167	5,130,167
Receivable from redemptions	12,464	-	-	12,464
Total investments	\$ 138,660,562	\$ 282,709,972	\$ 120,167,685	\$ 541,538,219
Liabilities				
Interest rate exchange agreement	\$ -	\$ 1,796,607	\$ -	\$ 1,796,607

12 - Fair Value Measurement, continued

The majority of the University's underlying fund managers use a market approach to value an investment. In addition, the following inputs/valuation techniques are used – comparable security analysis, recent transactions, earnings and cash flow forecasts, market multiple analysis, discounted cash flow/time value of money, internal valuation models, third-party appraisals, bona-fide offers, and 'at cost' for the period just subsequent to acquisition.

The classification of a financial instrument within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement.

All net realized and unrealized gains and losses on Level 3 investments are reflected in the consolidated statements of activities as investment return in excess of amounts designated for current operations.

A roll-forward of investments in which significant unobservable inputs (Level 3) were used in determining fair value is as follows:

Fair Value Measurements Using Level 3 Inputs

Balance – June 30, 2014	\$ 120,167,685
Transfers to Level 2	(6,981,669)(a)
Net realized gains	3,457,036
Income	10,016,132
Purchases	16,101,342
Distributions/Redemptions	(23,610,052)
Net unrealized gains	(7,731,479)
Balance – June 30, 2015	\$ 111,418,995

Fair Value Measurements Using Level 3 Inputs

Balance – June 30, 2013	\$ 120,746,389
Transfers to Level 2	(9,960,766)(a)
Net realized gains	7,401,968
Income	5,872,915
Purchases	16,335,108
Distributions/Redemptions	(24,696,651)
Net unrealized gains	4,468,722
Balance – June 30, 2014	\$ 120,167,685

(a) Transferred from Level 3 to Level 2 because of change in investor status.

12 - Fair Value Measurement, continued

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the relative liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments, unless noted. Management is not aware of any factors that would impact net asset value as of June 30, 2015.

	Fair Value	Unfunded Commitments	Redemption Frequency (if applicable)	Redemption Notice Period
U.S. equity funds ^(a)	\$ 63,785,045	\$ -	Daily - Quarterly	0 – 60 days
Developed international equity ^(b)	\$ 74,045,124	\$ -	Daily – Monthly	0 – 30 days
Emerging markets ^(c)	\$ 28,025,146	\$ -	Daily - Monthly	0 – 90 days
Bond funds ^(d)	\$ 27,426,770	\$ -	Daily – Monthly	0 – 10 days
U.S. government bond funds ^(e)	\$ 26,169	\$ -	Daily	2 days
Hedged Strategies ^(f)	\$ 116,195,866	\$ -	Daily - Rolling 3 Years	0 – 100 days
Private Capital ^(g)	\$ 32,351,991	\$ 29,903,233	N/A	N/A
Real asset funds ^(h)	\$ 19,811,651	\$ -	Daily-Quarterly	0 – 60 days
Non-marketable real asset funds ⁽ⁱ⁾	\$ 14,037,190	\$ 14,380,872	N/A	N/A
Cash and cash equivalents ⁽ⁱ⁾	\$ 10,759,453	\$ -	Daily	-

(a) Includes primarily investments in long-only and active extension funds that have both long and short U.S. equity positions. The funds are broadly diversified and have net exposure equal to 100% long. The active extension funds utilize strategies that incorporate fundamental and quantitative methods and seek to outperform their respective benchmarks on a risk-adjusted basis.

(b) Includes investments primarily in diversified, long-only commingled funds that invest in developed international markets. There can be exposure to North American and emerging markets within these funds. The funds are actively managed and seek to outperform their respective benchmarks on a risk-adjusted basis by over/under weighting countries, sectors and securities.

(c) Includes investments primarily in diversified, long-only commingled funds that invest in emerging market equities. The funds are actively managed and seek to outperform their respective benchmarks on a risk-adjusted basis by over/underweighting countries, sectors, and securities.

(d) Includes investments primarily via an active global government sovereign bond fund and smaller positions in intermediate total market, passive US high yield, and unconstrained multi-sector bond funds. The active funds seek to add value versus their benchmarks by over/underweighting sectors and countries/currencies (in the case of the global government bond fund).

12 - Fair Value Measurement, continued

- (e) Includes investments in a fund that invests in US Treasury Inflation Protection Securities.
- (f) Includes direct investments in equity long/short hedge funds, multi-strategy hedge funds, credit long/short hedge funds, a global macro hedge fund, and one diversified hedge fund-of-funds. The fund-of-funds contains a variety of different underlying hedge funds (equity long/short, credit-oriented, fixed-income arbitrage, event-driven, relative value) and currently is on a rolling one year lock-up. On average, the direct funds generally have net long exposure (15%-70%) and gross exposure ranging from 90% to 250%. Less than 30% of the hedged strategy exposure is considered "locked up" with redemption arrangements varying between one and three years.
- (g) Includes investments primarily in private equity and venture capital fund-of-funds, which invest in private partnerships that seek to grow capital over longer periods of time. The strategies typically utilized are to take ownership positions in early-stage or start-up ventures, potential turn-around candidates or buyouts, or other distressed situations. Because of the longer-term nature of these investment strategies, the University does not have the ability to withdraw or redeem funds. Instead, the partnerships return money to the University over a longer period of time, usually 3-12 years after the initial subscription.
- (h) Includes investments primarily in commodities (an unlevered fund that invests in a variety of diversified, liquid futures contracts), and treasury inflation-protected securities "TIPS" (a fund that provides market exposure to "TIPS", while adding value via various bond arbitrage relative value strategies).
- (i) Includes investments in longer term private capital partnerships that invest in oil and gas assets and real estate funds and/or fund-of-funds (raw land, buildings, publicly-traded securities/commingled funds, and private partnerships). Because of the longer-term nature of these investment strategies, the University does not have the ability to withdraw or redeem funds. Instead, the partnerships return money to the University over a longer period of time, usually 3-12 years after the initial subscription.
- (j) Includes investments in short-term, highly liquid funds that invest in short-term U.S. Treasury debt securities with maturities less than one year.

13 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended June 30:

Purpose restrictions accomplished	2015	2014
Instruction and academic support	\$ 1,789,968	\$ 1,651,316
Research	292,782	124,142
Student services	998,079	743,008
Institutional support	365,633	342,765
Student aid	2,528,739	2,131,770
Endowment distributions	21,257,256	21,510,455
Other	338,218	902,606
Satisfaction of program restrictions from operations	27,570,675	27,406,062
Capital improvements	3,351,387	3,712,820
Total	\$ 30,922,062	\$ 31,118,882

14 - Composition of Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2015	2014
Instruction and academic support	\$ 159,479,062	\$ 161,345,792
Public service	2,110	2,110
Student services	1,772,074	1,443,642
Institutional support	747,442	687,972
Student aid	1,660,275	1,950,193
Capital projects	5,372,230	7,618,858
Net contributions due in future periods	959,838	909,341
Unspecified designation	484,324	103,279
Endowment earnings	211,804,040	227,882,276
Total	\$ 382,281,395	\$ 401,943,463

In accordance with donor stipulations, permanently restricted assets are held in perpetuity. The income derived from these net assets is to be used as follows at June 30:

	2015	2014
Student aid	\$ 86,494,033	\$ 83,209,926
Instruction and academic support	63,163,354	61,117,799
Institutional support	291,593	340,531
Student services	159,519	220,830
Capital projects and building maintenance	16,543,199	16,241,300
Total	\$ 166,651,698	\$ 161,130,386

15 - Retirement Plan

The University sponsors a defined contribution retirement plan that covers substantially all full-time faculty and staff employees. Contributions under this plan are applied to individual annuities issued to each plan participant. Employer contributions to the plan amount to 7.5% or 12.5% of base compensation based on years of service or attained age. Retirement expense was \$5.3 million and \$5.4 million for the years ended June 30, 2015 and 2014, respectively.

16 - Development Expenses

The University incurred expenses related to development and fund-raising amounting to approximately \$4 million during each of the years ended June 30, 2015 and 2014, respectively. Such expenses are included in Institutional Support.

17 - Commitments and Contingencies*Construction and equipment*

At June 30, 2015, open contracts for the construction or purchase of physical properties amounted to approximately \$24.0 million.

Self-Insurance

The University provides employee healthcare benefits primarily through employer contributions, participant contributions, and excess loss insurance and manages those programs through a third-party administrator. For the years ended June 30, 2015 and 2014, the self-insurance liability was \$700 thousand, and is included in payables and accrued liabilities on the consolidated statements of financial position.

Litigation

The University is engaged in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material adverse effect on the University's financial position.

Financial Aid

Federally and state funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the University. No such audits have occurred as of the date of the audit report; therefore, no provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

18 - Subsequent Events

On August 13, 2015, the University issued the Series 2015 tax-exempt fixed rate bonds in the aggregate amount of \$64.690 million. A portion of the proceeds were used to refund the \$40 million outstanding principal amount of the Series 2006A tax-exempt fixed rate bonds. \$24 million of new project funding will be used to renovate and rehabilitate student housing facilities on the campus. The remaining portion was used to finance costs incurred in connection with the bond issuance.