KPMG

FAIRFIELD UNIVERSITY

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

FAIRFIELD UNIVERSITY

Financial Statements

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Fairfield University:

We have audited the accompanying financial statements of Fairfield University (the University), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Fairfield University at June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying financial statements of Fairfield University as of June 30, 2014 and for the year then ended were audited by other auditors whose report thereon dated October 6, 2014, expressed an unmodified opinion on those financial statements.

KPMG LLP

October 1, 2015

FAIRFIELD UNIVERSITY

Statements of Financial Position

June 30, 2015 and 2014

Assets		**2015**	**2014**
Cash and cash equivalents	$	41,309,340	51,265,158
Deposits with bond trustees		21,108,793	21,105,135
Student accounts receivable, less allowance for doubtful collections of $689,407 in 2015 and $657,726 in 2014		156,015	154,282
Student loans, less allowance for doubtful collections of $300,000 in 2015 and 2014		2,742,944	2,524,810
Contributions receivable, net		25,064,869	22,673,140
Other assets		8,576,431	6,110,191
Investments		330,683,530	316,406,398
Land, buildings, and equipment, net		286,554,153	281,004,942
Total assets	$	716,196,075	701,244,056
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	17,481,920	17,680,989
Accrued compensation		12,500,713	13,079,800
Deferred revenue		16,641,929	11,960,187
Government grants refundable – student loans		2,380,505	2,180,400
Long-term debt, net		198,348,602	210,439,395
Total liabilities		247,353,669	255,340,771
Net assets:			
Unrestricted		245,251,081	225,404,198
Temporarily restricted		87,062,956	87,118,224
Permanently restricted		136,528,369	133,380,863
Total net assets		468,842,406	445,903,285
Total liabilities and net assets	$	716,196,075	701,244,056

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Activities

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total
Operating revenues:				
Educational and general:				
Tuition and fees	$ 202,241,747	—	—	202,241,747
Less student financial aid	(65,201,906)	—	—	(65,201,906)
Net tuition and fees	137,039,841	—	—	137,039,841
Government grants and contracts	1,187,348	1,933,469	—	3,120,817
Contributions	4,336,486	6,011,460	—	10,347,946
Investment return designated for current operations	4,640,242	6,803,810	—	11,444,052
Departmental and other revenues	4,217,439	—	—	4,217,439
Net assets released from restrictions	11,827,983	(11,827,983)	—	—
Total educational and general	163,249,339	2,920,756	—	166,170,095
Auxiliary services	40,623,377	—	—	40,623,377
Total operating revenues	203,872,716	2,920,756	—	206,793,472
Operating expenses:				
Educational and general service:				
Instruction	61,534,807	—	—	61,534,807
Research	6,612,565	—	—	6,612,565
Public service	1,546,687	—	—	1,546,687
Academic support	20,937,403	—	—	20,937,403
Institutional support	35,595,293	—	—	35,595,293
Student services	28,938,096	—	—	28,938,096
Total educational and general services	155,164,851	—	—	155,164,851
Auxiliary services	38,419,386	—	—	38,419,386
Total operating expenses	193,584,237	—	—	193,584,237
Increase in net assets from operations	10,288,479	2,920,756	—	13,209,235
Nonoperating activities:				
Contributions for nonoperating purposes	49,422	8,866,009	3,435,083	12,350,514
Investment return in excess of (less than) amounts designated for current operations	(1,352,298)	(1,134,851)	97,906	(2,389,243)
Net asset reclassifications/other	(692,889)	845,929	(294,996)	(141,956)
Change in value split interest agreements	1,058	—	(90,487)	(89,429)
Nonoperating net assets released from restrictions	11,553,111	(11,553,111)	—	—
Total nonoperating activities	9,558,404	(2,976,024)	3,147,506	9,729,886
Increase (decrease) in net assets	19,846,883	(55,268)	3,147,506	22,939,121
Net assets:				
Beginning of year	225,404,198	87,118,224	133,380,863	445,903,285
End of year	$ 245,251,081	87,062,956	136,528,369	468,842,406

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Activities

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	2014 Total
Operating revenues:				
Educational and general:				
Tuition and fees	$ 190,841,397	—	—	190,841,397
Less student financial aid	(60,948,523)	—	—	(60,948,523)
Net tuition and fees	129,892,874	—	—	129,892,874
Government grants and contracts	1,444,756	2,313,291	—	3,758,047
Contributions	4,091,910	2,204,215	—	6,296,125
Investment return designated for current operations	4,451,726	6,276,526	—	10,728,252
Departmental and other revenues	3,924,961	—	—	3,924,961
Net assets released from restrictions	11,556,010	(11,556,010)	—	—
Total educational and general	155,362,237	(761,978)	—	154,600,259
Auxiliary services	37,793,906	—	—	37,793,906
Total operating revenues	193,156,143	(761,978)	—	192,394,165
Operating expenses:				
Educational and general service:				
Instruction	59,862,810	—	—	59,862,810
Research	6,580,374	—	—	6,580,374
Public service	2,215,530	—	—	2,215,530
Academic support	22,084,821	—	—	22,084,821
Institutional support	33,616,152	—	—	33,616,152
Student services	29,256,142	—	—	29,256,142
Total educational and general services	153,615,829	—	—	153,615,829
Auxiliary services	34,848,064	—	—	34,848,064
Total operating expenses	188,463,893	—	—	188,463,893
Increase (decrease) in net assets from operations	4,692,250	(761,978)	—	3,930,272
Nonoperating activities:				
Contributions for nonoperating purposes	139,100	12,942,643	5,993,650	19,075,393
Investment return in excess of amounts designated for current operations	18,096,730	15,293,173	559,361	33,949,264
Net asset reclassifications/other	(450,005)	10,838	82,511	(356,656)
Change in value split interest agreements	(32,702)	75,855	(112,875)	(69,722)
Nonoperating net assets released from restrictions	648,139	(648,139)	—	—
Total nonoperating activities	18,401,262	27,674,370	6,522,647	52,598,279
Increase in net assets	23,093,512	26,912,392	6,522,647	56,528,551
Net assets:				
Beginning of year	202,310,686	60,205,832	126,858,216	389,374,734
End of year	$ 225,404,198	87,118,224	133,380,863	445,903,285

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Increase in net assets	$	22,939,121	56,528,551
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation and amortization		16,129,120	15,709,791
Net loss on disposal of buildings and equipment		1,647,079	376,536
Contributions restricted for long-term investment		(12,940,425)	(10,425,819)
Realized and unrealized gains on investments, net		(6,314,086)	(42,365,223)
Changes in operating assets and liabilities:			
Contributions receivable		(2,391,729)	(6,887,914)
Student accounts receivable		(1,733)	6,371
Other assets		(2,466,240)	(178,757)
Accounts payable and other accrued liabilities		(378,700)	5,231,491
Deferred revenue		4,681,742	1,065,917
Government grants refundable – student loans		200,105	14,277
Net cash provided by operating activities		21,104,254	19,075,221
Cash flows from investing activities:			
Proceeds from sale of investments		22,533,018	62,576,708
Purchase of investments		(30,496,064)	(61,691,365)
Purchase of buildings and equipment		(23,468,664)	(12,179,727)
Accruals for the acquisition of buildings and equipment		(399,456)	1,040,877
Issuance of student loans		(731,304)	(508,608)
Repayment of student loans		513,170	431,994
Net cash used in investing activities		(32,049,300)	(10,330,121)
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Permanently restricted endowment		4,447,861	7,199,895
Temporarily restricted funds for capital		8,492,564	3,225,924
Increase in deposits with bond trustees		(3,658)	(129,621)
Repayment of long-term debt		(11,947,539)	(6,112,418)
Net cash provided by financing activities		989,228	4,183,780
Net (decrease) increase in cash and cash equivalents		(9,955,818)	12,928,880
Cash and cash equivalents:			
Beginning of year		51,265,158	38,336,278
End of year	$	41,309,340	51,265,158
Supplemental disclosure of cash flow information:			
Interest paid on debt	$	10,080,904	10,351,085

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Background

Founded in 1942, Fairfield University is a private, Jesuit institution that provides undergraduate, graduate and continuing studies in five distinct schools to its students. The accompanying financial statements, which include the accounts of Fairfield University and its Preparatory School (the University), which together are a 501(c)(3) tax-exempt institution, have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

(b) Basis of Presentation

General

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donor of these assets permits the University to use all or part of the return on the related investments.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions. Donor contributions restricted for capital expenditures are released to unrestricted net assets when the assets are placed in service and time restrictions have been met.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair value. Promises to give that are scheduled to be received after the date of the statements of financial position are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted based upon a risk free interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Measure of Operations

The statements of activities report the change in net assets from operating and nonoperating activities separately. For this purpose, operations include operating revenues consisting of those items attributable to the University's educational programs or research conducted by the academic departments and operating expenses include the costs of providing University programs and other activities. Investment return on the University's long-term investments in excess of (less than) the amount appropriated under the University spending plan, as discussed in note 7, donor contributions restricted for capital expenditures and certain other unusual or nonrecurring items are reported as nonoperating activities. Additionally, nonoperating activities consist of contributions that are not in direct support of the annual operating budget. This measure of operations is different from cash flows from operating activities reported in the statements of cash flows, which includes the cash effects of all transactions and other events (including certain nonoperating items) that enter into the determination of the change in net assets.

(c) Cash

The University has several bank accounts at June 30, 2015 containing balances which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2015 with respect to these balances.

(d) Cash Equivalents

Cash equivalents are held for reinvestment and are highly liquid in nature and have original maturities at the time of purchase of three months or less. Cash equivalents include cash held in money market accounts and certificates of deposit for operating and reinvestment purposes. Cash equivalents are valued at one dollar per share in the money market fund and one dollar plus earned interest in certificates of deposit. These assets are categorized as Level 1.

(e) Deposits with Bond Trustees

Deposits with bond trustees are directly owned investments in government money market funds related to the Connecticut Health and Educational Facility Authority (CHEFA) Revenue Bonds, Series M, N, O, and P. These investments are valued based upon market price quotations and categorized as Level 1.

(f) Accounts and Loans Receivable

Accounts and loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under federally sponsored loan programs which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

(g) Fair Value Accounting

The University records its applicable assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

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

Level 1 Inputs that reflect unadjusted quoted prices in active market for identical assets or liabilities that the University has the ability to access at the measurement date

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's Level within the fair value hierarchy is based on the lowest Level of any input that is significant to the fair value measurement; however, the determination of what constitutes "observable" requires significant judgment. The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

In certain cases, the inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest Level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, the University separates the marketable investment portfolio and other fair valued assets and liabilities into the following categories: cash equivalents, certificate of deposits, deposits with bond trustees, corporate stocks, and fixed income securities.

The University utilizes the "practical expedient" to estimate the fair value of investments in various investment funds that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with GAAP whereby there is limited market activity. The practical expedient is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The University performs additional procedures, including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

(h) Investments

Investments are reported in the financial statements at fair value. Quoted market prices are used to value short-term investments, fixed income securities, and equity securities. Values for investments in limited partnerships, which are generally subject to certain withdrawal restrictions, are provided by the general partner, and may be based on appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation for the University's investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost.

Corporate Stocks

Corporate stocks include investments in actively traded equity securities and exchange traded funds which are listed on a national exchange are valued at the last price quoted by the exchange and are generally categorized as Level 1. The fair values of other equity securities are based upon market price quotations, and are generally categorized as Level 1.

Fixed Income Securities

Fixed income securities include investments in various U.S. Treasury instruments, corporate debt, structured products (such as mortgage-backed securities and asset-backed securities, and bank debt). Fixed income securities values are estimated based upon market price quotations and are generally categorized as Level 2 because there is the ability to redeem at or near June 30, 2015.

Private Equity and Other

Private equity and other include equity positions in a variety of private equity funds with various strategies, private real estate funds that hold real property holdings, and direct investments in real estate funds through partnership interests. These securities are valued by the investment managers and the NAVs are recorded under GAAP utilizing the practical expedient.

Equity Funds (Registered and Nonregistered)

Equities in investment funds include mutual funds (registered under the Investors' 1940 Act) and hedge funds (nonregistered under the Investors' 1940 Act). Mutual funds are principally invested in exchange traded securities. These hedge funds are invested principally in exchange traded and over the counter securities. The University has opted to utilize the NAV practical expedient for valuing hedge fund investments.

Bond Funds (Registered)

Bonds in investment funds include mutual funds (registered under the Investors' 1940 Act). Mutual funds are principally invested in fixed income securities and trade in over the counter markets. These securities are valued by the investment manager and NAVs are recorded under GAAP utilizing the practical expedient.

Hedge Fund of Funds

Hedge fund of funds are nonregistered funds whereby the investment managers are investing in various underlying hedge funds that principally invest in exchange traded and over the counter securities. These securities are valued by the investment manager and NAVs are recorded under GAAP utilizing the practical expedient.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment, net is stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40-60 years), building improvements (15-30 years), and equipment and library books (3-7 years). Depreciation expense is $16,272,374 and $15,853,045 for the years ended June 30, 2015 and 2014, respectively. The University recognized $87,268 and $89,638 of expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended June 30, 2015 and 2014, respectively. Conditional asset retirement obligations included in accrued liabilities are $3,030,349 and $2,943,081 as of June 30, 2015 and 2014, respectively.

(j) Tuition and Fees

The University recognizes revenues from student tuition and fees predominantly within the fiscal year in which the academic term is conducted. Therefore, student advance payments for tuition, room, and board are deferred and then recorded as unrestricted revenues when earned.

(k) Government Grants and Contracts

Revenues associated with government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for in unrestricted net assets. The University records reimbursement of indirect costs relating to such grants and contracts at authorized rates for each fiscal year as unrestricted revenue.

(l) Allocation of Certain Expenses

The financial statements report expenses by functional classification. Certain natural expenses associated with the operation and maintenance of University plant assets are allocated to the respective functional classifications based on square footage occupancy. The expenses which are allocated for the years ended June 30 are:

		2015	2014
Plant operations and maintenance	$	18,074,188	16,217,546
Depreciation		16,272,374	15,853,045
Interest on indebtedness		10,025,099	10,295,279

Included in institutional support expenses are fund raising costs of $5,833,192 and $5,411,957 in fiscal 2015 and 2014, respectively.

(m) New Authoritative Accounting Pronouncements

In 2015, the University early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes 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 and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The University applied the provision of the update retrospectively to 2014.

In 2015, the University early adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheets as a direct deduction from the debt liability. The University applied the provision of the update retrospectively to 2014.

(n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include valuation of investments, allowance for doubtful accounts on student accounts and loan receivables, and asset retirement obligations. Actual results could differ from those estimates.

(o) Subsequent Events

The University has performed an evaluation of subsequent events through October 1, 2015, which is the date the financial statements were issued and has determined that there are no subsequent events to disclose.

(2) Contributions Receivable

Contributions receivable at June 30, 2015 and 2014 are expected to be collected as follows:

		2015	2014
2015	$	—	5,151,081
2016		6,492,168	5,115,694
2017		5,557,150	3,514,542
2018		3,921,762	2,038,281
2019		3,929,561	6,468,620
2020 and later		6,612,517	1,775,518
		26,513,158	24,063,736
Less:			
Present value discount (1.6%)		(1,248,289)	(1,190,596)
Allowance for doubtful collections		(200,000)	(200,000)
Contributions receivable, net	$	25,064,869	22,673,140

Amounts receivable from two donors represented 43% and 47% of gross contributions in the years ended June 30, 2015 and 2014 respectively.

(3) Investments

The following tables present the fair value hierarchy of the University's investments that were measured at fair value on a recurring basis as of June 30, 2015 and 2014:

		Assets at fair value as of June 30, 2015		
		Level 1	Level 2	
		Quoted prices	Other significant observable inputs	Total
Investments:				
Cash equivalents held for reinvestment	$	19,291,933	—	19,291,933
Certificates of deposit		10,500,000	—	10,500,000
Fixed income		—	5,354,436	5,354,436
Corporate stocks		137,376,470	—	137,376,470
Investment funds:				
Measured at net asset value (or its equivalent)				158,160,691
Total investments	$	167,168,403	5,354,436	330,683,530

		Assets at fair value as of June 30, 2014		
		Level 1	**Level 2**	
		Quoted prices	**Other significant observable inputs**	**Total**
Investments:				
Cash equivalents held for reinvestment	$	6,706,337	—	6,706,337
Fixed income		—	5,232,819	5,232,819
Corporate stocks		119,262,282	—	119,262,282
Investment funds:				
Measured at net asset value (or its equivalent)				185,204,960
Total investments	$	125,968,619	5,232,819	316,406,398

The University uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

	June 30, 2015								
	Strategy		**NAV in funds**	**Number of funds**	**Remaining life**		**Amount of unfunded commitments**	**Timing of draw down commitments**	**Redemption terms**
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	$	44,508,335	19	1–15 years	$	8,618,967	1–9 years	N/A *
Equity funds (nonregistered)	Equities in investment funds (nonregistered)		46,816,192	7	N/A		111,000	N/A	Annually with 60 days written notice
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities		28,369,192	2	N/A		—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
Bonds (registered)	Investment in bond funds (registered)		38,466,972	2	N/A		—	N/A	Ranges between daily to monthly with 10 days written notice
		$	158,160,691	30		$	8,729,967		

* These funds are in private equity structure, with no ability to be redeemed.

	June 30, 2014						
	Strategy	**NAV in funds**	**Number of funds**	**Remaining life**	**Amount of unfunded commitments**	**Timing of draw down commitments**	**Redemption terms**
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	$ 51,039,008	20	1–15 years	$ 9,697,749	1–10 years	N/A *
Equity funds (nonregistered)	Equities in investment funds (nonregistered)	48,046,808	7	N/A	111,000	N/A	Annually with 60 days written notice
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities	47,527,961	3	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
Bonds (registered)	Investment in bond funds (registered)	38,591,183	2	N/A	—	N/A	Ranges between daily to monthly with 10 days written notice
		$ 185,204,960	32		$ 9,808,749		

* These funds are in private equity structure, with no ability to be redeemed.

The following table summarizes the investment return for the years ended June 30, 2015 and 2014:

	2015	**2014**
Dividends and interest	$ 2,647,188	2,143,149
Realized and unrealized gains, net	6,301,584	42,444,241
Return on long-term investments	8,948,772	44,587,390
Interest on short-term investments	106,037	90,126
Total return on investments	9,054,809	44,677,516
Investment return designated for current operations	(11,444,052)	(10,728,252)
Investment return (less than) in excess of amounts designated for current operations	$ (2,389,243)	33,949,264

The University's policy is to distribute a portion of the total investment return for current operations at the predetermined spending rate as discussed in note 7.

(4) Land, Buildings, and Equipment

The University's investments in land, buildings, and equipment, net are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The cost of land, buildings, and equipment, net at June 30, 2015 and 2014 is as follows:

		2015	2014
Land and land improvements	$	24,744,281	22,009,949
Buildings		415,929,312	405,681,783
Equipment and library books		53,767,110	51,424,225
Construction in progress		8,452,016	4,268,317
		502,892,719	483,384,274
Less accumulated depreciation		(216,338,566)	(202,379,332)
Land, buildings, and equipment, net	$	286,554,153	281,004,942

At June 30, 2015 and 2014, construction in progress represents ongoing construction costs associated with new construction and improvements to various University facilities on campus.

At June 30, 2015 and 2014, net investment in plant included in unrestricted net assets totaled $102,163,963 and $85,893,195, respectively.

(5) Long-Term Debt

Bonds and notes payable at June 30, 2015 and 2014 consisted of the following:

Facility financed	Type of financing	Average interest rate		2015 Outstanding balances*	2014 Outstanding balances*
Various campus facilities	CHEFA Bonds 2008-M, due 2034	4.76%	$	27,364,473	28,963,391
Various campus facilities	CHEFA Bonds 2008-N, due 2034	4.92		88,537,774	92,495,451
Various campus facilities	CHEFA Bonds 2010-O, due 2040	5.09		72,933,199	72,897,310
Various campus facilities	CHEFA Bonds 2010-P, due 2028	4.42		9,499,805	9,839,905
Jesuit Community Center	Bank of America Note, due 2016	Variable		—	6,188,465
Various campus facilities	Capital Leases, due 2016	Variable		13,351	54,873
			$	198,348,602	210,439,395

* For the CHEFA bonds, amounts are net of unamortized discounts or unamortized premiums, and bond issuance costs.

The above listed Connecticut Health and Educational Facilities Authority (CHEFA) bonds are payable in annual installments on a graduating scale. The principal balance of the 2010-O bonds is net of unamortized debt discount of $284,398 and $295,907 at June 30, 2015 and 2014, respectively. The principal balances of the 2008-N and the 2010-P bonds, at June 30, 2015, include unamortized premiums of $1,684,390 and $337,781, respectively, and at June 30, 2014, include unamortized premiums of $1,812,581 and $364,353, respectively. The premiums will be amortized as reductions in interest expense over the remaining life of the bonds.

In February 2009, the University entered into an agreement and note with Bank of America for a nonrestoring line of credit in the amount of $7,933,930. This represents a portion of the costs associated with the on campus construction of a Jesuit Community Center. The loan was paid off in full on June 19, 2015.

In accordance with each of the bond indentures, the University maintains a sinking fund with bank trustees at an amount sufficient to pay interest and principal during the succeeding 12 months. The amounts in deposits with bond trustees in the statements of financial position are $2,959,317 and $9,940,734 required by the Series M and N bond indentures, respectively, and $1,066,016 as required by the Series P bond indentures as of June 30, 2015 and 2014. The amounts in deposit with bond trustees for the Series O indenture are $7,127,275 and $7,125,506 as of June 30, 2015 and 2014, respectively.

The University's long-term debt agreements contain various covenants which may restrict the ability of the University to incur or guarantee debt. These agreements also require the University to meet a debt service ratio as defined in the agreements. The University was in compliance with the financial debt covenants at June 30, 2015.

The fair values of the University's long-term debt at June 30, 2015 and 2014 are based on market information for underlying debt securities and are classified as Level 2. The fair value of the University's bonds at June 30, 2015 and 2014 was $216,097,451 and $223,111,018, respectively.

Interest expense and amortization of bond discount and premium for the years ended June 30, 2015 and 2014 was $10,029,099 and $10,295,279, respectively.

The aggregate amount of principal due with respect to long-term debt (not including unamortized discounts, premiums and bond issuance costs) within each of the five fiscal years subsequent to June 30, 2015 and in total thereafter is as follows:

2016	$ 6,103,351
2017	6,395,000
2018	6,705,000
2019	7,020,000
2020	7,355,000
Thereafter	164,566,063
	$ 198,144,414

(6) Retirement Benefits

The University has a 403(b) defined contribution retirement plan which covers substantially all of its employees, other than those of the Jesuit Community, and which is funded through direct payments to the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and/or Fidelity

Investment Tax Exempt Services Company for the purchase of individual annuities. For each eligible employee, the University generally contributes an amount equal to between 8% and 10% of the employee's salary or base compensation and the employee contributes 2-1/2%. With respect to faculty and administrative members of the Jesuit Community, an equivalent between 8% and 10% of their salaries are paid directly to the Jesuit Community. Retirement contributions paid by the University and charged to unrestricted operations for the years ended June 30, 2015 and 2014 were $5,111,006 and $4,740,336, respectively.

(7) Endowment Funds

In August 2008, the FASB issued "Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosure for all Endowment Funds." This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Connecticut adopted the Uniform Management of Institutional Funds Act effective October 1, 2007 (CUPMIFA). This pronouncement requires disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The University's endowment is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research and public service and funds designated by the Board of Trustees to function as endowment. Earnings from endowment investments support scholarships, chairs, professorships, fellowships, basic research, as well as academic and public service programs. The endowment should provide stability since the principal is invested and earnings are generated year after year. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

To accomplish these goals, 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 primary investment objective of the endowment is to attain an average annual total return in excess of the spending rate (currently at 4.25% of the average fair market value of total endowment assets for the preceding twelve quarters); over the long term, defined as rolling five-year periods that should be achieved within acceptable risk levels, while avoiding large short-term declines in market value. Actual returns in any given year may vary from this amount. The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Board of Trustees, after consideration of the factors provided in CUPMIFA, approved a policy that, absent specific donor imposed directions, University management may decide to spend a portion of or the entire spending amount on funds which are underwater. For the years ended June 30, 2015 and 2014, funds were distributed in total according to the spending formula. Although CUPMIFA permits prudent spending from the individual underwater endowments, the Board chose not to spend from those funds but to fund this spending from the University unrestricted quasi-endowment.

Assets of the endowment and quasi-endowment are pooled on a market value basis, with each individual asset subscribing to or disposing of units on the basis of the market value per unit at the end of the quarter within which the transaction takes place.

At June 30, 2015, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	48,695,696	136,528,369	185,224,065
Board-designated funds		139,274,831	—	—	139,274,831
Total endowment funds	$	139,274,831	48,695,696	136,528,369	324,498,896

Changes in endowment net assets for the fiscal year ended June 30, 2015 consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2014	$	138,212,973	49,824,956	133,380,863	321,418,792
Investment return:					
Investment income		1,391,468	1,185,326	64,437	2,641,231
Realized and unrealized gains, net		3,377,123	2,898,160	33,468	6,308,751
Total investment return		4,768,591	4,083,486	97,905	8,949,982
Contributions		—	—	3,140,088	3,140,088
Appropriation of endowment assets for expenditure		(6,119,311)	(5,212,746)	—	(11,332,057)
Other changes:					
Change in value split interest agreement		—	—	(90,487)	(90,487)
Transfers to add board-designated endowment funds		2,412,578	—	—	2,412,578
Endowment net assets at June 30, 2015	$	139,274,831	48,695,696	136,528,369	324,498,896

At June 30, 2014, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	49,824,956	133,380,863	183,205,819
Board-designated funds		138,212,973	—	—	138,212,973
Total endowment funds	$	138,212,973	49,824,956	133,380,863	321,418,792

Changes in endowment net assets for the fiscal year ended June 30, 2014 consisted of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2013	$ 118,557,648	34,526,446	126,858,216	279,942,310
Investment return:				
Investment income	1,114,781	949,628	78,740	2,143,149
Realized and unrealized gains, net	24,241,132	19,242,420	512,020	43,995,572
Total investment return	25,355,913	20,192,048	590,760	46,138,721
Contributions	44,000	—	6,044,762	6,088,762
Appropriation of endowment assets for expenditure	(5,744,588)	(4,893,538)	—	(10,638,126)
Other changes:				
Change in value split interest agreement	—	—	(112,875)	(112,875)
Endowment net assets at June 30, 2014	$ 138,212,973	49,824,956	133,380,863	321,418,792

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	2015	2014
Educational and general services (primarily scholarships)	$ 70,189,144	68,178,249
Acquisition of buildings and equipment	16,873,812	18,939,975
Total temporarily restricted net assets	$ 87,062,956	87,118,224

Permanently restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	2015	2014
Purpose of restrictions:		
Scholarships	$ 83,037,300	80,493,621
Educational and general services	53,491,069	52,887,242
Total permanently restricted net assets	$ 136,528,369	133,380,863

(9) Student Financial Aid

Student financial aid reported in the statements of activities as a reduction of tuition and fees, were funded in fiscal year 2015 and 2014 from the following revenue sources:

		2015	2014
Tuition and fees	$	58,734,072	55,419,322
Endowment distribution		4,664,316	3,449,456
Contributions		757,433	809,294
Government grants		1,046,085	1,270,451
Total student financial aid	$	65,201,906	60,948,523

(10) Operating Leases

The University has various lease agreements, for the bookstore, printers, copiers, and other types of similar equipment, with obligations that extend through 2021. Future minimum rental payments at June 30, 2015, under agreements classified as operating leases with terms in excess of one year are as follows:

2016	$	988,469
2017		883,135
2018		854,702
2019		782,763
2020		666,788
Thereafter		687,500
Total future minimum lease payments	$	4,863,357

(11) Commitments and Contingencies

At June 30, 2015, the University had a line of credit agreement which allows for borrowings up to $20,000,000. The agreement expires on January 23, 2017. Interest on any borrowings is at the LIBOR rate plus 0.80%. There is an unused commitment fee of 0.30% per annum. There were no borrowings during the year or outstanding at June 30, 2015.

The University is involved in various legal actions, arising in the normal course of operations. The University is of the opinion that the resolution of these matters will not have a significant effect on the financial condition of the University.