FAIRFIELD UNIVERSITY

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

FAIRFIELD UNIVERSITY

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Fairfield University as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 28, 2017

FAIRFIELD UNIVERSITY

Statements of Financial Position

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	55,414,181	50,086,146
Accounts receivable – students, less allowance for doubtful collections of $752,656 in 2017 and $702,551 in 2016		222,157	169,824
Student loans, less allowance for doubtful collections of $300,000 in 2017 and 2016		2,705,736	2,865,319
Contributions receivable, net		45,221,565	29,361,443
Other assets		7,277,298	8,118,009
Deposits with bond trustees		50,001,935	69,428,300
Investments		382,117,977	325,372,539
Land, buildings, and equipment, net		338,285,609	300,103,714
Total assets	$	881,246,458	785,505,294
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	28,415,930	22,413,388
Accrued compensation		12,589,990	12,636,657
Deferred revenue		18,789,703	17,066,735
Government grants refundable – student loans		2,434,466	2,415,716
Long-term debt, net		240,368,885	247,218,762
Total liabilities		302,598,974	301,751,258
Net assets:			
Unrestricted		300,164,086	255,104,159
Temporarily restricted		131,061,654	88,724,820
Permanently restricted		147,421,744	139,925,057
Total net assets		578,647,484	483,754,036
Total liabilities and net assets	$	881,246,458	785,505,294

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total
Operating revenues:				
Educational and general:				
Tuition and fees	$ 217,905,771	—	—	217,905,771
Less student financial aid	(75,294,569)	—	—	(75,294,569)
Net tuition and fees	142,611,202	—	—	142,611,202
Government grants and contracts	624,400	2,705,295	—	3,329,695
Contributions	3,920,142	6,443,744	—	10,363,886
Investment return designated for current operations	4,843,351	6,417,116	—	11,260,467
Departmental and other revenues	3,884,151	—	—	3,884,151
Net assets released from restrictions	13,093,723	(13,093,723)	—	—
Total educational and general	168,976,969	2,472,432	—	171,449,401
Auxiliary services	43,476,147	—	—	43,476,147
Total operating revenues	212,453,116	2,472,432	—	214,925,548
Operating expenses:				
Educational and general service:				
Instruction	73,064,203	—	—	73,064,203
Research	885,305	—	—	885,305
Public service	1,872,542	—	—	1,872,542
Academic support	21,063,254	—	—	21,063,254
Institutional support	36,615,310	—	—	36,615,310
Student services	30,111,345	—	—	30,111,345
Total educational and general services	163,611,959	—	—	163,611,959
Auxiliary services	37,753,887	—	—	37,753,887
Total operating expenses	201,365,846	—	—	201,365,846
Increase in net assets from operations	11,087,270	2,472,432	—	13,559,702
Nonoperating activities:				
Contributions for nonoperating purposes	87,104	42,252,353	7,520,641	49,860,098
Investment return in excess of amounts designated for current operations	13,305,661	17,586,783	530,629	31,423,073
Net asset reclassifications/other	(1,032,336)	1,603,165	(443,425)	127,404
Change in value split interest agreements	(3,297)	37,626	(111,158)	(76,829)
Nonoperating net assets released from restrictions	21,615,525	(21,615,525)	—	—
Total nonoperating activities	33,972,657	39,864,402	7,496,687	81,333,746
Increase in net assets	45,059,927	42,336,834	7,496,687	94,893,448
Net assets:				
Beginning of year	255,104,159	88,724,820	139,925,057	483,754,036
End of year	$ 300,164,086	131,061,654	147,421,744	578,647,484

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total
Operating revenues:				
Educational and general:				
Tuition and fees	$ 210,091,665	—	—	210,091,665
Less student financial aid	(68,152,293)	—	—	(68,152,293)
Net tuition and fees	141,939,372	—	—	141,939,372
Government grants and contracts	949,274	2,056,029	—	3,005,303
Contributions	3,992,941	6,199,483	—	10,192,424
Investment return designated for current operations	5,112,714	7,440,944	—	12,553,658
Departmental and other revenues	3,822,521	—	—	3,822,521
Net assets released from restrictions	12,896,218	(12,896,218)	—	—
Total educational and general	168,713,040	2,800,238	—	171,513,278
Auxiliary services	41,928,855	—	—	41,928,855
Total operating revenues	210,641,895	2,800,238	—	213,442,133
Operating expenses:				
Educational and general service:				
Instruction	69,862,649	—	—	69,862,649
Research	798,057	—	—	798,057
Public service	1,590,415	—	—	1,590,415
Academic support	20,542,163	—	—	20,542,163
Institutional support	38,802,546	—	—	38,802,546
Student services	29,250,197	—	—	29,250,197
Total educational and general services	160,846,027	—	—	160,846,027
Auxiliary services	37,814,321	—	—	37,814,321
Total operating expenses	198,660,348	—	—	198,660,348
Increase in net assets from operations	11,981,547	2,800,238	—	14,781,785
Nonoperating activities:				
Contributions for nonoperating purposes	6,510	12,128,867	3,753,222	15,888,599
Investment return less than amounts designated for current operations	(5,706,028)	(7,749,307)	(37,270)	(13,492,605)
Net asset reclassifications/other	(218,607)	232,534	(221,816)	(207,889)
Loss on long term debt advance refunding	(1,957,786)	—	—	(1,957,786)
Change in value split interest agreements	(3,026)	—	(97,448)	(100,474)
Nonoperating net assets released from restrictions	5,750,468	(5,750,468)	—	—
Total nonoperating activities	(2,128,469)	(1,138,374)	3,396,688	129,845
Increase in net assets	9,853,078	1,661,864	3,396,688	14,911,630
Net assets:				
Beginning of year	245,251,081	87,062,956	136,528,369	468,842,406
End of year	$ 255,104,159	88,724,820	139,925,057	483,754,036

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 94,893,448	14,911,630
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,649,814	16,860,494
Net loss on disposal of buildings and equipment	30,363	907,602
Loss on extinguishment of debt	—	1,957,786
Contributions restricted for long-term investment	(34,109,139)	(13,715,846)
Realized and unrealized (gains) losses on investments, net	(39,184,234)	4,669,997
Changes in operating assets and liabilities:		
Contributions receivable	(15,860,122)	(4,296,574)
Student accounts receivable	(52,333)	(13,809)
Other assets	735,382	563,751
Accounts payable and other accrued liabilities and accrued compensation	(1,314,389)	3,306,664
Deferred revenue	1,722,968	424,806
Government grants refundable – student loans	18,750	35,211
Net cash provided by operating activities	24,530,508	25,611,712
Cash flows from investing activities:		
Proceeds from sale of investments	73,708,941	48,220,941
Purchase of investments	(91,270,145)	(47,579,947)
Purchase of buildings and equipment	(56,269,050)	(31,589,359)
Accruals for the acquisition of buildings and equipment	7,270,264	1,760,748
Issuance of student loans	(353,165)	(583,216)
Repayment of student loans	512,748	460,841
Net cash used in investing activities	(66,400,407)	(29,309,992)
Cash flows from financing activities:		
Cash proceeds from contributions restricted for:		
Permanently restricted endowment	7,692,515	3,629,988
Temporarily restricted funds for capital	26,416,624	10,085,858
Net proceeds from long-term borrowing	—	71,858,707
Principal payments from refinancing and retirement of debt	—	(17,955,000)
Payment of long-term debt principal	(6,442,899)	(6,149,187)
Bond issuance costs incurred	—	(570,444)
Decrease (increase) in deposits with bond trustees	19,531,694	(48,424,836)
Net cash provided by financing activities	47,197,934	12,475,086
Net increase in cash and cash equivalents	5,328,035	8,776,806
Cash and cash equivalents:		
Beginning of year	50,086,146	41,309,340
End of year	$ 55,414,181	50,086,146
Supplemental disclosure of cash flow information:		
Interest paid on debt, including capitalized interest of $2,330,000 in 2017 and $815,500 in 2016	$ 11,687,869	10,361,258

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

(i) 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.

(ii) 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 adjusted interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

(Continued)

(iii) 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, 2017 containing balances, which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2017 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, P, and Q-1. 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.

(Continued)

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 or published 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 or published prices in active markets 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, certificates of deposit, fixed income, corporate stocks, equity funds, bond investment fund, and deposits with bond trustees.

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

(Continued)

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 or published market prices are used to value short-term investments, fixed income securities, corporate stocks, equity funds, and bond investment fund. 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.

(i) 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.

(ii) 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.

(iii) Bond Investment Fund (Registered)

Bonds in investment fund include a mutual fund (registered under the Investors' 1940 Act). Mutual funds are principally invested in fixed income securities and trade in over the counter markets.

(iv) 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.

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(v) 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 certain hedge fund investments fair value.

(vi) 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 $18,071,550 and $17,132,196 for the years ended June 30, 2017 and 2016, respectively. Conditional asset retirement obligations included in accrued liabilities are $2,405,938 and $3,001,658 as of June 30, 2017 and 2016, 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 that are allocated for the years ended June 30 are:

		2017	2016
Plant operations and maintenance	$	17,509,552	16,375,908
Depreciation		18,071,550	17,132,196
Interest expense and amortization of bond discount and premium		8,936,134	9,364,548

Included in institutional support expenses are fund raising costs of $6,410,077 and $6,722,076 in fiscal 2017 and 2016, respectively.

(m) Income Taxes

The University is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code. The University recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2017, the University has not identified or provided for any such positions.

(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, and functional allocation of expenses. Actual results could differ from those estimates.

(o) Reclassifications

Certain reclassifications have been made to the 2016 amounts to conform to the current year presentation.

(p) Subsequent Events

The University has performed an evaluation of subsequent events through September 28, 2017, which is the date the financial statements were issued and has determined that there are no subsequent events to disclose.

(Continued)

(2) Contributions Receivable

Contributions receivable at June 30, 2017 and 2016 are expected to be collected as follows:

		2017	2016
2017	$	—	9,124,700
2018		14,923,145	6,218,483
2019		10,862,072	6,122,318
2020		8,601,512	4,036,012
2021		5,994,507	2,517,497
2022 and later		6,558,991	2,603,491
		46,940,227	30,622,501
Less:			
Present value discount (at rates ranging from 1.0% to 1.89%)		(1,518,662)	(1,061,058)
Allowance for doubtful collections		(200,000)	(200,000)
Contributions receivable, net	$	45,221,565	29,361,443

Amounts receivable from three donors represented 64% and 52% of gross contributions receivable in the years ended June 30, 2017 and 2016, respectively. During 2017, 66% of gross contributions revenue was recognized from two donors. During 2016, 21% of gross contributions revenue was recognized from two donors.

(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, 2017 and 2016:

		Assets at fair value as of June 30, 2017			
		Level 1	Level 2		Total
Investments:					
Cash equivalents held for reinvestment	$	29,335,262	—		29,335,262
Certificates of deposit		27,500,000	—		27,500,000
Fixed income		—	6,038,253		6,038,253
Corporate stocks		182,425,663	—		182,425,663
Equity funds		23,787,068	—		23,787,068
Bond investment fund		35,386,420	—		35,386,420
	$	298,434,413	6,038,253		304,472,666
Investment funds:					
Measured at net asset value (or its equivalent)					77,645,311
Total investments				$	382,117,977

	Assets at fair value as of June 30, 2016		
	Level 1	**Level 2**	**Total**
Investments:			
Cash equivalents held for reinvestment	$ 24,113,284	—	24,113,284
Certificates of deposit	10,510,000	—	10,510,000
Fixed income	—	5,332,657	5,332,657
Corporate stocks	152,008,272	—	152,008,272
Equity funds	19,235,196	—	19,235,196
Bond investment fund	34,064,259	—	34,064,259
	$ 239,931,011	5,332,657	245,263,668
Investment funds:			
Measured at net asset value (or its equivalent)			80,108,871
Total investments			$ 325,372,539

The University uses the NAV to determine the fair value of all the 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, 2017						
	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	$ 32,181,372	20	1–9 years	$ 9,873,767	1-3 years	N/A*
Equity funds (nonregistered)	Equities in investment funds (nonregistered)	17,287,591	4	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	28,176,348	2	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
		$ 77,645,311	26		$ 9,984,767		

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

(Continued)

	June 30, 2016						
	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	$ 39,180,658	20	1–10 years	$ 11,442,051	1–4 years	N/A*
Equity funds (nonregistered)	Equities in investment funds (nonregistered)	14,760,374	4	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	26,167,839	2	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
		$ 80,108,871	26		$ 11,553,051		

* 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, 2017 and 2016:

	2017	2016
Dividends and interest	$ 2,972,991	3,572,175
Realized and unrealized gains (losses), net	39,145,447	(4,668,287)
Return on long-term investments	42,118,438	(1,096,112)
Interest on short-term investments	565,102	157,165
Total return on investments	42,683,540	(938,947)
Investment return designated for current operations	(11,260,467)	(12,553,658)
Investment return in excess of (less than) amounts designated for current operations	$ 31,423,073	(13,492,605)

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, 2017 and 2016 is as follows:

		2017	2016
Land and land improvements	$	24,170,535	23,604,489
Buildings		451,035,251	427,723,070
Equipment and library books		60,714,507	58,190,420
Construction in progress		50,335,931	21,707,569
		586,256,224	531,225,548
Less accumulated depreciation		(247,970,615)	(231,121,834)
Land, buildings, and equipment, net	$	338,285,609	300,103,714

At June 30, 2017 and 2016, construction in progress represents ongoing construction costs associated with new construction and improvements to various University facilities on campus.

At June 30, 2017 and 2016, net investment in plant included in unrestricted net assets totaled $133,244,338 and $103,517,430, respectively.

(5) Long-Term Debt

Bonds and notes payable at June 30, 2017 and 2016 consisted of the following:

			June 30, 2017		June 30, 2016	
Type of financing	Average interest rate		Unamortized amounts	Outstanding balances*	Unamortized amounts	Outstanding balances*
CHEFA Bonds 2008-M, due 2034	4.76 %	$	92,355	6,238,343	97,787	7,967,911
CHEFA Bonds 2008-N, due 2034	4.92		1,889,689	79,942,420	2,053,393	84,350,097
CHEFA Bonds 2010-O, due 2040	5.09		292,260	73,004,976	305,132	72,969,088
CHEFA Bonds 2010-P, due 2028	4.42		353,945	8,779,608	386,988	9,144,707
CHEFA Bonds 2016-Q-1, due 2046	4.16		7,181,255	52,750,581	7,416,341	52,975,212
CHEFA Bonds 2016-Q-2, due 2034	2.96		2,455,955	19,574,333	2,588,263	19,699,983
Capital Leases, due 2019	Variable		—	78,623	—	111,764
		$	12,265,460	240,368,885	12,847,904	247,218,762

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

The above listed CHEFA bonds financed for various campus facilities are payable in annual installments on a graduating scale.

The premiums (discounts) will be amortized as reductions (increase) in interest expense over the remaining life of the bonds. The University amortized $502,090 and $271,702 of debt premiums to interest expense in the years ended June 30, 2017 and 2016, respectively.

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 are as follows:

Type of financing		2017	2016
CHEFA Bonds 2008-M	$	808,588	1,902,525
CHEFA Bonds 2008-N		8,349,671	8,747,244
CHEFA Bonds 2010-O		7,400,046	7,388,856
CHEFA Bonds 2010-P		893,203	925,431
CHEFA Bonds 2016-Q-1, Construction		32,548,893	48,138,756
CHEFA Bonds 2016-Q-1, Capitalized Interest		1,533	2,325,488
	$	50,001,935	69,428,300

The Series Q-1 bonds were issued in February 2016 and the proceeds will be used for the renovation of the Health Sciences Building and various other University facilities on campus. The Series Q-2 bonds were issued in March 2016 in order to advance refund a portion of the Series M bonds and to pay costs of issuance of the bonds. The effect of the refunding was a nonoperating charge of $1,957,786 in the year ended June 30, 2016.

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, 2017.

Interest expense and amortization of bond discount and premium for the years ended June 30, 2017 and 2016 was $8,936,134 and $9,364,548, 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, 2017 and in total thereafter is as follows:

2018	$	6,753,666
2019		7,018,016
2020		7,333,021
2021		7,693,122
2022		8,075,799
Thereafter		195,141,063
		232,014,687
Plus unamortized premium/discount		10,309,829
Less unamortization bond issuance costs		(1,955,631)
	$	240,368,885

(Continued)

(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 2-½%. 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, 2017 and 2016 were $5,606,945 and $5,383,115, 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. Funds are also 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 3.5% 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, 2017 and 2016, funds were distributed in total according to the spending formula. Although CUPMIFA permits prudent spending from the individual underwater endowments, the Board of Trustees chose not to spend from those funds, if applicable, 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, 2017, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	58,564,452	147,421,744	205,986,196
Board-designated funds		149,320,070	—	—	149,320,070
Total endowment funds	$	149,320,070	58,564,452	147,421,744	355,306,266

Changes in endowment net assets for the fiscal year ended June 30, 2017 consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2016	$	136,024,347	40,964,440	139,925,057	316,913,844
Investment return:					
Investment income		1,242,879	1,647,537	69,848	2,960,264
Realized and unrealized gains, net		16,646,378	22,041,579	460,781	39,148,738
Total investment return		17,889,257	23,689,116	530,629	42,109,002
Contributions		—	—	7,077,216	7,077,216
Appropriation of endowment assets for expenditure		(4,593,534)	(6,089,104)	—	(10,682,638)
Other changes:					
Change in value split interest agreement		—	—	(111,158)	(111,158)
Endowment net assets at June 30, 2017	$	149,320,070	58,564,452	147,421,744	355,306,266

At June 30, 2016, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	40,964,440	139,925,057	180,889,497
Board-designated funds		136,024,347	—	—	136,024,347
Total endowment funds	$	136,024,347	40,964,440	139,925,057	316,913,844

Changes in endowment net assets for the fiscal year ended June 30, 2016 consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2015	$	139,274,831	48,695,696	136,528,369	324,498,896
Investment return:					
Investment income		1,498,361	1,986,200	73,604	3,558,165
Realized and unrealized losses, net		(1,899,881)	(2,659,440)	(110,874)	(4,670,195)
Total investment return		(401,520)	(673,240)	(37,270)	(1,112,030)
Contributions		—	—	3,531,406	3,531,406
Appropriation of endowment assets for expenditure		(5,324,468)	(7,058,016)	—	(12,382,484)
Other changes:					
Change in value split interest agreement		—	—	(97,448)	(97,448)
Transfers to add board-designated endowment funds		2,475,504	—	—	2,475,504
Endowment net assets at June 30, 2016	$	136,024,347	40,964,440	139,925,057	316,913,844

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

		2017	2016
Educational and general services (primarily scholarships)	$	81,408,940	60,427,630
Acquisition of buildings and equipment		49,652,714	28,297,190
Total temporarily restricted net assets	$	131,061,654	88,724,820

Permanently restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

		2017	2016
Purpose of restrictions:			
Scholarships	$	89,953,445	85,965,061
Educational and general services		57,468,299	53,959,996
Total permanently restricted net assets	$	147,421,744	139,925,057

(9) Student Financial Aid

Student financial aid reported in the statements of activities as a reduction of tuition and fees were funded in fiscal years 2017 and 2016 from the following revenue sources:

		2017	2016
Tuition and fees	$	69,938,772	62,283,310
Endowment distribution		4,138,098	4,354,070
Contributions		869,240	942,979
Government grants		348,459	571,934
Total student financial aid	$	75,294,569	68,152,293

(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 2022. Future minimum rental payments at June 30, 2017, under agreements classified as operating leases with terms in excess of one year are as follows:

2018	$	1,084,727
2019		968,044
2020		748,722
2021		558,056
2022		137,500
Total future minimum lease payments	$	3,497,049

(11) Commitments and Contingencies

At June 30, 2017, the University had a line of credit agreement, which allows for borrowings up to $20,000,000. The agreement expires on January 23, 2019. 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, 2017 and 2016.

The University has entered into construction-related commitments of approximately $40,000,000 as of June 30, 2017.

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.