MARQUETTE UNIVERSITY

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

MARQUETTE UNIVERSITY

Table of Contents

KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Trustees
Marquette University:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marquette University as of June 30, 2015 and 2014, 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

Milwaukee, Wisconsin
September 9, 2015

MARQUETTE UNIVERSITY

Statements of Financial Position

June 30, 2015 and 2014

(Dollars in thousands)

Assets		**2015**	**2014**
Cash and cash equivalents	$	62,019	67,551
Collateral held under securities lending agreement		24,815	29,475
Unexpended bond proceeds		2,229	19,274
Contributions receivable, net		45,007	56,904
Accounts receivable, net		12,075	11,394
Prepaid expenses and deferred charges		8,201	7,369
Student loans receivable, net		40,265	42,681
Investments		590,008	560,506
Funds held in trust by others		18,857	19,313
Other assets		4,942	1,164
Net property, buildings, and equipment		524,394	508,511
Total assets	$	1,332,812	1,324,142
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	15,373	16,575
Accrued liabilities		25,180	23,782
Payables under securities lending agreement		24,815	29,475
Student credits and other advance payments		7,699	7,578
Deferred revenue and deposits		33,584	33,229
Payable to beneficiaries under split-interest agreements		3,196	3,975
Refundable federal loan grants		40,547	35,940
Postretirement benefits payable		3,992	4,473
Notes and bonds payable		204,044	235,294
Total liabilities		358,430	390,321
Net assets:			
Unrestricted		228,891	216,159
Temporarily restricted		360,917	359,731
Permanently restricted		384,574	357,931
Total net assets		974,382	933,821
Total liabilities and net assets	$	1,332,812	1,324,142

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statement of Activities

Year ended June 30, 2015

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Student tuition and fees – gross	$ 366,931	—	—	366,931
Less tuition discounts	(121,574)	—	—	(121,574)
Net tuition and fees	245,357	—	—	245,357
Government and private grants	21,348	—	—	21,348
Contributions	3,291	28,879	25,767	57,937
Auxiliary enterprises	50,056	—	—	50,056
Sales by educational departments	9,711	—	—	9,711
Investment income	716	1,056	131	1,903
Endowment income used in operations	5,331	17,080	302	22,713
Other income	20,292			20,292
Total operating revenues	356,102	47,015	26,200	429,317
Net assets released from restrictions	34,011	(34,011)	—	—
Total operating revenues and net assets released from restrictions	390,113	13,004	26,200	429,317
Operating expenses:				
Instruction	118,546	—	—	118,546
Academic support	43,696	—	—	43,696
Research and grants	22,479	—	—	22,479
Libraries	20,307	—	—	20,307
Student services	52,568	—	—	52,568
Auxiliary enterprises	44,350	—	—	44,350
Institutional support	71,989	—	—	71,989
Public services	4,633	—	—	4,633
Total operating expenses	378,568	—	—	378,568
Operating income	11,545	13,004	26,200	50,749
Nonoperating activities:				
Endowment gain in excess of (less than) amounts designated for current operations, net	6,711	(12,047)	(65)	(5,401)
Other, net	(5,524)	229	508	(4,787)
Total nonoperating activities, net	1,187	(11,818)	443	(10,188)
Change in net assets	12,732	1,186	26,643	40,561
Net assets, beginning of year	216,159	359,731	357,931	933,821
Net assets, end of year	$ 228,891	360,917	384,574	974,382

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statement of Activities

Year ended June 30, 2014

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Student tuition and fees – gross	$ 354,470	—	—	354,470
Less tuition discounts	(115,772)	—	—	(115,772)
Net tuition and fees	238,698	—	—	238,698
Government and private grants	23,930	—	—	23,930
Contributions	4,143	32,435	18,548	55,126
Auxiliary enterprises	48,602	—	—	48,602
Sales by educational departments	9,618	—	—	9,618
Investment income (loss)	322	654	(82)	894
Endowment income used in operations	5,287	15,984	328	21,599
Other income	20,208	—	—	20,208
Total operating revenues	350,808	49,073	18,794	418,675
Net assets released from restrictions	33,987	(33,987)	—	—
Total operating revenues and net assets released from restrictions	384,795	15,086	18,794	418,675
Operating expenses:				
Instruction	115,257	—	—	115,257
Academic support	41,819	—	—	41,819
Research and grants	22,152	—	—	22,152
Libraries	19,794	—	—	19,794
Student services	52,902	—	—	52,902
Auxiliary enterprises	42,552	—	—	42,552
Institutional support	78,228	—	—	78,228
Public services	4,588	—	—	4,588
Total operating expenses	377,292	—	—	377,292
Operating income	7,503	15,086	18,794	41,383
Nonoperating activities:				
Endowment gain in excess of amounts designated for current operations, net	5,988	37,170	1,004	44,162
Other, net	121	(1,103)	120	(862)
Total nonoperating activities, net	6,109	36,067	1,124	43,300
Change in net assets	13,612	51,153	19,918	84,683
Net assets, beginning of year	202,547	308,578	338,013	849,138
Net assets, end of year	$ 216,159	359,731	357,931	933,821

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2015 and 2014

(Dollars in thousands)

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	40,561	84,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		36,293	34,145
Discount amortization		(489)	(489)
Net realized and unrealized appreciation on investments		(10,760)	(60,974)
Bad debt expense		945	1,699
Contributions for major capital projects including gifts in kind		(31,738)	(18,848)
Contributions restricted for long-term endowments		(25,767)	(18,548)
Permanently restricted endowment income used in operations		(302)	(328)
Gain on sale of property, buildings, and equipment		1,156	798
Changes in assets and liabilities:			
Accounts receivable		(864)	(820)
Contributions receivable		13,027	932
Funds held in trust by others		456	1,773
Other assets, net		(4,768)	221
Payables and other liabilities		(1,813)	4,550
Deferred revenue and deposits		355	5,408
Net cash provided by operating activities		16,292	34,202
Cash flows from investing activities:			
Purchases of property, buildings, and equipment		(51,686)	(42,799)
Proceeds from sale of property, buildings, and equipment		416	58
Student loan repayments		9,083	6,755
Student loans issued		(6,686)	(7,533)
(Decrease) increase in payables under securities lending agreement		(4,660)	9,289
Decrease (increase) in cash collateral held under securities lending agreement		4,660	(9,289)
Purchase of investments		(233,657)	(304,215)
Proceeds from the sale of investments		231,960	304,512
Net cash used in investing activities		(50,570)	(43,222)
Cash flows from financing activities:			
Contributions received for major capital projects		30,546	18,756
Contributions restricted for long-term endowments		23,894	23,609
Permanently restricted endowment income used in operations		302	328
Increase in refundable federal loan grants		4,607	191
Repayment of notes and bonds payable		(30,603)	(8,005)
Net cash provided by financing activities		28,746	34,879
Net (decrease) increase in cash and cash equivalents		(5,532)	25,859
Cash and cash equivalents, beginning of year		67,551	41,692
Cash and cash equivalents, end of year	$	62,019	67,551

See accompanying notes to financial statements.

(1) Organization

Marquette University (the University) is an independent, coeducational, not-for-profit institution of higher learning and research located in Milwaukee, Wisconsin, formally opened in 1881 and conducted under the auspices of the Society of Jesus. Through its 12 separate colleges and schools, the University offers bachelor's degree programs, master's degree programs, doctoral degree programs, and post-baccalaureate first professional degree programs.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the University have been prepared, in all material respects, on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets of the University, and changes therein, are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenses are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the net assets being released from restriction.

Temporarily Restricted Net Assets are subject to donor-imposed restrictions that will be met either by actions of the University, the passage of time, or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations detailing how long the contributed assets must be used, the University has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives. As a result, all contributions of property and equipment, and assets contributed to acquire property and equipment, are recorded as temporarily restricted net assets.

Permanently Restricted Net Assets are subject to donor-imposed restrictions to be maintained permanently by the University. Items that are included are gifts and contributions for which donors stipulate that the corpus be held in perpetuity and the income from those assets be made available for scholarships or program operations and annuity or life income gifts for which the ultimate purpose is permanently restricted.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(Continued)

(c) Cash and Cash Equivalents

Cash on deposit for operations and all highly liquid financial instruments with original maturities of three months or less are classified as cash equivalents, except those amounts held by investment managers, which are classified as investments. The fair value of cash equivalents is estimated to be the same as book value due to the short maturity of these instruments.

(d) Unexpended Bond Proceeds

Unexpended bond proceeds represent the amount of unspent revenue bond proceeds that remain available for their specified purpose and are reported at fair value based upon market quotes. These amounts are maintained in a trust and invested by the trustee primarily in short-term U.S. government securities. Under the terms of the trust, proceeds are not released to the University until expenditures related to the specific purpose of the bond indenture are incurred.

(e) Prepaid Expenses and Deferred Charges

Prepaid expenses and deferred charges consist of deferred financing costs and prepaid insurance, maintenance and other costs associated with future periods. Deferred financing costs are being amortized using the straight-line method, which approximates the interest method, over the lives of the respective debt issues.

(f) Investments

Investments are reported at fair value based on market quotes with unrealized gains and losses thereon included in the statements of activities. When a ready market for the investments does not exist the net asset value is used as a practical expedient in estimating fair value, based on information provided by fund managers or general partners. The estimated values are reviewed and evaluated by the University. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

(g) Funds Held in Trust by Others

Funds held in trust by others represent amounts held by third-party trustees for the benefit of the University under trust agreements created by donors. Amounts held in trust are stated at fair value. These agreements stipulate the length of the trust and the intended purpose of the funds.

(h) Student Loans Receivable, Net

The University makes uncollateralized loans to students based on financial need. Student loans receivable consist of both federal and institutional loans.

(Dollars in thousands)

At June 30, student loans consisted of the following:

		2015	2014
Federal government loan programs	$	38,972	41,105
Institutional loan programs		1,380	1,666
Subtotal		40,352	42,771
Less allowance for doubtful accounts:			
Beginning of year		(90)	(94)
Increases		(79)	(17)
Write-offs		82	21
End of year		(87)	(90)
Student loans receivable, net	$	40,265	42,681

The University participates in the Perkins, Health Professionals Student, Nursing Student, Nurse Faculty, ARRA-Nurse Faculty, and Loans for Disadvantaged Student federal revolving loan programs. The availability of funds for loans under the program, is dependent on reimbursements to the pool from repayments on outstanding loans. At June 30, 2015 and 2014, the U.S. government had provided 88% of the funds for the federal student loan programs, and the University provided the remaining 12%. The initial receipt of U.S. government funds is recorded as refundable federal loan grants on the statements of financial position. A portion of the student loan may be canceled if the student meets certain criteria. The University will either be reimbursed by the U.S. government for its portion of the canceled loan or will reduce the refundable federal loan liability.

At June 30, 2015 and 2014, the following amounts were past due under student loan programs:

June 30		1–240 days	241 days to 2 years	over 2 years	Total
2015	$	1,846	567	1,373	3,786
2014		2,323	927	1,539	4,789

The University records an allowance for uncollectible accounts for its portion of the student loans when, in management's judgment, it is probable a portion of the loan will not be collected. Allowances for doubtful accounts are established based on prior collections. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

(Dollars in thousands)

(i) Property, Buildings, and Equipment

Property, buildings, and equipment are recorded at cost at date of acquisition or fair value at date of donation including, where appropriate, capitalized interest. Property and equipment under capital leases are initially valued and recorded on the present value of minimum lease payments. The University depreciates buildings, building improvements, land improvements, equipment, and library contents, over the estimated useful lives of the assets (25 to 50, 10 to 20, 10 to 20, 5 to 7, and 20 years, respectively) using the straight-line method. Leasehold improvements are amortized over the shorter of the expected useful life of the asset or term of the related lease. Major renewals and improvements that extend the useful life of an asset are capitalized, while repairs and maintenance costs are expensed as incurred. Depreciation is not calculated on land, art collections, rare books and construction in progress. The University reviews each grouping of assets with separately identifiable cash flows for possible impairment whenever circumstances indicate that the carrying amount may not be recoverable. Measurement of an impairment loss for long-lived assets that the University expects to hold and use is based on the fair value of the asset. Properties that are expected to be disposed are reported at the lower of the carrying amount or estimated fair value less cost to sell. For properties intended for disposal, the useful life is adjusted to reflect the expected remaining period of service.

Property, buildings, and equipment include the following at June 30, 2015 and 2014:

		2015	2014
Land and improvements	$	51,279	41,106
Buildings and improvements		638,800	616,043
Construction in progress		16,587	15,584
Furniture, fixtures, and equipment		128,180	124,377
Library contents		116,837	114,254
Intangible assets		1,851	742
Less accumulated depreciation		(429,140)	(403,595)
Net property, buildings, and equipment	$	524,394	508,511

Construction in progress includes the following as of June 30, 2015 and 2014:

		2015	2014
Jesuit Residence	$	7,730	—
Humphrey Hall Conversion to Residence Hall		1,887	—
Coughlin Hall Remodel		1,544	—
Rec Plex Renovation		899	—
Marquette Hall Historic Core		—	8,786
Johnston Hall Historic Core		—	3,431
Schroeder Biomedical Lab		—	660
Other renovation and construction projects		4,527	2,707
Total construction in progress	$	16,587	15,584

(Continued)

(j) Asset Retirement Obligations

The University records all known asset retirement obligations for which the liability's fair value can be reasonably estimated, primarily asbestos removal. The determination of the asset retirement obligation is based upon a number of assumptions that incorporate the University's knowledge of facilities, the asset lives, the estimated timeframes for periodic renovations, the current cost for remediation of asbestos, and the current technology at hand to accomplish the remediation work. These assumptions used to determine the asset retirement obligation may be imprecise or be subject to changes in the future. Any change in the assumptions can impact the value of the determined liability and impact future net activities of the University.

(k) Student Tuition and Fees

Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student deposits and advance payments for tuition related to the next semester have been deferred and will be reported as unrestricted revenue in the year in which the academic services are rendered. Student tuition and fees are reported net of tuition discounts.

(l) Auxiliary Enterprises

Auxiliary enterprises include revenues and expenses of the University for room and board, parking services, commercial property rentals and gift shops.

(m) Contributions

Contributions, including unconditional promises to give (pledges), are recorded as operating revenue. Gifts, excluding artwork, are recognized in the appropriate category of net assets in the period received. Temporarily restricted contributions and restricted investment income whose restrictions are met in the same reporting period are reported as temporarily restricted revenues and as net assets released from restrictions in the statements of activities. Contributions are recorded at their estimated fair value at the date the gift is received. Contributions receivable due beyond one year are stated at estimated net present value, net of an allowance, and recorded as temporarily restricted net assets until cash payments are received and donor restrictions are fulfilled. Allowances and revisions to previous year contributions based on donor amendments or clarifications of intent are reflected within the statements of activities as a nonoperating item. Contributions with donor-imposed conditions are not recognized unless it is reasonably expected that the conditions can be met.

(n) Operating Income

Operating results (change in unrestricted net assets from operating activity) in the statements of activities reflect all transactions that change unrestricted net assets, except for activity associated with endowment investments and certain other nonrecurring transactions including loss on defeasance. In accordance with the University's endowment distribution policy as described in note 5, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest, and realized gains and losses on unrestricted nonendowed investments.

The University's primary programs are instruction, research, and public service. Academic support, student services, and auxiliary enterprises are considered integral to the delivery of these programs. Fundraising costs are not material to the University's total program costs. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic facility usage surveys. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds.

(o) Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 71.26(1)(a) of the Wisconsin statutes and is generally not subject to federal and state income taxes. However, the University is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The University has adopted FASB Accounting Standards Codification (ASC) Subtopic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entity account for and disclose in the financial statements the impact of a tax position if that position will more likely than not be sustained upon examination based on the technical merits of the position. The University has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax position that would require tax assets or liabilities to be recorded in accordance with accounting guidance at June 30, 2015 or 2014.

As of June 30, 2015, the university has a federal tax credit carryforward of $141, expiring in 2033.

(p) Art Collection

The University has various collections of fine arts and rare books in museums, libraries, and on loan. The University does not assign or record a value to art works and other collections received as gifts or purchased with contributions restricted for that purpose. Valuations for some collections are updated periodically, and as such, the total value of all fine arts may vary with appraisals and/or auction prices. Accordingly, the value of fine art and other collections has been excluded from the statements of financial position. Proceeds, if any, from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The art and other collections are subject to a requirement that proceeds from their sales be used to acquire other items for collections. Fine arts are included in insurance coverage for the University property and a separate policy is also secured for fine art of high value and where appraised values are listed. As of June 30, 2015, the specific policy covering highly valued works provides for insured coverage of $82,000 aggregate limit (subject to policy sublimits-including $3,000 for the Joan of Arc Chapel) for any one loss or any one occurrence and includes some appraised items from the library collections.

(Dollars in thousands)

(q) New Accounting Pronouncements

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (ASU No. 2015-07). ASU No. 2015-07 amends ASC Topic 820, *Fair Value Measurement*, by removing the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient and limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. The University elected early adoption of ASU No. 2015-07 and implemented this guidance for the year ending June 30, 2015.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Investments

Cost and estimated fair values of investments as of June 30, 2015 and 2014 were as follows:

	2015		2014	
	Cost	**Fair value**	**Cost**	**Fair value**
Money funds and other	$ 36,009	36,014	39,357	39,358
Federal, state, and local agencies securities	38,478	38,601	33,539	33,950
Nongovernment bonds and notes	21,738	22,037	13,389	13,988
Asset and mortgage-backed securities	3,050	3,005	3,177	3,158
Foreign bonds and notes	3,356	3,523	4,037	4,256
Common and preferred stocks	19,993	29,878	17,578	27,765
Mutual funds – bonds	2,174	2,195	2,383	2,450
Mutual funds – equity	48,166	56,031	61,891	79,653
Investments measured at net asset value	297,779	398,724	262,726	355,928
Total investments	$ 470,743	590,008	438,077	560,506

(Dollars in thousands)

The University's investments at fair value are categorized as of June 30, 2015 and 2014 as follows:

		2015	2014
Investments permanently restricted by donors	$	335,124	313,679
Investments functioning as endowment		194,254	195,759
Total investments subject to endowment spending policy		529,378	509,438
Long-term cash management investments		35,410	21,188
Trust and other investments		25,220	29,880
Total investments	$	590,008	560,506

"Investments functioning as endowment" are investments not restricted by donors, but are designated by the University for endowment purposes.

Investment returns as of June 30, 2015 and 2014 comprise the following:

		2015			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends	$	2,253	5,984	218	8,455
Gain on investments, net		10,505	105	150	10,760
Return on investments	$	12,758	6,089	368	19,215
Return on investments are classified on the statement of activities as follows:					
Investment income	$	716	1,056	131	1,903
Endowment income used in operations		5,331	17,080	302	22,713
Endowment gain in excess of (less than) amounts designated for current operations, net		6,711	(12,047)	(65)	(5,401)
Return on investments	$	12,758	6,089	368	19,215

(Continued)

(Dollars in thousands)

Return on investments is net of investment fees of $1,905.

	2014				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends	$	1,493	4,197	(9)	5,681
Gain on investments, net		10,104	49,611	1,259	60,974
Return on investments	$	11,597	53,808	1,250	66,655
Return on investments are classified on the statement of activities as follows:					
Investment income	$	322	654	(82)	894
Endowment income used in operations		5,287	15,984	328	21,599
Endowment gain in excess of (less than) amounts designated for current operations, net		5,988	37,170	1,004	44,162
Return on investments	$	11,597	53,808	1,250	66,655

Return on investments is net of investment fees of $1,842.

The University participates in a securities lending arrangement with BMO Harris Bank Securities Lending (BMO) whereby certain marketable securities owned by the University and included in the pooled endowment are loaned to designated counterparties (borrowers) in exchange for acceptable collateral, which is typically cash or short maturity U.S. Treasury securities. The University may recall securities loaned on short notice. The borrower must post collateral that has a market value of at least 102% of the value of the securities loaned. The collateral is held in custody by BMO and pooled with collateral maintained for other participants in this program. BMO indemnifies the University against loss on the securities loaned as a result of the borrower's default. The University receives lending fees and continues to earn interest and dividends on the loaned securities.

As of June 30, 2015 and 2014, the University had loaned securities with a market value of $23,858 and $28,122, respectively, that were secured by collateral with a market value of approximately $24,815 and $29,475, respectively. The collateral received in connection with the security lending program and the obligation to return such collateral are reported as an asset and liability for financial statement purposes.

(4) Fair Value Measurements

During fiscal year 2015, the University adopted FASB Accounting Standard No. 2015-07, *Fair Value Measurement – Disclosures for Investments in Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This standard removed 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.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used. While the University believes that its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

The carrying amount of student accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short maturity of these financial instruments.

A reasonable estimate of the fair value of student loans receivable under government loan programs could not be made because the notes are not marketable and can only be assigned to the U.S. government or its designees. The fair value of loans receivable from students under the University's loan programs approximates carrying value.

Fair values of cash and cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.

Funds held in collateral under the securities lending agreement are recorded at fair market value based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Unexpended bond proceeds are invested in various securities based on expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

Investments include money funds, federal, state, nongovernment, asset-backed and foreign fixed income securities, stocks, mutual funds, commingled funds, real estate, multistrategy hedge funds and private equity partnerships. Investments are based on valuations provided by external investment managers and the custodian banks. Valuations provided by external investment managers and the custodian bank include observable market quotation prices, observable inputs other than quoted prices such as price services or indexes, estimates, appraisals, assumptions and other methods that are reviewed by management. Real estate, multistrategy hedge funds, commingled funds and private equity partnerships are valued using net asset value as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the University’s interests in the funds.

Funds held in trust by others are based on quoted market prices provided by its investment managers and custodian bank. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider’s expertise. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Payable under the securities lending agreement is based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

The fair value of the University's fixed-rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the University for debt of the same remaining maturities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820, *Fair Value Measurement*, 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 measurements involving significant unobservable inputs (Level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

(Dollars in thousands)

Level 3: Unobservable inputs where there is little or no market data and requires the reporting entity to develop its own assumptions and includes funds held in trust by others.

The University's policy is to reflect transfers between levels at the end of the year in which a change in circumstances results in the transfer. A transfer from Level 1 to Level 2 totaling $20,000 occurred during the year ended June 30, 2015. This was due to a manager change to improve overall portfolio performance. A transfer from Level 3 to Level 2 totaling $10,178 occurred during the year ended June 30, 2014. This transfer occurred due to the lockup provision expiration. The investment is now classified as Level 2 investment in accordance with the leveling criteria. The following table presents the University's financial instruments at fair value as of June 30, 2015. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

	Total	Level 1	Level 2	Level 3
June 30, 2015:				
Assets				
Recurring:				
Cash and cash equivalents	$ 62,019	62,019	—	—
Collateral held under securities lending agreement	24,815	—	24,815	—
Unexpended bond proceeds	2,229	—	2,229	—
Investments:				
Money funds and other	36,014	—	36,014	—
Federal, state, and local agency securities	38,601	—	38,601	—
Nongovernment bonds and notes	22,037	—	22,037	—
Asset and mortgage-backed securities	3,005	—	3,005	—
Foreign bonds and notes	3,523	—	3,523	—
Common and preferred stocks	29,878	29,878	—	—
Mutual funds – bonds	2,195	2,195	—	—
Mutual funds – equity	56,031	56,031	—	—
Investments measured at net asset value	398,724	—	—	—
Total investments	590,008	88,104	103,180	—
Funds held in trust by others	18,857	—	—	18,857
Total recurring assets	$ 697,928	150,123	130,224	18,857

(Dollars in thousands)

	Total	Level 1	Level 2	Level 3
June 30, 2015:				
Liabilities				
Recurring:				
Payables under securities lending agreement	$ 24,815	—	24,815	—
Total recurring liabilities	$ 24,815	—	24,815	—
Disclosure:				
Notes and bonds payable	$ 204,699	—	204,699	—
Total disclosed liabilities	$ 204,699	—	204,699	—

The following table represents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2015:

	June 30, 2015 Funds held in trust by others
Financial assets:	
Beginning balance	$ 19,313
Unrealized losses, net	(456)
Ending balance	$ 18,857

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2015 are as follows:

	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Investments measured at net asset value	$ 398,724	44,828	Daily, Monthly Quarterly, Annually, 2 years, 5 years	1–180 days

(Dollars in thousands)

The following table presents the University's financial instruments at fair value as of June 30, 2014. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

	Total	Level 1	Level 2	Level 3
June 30, 2014:				
Assets				
Recurring:				
Cash and cash equivalents	$ 67,551	67,551	—	—
Collateral held under securities lending agreement	29,475	—	29,475	—
Unexpended bond proceeds	19,274	—	19,274	—
Investments:				
Money funds and other	39,358	—	39,358	—
Federal, state, and local agency securities	33,950	—	33,950	—
Nongovernment bonds and notes	13,988	—	13,988	—
Asset and mortgage-backed securities	3,158	—	3,158	—
Foreign bonds and notes	4,256	—	4,256	—
Common and preferred stocks	27,765	27,765	—	—
Mutual funds – bonds	2,450	2,450	—	—
Mutual funds – equity	79,653	79,653	—	—
Investments measured at net asset value	355,928	—	—	—
Total investments	560,506	109,868	94,710	—
Funds held in trust by others	19,313	—	—	19,313
Total recurring assets	$ 696,119	177,419	143,459	19,313

(Dollars in thousands)

	Total	Level 1	Level 2	Level 3
June 30, 2014:				
Liabilities				
Recurring:				
Payables under securities lending agreement	$ 29,475	—	29,475	—
Total recurring liabilities	$ 29,475	—	29,475	—
Disclosure:				
Notes and bonds payable	$ 234,489	—	234,489	—
Total disclosed liabilities	$ 234,489	—	234,489	—

The following table represents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2014:

	June 30, 2014 Funds held in trust by others
Financial assets:	
Beginning balance	$ 21,086
Unrealized losses, net	(1,773)
Ending balance	$ 19,313

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2014 are as follows:

	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Investments measured at net asset value	$ 355,928	31,540	Daily, Monthly Quarterly, Annually, 2 years, 5 years	1–180 days

(5) Endowments and Endowment Income

(a) Interpretation of Relevant Law Governing Endowments

The State of Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. This law provides, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the University to spend from an endowment fund without regard to the book value of the corpus. The Board of Trustees (the Board) of the University has interpreted UPMIFA as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift investment. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted in accordance with UPMIFA and donor stipulations. Absent donor stipulations, the Board may appropriate for expenditure, for the uses and purposes of the endowment fund, the net appreciation, realized and unrealized, in the fair value of the assets of the endowment established by UPMIFA.

From time to time, the value of assets associated with a permanently restricted fund may fall below the historical cost. Deficiencies of this nature are reported in the unrestricted net assets and totaled $1,774 and $381 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and from appropriations to certain programs. Subsequent gains that restore the market value of such funds to the historical cost will be classified as unrestricted net assets.

UPMIFA also impacts the adoption of FASB guidance, which provides direction on the net asset classification of donor-restricted endowment funds for not-for-profit organizations. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those funds are appropriated for expenditure. The amounts appropriated for expenditure are based on the University’s endowment spending policy. The spending is approved by the Board through the University’s annual budget approval process.

(b) Endowment Spending Policy

The primary objective of the spending policy is to provide a steady cash flow stream while at the same time protecting the purchasing power of the endowment fund’s principal. Adopting the target rate approach provides the University with a level-spending plan. Spending allotments will begin with the flat amount allocated to each individual endowment fund balance as of June 30, 2004 that may grow each year by an inflationary amount not to exceed 3%. Spending allotments will be increased by new gift additions to the individual endowment funds receiving spending authority equal to 5% of the new gift amount.

The cash required for spending, as determined above, may be drawn from both ordinary income earned (i.e., dividends and interest) and capital appreciation, both realized and unrealized of both current and prior years. Compliant with UPMIFA, the University will be allowed to prudently withdraw spendable funds even if an endowment's market value is less than its historical book value. Any "return" that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment policy statement.

A risk control mechanism will be employed that keeps spending within a range of 4 – 6% of market value in order for the asset allocation policy to work with a minimum target rate of return of 8% (5% average spending and 3% inflation).

(c) Endowment Investment Policy

The endowment fund's investment objective is to preserve its purchasing power, while providing a continuing and stable funding source to support the overall mission of the University. To accomplish this objective, the endowment fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the endowment fund, and the eroding effects of inflation. It is the intention that any excess return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the endowment fund. The endowment fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in UPMIFA.

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods, as well as quasi-endowment funds. Under this policy, as approved by the Board, the endowment fund has a long-term investment horizon with relatively low liquidity needs. For this reason, the endowment fund can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the endowment fund may take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the University will conduct ongoing reviews of total fund liquidity.

To achieve its investment objective, the endowment fund will allocate among several asset classes with a bias toward equity and equity-like investments. An equity bias is desirable as it provides a viable long-term hedge against inflation and has historically outperformed fixed income over longer periods of time. Other asset classes may be added in an attempt to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set. Benchmarks are used for assessing the risk and return characteristics of the fund over longer periods, generally three to five years.

(Continued)

(Dollars in thousands)

The following represents the endowment net assets composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (1,774)	84,490	384,574	467,290
Quasi-/board-designated endowment funds	113,660	—	—	113,660
Total funds	$ 111,886	84,490	384,574	580,950

The following represents the changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 104,417	95,925	357,931	558,273
Investment return:				
Investment loss	—	—	131	131
Endowment income used for spending policy	5,331	17,080	302	22,713
Net realized and unrealized gains	6,832	(11,435)	443	(4,160)
Total investment return	12,163	5,645	876	18,684
Appropriation of endowment assets for expenditure	(5,331)	(17,080)	—	(22,411)
Contributions	637	—	25,767	26,404
Endowment net assets, end of year	$ 111,886	84,490	384,574	580,950

(Dollars in thousands)

The following represents the endowment net assets composition by type of fund as of June 30, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(381)	95,925	357,931	453,475
Quasi-/board-designated endowment funds		104,798	—	—	104,798
Total funds	$	104,417	95,925	357,931	558,273

The following represents the changes in endowment net assets for the year ended June 30, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	95,450	60,048	338,013	493,511
Investment return:					
Investment loss		—	—	(82)	(82)
Endowment income used for spending policy		5,287	15,984	328	21,599
Net realized and unrealized gains		6,477	35,877	1,124	43,478
Total investment return		11,764	51,861	1,370	64,995
Appropriation of endowment assets for expenditure		(5,287)	(15,984)	—	(21,271)
Contributions		2,490	—	18,548	21,038
Endowment net assets, end of year	$	104,417	95,925	357,931	558,273

(6) Irrevocable Split-Interest Agreements

The University's split-interest agreements with donors consist of charitable gift annuities, pooled income funds, and charitable remainder trusts for which the University may or may not serve as trustee. Assets are invested and payments are made to beneficiaries in accordance with the respective agreements.

For those agreements where the University is the trustee, contribution revenue is recognized at the date the agreement is established, net of the liability that is recorded for the present value of the estimated future payments to be made to the beneficiaries. The present value of payments to beneficiaries is calculated using discount rates that range from 1% to 5%. Gains or losses resulting from changes in actuarial assumptions are recorded as changes in the respective net asset class in the statements of activities as incurred. Investments and other assets maintained in trusteeship by the University totaled $6,623 and $8,784 at June 30, 2015 and 2014, respectively.

(Dollars in thousands)

The University is the sole beneficiary of two trusts that, in accordance with the decedent's instructions, are managed and maintained by separate trustees not affiliated with the University. In both instances, the University is to receive distributions from the trusts. One of the trusts provides for the distribution of only its annual income and is accounted for as a permanently restricted asset. The fair value of this trust was $1,507 and $1,576 as of June 30, 2015 and 2014, respectively. The other trust permits the trustee to determine the amount of distribution and allows for the payout of both income and principal. This trust, valued at fair value, is being accounted for as a temporarily restricted asset and totaled $16,390 and $16,943 as of June 30, 2015 and 2014, respectively.

For those agreements where the University does not serve as trustee, but is designated as an irrevocable beneficiary of the trust, temporarily or permanently restricted funds held in trust and revenue are recognized for the present value of the estimated future benefits due to the University over the life of the trust and when the trust is distributed. The present value calculation of the trust considers both the contribution revenue discount rate and, if applicable, the estimated life expectancy of the trust originator.

Irrevocable trusts for which the University is not the trustee totaled $18,857 and $19,313 at June 30, 2015 and 2014, respectively.

(7) Contributions Receivable

Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate risk-free rate of return ranging from 0.11% to 2.04% on the date the promise to give is received. Amortization of the discount is included in contribution revenues.

As of June 30, 2015 and 2014, the contributions receivable are due as follows:

		2015	2014
Less than one year	$	7,198	6,650
One to five years		33,632	42,581
Over five years		12,378	24,900
		53,208	74,131
Less unamortized discount		(6,643)	(15,205)
Allowance for uncollectible accounts		(1,558)	(2,022)
Total contributions receivable, net	$	45,007	56,904

(Dollars in thousands)

The University has received certain conditional promises to give that are in the form of revocable trusts and bequests, which are not included in the financial statements. As of June 30, 2015 and 2014, the fair value of these conditional promises is approximately $57,457 and $45,749, respectively.

(8) Notes and Bonds Payable

As of June 30, 2015 and 2014, notes and bonds payable consisted of the following:

		2015	2014
Revenue Bonds, Series 2007A, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2023	$	18,025	19,617
Revenue Bonds, Series 2007B, payable with fixed interest rates ranging from 4.50% to 5.00%, maturing through 2032		27,592	27,598
Revenue Bonds, Series 2008B1, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030		18,598	28,775
Revenue Bonds, Series 2008B2, payable with fixed interest rates ranging from 2.25% to 5.00%, maturing through 2030		11,438	16,588
Revenue Bonds, Series 2008B3, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030		20,572	29,956
Revenue Bonds, Series 2011A, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2020		15,976	18,303
Revenue Bonds, Series 2012, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2032		91,803	94,020
Capitalized lease, payable with variable interest rate, maturing through 2016		40	437
Total notes and bonds payable	$	204,044	235,294

All of the revenue bonds are unsecured. The principal and interest on the revenue bonds are insured pursuant to a municipal bond insurance policy.

Accelerated pledge payments related to the Eckstein Law School Building were used to defease the following debt during 2015:

Revenue Bonds, Series 2008B1	$	9,090
Revenue Bonds, Series 2008B2		4,595
Revenue Bonds, Series 2008B3		8,275
Total notes and bonds payable	$	21,960

The notes and bonds payable are subject to various covenants. Management confirms the University is in compliance with all covenants as of and for the years ended June 30, 2015 and 2014.

(Dollars in thousands)

Maturities of notes and bonds payable based on scheduled repayments at June 30, 2015 are as follows:

2016	$	8,978
2017		9,323
2018		9,673
2019		10,043
2020		9,733
Thereafter		156,294
Total notes and bonds payable	$	204,044

As of June 30, 2015, the University has two secured letters of credit with banks under which it may borrow up to $3,101. There were no borrowings outstanding under these letters of credit as of June 30, 2015 and 2014.

Cash utilized for the payment of interest on notes and bonds payable was $10,232 and $10,616 during fiscal years 2015 and 2014, respectively.

(9) Retirement Plan

All eligible full-time personnel may elect to participate in a defined contribution individual annuity plan. Under the provisions of the plan, participants are required to contribute 5% of their annual wages to the plan. The University has neither administrative responsibilities nor any financial liabilities under this plan except to make contributions, currently limited to 8% of the annual wages of participants, up to defined limits. In addition, voluntary contributions by participants may be made subject to Internal Revenue Service limitations. Payments for contributions to this plan totaled $9,927 and $10,008 in fiscal years 2015 and 2014, respectively.

(10) Self-Funded Health and Dental Benefit Plans

The University has self-funded benefit plans covering all active and certain retired employees’ health and dental costs. Under the plans, the University’s losses are limited, through the use of excess loss insurance, to $300 per claim. Claims paid under the plans for fiscal years 2015 and 2014 totaled $25,340 and $24,936, respectively. The University has also contracted with a third party administrator to provide administrative services for the plans. Accrued liabilities include an estimate of the University’s liability for claims incurred but not paid through June 30, 2015 and 2014.

(11) Postretirement Benefits

The University provides retired employees access to certain healthcare and life insurance benefits. All University employees become eligible to access these benefits when their years of service plus age equal 70. Qualified retired employees under the age of 65 are eligible to participate in the University’s healthcare plan. Retirees are expected to pay the full cost of their premiums, based on the claims experience associated with that defined group of retired employees. The University also pays group life insurance premiums for active or future retired employees hired prior to February 1, 1982 that provide for limited death benefits. The

(Continued)

(Dollars in thousands)

premiums paid are based on the group community rate associated with death claims filed for the entire population of employees and retirees participating in the program.

Summary information regarding the accounting for both plans for the years ended June 30, 2015 and 2014 is presented in the following:

		2015	2014
Change in benefit obligation:			
Benefit obligation, beginning of year	$	4,473	4,308
Service cost		1	1
Interest cost		184	198
Actuarial (gain) loss		(581)	98
Benefits paid		(85)	(132)
Benefit obligation, end of year	$	3,992	4,473
Change in plan assets:			
Fair value of plan assets, beginning of year	$	—	—
Employer contributions		85	132
Actual benefits paid		(85)	(132)
Fair value of plan assets, end of year	$	—	—
Change in postretirement benefits:			
Change in postretirement benefits other than net periodic benefit cost	$	—	—
Prior service credits		—	—
Net (loss) gain		(486)	94
Change in postretirement benefits	$	(486)	94

		2015	2014
Measurement date		June 30	June 30
Weighted average assumptions for liability:			
Discount rate		4.25%	4.25%
Salary increase		3.50	3.50
Components of net periodic benefit cost:			
Service cost	$	1	1
Interest cost		184	198
Amortization of:			
Unrecognized prior service cost		—	—
Unrecognized actuarial gain		(1)	(2)
Net periodic cost	$	184	197

(Continued)

(Dollars in thousands)

The projected postretirement benefit payments for the fiscal years subsequent to June 30, 2015 are as follows:

2016	$	213
2017		217
2018		221
2019		224
2020		228
2021 to 2025		1,194

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2015 and 2014:

		2015	2014
Physical assets	$	183,154	158,529
General operations and education		109,194	107,339
Contributions receivable, net		9,950	28,176
Scholarships		46,799	52,090
Life income and annuity funds		11,821	13,597
Total temporarily restricted net assets	$	360,918	359,731

(13) Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30, 2015 and 2014, the income from which is expendable to support:

		2015	2014
Scholarships	$	196,645	179,267
General operations and education		139,985	135,987
Contributions receivable, net		34,606	28,279
Life income and annuity funds		13,338	14,398
Total permanently restricted net assets	$	384,574	357,931

(Dollars in thousands)

(14) Related Parties

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. A conflict of interest is considered to exist when material financial interests or affiliations are in conflict with one's duty to the University. Members of the Board of Trustees and senior management are required to disclose financial interests and affiliations that may conflict with their duty to the University and to refrain from making decisions on behalf of the University when the employee's obligations to the University are in conflict with the employee's material financial interests. The University's transactions with related parties are considered to be in the normal course of business.

(15) Commitments and Contingencies

The University is involved in various litigation arising in the normal course of operations. On the basis of information presently available and the advice of legal counsel, management is of the opinion that any liability, to the extent not provided for through reserves or otherwise, for pending litigation is not expected to be material in relation to the University's financial position or activities.

As of June 30, 2015, the University has outstanding commitments for the following construction projects:

Jesuit Residence	$	3,080
Residence Hall Conversions		1,699
Academic Support Facilities Demolition		1,663
Total commitments	$	6,442

(16) Tuition Discounts

Tuition discounts, as reported in the statements of activities as a reduction of student tuition and fees, were funded in fiscal years 2015 and 2014 from the following revenue sources:

		2015	2014
Institutional revenue sources	$	101,686	97,354
Gifts, grants, and endowment earnings		19,888	18,418
Total tuition discount	$	121,574	115,772

(Dollars in thousands)

(17) Natural Expenses

The University's classification of unrestricted expenses in the statements of activities is classified by natural expenses as of June 30, 2015 and 2014 as follows:

		2015	2014
Salaries and fringe benefits	$	234,440	236,932
Supplies		19,081	18,005
Telephone		849	691
Professional fees		8,966	8,272
Administrative expenses		12,011	12,138
Meal plans and promotional items		13,057	12,633
Repairs and maintenance		15,898	14,671
Travel		11,708	12,076
Advertising and public relations		1,620	1,607
Utilities		10,553	10,693
Insurance (property, liability, etc.)		3,202	3,406
Interest		8,695	8,510
Depreciation		36,293	34,145
Miscellaneous expense		2,195	3,513
Total operating expenses	$	378,568	377,292

(18) Research and Grant Costs

The University receives grant and contract revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on negotiated predetermined rates. Research and grant costs reported for fiscal years 2015 and 2014 comprise of the following:

		2015	2014
Sponsored research	$	13,956	13,405
Teaching and training		5,427	5,686
Development and others		3,096	3,061
Total research and grants	$	22,479	22,152

(19) Subsequent Events

The University evaluated events after the statement of financial position date of June 30, 2015 through September 9, 2015, which was the date the financial statements were issued. Subsequent to June 30, 2015, the University purchased real estate adjacent to the campus for $3,800 and entered into a capital lease for campus wide copiers for $2,027.