

Consolidated Financial Statements

Salve Regina University

June 30, 2016 and 2015



SALVE REGINA UNIVERSITY

Consolidated Financial Statements

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Independent Auditors' Report

The Board of Trustees
Salve Regina University
Newport, Rhode Island

We have audited the accompanying consolidated financial statements of Salve Regina University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salve Regina University as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffmann McCann P.C.

September 22, 2016
Providence, Rhode Island

SALVE REGINA UNIVERSITY

Consolidated Statements of Financial Position

	<i>June 30,</i>	
	2016	2015
	<i>(in thousands)</i>	
Assets		
Cash	\$ 868	\$ 406
Short-term investments	9,619	3,962
Accounts receivable, students - less allowance for doubtful accounts of \$1,807 and \$1,796 in 2016 and 2015, respectively	728	806
Accounts receivable, other	984	885
Loans and notes receivable - less allowance for doubtful accounts of \$541 and \$513 in 2016 and 2015, respectively	2,491	2,279
Pledges receivable - less allowance for doubtful accounts of \$568 and \$279 in 2016 and 2015, respectively	4,636	2,204
Investments	53,836	57,381
Deposits with trustee	3,771	19,157
Other assets	7,146	2,019
Land, buildings and equipment, net	99,527	89,902
Total assets	\$ 183,606	\$ 179,001
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,700	\$ 3,093
Accrued liabilities	6,732	6,539
Deposits and deferred revenue	4,304	4,516
Long-term debt, net	45,528	49,690
Obligations under capital lease	201	372
Refundable advances from government for student loans	1,666	1,666
Total liabilities	62,131	65,876
Net assets:		
Unrestricted	98,099	96,489
Temporarily restricted	9,110	6,694
Permanently restricted	14,266	9,942
Total net assets	121,475	113,125
Total liabilities and net assets	\$ 183,606	\$ 179,001

See accompanying notes to the consolidated financial statements.

SALVE REGINA UNIVERSITY

Consolidated Statement of Activities

Year Ended June 30, 2016
(with comparative totals for 2015)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total 2016</i>	<i>Total 2015</i>
	<i>(in thousands)</i>				
Operating revenues and other support:					
Tuition and fees	\$ 77,884	\$ -	\$ -	\$ 77,884	\$ 74,178
Room and board	17,311	-	-	17,311	16,225
Less: University sponsored scholarships and grants	<u>(33,718)</u>	<u>-</u>	<u>-</u>	<u>(33,718)</u>	<u>(30,318)</u>
Net tuition, fees, room and board	61,477	-	-	61,477	60,085
Gifts and grants	917	53	-	970	883
Federal and state government grants	940	-	-	940	1,169
Investment income appropriated	2,352	63	-	2,415	2,247
Unrestricted investment income	49	-	-	49	43
Other support	333	-	-	333	278
Auxiliary enterprises	1,694	-	-	1,694	1,806
Net assets released from restrictions	<u>359</u>	<u>(359)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	68,121	(243)	-	67,878	66,511
Operating expenses:					
Program:					
Instruction	21,396	-	-	21,396	20,328
Research	469	-	-	469	443
Academic support	6,104	-	-	6,104	5,943
Student services	11,655	-	-	11,655	11,335
Auxiliary enterprises	<u>14,799</u>	<u>-</u>	<u>-</u>	<u>14,799</u>	<u>14,655</u>
Total program expenses	54,423	-	-	54,423	52,704
Management and general	<u>12,243</u>	<u>-</u>	<u>-</u>	<u>12,243</u>	<u>12,207</u>
Total operating expenses	66,666	-	-	66,666	64,911
Change in net assets from operations	1,455	(243)	-	1,212	1,600
Nonoperating income (expense):					
Gifts and grants	2,564	3,816	4,302	10,682	2,012
Return on investments, net of amounts appropriated as operating	(3,760)	(1,040)	-	(4,800)	(3,128)
Loss on bond refinancing	-	-	-	-	(70)
Loss on write-off of buildings and equipment	(1,218)	-	-	(1,218)	-
Gain on sale of buildings and equipment	3,004	-	-	3,004	2
Change in value of split interest agreements	(18)	-	13	(5)	(21)
Other net assets released from restrictions	87	(87)	-	-	-
Reclassification of endowment losses exceeding corpus	(138)	138	-	-	-
Expenses	<u>(366)</u>	<u>(168)</u>	<u>9</u>	<u>(525)</u>	<u>(394)</u>
Nonoperating income (expense), net	155	2,659	4,324	7,138	(1,599)
Change in net assets	1,610	2,416	4,324	8,350	1
Net assets at beginning of year	<u>96,489</u>	<u>6,694</u>	<u>9,942</u>	<u>113,125</u>	<u>113,124</u>
Net assets at end of year	\$ 98,099	\$ 9,110	\$ 14,266	\$ 121,475	\$ 113,125

See accompanying notes to the consolidated financial statements.

SALVE REGINA UNIVERSITY

Consolidated Statement of Activities

Year Ended June 30, 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	<i>(in thousands)</i>			
Operating revenues and other support:				
Tuition and fees	\$ 74,178	\$ -	\$ -	\$ 74,178
Room and board	16,225	-	-	16,225
Less: University sponsored scholarships and grants	<u>(30,318)</u>	<u>-</u>	<u>-</u>	<u>(30,318)</u>
Net tuition, fees, room and board	60,085	-	-	60,085
Gifts and grants	833	50	-	883
Federal and state government grants	1,169	-	-	1,169
Investment income appropriated	2,219	28	-	2,247
Unrestricted investment income	43	-	-	43
Other support	278	-	-	278
Auxiliary enterprises	1,806	-	-	1,806
Net assets released from restrictions	<u>323</u>	<u>(323)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	66,756	(245)	-	66,511
Operating expenses:				
Program:				
Instruction	20,328	-	-	20,328
Research	443	-	-	443
Academic support	5,943	-	-	5,943
Student services	11,335	-	-	11,335
Auxiliary enterprises	<u>14,655</u>	<u>-</u>	<u>-</u>	<u>14,655</u>
Total program expenses	52,704	-	-	52,704
Management and general	<u>12,207</u>	<u>-</u>	<u>-</u>	<u>12,207</u>
Total operating expenses	64,911	-	-	64,911
Change in net assets from operations	1,845	(245)	-	1,600
Nonoperating income (expense):				
Gifts and grants	857	846	309	2,012
Return on investments, net of amounts appropriated as operating	(2,439)	(689)	-	(3,128)
Loss on bond refinancing	(70)	-	-	(70)
Other income	2	-	-	2
Change in value of split interest agreements	5	-	(26)	(21)
Other net assets released from restriction	861	(856)	(5)	-
Reclassification of endowment losses exceeding corpus	(8)	8	-	-
Expenses	<u>(408)</u>	<u>6</u>	<u>8</u>	<u>(394)</u>
Nonoperating income (expense), net	(1,200)	(685)	286	(1,599)
Change in net assets	645	(930)	286	1
Net assets at beginning of year	<u>95,844</u>	<u>7,624</u>	<u>9,656</u>	<u>113,124</u>
Net assets at end of year	\$ 96,489	\$ 6,694	\$ 9,942	\$ 113,125

See accompanying notes to the consolidated financial statements.

SALVE REGINA UNIVERSITY

Consolidated Statements of Cash Flows

*Years Ended June 30,
2016 2015
(in thousands)*

Cash flows from operating activities:		
Change in net assets	\$ 8,350	\$ 1
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,782	6,631
Loss on bond refinancing	-	70
Change in reserve on receivables	328	265
Change in pledge discounts	497	50
Net realized and unrealized investment losses	2,279	859
Gains on sale of buildings and equipment	(3,004)	(2)
Loss on write-off of buildings and equipment	1,218	-
Contributions restricted for long-term investments	(4,302)	(309)
Changes in operating assets and liabilities:		
Pledges receivable	(3,218)	62
Accounts receivable	(32)	224
Other assets	(5,127)	(25)
Accounts payable, accrued liabilities, deposits and deferred revenue	389	94
	<u>4,160</u>	<u>7,920</u>
Net cash provided by operating activities	4,160	7,920
Cash flows from investing activities:		
Purchase and construction of land, buildings and equipment	(4,231)	(4,961)
Proceeds from sale of assets	5,246	9
Purchases of investments	(50,513)	(50,500)
Proceeds from sales of investments	46,122	51,801
Student loans issued	(662)	(588)
Proceeds from student loans	422	407
	<u>(3,616)</u>	<u>(3,832)</u>
Net cash used in investing activities	(3,616)	(3,832)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investments	4,302	309
Issuance of long-term debt	-	22,445
Repayment of capital leases and long-term debt	(4,384)	(7,563)
Change in funds held by trustee	-	(19,157)
Change in government advances for student loans	-	(23)
	<u>(82)</u>	<u>(3,989)</u>
Net cash used in financing activities	(82)	(3,989)
Increase in cash	462	99
Cash, beginning	406	307
Cash, ending	\$ 868	\$ 406
Supplemental disclosures:		
Cash paid during the year for interest	\$ 1,639	\$ 1,293
Land, buildings and equipment purchases financed by long-term debt	\$ 15,386	\$ 912
Land, buildings and equipment purchases included in accounts payable	\$ 1,851	\$ 1,652
Land, buildings and equipment purchases financed by capital lease	\$ -	\$ 515

See accompanying notes to the consolidated financial statements.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Salve Regina University (the “University”), located in Newport, Rhode Island, is a small comprehensive Catholic university which opened in 1947 and is accredited by the New England Association of Schools and Colleges. The University was founded by and continues to be sponsored by the Sisters of Mercy. The University enrolls approximately 2,500 men and women in a variety of academic programs. The University’s student population is predominately from the Northeast region of the United States. The undergraduate programs are based on the liberal arts. The University offers Baccalaureate and Master degrees, a Certificate of Advanced Graduate Study and a Ph.D. in Humanities.

The University participates in student financial aid programs sponsored by the United States Department of Education and, to a lesser extent, the United States Department of Health and Human Services, which facilitate the payment of tuition and other expenses for students.

A summary of the accounting policies consistently applied in the financial statements follows:

Financial Statement Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Represent assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income and gains earned, if any, on related investments for general or specific purposes. Unexpended appreciation of permanently restricted net assets is included in temporarily restricted net assets.

Temporarily restricted net assets - Represent assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.

Unrestricted net assets - Represent those assets that the University may use at its discretion. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenues and support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, in which case revenues are reported in temporarily or permanently restricted, depending on the nature of the restrictions. Expenses are reported as decreases in unrestricted net assets. Upon the expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, such assets are released from restrictions and reclassified to unrestricted.

Contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenue. Contributions of cash and other assets to be used to acquire land, buildings and equipment are accounted for as temporarily restricted until such resources are used for the related purpose.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of Salve Regina University and its subsidiary, SRU Holdings, LLC (“Holdings”). The University is the sole and controlling member of Holdings. All intercompany accounts and transactions have been eliminated in consolidation. Holdings was organized as a Rhode Island Limited Liability Company on July 28, 1998. The purpose of Holdings is to acquire and hold real estate for the benefit and use of the University while keeping the acquired real estate on local tax rolls.

Cash

The University maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and has not experienced any losses in such accounts. Cash held by investment managers are considered part of investments.

Short-Term Investments

Short-term investments include certificates of deposits and money market funds. Management reports short-term investments at fair value as determined per the fair value policies later in this section. These investments are not part of the long-term investment portfolio. Certain of these amounts are subject to the same Federal insurance limits as described in the cash policy above.

Accounts Receivable

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the institution. Interest is not charged on receivables.

Financing Receivables

Loans and notes receivable are funds loaned to students by the University and funds advanced by the University via the Federal Perkins Loans Program (“Perkins”) and the Nursing Student Loans Program (“Nursing”).

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financing Receivables (Continued)

Perkins and Nursing funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Perkins or Nursing programs, the amounts are generally refundable to the Federal government. Funds advanced by the Federal government of \$1,666,000 at June 30, 2016 and 2015, are classified as liabilities in the consolidated statements of financial position. Loans receivable are carried at their net realizable value. Interest income is recorded when received.

Loans receivable are considered past due if any portion of the balance due is outstanding for more than 240 days. Loans past due or in default totaled \$616,000 and \$584,000 for the years ended June 30, 2016 and 2015, respectively. Interest and late fees on past due accounts are recorded when received. Perkins and Nursing loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the Perkins and Nursing loans refundable advances.

For all loans, management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans.

Pledges Receivable

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. The initially recorded fair value is considered a Level 2 fair value approach. Amortization of the discount is included in private gift and grant revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Other Assets

Other assets consist of prepaid expenses, amounts due from the Rhode Island Student Loan Authority (“RISLA”), and the University’s beneficial interest in remainder trusts, life interest in real estate and interest held in a LLC.

Beneficial Interest in Remainder Trusts

The University records its beneficial interest in remainder trust at fair value when the University is notified of the existence of the instrument. On an ongoing basis, the University reports its interest at fair value based on its underlying share of assets and estimates the fair value of the remainder at the present value of the aggregate liability to the beneficiaries based upon their life expectancy, utilizing a discount rate at the original date of the instrument. Life expectancies are periodically updated to reflect current expectations.

The initially recorded fair values of the donated investments are determined based on the underlying nature of the investments received, which have generally represented Level 1 measurements. The University has recorded other assets of \$259,000 and \$248,000 and accrued liabilities of \$151,000 and \$153,000 under beneficial interests in remainder trusts at June 30, 2016 and 2015, respectively.

Life Interest in Real Estate

The University records its life interest in real estate at fair value when the University is notified of the existence of the instrument. On an ongoing basis, the University reports its interest at fair value based on the underlying real estate and estimates the fair value of the use obligation at the present value of the aggregate liability to the beneficiaries based upon their life expectancy, market rents and a discount rate at the original date of the instrument. Life expectancies and market rents are periodically updated to reflect current expectations.

The initially recorded fair value of the real estate is based on appraisals, which generally represent Level 2 measurements. The University has recorded other assets of \$965,000 and accrued liabilities of \$433,000 and \$414,000 under life interests in real estate at June 30, 2016 and 2015, respectively.

Land, Buildings and Equipment

Land, constructed and purchased property, and equipment are carried at historical cost or fair value at date of donation in the case of gift assets. Fair value of donated fixed assets is effectively recorded using Level 2 or Level 3 market approach. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to sixty years.

Accrued Liabilities

Included in accrued liabilities is a reserve for health care costs associated with the University’s self-insured benefits for its employees. The University has a stop loss insurance policy to manage its risk and exposure to larger and catastrophic claims associated with these benefits. Also included in accrued liabilities are accrued payroll, vacation, and sick pay.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

A major portion of the University's revenue is derived from student tuition and fees and auxiliary enterprises such as food and housing services provided by the University. Tuition, fees and auxiliary revenue are recognized as revenue when earned in the period to which they relate. Student reservation deposits along with advance payments for tuition and auxiliary enterprises are recognized as income when the related educational services are provided.

Income Tax Status

The University is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the University, management has concluded that disclosures relative to tax provision are not necessary.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax exempt entity as its only significant tax position; however, the University has determined that such tax position does not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction. The University's Federal and state tax returns are generally open for examination for three years following the date filed.

Operations

The statements of activities report the changes in unrestricted, temporarily restricted and permanently restricted net assets from operating and non-operating activities. Operating expenses consist of those items attributable to the University's primary mission of providing education. The primary operating revenues are derived from tuition, room and board, grants and contracts, restricted and unrestricted gifts for current operations (and related earnings), income and gains appropriated from the earnings of the endowment consistent with the University's spending policy plus earnings from general unrestricted investments.

Investment income and gains/losses on endowment, temporarily restricted and Board-designated funds, other than the amount appropriated for operations, are classified as non-operating activities. Gifts to the endowment and other gifts and grants not directed to current operations as well as capital improvements and facilities are also classified as non-operating activities.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, salaries and benefits, depreciation, interest, operations and maintenance expenses have been allocated to functional classifications based on such criteria as building usage. Included in management and general expenses are fundraising costs of \$1,064,000 and \$1,033,000 for the years ended June 30, 2016 and 2015, respectively.

Advertising

Advertising and marketing costs are expensed as incurred and amounted to approximately \$321,000 and \$261,000 for the years ended June 30, 2016 and 2015, respectively.

Fair Value Measurements

The University reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with fair value standards. Recurring fair value measures include the University's investment accounts and deposits with trustees. Nonrecurring measures include pledges. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using the Net Asset Value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 methods are also used in measuring the initial fair value of long-term pledges.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the University's financial instruments, see Note 3 – Investments and Fair Values of Financial Instruments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the consolidated financial statements relate to the allowance for doubtful accounts, pledges and accounts receivable, fair value of certain investments, useful lives of depreciable assets, valuation interests in and obligations under split interest agreements, reserve for self insurance and the allocation of common expenses over program functions.

Subsequent Events

The University has evaluated subsequent events through September 22, 2016, the date the consolidated financial statements were issued.

Reclassifications

During 2016, the University retrospectively adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-07, *Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and investments valued at NAV are now presented in a separate column in the related footnote disclosure for 2016 and 2015.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 2 - Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Amounts due in:		
Less than one year	\$ 1,455	\$ 922
One to five years	3,308	1,597
Greater than 5 years	<u>1,259</u>	<u>285</u>
Total due	6,022	2,804
Less:		
Unamortized discount	(818)	(321)
Allowance for doubtful accounts	<u>(568)</u>	<u>(279)</u>
Pledges receivable, net	\$ <u>4,636</u>	\$ <u>2,204</u>

Discount rates used to present value the estimated cash flows from new pledges ranged from 3.60% to 4.50% for the year ended June 30, 2016 and from 3.48% to 5.60% for the year ended June 30, 2015.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements

The following table summarizes the University's recurring fair value measurements at June 30, 2016 and 2015:

2016	Total	Investments Measured at NAV	Level 1	Level 2
Short-term investments:				
Money market funds	\$ 9,527	\$ -	\$ 9,527	\$ -
Certificates of deposits	92	-	-	92
Total short-term investments	9,619	-	9,527	92
Long-term investments:				
Equity funds:				
Domestic	13,428	1,443	11,985	-
Developed	9,636	7,705	1,931	-
Emerging	4,916	-	4,916	-
Fixed income	5,550	2,704	2,846	-
Multi strategy hedge	13,524	13,235	289	-
Other:				
REIT	2,315	2,302	-	13
Tangible asset	1,657	1,651	-	6
Private Equity	357	357	-	-
Natural resources	2,453	-	2,453	-
Total long-term investments	53,836	29,397	24,420	19
Total investments	63,455	29,397	33,947	111
Other assets:				
Assets held under split-interest agreements	1,224	-	259	965
Interest in real estate LLC	4,275	-	-	4,275
Deposits held by bond trustee	3,771	-	2,615	1,156
Total	\$ 67,226	\$ 29,397	\$ 36,562	\$ 1,267

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (Continued)

2015	<i>Total</i>	<i>Investments Measured at NAV</i>	<i>Level 1</i>	<i>Level 2</i>
Short-term investments:				
Money market funds	\$ 3,866	\$ -	\$ 3,866	\$ -
Certificates of deposits	96	-	-	96
Total short-term investments	3,962	-	3,866	96
Long-term investments:				
Equity funds:				
Domestic	12,285	1,562	10,723	-
Developed	10,455	8,742	1,713	-
Emerging	4,308	-	4,308	-
Fixed income	6,293	2,636	3,657	-
Multi strategy hedge	17,744	17,720	24	-
Other:				
REIT	2,152	2,139	-	13
Tangible asset	1,966	1,959	-	7
Natural resources	2,178	-	2,178	-
Total long-term investments	57,381	34,758	22,603	20
Total investments	61,343	34,758	26,469	116
Other assets:				
Assets held under split-interest agreements	1,213	-	248	965
Deposits held by bond trustee	19,157	-	8,501	10,656
Total	\$ 80,500	\$ 34,758	\$ 34,970	\$ 10,772

At June 30, 2016, \$7,595,000 of the investments measured at NAV have redemption periods of over 90 days. Management has no intention or plans to liquidate any NAV practical expedient investment at other than NAV per share.

The University had no recurring Level 3 fair value measurements at June 30, 2016 and 2015.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (Continued)

Investment activities consisted of the following for the years ended June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Investments, beginning of year	\$ <u>61,343</u>	\$ <u>63,503</u>
Gifts and additions:		
Endowment gifts	760	557
Endowment additions from operations	1,000	1,000
Operational additions	<u>6,308</u>	<u>809</u>
Total gifts and additions	<u>8,068</u>	<u>2,366</u>
Investment returns:		
Interest and dividends	473	567
Net realized and unrealized gains (losses)	<u>(2,809)</u>	<u>(1,405)</u>
Total investment returns	<u>(2,336)</u>	<u>(838)</u>
Expenditures:		
Amounts appropriated under endowment spending policy:		
Scholarships	(339)	(338)
Operations	<u>(2,076)</u>	<u>(1,909)</u>
Total amounts appropriated under endowment spending policy	<u>(2,415)</u>	<u>(2,247)</u>
Other expenditures:		
Capital projects	(12)	(506)
Scholarships	(5)	(5)
Operations	<u>(1,188)</u>	<u>(930)</u>
Total other expenditures	<u>(1,205)</u>	<u>(1,441)</u>
Net investment returns and expenditures	<u>(5,956)</u>	<u>(4,526)</u>
Investments, end of year	\$ <u><u>63,455</u></u>	\$ <u><u>61,343</u></u>

Investment management fees were \$530,000 and \$547,000 for the years ended June 30, 2016 and 2015, respectively, and are netted against realized and unrealized gains. Additionally, certain investment managers net their investment manager fees against returns, and accordingly, such amounts are not included in the aforementioned fees.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 4 - Other Assets

Other assets consisted of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Interest in real estate LLC	\$ 4,275	\$ -
Life interest in real estate	965	965
Beneficial interest in remainder trust	259	248
Prepaid expenses	1,039	349
Other	608	457
Other assets	\$ 7,146	\$ 2,019

During 2016, the University was gifted an interest in a limited liability company that holds residential real estate. The fair value of this gift was \$4,275,000 and was determined using Level 2 inputs. Based on the provisions of the gift agreement, \$3,750,000 was recorded in permanently restricted net assets and \$525,000 in temporarily restricted net assets.

Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Land and improvements	\$ 7,451	\$ 8,519
Buildings and improvements	130,384	136,828
Equipment and computer software	42,612	43,027
Equipment under capital lease	515	515
Construction in progress	21,503	4,347
	202,465	193,236
Less: accumulated depreciation	(102,938)	(103,334)
Land, buildings and equipment, net	\$ 99,527	\$ 89,902

Depreciation and amortization expense was \$6,782,000 and \$6,631,000 for the years ended June 30, 2016 and 2015, respectively. Accumulated depreciation on assets held under capital lease was \$193,000 and \$64,000 at June 30, 2016 and 2015, respectively. Interest capitalized at June 30, 2016 and 2015 was \$465,000 and \$77,000, respectively. Construction in progress related to the addition and renovation to the University's main academic building.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 5 - Land, Buildings and Equipment (Continued)

During 2016, in connection with ongoing construction on campus, the University wrote-off buildings and equipment with a cost basis of \$7,570,000 and accumulated depreciation of \$6,352,000 and recognized a loss on disposal of \$1,218,000. Also during 2016, the University sold property with a net book value of \$2,242,000 for proceeds of \$5,246,000 and recognized a gain on the sale of \$3,004,000.

Note 6 - Debt

Long-term debt consisted of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Obligations under Rhode Island Higher Education Facility Revenue Bonds of Refunding Series 2011, comprised of two bonds with one amortizing over 8 years (\$4,085 at June 30, 2016), and the other over 20 years (\$19,290 at June 30, 2016) with fixed interest of 3.15% and 4.35%, respectively; principal and interest paid monthly, secured by a pledge of annual tuition and dormitory revenues and a mortgage on certain property. Bonds were privately placed with a bank.	\$ 23,375	\$ 25,625
Obligations under Rhode Island Higher Education Facility Revenue Bonds of Refunding Series 2015, comprised of two bonds with one amortizing over 30 years (\$19,950 at June 30, 2016) with a fixed rate of 2.55% for 15 years (rate to be reset in year 16 for the following 15 year term) and the other over 21 years (\$3,188 at June 30, 2016) with variable interest rate at LIBOR (1.15%) respectively; principal and interest paid monthly, secured by a pledge of annual tuition and dormitory revenues and a mortgage on certain property. Bonds were privately placed with a bank.	23,138	23,738
Mortgage note payable, variable interest rate at prime minus .25% (3.0% at June 30, 2015), with monthly principal payments of approximately \$6,000 payable through March 2033; secured by a mortgage on certain property. Paid in full June 2016.	-	1,363
	46,513	50,726
Less unamortized bond issuance costs	985	1,036
Long-term debt, net	\$ 45,528	\$ 49,690

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 6 - Debt (Continued)

In May 2015, the University issued its 2015 Series bond issue in the amount of \$27,500,000 to fund the addition to and renovation of O'Hare Academic Center and to refinance a previous bond issue with a balance of \$3,285,000 at a more favorable interest rate. The loss on the refinancing of \$70,000 was comprised of unamortized bond issuance costs associated with the prior bond issue and is reflected as a separate non-operating item in the 2015 consolidated statements of activities. It should be noted that \$3,748,000 of the above total bond issue remains undrawn and is not reflected in long-term debt at June 30, 2016. This sum is available to the University should the project cost necessitate its use.

The obligations under the Rhode Island Higher Education Facility Revenue Bonds include financial and non-financial covenants.

Annual principal payments for the next five years and thereafter as of June 30, 2016 are as follows:

<i>Year Ending June 30,</i>	<i>(in thousands)</i>
2017	\$ 3,001
2018	3,086
2019	3,182
2020	1,864
2021	1,915
Thereafter	<u>33,465</u>
	<u>\$ 46,513</u>

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the related bonds. Bond issuance costs of \$985,000 and \$1,036,000 are net of accumulated amortization of \$305,000 and \$254,000 at June 30, 2016 and 2015, respectively. Amortization expense amounted to \$51,000 and \$38,000 for the years ended June 30, 2016 and 2015, respectively. As noted above, in 2015, the University issued new bonds and refunded existing bonds resulting in new bond issuance costs of \$506,000 and a write-off of \$70,000 of unamortized bond issuance costs.

The University maintains an unsecured revolving credit agreement with a bank that provides for maximum borrowings of \$4,000,000 with a five-year term ending December 2016. Any amounts outstanding bear interest at the bank's prime rate. At June 30, 2016 and 2015, there were no amounts outstanding under this agreement.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 7 - Commitments

Capital Lease

The University has a capital lease expiring August 2017 associated with its administrative computer system. The minimum rental obligations due in the future under this capital lease are as follows:

<i>Year Ending June 30,</i>	<i>(in thousands)</i>
2017	\$ 179
2018	24
	<hr/>
	203
Less amounts representing interest	2
	<hr/>
Present value of minimum lease payments	\$ <u>201</u>

Operating Leases

The University leases dormitory and administrative space under operating leases expiring at various dates through 2029. The minimum rental obligations due under operating leases excluding any renewal options leases are as follows:

<i>Year Ending June 30,</i>	<i>(in thousands)</i>
2017	\$ 515
2018	392
2019	365
2020	349
2021	354
Thereafter	<hr/> 1,695
Total lease payments	\$ <u>3,670</u>

Rental expense was approximately \$527,000 and \$521,000 for the years ended June 30, 2016 and 2015, respectively.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 7 - Commitments (Continued)

Other Commitments

The University has long-term contracts with outside service vendors for their food and custodial services through August 31, 2023 and June 30, 2017, respectively. Expenses incurred under these contracts are variable each year based on the number of students served and actual expenses incurred. During 2016, total expenses for food services and custodial services amounted to approximately \$3,250,000 and \$1,145,000, respectively. During 2015, total expenses for food services and custodial services amounted to approximately \$3,080,000 and \$1,228,000, respectively.

The University has contracts through 2017 with Senior Administration that stipulate a variety of business terms typical in the education sector and also states if the University terminated these employees without cause, the University would be liable for a period equal to the lesser of nine months or the balance of the term of the agreement.

Note 8 - Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following at June 30:

	<i>2016</i>		<i>2015</i>
	<i>(in thousands)</i>		
Operating and fixed assets	\$ 56,868	\$	52,382
Board-designated funds operating as endowment	41,387		44,125
Endowment unrealized losses	<u>(156)</u>		<u>(18)</u>
Unrestricted net assets	<u>\$ 98,099</u>	\$	<u>96,489</u>

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Accumulated unspent gains:		
Financial aid	\$ 1,945	\$ 2,593
Instructional	465	693
Other	83	124
	2,493	3,410
Purpose restricted gifts:		
Capital improvements	5,039	1,944
Instructional	614	844
Financial aid	772	291
Other	192	205
	6,617	3,284
Temporarily restricted net assets	\$ 9,110	\$ 6,694

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

	<i>2016</i>	<i>2015</i>
	<i>(in thousands)</i>	
Instructional	\$ 7,168	\$ 3,469
Financial aid	6,506	5,711
Pledge receivable	183	358
Other	409	404
	14,266	9,942
Permanently restricted net assets	\$ 14,266	\$ 9,942

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restriction were for the following purposes for the years ended June 30:

	2016	2015
	<i>(in thousands)</i>	
Capital improvements	\$ -	\$ 719
Instructional	327	303
Financial aid	84	63
Other	35	94
Net assets released from restrictions	\$ 446	\$ 1,179

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30, 2016:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	<i>(in thousands)</i>			
Donor-restricted endowment funds	\$ (156)	\$ 2,493	\$ 10,227	\$ 12,564
Board-designated endowment funds	41,387	-	-	41,387
	\$ 41,231	\$ 2,493	\$ 10,227	\$ 53,951

The following is the composition of endowments assets and those functioning as endowment assets by net asset class as of June 30, 2015:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	<i>(in thousands)</i>			
Donor-restricted endowment funds	\$ (18)	\$ 3,410	\$ 9,489	\$ 12,881
Board-designated endowment funds	44,125	-	-	44,125
	\$ 44,107	\$ 3,410	\$ 9,489	\$ 57,006

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

The following represents required disclosures relative to the composition of endowment assets and those functioning as endowment assets at June 30:

	2016			
	<i>(in thousands)</i>			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 44,107	\$ 3,410	\$ 9,489	\$ 57,006
Gifts	23	-	737	760
Additions from operations	1,000	-	-	1,000
Total gifts and additions	1,023	-	737	1,760
Investment returns:				
Interest and dividends	318	-	87	405
Net realized and unrealized gains	(2,170)	-	(635)	(2,805)
Total investment returns	(1,852)	-	(548)	(2,400)
Expenditures:				
Amounts appropriated under endowment spending policy:				
Scholarships	-	-	(339)	(339)
Operations	(1,909)	-	(167)	(2,076)
Total amounts appropriated under endowment spending policy	(1,909)	-	(506)	(2,415)
Net investment returns and expenditures	(3,761)	-	(1,054)	(4,815)
Other changes:				
Reclassification for endowment losses exceeding corpus	(138)	138	-	-
Reclassification of gains (losses) on permanently restricted net assets	-	(1,055)	1,055	-
Endowment assets and those functioning as endowment assets, end of year	\$ 41,231	\$ 2,493	\$ 10,227	\$ 53,951

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

	2015			
	<i>(in thousands)</i>			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 45,544	\$ 4,082	\$ 9,007	\$ 58,633
Gifts	37	-	481	518
Additions from operations	1,000	-	-	1,000
Total gifts and additions	<u>1,037</u>	<u>-</u>	<u>481</u>	<u>1,518</u>
Investment returns:				
Interest and dividends	393	-	102	495
Net realized and unrealized gains	<u>(1,077)</u>	<u>-</u>	<u>(316)</u>	<u>(1,393)</u>
Total investment returns	<u>(684)</u>	<u>-</u>	<u>(214)</u>	<u>(898)</u>
Expenditures:				
Amounts appropriated under endowment spending policy:				
Scholarships	-	-	(338)	(338)
Operations	<u>(1,782)</u>	<u>-</u>	<u>(127)</u>	<u>(1,909)</u>
Total amounts appropriated under endowment spending policy	<u>(1,782)</u>	<u>-</u>	<u>(465)</u>	<u>(2,247)</u>
Net investment returns and expenditures	<u>(2,466)</u>	<u>-</u>	<u>(679)</u>	<u>(3,145)</u>
Other changes:				
Reclassification for endowment losses exceeding corpus	(8)	8	-	-
Reclassification of gains (losses) on permanently restricted net assets	<u>-</u>	<u>(680)</u>	<u>680</u>	<u>-</u>
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 44,107</u>	<u>\$ 3,410</u>	<u>\$ 9,489</u>	<u>\$ 57,006</u>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$506,000 and \$465,000 for the years ended June 30, 2016 and 2015, respectively.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Endowment

The University's endowment consists of 81 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, 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.

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") signed into law in the State of Rhode Island requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 gift 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, realized and unrealized gains. The Board of Trustees had established a spending rate of four and a half percent of a rolling three-year average fair value of the long-term investments. Investment income is appropriated up to this spending rate approved by the Board of Trustees. The University has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

SALVE REGINA UNIVERSITY

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted are \$156,000 and \$18,000 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate endowment fund assets to generate a long-term rate of return which would meet the annual spending rate, (between 4% and 4.5% of a rolling three-year average of the fair value of the endowment to be set annually by the investment committee) provide for inflation, and fees. The expected spending draw for the year ended June 30, 2017 is approximately \$2,465,000.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 9 - Defined Contribution Plans

The University makes discretionary employer contributions as a percentage of the salaries of all eligible participating employees to defined contribution plans administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund and Variable Annuity Life Insurance Company. Contributions to these plans were approximately \$1,863,000 and \$1,768,000 for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, the University contributed 8%.