FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

FAIRLEIGH DICKINSON UNIVERSITY

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KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Fairleigh Dickinson University:

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether to fraud or error. In making those risk assessments, we consider internal control relevant to the University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Fairleigh Dickinson University at June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 28, 2016

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2016 and 2015

(In thousands of dollars)

Assets		**2016**	**2015**
Cash and cash equivalents	$	90,042	78,567
Restricted cash and cash equivalents		8,294	7,434
Student accounts receivable, net of allowance for doubtful accounts of $15,300 and $15,854 in 2016 and 2015, respectively		7,127	6,814
Accounts receivable and other current assets		4,706	5,899
Contributions receivable, net		2,340	3,329
Student loans receivable, net of allowance for doubtful accounts of $2,711 and $2,730 in 2016 and 2015, respectively		7,970	8,214
Investments, at fair value		78,444	71,968
Property, plant and equipment, net		191,504	186,692
Total assets	$	390,427	368,917
Liabilities			
Accounts payable and accrued liabilities	$	15,061	13,684
Accrued salaries and liabilities for compensated absences		10,329	6,991
Deferred tuition revenues		2,967	3,002
Other liabilities		4,967	5,373
U.S. government grants refundable		10,522	10,486
Long-term debt		76,241	81,589
Post-retirement benefits liability		39,629	35,586
Asset retirement obligations		13,679	13,104
Total liabilities		173,395	169,815
Net Assets			
Unrestricted		170,032	152,267
Temporarily restricted		24,694	25,003
Permanently restricted		22,306	21,832
Total net assets		217,032	199,102
Total liabilities and net assets	$	390,427	368,917

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

(In thousands of dollars)

	2016				2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues, gains and other support:								
Tuition and fees	$ 279,476	—	—	279,476	265,408	—	—	265,408
Less scholarships, tuition grants and aid	(88,834)	—	—	(88,834)	(81,509)	—	—	(81,509)
Net tuition and fees	190,642	—	—	190,642	183,899	—	—	183,899
Contributions	2,203	1,530	—	3,733	2,302	2,319	—	4,621
New Jersey State aid	311	—	—	311	212	—	—	212
Contracts and grants	3,037	—	—	3,037	2,707	—	—	2,707
Investment return-endowment spending rate and other	2,495	434	—	2,929	4,138	338	—	4,476
Other sources	4,342	25	—	4,367	4,451	78	—	4,529
Auxiliary enterprises	33,052	—	—	33,052	31,624	—	—	31,624
Less scholarships, tuition grants and aid	(427)	—	—	(427)	(393)	—	—	(393)
Total revenues, gains and other support	235,655	1,989	—	237,644	228,940	2,735	—	231,675
Net assets released from restrictions	929	(929)	—	—	716	(716)	—	—
Total operating revenues, gains and other support	236,584	1,060	—	237,644	229,656	2,019	—	231,675
Expenses:								
Educational and general:								
Instruction	80,792	—	—	80,792	78,517	—	—	78,517
Research	430	—	—	430	250	—	—	250
Academic support	35,393	—	—	35,393	33,557	—	—	33,557
Student services	41,604	—	—	41,604	41,251	—	—	41,251
Institutional support	36,454	—	—	36,454	33,845	—	—	33,845
Other	224	—	—	224	51	—	—	51
Total educational and general expenses	194,897	—	—	194,897	187,471	—	—	187,471
Auxiliary enterprises	23,989	—	—	23,989	23,180	—	—	23,180
Total expenses and losses	218,886	—	—	218,886	210,651	—	—	210,651
Increase in net assets from operating activities	17,698	1,060	—	18,758	19,005	2,019	—	21,024
Nonoperating:								
Contributions	38	107	484	629	51	99	2,045	2,195
Change in fair value of interests in split interest agreements	—	13	(72)	(59)	—	25	(65)	(40)
Investment return (less than) in excess of endowment spending amount	(837)	(1,334)	(1)	(2,172)	309	345	3	657
Transfer between net assets	(175)	112	63	—	(99)	(30)	129	—
Post-retirement medical plan changes other than net periodic cost	(2,361)	—	—	(2,361)	(2,222)	—	—	(2,222)
State bond grant revenue	3,215	—	—	3,215	2,706	—	—	2,706
Early retirement of long-term debt	—	—	—	—	(212)	—	—	(212)
Faculty retirement incentive program	(80)	—	—	(80)	(183)	—	—	(183)
Net assets released from restrictions – for capital	267	(267)	—	—	77	(77)	—	—
Increase (decrease) in net assets from nonoperating activities	67	(1,369)	474	(828)	427	362	2,112	2,901
Increase (decrease) in net assets	17,765	(309)	474	17,930	19,432	2,381	2,112	23,925
Net assets:								
Beginning of year	152,267	25,003	21,832	199,102	132,835	22,622	19,720	175,177
End of year	$ 170,032	24,694	22,306	217,032	152,267	25,003	21,832	199,102

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands of dollars)

		2016	2015
Cash flows from operating activities:			
Increase in net assets	$	17,930	23,925
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		11,635	10,875
Early retirement of long-term debt		—	212
Provision for doubtful student accounts receivable		1,850	1,796
Change in allowance for doubtful student loans receivable		(19)	(57)
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		(3,730)	(4,818)
Gifts of property, plant and equipment		(25)	(46)
Loss on disposal of property, plant and equipment		60	965
Net realized gains on investments		(30)	(2,119)
Net unrealized depreciation (appreciation) on investments		338	(2,126)
Post-retirement medical plan changes other than net periodic cost		2,361	2,222
Changes in operating assets and liabilities:			
Student accounts receivable		(2,163)	(2,268)
Accounts receivable and other current assets		1,193	239
Contributions receivable		737	(855)
Accounts payable and accrued liabilities		1,774	(1,280)
Accrued salaries and liabilities for compensated absences		3,338	365
Deferred tuition revenues		(35)	687
Post-retirement benefits liability		1,682	1,948
Other liabilities		(406)	(170)
Net cash provided by operating activities		36,490	29,495
Cash flows from investing activities:			
Deposits to restricted cash and cash equivalents		(24,861)	(29,100)
Distributions from restricted cash and cash equivalents		24,001	34,787
Proceeds from student loans collections		1,320	1,303
Student loans issued		(1,057)	(1,472)
Proceeds from sale of investments		9,509	14,437
Purchases of investments		(16,293)	(21,171)
Purchases of property, plant and equipment		(15,826)	(12,595)
Decrease in accounts payable for property, plant and equipment		(397)	(1,221)
Net cash used in investing activities		(23,604)	(15,032)
Cash flows from financing activities:			
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		3,982	4,706
Proceeds from issuance of debt		—	19,675
Principal payments of debt		(5,429)	(5,129)
Refunding payments of debt		—	(22,815)
Increase in U.S. government grants refundable		36	110
Net cash used in financing activities		(1,411)	(3,453)
Net increase in cash and cash equivalents		11,475	11,010
Cash and cash equivalents:			
Beginning of year		78,567	67,557
End of year	$	90,042	78,567
Supplemental information:			
Interest paid	$	2,822	3,706
Noncash gifts-in-kind		206	182

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the University), founded in 1942, is the largest independent nonsectarian institution of higher education in New Jersey, serving approximately 12,000 students. With a wide range of academic programs and two main campuses in New Jersey, each with its own identity and separate mission, the University preserves the intimacy of a small college within a large suburban institution. The University also operates international campuses: Wroxton College in Oxfordshire, England, and the Fairleigh Dickinson University of British Columbia, Foundation. Courses are also offered at many locations around the State of New Jersey, and through on-line courses accessible from anywhere in the world.

The University offers over 100 degree programs on the undergraduate and graduate levels, including doctoral programs in pharmacy, clinical psychology, school psychology and nursing practice, and programs in an Association to Advance Collegiate Schools of Business (AACSB) – accredited business school. Programs lead to associate, baccalaureate, master and doctoral degrees. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, pharmacy, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University's wholly owned subsidiary, Harbinger Corporation, currently inactive, is subject to income tax.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded.

(b) Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation (the University's Vancouver Campus), a wholly owned subsidiary which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

(c) Net Assets

In the accompanying consolidated financial statements, the University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Permanently Restricted** – Net 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 investment return on these assets for either a specific purpose or the general use of the University (see note 9).
- **Temporarily Restricted** – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Investment income and gains/losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor-imposed stipulations. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in note 9.
- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. 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.

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as net assets released from restrictions. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the consolidated statements of activities.

(d) Agency Transactions

Agency transactions such as externally provided tuition aid grants, federal direct loans, federal supplemental educational opportunity grants, the federal pell grant program and others received by government agencies and provided to students are not included in the consolidated financial statements. Agency receipts and disbursements were $96,873 and $96,879, respectively, in 2016 and $95,002 and $94,957, respectively, in 2015.

(e) Cash and Cash Equivalents

Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased.

(f) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use. These funds are primarily cash and U.S. treasuries and are considered Level 1 in the fair value hierarchy (see note 1(t) below).

(Continued)

(g) Investments

The fair value of marketable investments, which consists of debt and equity securities, is based upon quoted market prices at year-end. Investments in mutual and commingled funds are stated at estimated fair value based on the net asset value (NAV) of funds. For funds that do not have a readily determinable fair value, these funds' reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein. The NAV is provided by the investment managers, and evaluated for reasonableness by the University.

The consolidated statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are calculated using the average cost method to determine the cost of securities.

(h) Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

(i) Property, Plant and Equipment

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, generally 15 to 60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Contributions restricted by donors for the acquisition and/or construction of land, buildings and equipment are reported as temporarily restricted revenues in nonoperating activities. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the constructed assets have been placed in service.

(j) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying consolidated statements of financial position as a liability.

(k) Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned. Amounts received in advance for tuition and fees that are not earned in the current year are included in deferred tuition revenues and are recognized as revenue in the subsequent year.

(l) Scholarships, Tuition Grants and Aid

The policy of the University has been to award internal scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid are netted against tuition and fees.

(m) Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value based on estimated undiscounted future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2016 and 2015.

(n) Endowment Spending Rate

The University's endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 5% of the moving average of the fair value of endowment investments for the previous twelve quarters. The revenues from applying this endowment spending rate policy are recorded in the unrestricted and temporarily restricted operating revenues section in the consolidated statements of activities. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

(o) Operating Measure

The operating activities of the University include all revenues, gains and other support and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the

(Continued)

5% spending rate (amounting to $2,740 and $2,248 for the years ended June 30, 2016 and 2015, respectively) while nonoperating activities include endowment returns (less than) in excess of the spending rate. Nonoperating activities include contributions and grants for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. Nonoperating activities also include the change in fair value of interest in split interest agreements, transfer between net assets, post-retirement medical plan changes other than net periodic costs, faculty retirement incentive program, state bond grant revenue, early retirement of debt, and net assets released from restrictions for capital.

(p) Use of Estimates

The preparation of the consolidated 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include liabilities for postretirement benefits, the allowance for doubtful student accounts and loans receivable, valuation of investments and the asset retirement obligations. Actual results could differ from those estimates.

(q) Advertising

All advertising costs are expensed in the year they are incurred. The amount totaled $1,473 in 2016 and $1,949 in 2015.

(r) Allocation of Expenses

Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of $30,371 and $30,620 in fiscal years 2016 and 2015, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $2,877 and $3,756 in fiscal years 2016 and 2015, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $32,138 and $31,284 in fiscal years 2016 and 2015, respectively, were allocated functionally based on salary expenses.

(s) Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The liability recorded at June 30, 2016 and 2015 was $13,679 and $13,104, respectively. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy (see note 1(t) below).

(Continued)

(t) Fair Value Accounting

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer 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.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, 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 same terms of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

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

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is, based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the University in determining fair value is greatest for instruments categorized in Level 3.

(u) Subsequent Events

The University has performed an evaluation of subsequent events through September 28, 2016, the date the consolidated financial statements were issued and has determined that there are no subsequent events for disclosure.

(v) New Authoritative Accounting Pronouncements

In fiscal 2016, the University adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-10, *Technical Corrections and Improvements*, which contains amendments that affect a wide variety of topics in the accounting standards codification. One of these amendments include a clarification that an equity security has a readily determinable fair value if it meets certain conditions. An equity security includes an investment in a mutual fund or an investment in a structure similar to a mutual fund. The fair value of an equity security is considered to be readily determinable if the fair value per share is determined and published, and is the basis for current transactions. The University adopted the provision of this update and applied the provision retrospectively to 2015. As a result, approximately $20.2 million of investments have been corrected and reclassed as Level 1 in the 2015 fair value hierarchy.

(2) Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded as contributions when donor stipulations are substantially met.

Interests in split interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of $219 and $278 at June 30, 2016 and 2015, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $165 and $169 at June 30, 2016 and 2015, with a liability for future payments to other beneficiaries included at an estimated amount of $14 and $19 at June 30, 2016 and 2015, respectively.

(In thousands of dollars)

During fiscal years 2016 and 2015, the University reported payments from charitable remainder trusts of $75 and $0, respectively, from the close out of certain trusts.

The components of contributions receivable at June 30 are as follows:

		2016	2015
Unconditional promises to give	$	2,190	3,184
Interests in split interest agreements		384	448
		2,574	3,632
Less discount to present value		(228)	(293)
		2,346	3,339
Less allowance for uncollectibles		(6)	(10)
Net contributions receivable	$	2,340	3,329

Discount rates ranged as follows at June 30:

	2016	2015
Split interest agreements	3.75% to 9.2%	2.5% to 9.2%
Unconditional promises to give	4.2% to 5.9%	4.2% to 8.0%

Unconditional promises to give and interests in split interest agreements at June 30 are expected to be realized in the following periods:

		2016	2015
Within one year	$	813	988
Between one to five years		1,143	1,778
More than five years		384	563
	$	2,340	3,329

At June 30, 2016 and 2015, approximately 56% and 63% of the gross receivable was due from 3 donors.

As of June 30, 2016 and 2015, a conditional promise relating to a life insurance policy with a face value of $4,000 is not included in these consolidated financial statements. The University is the beneficiary of the policy.

Expenses related to fundraising activities are $3,766 and $3,362 for the years ended June 30, 2016 and 2015, respectively.

(In thousands of dollars)

(3) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through Federal government loan programs.

The following is an analysis of student loans receivable aging as of June 30:

		2016	2015
Past due:			
1-89 days	$	878	632
Greater than 90 days		216	216
Collections		1,097	1,176
Litigation		1,746	1,696
Total past due		3,937	3,720
Current		6,744	7,224
Total gross student loans receivable		10,681	10,944
Less allowance for doubtful receivables		2,711	2,730
Total net student loans receivable	$	7,970	8,214

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's receivable includes the amounts due from current and former students. Loans disbursed under the Federal government loan programs are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's annual analysis.

(Continued)

(In thousands of dollars)

(4) Investments

Investments, which are recorded at fair value, at June 30, consist of:

	2016		2015	
	Fair value	**Cost**	**Fair value**	**Cost**
Commonfund and other U.S. government securities	$ 6,675	6,699	6,628	6,661
Corporate stocks:				
Equities-marketable	550	483	589	474
Equities-nonmarketable	30	30	30	30
Total corporate stocks	580	513	619	504
Corporate stock funds:				
Commonfund equity fund	29,890	14,940	28,738	12,689
Commonfund equity index fund	18,547	9,901	19,763	11,798
Commonfund global multi-asset fund	3,896	3,979	—	—
Other equity funds	166	143	204	172
Total stock funds	52,499	28,963	48,705	24,659
Total stocks and stock funds	53,079	29,476	49,324	25,163
Corporate bonds:				
Specific corporate bonds	248	258	271	276
Corporate bond funds:				
Commonfund bond fund	17,025	15,511	15,292	14,016
Commonfund global multi-asset fund	1,054	1,077	—	—
Other bond funds	319	322	403	413
Total corporate bond funds	18,398	16,910	15,695	14,429
Total corporate bonds and bond funds	18,646	17,168	15,966	14,705
Other investments	44	45	50	45
Total investments	$ 78,444	53,388	71,968	46,574

Included in Commonfund and U.S. Government Securities at June 30, 2016 and 2015 is $6,675 and $6,628, respectively, restricted for debt service and renewal and replacement. At June 30, 2016 and 2015, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $125 and $143, respectively.

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2016, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Total fair value	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments:						
U.S. government securities	$ 6,298	—	6,298	—	Weekly	Variable
CommonFund invested in U.S. government securities	377	377	—	—	Weekly	5 Days
Corporate stocks:						
Equities – marketable	550	550	—	—	Daily	Same Day
Equities – nonmarketable	30	—	—	30	N/A	N/A
Other equity funds	166	166	—	—	Variable	Variable
CommonFund Equity Index Fund	18,547	18,547	—	—	Daily	Same Day
CommonFund Global Multi-Asset Fund	3,896	3,896	—	—	Weekly	5 Days
Corporate bonds	248	92	156	—	Daily	Same Day
Corporate bond funds:						
CommonFund Global Multi-Asset Fund	1,054	1,054	—	—	Weekly	5 Days
CommonFund Other Bond Funds	126	126	—	—	Weekly	5 Days
Other bond funds	193	193	—	—	Variable	Variable
Other investments	44	44	—	—	Daily	Same Day
Total	31,529	25,045	6,454	30		
Investments reported at NAV or it's equivalent:						
CommonFund Multi-Strategy Equity Fund (a)	29,890				Monthly	End of Month
CommonFund Multi-Strategy Bond Fund (b)	17,025				Monthly	End of Month
Total	$ 78,444					
Cash and cash equivalents:						
Short term investments, primarily U.S. government obligations	$ 2,188	—	2,188	—	Daily	Same Day
Contributions receivable:						
Interest in split interest agreements	384	—	—	384	Variable	Variable
	$ 2,572	—	2,188	384		

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2015, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Total fair value	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments:						
U.S. government securities	$ 6,278	—	6,278	—	Weekly	Variable
CommonFund invested in U.S. government securities	350	350	—	—	Weekly	5 Days
Corporate stocks:						
Equities – marketable	589	589	—	—	Daily	Same Day
Equities – nonmarketable	30	—	—	30	N/A	N/A
Corporate stock funds:						
Commonfund Equity Index Fund	19,763	19,763	—	—	Daily	Same Day
Other equity funds	204	204	—	—	Variable	Variable
Corporate bonds	271	109	162	—	Daily	Same Day
Bond funds	143	143	—	—	Weekly	5 Days
Bond funds	260	260	—	—	Variable	Variable
Other investments	50	50	—	—	Daily	Same Day
Total	27,938	21,468	6,440	30		
Investments reported at NAV or it's equivalent:						
CommonFund Multi-Strategy Equity Fund (a)	28,738				Monthly	End of Month
CommonFund Multi-Strategy Bond Fund (b)	15,292				Monthly	End of Month
Total	$ 71,968					
Cash and cash equivalents:						
Short term investments, primarily U.S. government obligations	$ 2,160	—	2,160	—	Daily	Same Day
Contributions receivable:						
Interest in split interest agreements	447	—	—	447	Variable	Variable
	$ 2,607	—	2,160	447		

The following are investment objectives for investments valued at net asset value:

(a) The investment objective of the Commonfund Multi-Strategy Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The Fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

(In thousands of dollars)

(b) The investment objective of the Commonfund Multi-Strategy Bond Fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

The following table is a roll forward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

		Other	**Interest in split interest agreements**
Fair values at June 30, 2014	$	30	493
Net purchases, sales, settlements		—	—
Total gains (realized/unrealized)		—	(46)
Transfers in (out)		—	—
Fair values at June 30, 2015		30	447
Net purchases, sales, settlements		—	—
Total gains (realized/unrealized)		—	(63)
Transfers in (out)		—	—
Fair values at June 30, 2016	$	30	384

Realized and unrealized losses in the table above are included in investment (loss) return in excess of the endowment spending amount in the consolidated statements of activities.

(In thousands of dollars)

(5) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

		2016	2015
Land and land improvements	$	21,369	20,389
Buildings and building improvements		265,342	260,029
Furniture and equipment		41,884	36,167
Construction in progress		4,841	1,728
		333,436	318,313
Less accumulated depreciation:			
Buildings and building improvements		(115,915)	(108,729)
Furniture and equipment		(26,017)	(22,892)
		(141,932)	(131,621)
Property, plant and equipment, net	$	191,504	186,692

Depreciation of property, plant, and equipment for the years ended June 30, 2016 and 2015 amounted to $10,979 and $10,474, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2016 and 2015 was $841 and $824, respectively.

The University had unfulfilled commitments for the years ended June 30, 2016 and June 30, 2015 that are project funded by the State of New Jersey and related University matching funds totaling $760 and $5,200 respectively.

(6) Revolving Credit Facility

At June 30, 2016, the University has a $5,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2017. The interest rate is 200 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn. The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under this agreement in fiscal years 2016 and 2015.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2016, the most restrictive of these provisions required that the University’s change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2016 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to zero for a period of at least thirty consecutive days at any one time prior to the expiration of the Credit Agreement. For the years ended June 30, 2016 and 2015, the University was in compliance with these covenants.

(In thousands of dollars)

(7) Long-term Debt

Long-term debt at June 30 consists of:

		2016	2015
Bonds payable:			
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$	230	340
Mortgages payable:			
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest to 2021		138	167
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%		1,204	1,412
Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement		10,615	11,185
Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement		705	752
Higher Education Facilities Revenue Refunding Bonds of 2014, Series B due serially through 2032, interest of 3.65% through 2029, adjusted thereafter based on terms stated in the loan agreement		47,035	49,150
Higher Education Facilities Revenue Refunding Bonds of 2015, Series B due serially through 2023, interest from 2.41% subject to adjustment per terms of loan agreement		16,580	18,700
Other debt:			
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest		80	300
NJEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5% interest		261	271
		76,848	82,277
Less unamortized bond premium		18	19
Less deferred bond issuance costs		(625)	(707)
Net long-term debt	$	76,241	81,589

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (note 4) with the trustee, having an aggregate fair value of $9,917 and $9,870 at June 30, 2016 and 2015, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

(In thousands of dollars)

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of unrestricted gross revenues. The University was in compliance with these restrictive covenants for the years ended June 30, 2016 and 2015.

Interest expense was $2,877 and $3,756 in fiscal years 2016 and 2015, respectively.

On April 13, 2015, the New Jersey Educational Facilities Authority sold $19,675 bonds for Fairleigh Dickinson University. The Series 2015 B Bonds refunded all of the Authority' Series 2004 C Bonds. The Series 2015 B Bonds were sold at a fixed rate of 2.41% through maturity (8 years) subject to adjustment per the terms stated in the loan agreement. Management expects an economic benefit from this refinancing over the term of the bonds (present value of cash flow savings) of $2,339. However, for financial reporting purposes, the refunding resulted in a charge of $212 for the year ended June 30, 2015, respectively, reported as a nonoperating item in the 2015 consolidated statement of activities.

As of June 30, 2016, the total principal payments due over the next five fiscal years and thereafter are:

2017	$	5,417
2018		5,607
2019		5,637
2020		5,830
2021		6,010
Thereafter		48,347
	$	76,848

(8) Postretirement Benefits

(a) Retirement Plan

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions.

All faculty, nonunion and clerical employees make contributions to the plan in addition to the contributions made by the University. The University's contributions to the plan for the years ended June 30, 2016 and 2015 were $6,311 and $6,010, respectively.

(b) Medical Plan

The University sponsors a defined benefit postretirement medical plan that covers all of its full-time tenured faculty and certain administrators. The eligible employees are those who have attained age 62 with ten years of tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

(In thousands of dollars)

The University recognized the difference between the benefit obligations and any plan assets of the University's defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended June 30, 2016 and 2015 and statements of the funded status both years.

		2016	2015
Change in accumulated postretirement benefit obligation (APBO):			
APBO at July 1	$	35,586	31,416
Service cost		852	1,128
Interest cost		1,371	1,249
Retiree contributions		524	544
Benefits paid		(1,570)	(1,585)
Actuarial loss (gain)		2,866	2,834
APBO at June 30	$	39,629	35,586
Change in plan assets:			
University's contribution	$	1,046	1,041
Retiree contributions		524	544
Benefits paid		(1,570)	(1,585)
Net change in plan assets	$	—	—

		2016	2015
Funded status of the plan:			
APBO in excess of plan assets	$	39,629	35,586
Accrued liabilities	$	39,629	35,586
Periodic costs recognized in income:			
Service cost	$	852	1,128
Interest cost		1,371	1,249
Amortization of net actuarial loss		506	612
Net postretirement expense	$	2,729	2,989

(In thousands of dollars)

The amount recorded from unrestricted net assets into net periodic benefit cost in 2016 was net actuarial loss of $2,361.

		2016	2015
Weighted average assumptions used to determine benefit obligations at end of year:			
Discount rate		3.73%	4.44%
Rate of compensation increase		N/A	N/A
Healthcare cost trend:			
Increase from current to next fiscal year:			
Pre-65 medical		9.00	9.50
Post-65 medical		6.00	6.00
Prescription drug		10.50	8.50
Ultimate rate of decline		3.886	3.886
Year that the ultimate rate is attained		2075	2075
Amounts recognized in accumulated unrestricted net assets:			
Net actuarial loss	$	15,921	13,560

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2017 relates to an actuarial loss of $980.

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

		1% Point increase	1% Point decrease
Effect on the accumulated postretirement benefit obligation	$	8,544	(6,576)

(In thousands of dollars)

	2016	2015
Weighted average assumptions used to determine the net periodic benefit cost at beginning of year:		
Discount rate	4.44%	4.26%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend:		
Increase from current to next fiscal year:		
Pre-65 medical	8.50	8.50
Post-65 medical	7.00	7.00
Prescription drug	7.00	7.00
Ultimate rate of decline	5.000	5.000
Year that the ultimate rate is attained	2022	2022

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

		1% Point increase	1% Point decrease
Effect on total service and interest cost components	$	661	(475)

Expected Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

		Postretirement benefits
Fiscal year:		
2017	$	1,032
2018		1,114
2019		1,189
2020		1,265
2021		1,368
Years 2022-2026		7,884

Expected benefit payments is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2017 are the same as expected benefit payments.

(9) Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of 130 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair 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 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 SPMIFA. In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

(In thousands of dollars)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The University has a policy of appropriating for distribution each year 5% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$ —	13,545	22,306	35,851
Board-designated funds	36,248	—	—	36,248
Total funds	$ 36,248	13,545	22,306	72,099

During 2016, the University transferred $7,931 of surplus funds into board designated endowment funds.

(In thousands of dollars)

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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$	29,152	14,706	21,832	65,690
Investment return:					
Investment income		429	464	3	896
Net appreciation (depreciation) (realized and unrealized)		51	(392)	(1)	(342)
Total investment gain		480	72	2	554
Contributions		—	—	484	484
Change in fair value of interests in split-interest agreements		—	—	(72)	(72)
Appropriation of endowment assets for expenditure		(1,315)	(1,422)	(3)	(2,740)
Other changes:					
Transfers to create board-designated endowment funds		7,931	—	—	7,931
Other transfers		—	189	63	252
Endowment net assets at end of year June 30, 2016	$	36,248	13,545	22,306	72,099

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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	14,706	21,832	36,538
Board-designated funds		29,152	—	—	29,152
Total funds	$	29,152	14,706	21,832	65,690

During 2015, the University transferred $6,235 of surplus funds into board designated endowment funds.

(Continued)

(In thousands of dollars)

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$ 22,672	14,194	19,720	56,586
Investment return:				
Investment income	333	442	3	778
Net appreciation (realized and unrealized)	3,035	1,163	2	4,200
Total investment gain	3,368	1,605	5	4,978
Contributions	—	—	2,045	2,045
Change in fair value of interests in split-interest agreements	—	—	(65)	(65)
Appropriation of endowment assets for expenditure	(965)	(1,281)	(2)	(2,248)
Other changes:				
Transfers to create board-designated endowment funds	6,235	—	—	6,235
Other transfers	(2,158)	188	129	(1,841)
Endowment net assets at end of year June 30, 2015	$ 29,152	14,706	21,832	65,690

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2016 and 2015.

(10) Net Assets

(a) Composition of Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Split interest agreements	$ 275	262
Endowment return restricted for scholarships and other	13,545	14,706
Scholarships	3,646	3,252
Buildings and equipment	1,621	1,492
University programs and other	5,607	5,291
	$ 24,694	25,003

(Continued)

(In thousands of dollars)

(b) Composition of Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds and the related investment income, which is restricted for the following purposes at June 30:

		2016	2015
Split interest agreements	$	95	167
Pledges-endowed scholarships		735	850
Endowments-scholarships		18,128	17,470
Endowments-endowed chairs and other		3,305	3,305
Other-scholarships		43	40
	$	22,306	21,832

(11) Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net interest and dividend income	$	622	443	—	1,065
Net realized and unrealized gains (losses)		1,036	(1,343)	(1)	(308)
Total return on investments		1,658	(900)	(1)	757
Less investment return designated for current operations:					
Endowment return-spending rate		2,306	434	—	2,740
Other investment return		189	—	—	189
Investment return (deficiency) in excess of endowment spending amount	$	(837)	(1,334)	(1)	(2,172)

(In thousands of dollars)

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net interest and dividend income	$ 550	338	—	888
Net realized and unrealized gains (losses)	3,897	345	3	4,245
Total return on investments	4,447	683	3	5,133
Less investment return designated for current operations:				
Endowment return-spending rate	1,910	338	—	2,248
Other investment return	2,228	—	—	2,228
Investment return in excess of endowment spending amount	$ 309	345	3	657

(12) Commitments and Contingencies

At June 30, 2016, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating $28,573. These obligations are payable for the following fiscal years ending:

2017	$ 3,108
2018	2,785
2019	2,696
2020	2,630
2021	2,679
2022 and thereafter	14,675
	$ 28,573

Equipment, software, and space rental expenses for the years ended June 30, 2016 and 2015 were $5,818 and $6,199, respectively.

The University is involved in various legal proceedings which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities which are subject to audit. Although such audits may result in disallowance of certain expenditures which would be absorbed by the University, in management's opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

(13) Concentration of Credit Risk

Financial instruments which potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, student accounts receivable and investments. The University maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of $250 at June 30, 2016 and 2015 which is the maximum amount insured by the Federal Deposit Insurance Company. However management believes that their financial institutions are viable entities and therefore risk of loss is minimized. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University's student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments, and believes that credit risk is limited.

(14) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. All financial instruments in the financial statements are at fair value except for the long-term debt.

The fair value of the University's long-term debt at June 30, 2016 and 2015 is based on market inputs for underlying securities which are classified as Level 2 in the fair value hierarchy.

At June 30, 2016 and 2015, the fair value of cash equivalents, in the aggregate, approximated their respective carrying amounts. The fair value of cash equivalents is based on the quoted market price of the underlying securities.

The carrying value of the University's receivables, current assets and accounts payable and accrued liabilities approximates their fair value because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs and are considered to be Level 3 in the fair value hierarchy.

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, are not determinable without incurring excessive costs. The inputs to the fair value hierarchy are considered Level 3.