KPMG

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors’ Report Thereon)

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2015 and 2014

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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 statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying financial statements of the University as of June 30, 2014 and for the year then ended were audited by other auditors whose report thereon dated September 26, 2014, expressed an unmodified opinion on those financial statements.

KPMG LLP

September 30, 2015

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2015 and 2014

(In thousands of dollars)

Assets		**2015**	**2014**
Cash and cash equivalents	$	78,567	67,557
Restricted cash and cash equivalents		7,434	13,121
Student accounts receivable, net of allowance for doubtful accounts of $15,854 and $16,499 in 2015 and 2014, respectively		6,814	6,342
Accounts receivable and other current assets		5,899	6,138
Contributions receivable, net		3,329	2,362
Student loans receivable, net of allowance for doubtful accounts of $2,730 and $2,787 in 2015 and 2014, respectively		8,214	7,988
Investments, at fair value		71,968	60,989
Property, plant and equipment, net		186,692	185,491
Total assets	$	368,917	349,988
Liabilities			
Accounts payable and accrued liabilities	$	13,684	16,185
Accrued salaries and liabilities for compensated absences		6,991	6,626
Deferred tuition revenues		3,002	2,315
Other liabilities		5,373	5,543
U.S. government grants refundable		10,486	10,376
Long-term debt		81,589	89,804
Post-retirement benefits liability		35,586	31,416
Asset retirement obligations		13,104	12,546
Total liabilities		169,815	174,811
Net Assets			
Unrestricted		152,267	132,835
Temporarily restricted		25,003	22,622
Permanently restricted		21,832	19,720
Total net assets		199,102	175,177
Total liabilities and net assets	$	368,917	349,988

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2015 and 2014

(In thousands of dollars)

	2015				2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues, gains and other support:								
Tuition and fees	$ 265,408	—	—	265,408	243,986	—	—	243,986
Less scholarships, tuition grants and aid	(81,509)	—	—	(81,509)	(71,260)	—	—	(71,260)
Net tuition and fees	183,899	—	—	183,899	172,726	—	—	172,726
Contributions	2,302	2,319	—	4,621	4,252	1,757	—	6,009
New Jersey State aid	212	—	—	212	395	—	—	395
Contracts and grants	2,707	—	—	2,707	2,387	—	—	2,387
Investment return-endowment spending rate and other	4,138	338	—	4,476	1,742	296	—	2,038
Other sources	4,451	78	—	4,529	4,289	38	—	4,327
Auxiliary enterprises	31,624	—	—	31,624	29,002	—	—	29,002
Less scholarships, tuition grants and aid	(393)	—	—	(393)	(299)	—	—	(299)
Total revenues, gains and other support	228,940	2,735	—	231,675	214,494	2,091	—	216,585
Net assets released from restrictions	716	(716)	—	—	551	(551)	—	—
Total operating revenues, gains and other support	229,656	2,019	—	231,675	215,045	1,540	—	216,585
Expenses:								
Educational and general:								
Instruction	78,517	—	—	78,517	74,529	—	—	74,529
Research	250	—	—	250	137	—	—	137
Academic support	33,557	—	—	33,557	31,682	—	—	31,682
Student services	41,251	—	—	41,251	39,242	—	—	39,242
Institutional support	33,845	—	—	33,845	31,898	—	—	31,898
Other	51	—	—	51	323	—	—	323
Total educational and general expenses	187,471	—	—	187,471	177,811	—	—	177,811
Auxiliary enterprises	23,180			23,180	22,782	—	—	22,782
Total expenses and losses	210,651	—	—	210,651	200,593	—	—	200,593
Increase in net assets from operating activities	19,005	2,019	—	21,024	14,452	1,540	—	15,992
Nonoperating:								
Contributions	51	99	2,045	2,195	44	945	637	1,626
Change in fair value of interests in split interest agreements	—	25	(65)	(40)	—	15	(63)	(48)
Investment return in excess of endowment spending amount	309	345	3	657	2,763	4,224	11	6,998
Transfer between net assets	(99)	(30)	129	—	(27)	(63)	90	—
Post-retirement medical plan changes other than net periodic cost	(2,222)	—	—	(2,222)	(1,767)	—	—	(1,767)
State bond grant revenue	2,706	—	—	2,706	3,169	—	—	3,169
Early retirement of long-term debt	(212)	—	—	(212)	(2,858)	—	—	(2,858)
Faculty retirement incentive program	(183)	—	—	(183)	(103)	—	—	(103)
Net assets released from restrictions – for capital	77	(77)	—	—	12	(12)	—	—
Increase in net assets from nonoperating activities	427	362	2,112	2,901	1,233	5,109	675	7,017
Increase in net assets	19,432	2,381	2,112	23,925	15,685	6,649	675	23,009
Net assets:								
Beginning of year	132,835	22,622	19,720	175,177	117,150	15,973	19,045	152,168
End of year	$ 152,267	25,003	21,832	199,102	132,835	22,622	19,720	175,177

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

(In thousands of dollars)

		2015	2014
Cash flows from operating activities:			
Increase in net assets	$	23,925	23,009
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		10,875	10,302
Early retirement of long-term debt		212	2,858
Change in allowance for doubtful student accounts receivable		1,796	2,050
Provision for losses on student loans receivable		(57)	148
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		(4,818)	(4,803)
Gifts of property, plant and equipment		(46)	(26)
Loss on disposal of property, plant and equipment		965	85
Net realized gains on investments		(2,119)	(70)
Net unrealized and realized appreciation on investments		(2,126)	(8,172)
Post-retirement medical plan changes other than net periodic cost		2,222	1,767
Changes in operating assets and liabilities:			
Student accounts receivable		(2,268)	(1,224)
Accounts receivable and other current assets		239	(818)
Contributions receivable		(855)	(651)
Accounts payable and accrued liabilities		(1,280)	(382)
Accrued salaries and liabilities for compensated absences		365	(273)
Deferred tuition revenues		687	(11)
Post-retirement benefits liability		1,948	1,433
Other liabilities		(170)	243
Net cash provided by operating activities		29,495	25,465
Cash flows from investing activities:			
Deposits to restricted cash and cash equivalents		(29,100)	(28,256)
Distributions from restricted cash and cash equivalents		34,787	26,495
Proceeds from student loans collections		1,303	1,149
Student loans issued		(1,472)	(1,514)
Proceeds from sale of investments		14,437	20,764
Purchases of investments		(21,171)	(20,602)
Purchases of property, plant and equipment		(12,595)	(13,430)
Decrease in accounts payable for property, plant and equipment		(1,221)	—
Net cash used in investing activities		(15,032)	(15,394)
Cash flows from financing activities:			
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		4,706	4,622
Proceeds from issuance of debt		19,675	52,224
Principal payments of debt		(5,129)	(5,878)
Refunding payments of debt		(22,815)	(51,823)
Increase in U.S. government grants refundable		110	321
Net cash used in financing activities		(3,453)	(534)
Net increase in cash and cash equivalents		11,010	9,537
Cash and cash equivalents:			
Beginning of year		67,557	58,020
End of year	$	78,567	67,557
Supplemental information:			
Interest paid	$	3,706	4,826
Noncash gifts-in-kind		182	137
Increase in accounts payable for property, plant and equipment		—	859

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 are not included in the consolidated financial statements. Agency receipts and disbursements were $95,002 and $94,957, respectively, in 2015 and $90,843 and $90,809, respectively, in 2014.

(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).

(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 commingled funds are stated at estimated fair value based on the net asset value (NAV) of funds. Each fund's 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, 2015 and 2014.

(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 5% spending rate (amounting to $2,248 and $1,815 for the years ended June 30, 2015 and 2014, respectively) while nonoperating activities include endowment returns 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

(Continued)

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 $1,949 in 2015 and $1,540 in 2014.

(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 $30,620 and $27,886 in fiscal years 2015 and 2014, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $3,756 and $4,945 in fiscal years 2015 and 2014, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $31,284 and $29,746 in fiscal years 2015 and 2014, 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, 2015 and 2014 was $13,104 and $12,546, respectively. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy (see note 1(t) below).

(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 30, 2015, 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 year 2015, the University early adopted the provisions of Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that deferred financing costs be presented net of related debt on the statements of financial position. The University applied the provisions of the update retrospectively to fiscal year 2014.

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

(w) Reclassifications

Certain reclassifications of 2014 amounts have been made to conform to the 2015 presentation.

(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 $278 and $316 at June 30, 2015 and 2014, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $169 and $177 at June 30, 2015 and 2014, with a liability for future payments to other beneficiaries included at an estimated amount of $19 and $25 at June 30, 2015 and 2014, respectively.

(In thousands of dollars)

During fiscal years 2015 and 2014, the University reported payments from charitable remainder trusts of $0 and $104, respectively, from the close out of certain trusts.

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

		2015	2014
Unconditional promises to give	$	3,184	2,043
Interests in split interest agreements		448	493
		3,632	2,536
Less discount to present value		(293)	(162)
		3,339	2,374
Less allowance for uncollectibles		(10)	(12)
Net contributions receivable	$	3,329	2,362

Discount rates ranged as follows at June 30:

	2015	2014
Split interest agreements	2.5% to 9.2%	2.5% to 9.0%
Unconditional promises to give	4.2% to 8.0%	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:

		2015	2014
Within one year	$	988	626
Between one to five years		1,778	1,243
More than five years		563	493
	$	3,329	2,362

As of June 30, 2015 and 2014, 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 $3,362 and $3,627 for the years ended June 30, 2015 and 2014, respectively.

(In thousands of dollars)

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

		2015	2014
Past due:			
1-89 days	$	632	645
Greater than 90 days		216	230
Collections		1,176	1,400
Litigation		1,696	1,509
Total past due		3,720	3,784
Current		7,224	6,991
Total gross student loans receivable		10,944	10,775
Less allowance for doubtful receivables		2,730	2,787
Total net student loans receivable	$	8,214	7,988

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.

(In thousands of dollars)

(4) Investments

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

	2015		2014	
	Fair value	Cost	Fair value	Cost
Commonfund and other U.S. government securities	$ 6,628	6,661	4,705	4,738
Corporate stocks:				
Equities-marketable	589	474	527	395
Equities-nonmarketable	30	30	30	30
Total corporate stocks	619	504	557	425
Corporate stock funds:				
Commonfund equity fund	28,738	12,689	25,063	10,201
Commonfund equity index fund	19,763	11,798	16,618	9,912
Other equity funds	204	172	189	157
Total stock funds	48,705	24,659	41,870	20,270
Total stocks and stock funds	49,324	25,163	42,427	20,695
Corporate bonds:				
Specific corporate bonds	271	276	331	328
Corporate bond funds:				
Commonfund bond fund	15,292	14,016	13,107	11,539
Other bond funds	403	413	378	384
Total corporate bond funds	15,695	14,429	13,485	11,923
Total corporate bonds and bond funds	15,966	14,705	13,816	12,251
Other investments	50	45	41	38
Total investments	$ 71,968	46,574	60,989	37,722

Included in Commonfund and U.S. Government Securities at June 30, 2015 and 2014 is $6,628 and $4,705, respectively, restricted for debt service and renewal and replacement. At June 30, 2015 and 2014, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $143 and $122, respectively.

(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
Corporate stocks:						
Equities – marketable	589	589	—	—	Daily	Same Day
Equities – nonmarketable	30	—	—	30	N/A	N/A
Other equity funds	204	204	—	—	Variable	Variable
Corporate bonds	271	109	162	—	Daily	Same Day
Bond funds	260	260	—	—	Variable	Variable
Other investments	50	50	—	—	Daily	Same Day
Total	7,682	1,212	6,440	30		
Investments reported at NAV or it's equivalent:						
Commonfund invested in U.S. government securities (a)	350				Weekly	5 Days
Commonfund equity fund (b)	28,738				Monthly	End of Month
Commonfund equity index fund (c)	19,763				Daily	Same Day
Corporate bond funds:						
Commonfund bond fund (d)	15,292				Monthly	End of Month
Other bond funds	143				Weekly	5 Days
Total investments	$ 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		

(Continued)

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2014, 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	$ 4,338	—	4,338	—	Weekly	5 Days
Corporate stocks:						
Equities – marketable	527	527	—	—	Daily	Same Day
Equities – nonmarketable	30	—	—	30	N/A	N/A
Other equity funds	189	189	—	—	Variable	Variable
Corporate bonds	331	112	219	—	Daily	Same Day
Bond funds	255	255	—	—	Weekly	5 Days
Other investments	41	41	—	—	Daily	Same Day
Total	5,711	1,124	4,557	30		
Investments reported at NAV or it's equivalent:						
Commonfund invested in U.S. government securities (a)	367				Weekly	5 Days
Commonfund equity fund (b)	25,063				Monthly	End of Month
Commonfund equity index fund (c)	16,618				Daily	Same Day
Corporate bond funds:						
Commonfund bond fund (d)	13,107				Monthly	End of Month
Other bond funds	123				Weekly	5 Days
Total investments	$ 60,989					
Cash and cash equivalents:						
Short term investments, primarily U.S. government obligations	$ 8,348	—	8,348	—	Daily	Same Day
Contributions receivable:						
Interest in split interest agreements	493	—	—	493	Variable	Variable
	$ 8,841	—	8,348	493		

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

(a) The investment objective of the Commonfund Intermediate Term Fund is to offer a program to be used for core cash balances or operating funds that are not expected to be needed for expenditure for a period of at least a year. The Fund seeks to produce a total return in excess of its benchmark, the Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market instruments in a manner that mitigates the chances of a negative total return over any 12 – month period.

(b) 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)

(c) The investment objective of the Commonfund Equity Index Fund is to pool Participant assets to obtain an index product that tracks the S&P 500 Index at a competitive price.

(d) 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, 2013	$ 30	546
Net purchases, sales, settlements	—	—
Total gains (realized/unrealized)	—	(53)
Transfers (out) in	—	—
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

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:

		2015	2014
Land and land improvements	$	20,389	20,541
Buildings and building improvements		260,029	249,671
Furniture and equipment		36,167	32,873
Construction in progress		1,728	5,126
		318,313	308,211
Less accumulated depreciation:			
Buildings and building improvements		(108,729)	(102,395)
Furniture and equipment		(22,892)	(20,325)
		(131,621)	(122,720)
Property, plant and equipment, net	$	186,692	185,491

Depreciation of property, plant, and equipment for the years ended June 30, 2015 and 2014 amounted to $10,474 and $10,022, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2015 and 2014 was $824 and $788, respectively.

At June 30, 2015, the University had unfulfilled commitments that are project funded by the State of New Jersey and related University matching funds totaling $5,200.

(6) Revolving Credit Facility

At June 30, 2015, the University had a $5,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2016. 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 2015 and 2014.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2015, 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, 2015 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, 2015 and 2014, the University was in compliance with these covenants.

(In thousands of dollars)

(7) Long-term Debt

Long-term debt at June 30 consists of:

		2015	2014
Bonds payable:			
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$	340	450
Mortgages payable:			
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest to 2021		167	196
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%		1,412	1,608
Higher Education Facilities Revenue Bonds of 2004, Series C due serially through 2023, interest from 4.25% to 6.0%		—	23,790
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		11,185	11,730
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		752	797
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		49,150	51,185
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		18,700	—
Other debt:			
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest		300	519
NJEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5% interest		271	271
		82,277	90,546
Less unamortized bond premium		19	211
Less deferred bond issuance costs		(707)	(953)
Net long-term debt	$	81,589	89,804

(In thousands of dollars)

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 $9,870 and $14,097 at June 30, 2015 and 2014, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

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, 2015 and 2014.

Interest expense was $3,756 and $4,945 in fiscal years 2015 and 2014, respectively.

On January 16, 2014, the New Jersey Educational Facilities Authority sold $51,925 bonds for Fairleigh Dickinson University. The Series 2014 B Bonds refunded all of the Authority' Series 2002 D Bonds. The Series 2014 B Bonds were sold at a fixed rate of 3.65% for 15 years and will be adjusted subsequent to the 15 year period through maturity based on 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 $6,497. However, for financial reporting purposes, the refunding resulted in a charge of $2,858, for the year ended June 30, 2014, reported as a nonoperating item in the 2014 consolidated statement of activities.

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, reported as a nonoperating item in the 2015 consolidated statement of activities.

As of June 30, 2015, the total principal payments due over the next five fiscal years and thereafter are:

2016	$	5,429
2017		5,417
2018		5,607
2019		5,637
2020		5,829
Thereafter		54,358
	$	82,277

(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, 2015 and 2014 were $6,010 and $5,883, 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.

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.

(In thousands of dollars)

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, 2015 and 2014 and statements of the funded status both years.

		2015	2014
Change in accumulated postretirement benefit obligation (APBO):			
APBO at July 1	$	31,416	28,216
Service cost		1,128	940
Interest cost		1,249	1,196
Retiree contributions		544	472
Benefits paid		(1,585)	(1,568)
Actuarial loss (gain)		2,834	2,160
APBO at June 30	$	35,586	31,416
Change in plan assets:			
University's contribution	$	1,041	1,096
Retiree contributions		544	472
Benefits paid		(1,585)	(1,568)
Net change in plan assets	$	—	—
Funded status of the plan:			
APBO in excess of plan assets	$	35,586	31,416
Accrued liabilities	$	35,586	31,416
Periodic costs recognized in income:			
Service cost	$	1,128	940
Interest cost		1,249	1,196
Amortization of net actuarial loss		612	394
Net postretirement expense	$	2,989	2,530

(In thousands of dollars)

The amount recorded from unrestricted net assets into net periodic benefit cost in 2015 was net actuarial loss of $2,222.

		2015	2014
Weighted average assumptions used to determine benefit obligations at end of year:			
Discount rate		4.44%	4.26%
Rate of compensation increase		N/A	N/A
Healthcare cost trend:			
Increase from current to next fiscal year:			
Pre-65 medical		9.50	8.50
Post-65 medical		6.00	7.00
Prescription drug		8.50	7.00
Ultimate rate of decline		3.886	5.00
Year that the ultimate rate is attained		2075	2022
Amounts recognized in accumulated unrestricted net assets:			
Net actuarial loss	$	13,560	11,338

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	$	6,967	(5,429)

	2015	2014
Weighted average assumptions used to determine the net periodic benefit cost at beginning of year:		
Discount rate	4.26%	4.75%
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	9.00
Post-65 medical	7.00	7.00
Prescription drug	7.00	7.00
Ultimate rate of decline	5.000	5.00
Year that the ultimate rate is attained	2022	2022

(In thousands of dollars)

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	$	695	(500)

Expected Benefit Payments

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

		Postretirement benefits
Fiscal Year:		
2016	$	1,215
2017		1,319
2018		1,407
2019		1,492
2020		1,549
Years 2021-2025		8,743

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).

(c) Employer Contributions

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2015 are the same as expected benefit payments.

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2016 relates to an actuarial loss of $891.

(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 126 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.

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

(Continued)

(In thousands of dollars)

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, 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 and 2014, the University transferred $6,235 and $4,476, respectively, of surplus funds into board designated endowment funds.

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

(Continued)

(In thousands of dollars)

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$ —	14,194	19,720	33,914
Board-designated funds	22,672	—	—	22,672
Total funds	$ 22,672	14,194	19,720	56,586

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$ 15,378	9,881	19,045	44,304
Investment return:				
Investment income	245	394	4	643
Net appreciation (realized and unrealized)	3,226	4,936	9	8,171
Total investment gain	3,471	5,330	13	8,814
Contributions	—	—	637	637
Change in fair value of interests in split-interest agreements	—	—	(63)	(63)
Appropriation of endowment assets for expenditure	(693)	(1,120)	(2)	(1,815)
Other changes:				
Transfers to create board-designed endowment funds	4,476	—	—	4,476
Other transfers	40	103	90	233
Endowment net assets at end of year June 30, 2014	$ 22,672	14,194	19,720	56,586

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, 2015 and 2014.

(Continued)

(In thousands of dollars)

(10) Net Assets

(a) Composition of Temporarily Restricted Net Assets

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

		2015	2014
Split interest agreements	$	262	236
Endowment return restricted for scholarships and other		14,706	14,194
Scholarships		3,252	2,662
Buildings and equipment		1,492	1,356
University programs and other		5,291	4,174
	$	25,003	22,622

(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:

		2015	2014
Split interest agreements	$	167	232
Pledges-endowed scholarships		850	596
Endowments-scholarships		17,470	15,550
Endowments-endowed chairs and other		3,305	3,305
Other-scholarships		40	37
	$	21,832	19,720

(In thousands of dollars)

(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:

	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

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net interest and dividend income	$ 498	296	—	794
Net realized and unrealized gains	4,007	4,224	11	8,242
Total return on investments	4,505	4,520	11	9,036
Less investment return designated for current operations:				
Endowment return-spending rate	1,519	296	—	1,815
Other investment return	223	—	—	223
Investment return in excess of endowment spending amount	$ 2,763	4,224	11	6,998

(Continued)

(In thousands of dollars)

(12) Commitments and Contingencies

At June 30, 2015, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating $32,759. These obligations are payable for the following fiscal years ending:

2016	$	4,119
2017		2,971
2018		2,852
2019		2,653
2020		2,623
2021 and thereafter		17,541
	$	32,759

Equipment, software, and space rental expenses for the years ended June 30, 2015 and 2014 were $6,199 and $5,439, 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, 2015 and 2014 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.

(In thousands of dollars)

(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 carrying amounts and fair values of the University's long-term debt at June 30, 2015 and 2014 based on market inputs for underlying debt securities are as follows and classified as Level 2:

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt	$ 82,277	82,350	90,546	90,822

At June 30, 2015 and 2014, 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.