BRYANT UNIVERSITY

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

BRYANT UNIVERSITY

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Bryant University:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bryant University as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 9, 2015

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

BRYANT UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2015 and 2014

(Dollars in thousands)

Assets		**2015**	**2014**
Cash and short-term investments (note 3)	$	56,688	53,861
Accounts receivable, net of allowance of $1,588 and $1,509 at June 30, 2015 and 2014, respectively		3,193	2,541
Contributions receivable, net (note 5)		6,655	6,472
Prepaid expenses and other assets		3,986	3,237
Notes receivable, net of allowance of $213 and $225 at June 30, 2015 and 2014, respectively (note 6)		6,069	6,120
Long-term investments (notes 3 and 4)		175,709	178,347
Deposits held by trustees (note 3)		42,011	49,155
Land, buildings, and equipment, net (note 7)		173,251	157,449
Total assets	$	467,562	457,182
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	22,795	21,734
Deferred revenues and advance payments		11,941	6,579
Asset retirement obligation		2,082	2,246
Interest rate swaps (note 9)		10,154	9,410
Notes and bonds payable, net (note 8)		121,576	124,972
Refundable advances – U.S. government grants (note 6)		6,478	6,358
Total liabilities		175,026	171,299
Net assets:			
Unrestricted:			
Available for operations		28,328	28,461
Designated for long-term investment		146,576	149,576
Net investment in plant		81,143	69,713
Total unrestricted net assets		256,047	247,750
Temporarily restricted (notes 4 and 10):			
Designated for long-term investment		8,362	9,074
Other temporarily restricted programs		12,090	14,271
Total temporarily restricted		20,452	23,345
Permanently restricted (notes 4 and 11)		16,037	14,788
Total net assets		292,536	285,883
Total liabilities and net assets	$	467,562	457,182

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2015

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2015
Operating:				
Revenues:				
Tuition and fees	$ 132,427	—	—	132,427
Residence and dining	36,941	—	—	36,941
Less scholarships and grants	(47,940)	—	—	(47,940)
Net student revenue	121,428	—	—	121,428
Contributions	1,545	—	—	1,545
Net assets released from restrictions	2,153	—	—	2,153
(note 12)		—	—	—
Government grants	1,387	—	—	1,387
Long-term investment income used in	7,432	—	—	7,432
operations (note 3)		—	—	—
Short-term investment income	313	—	—	313
Public service	244	—	—	244
Auxiliary and other sources	7,278	—	—	7,278
Total operating revenues	141,780	—	—	141,780
Expenses (note 14):				
Instruction	33,048	—	—	33,048
Academic support	13,221	—	—	13,221
Research	6,465	—	—	6,465
Student services	27,188	—	—	27,188
Institutional support	21,677	—	—	21,677
Public service	2,275	—	—	2,275
Auxiliary services	26,803	—	—	26,803
Total operating expenses	130,677	—	—	130,677
Increase in net assets from operating activities	11,103	—	—	11,103
Nonoperating:				
Capital contributions	—	3,249	1,251	4,500
Net assets released from restrictions (note 12)	3,161	(5,318)	4	(2,153)
Net unrealized and realized loss on long-term investments, less amount used in operations (note 3)	(4,764)	(710)	—	(5,474)
Change in fair value of interest rate swaps (note 9)	(744)	—	—	(744)
Other	259	(114)	(6)	139
Capital campaign expenses	(718)	—	—	(718)
Change in net assets from nonoperating activities	(2,806)	(2,893)	1,249	(4,450)
Change in net assets	8,297	(2,893)	1,249	6,653
Net assets:				
Beginning of year	247,750	23,345	14,788	285,883
End of year	$ 256,047	20,452	16,037	292,536

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2014

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014
Operating:				
Revenues:				
Tuition and fees	$ 125,574	—	—	125,574
Residence and dining	34,883	—	—	34,883
Less scholarships and grants	(45,562)	—	—	(45,562)
Net student revenue	114,895	—	—	114,895
Contributions	1,260	—	—	1,260
Net assets released from restrictions (note 12)	2,239	—	—	2,239
Government grants	1,305	—	—	1,305
Long-term investment income used in operations (note 3)	7,065	—	—	7,065
Short-term investment income	439	—	—	439
Public service	259	—	—	259
Auxiliary and other sources	7,446	—	—	7,446
Total operating revenues	134,908	—	—	134,908
Expenses (note 14):				
Instruction	30,897	—	—	30,897
Academic support	12,577	—	—	12,577
Research	6,194	—	—	6,194
Student services	26,927	—	—	26,927
Institutional support	21,136	—	—	21,136
Public service	2,286	—	—	2,286
Auxiliary services	26,867	—	—	26,867
Total operating expenses	126,884	—	—	126,884
Increase in net assets from operating activities	8,024	—	—	8,024
Nonoperating:				
Capital contributions	—	9,085	594	9,679
Net assets released from restrictions (note 12)	402	(2,641)	—	(2,239)
Net unrealized and realized gain on long-term investments, less amount used in operations (note 3)	16,773	2,682	—	19,455
Change in fair value of interest rate swaps (note 9)	(209)	—	—	(209)
Other	(1,351)	94	(44)	(1,301)
Capital campaign expenses	(682)	—	—	(682)
Change in net assets from nonoperating activities	14,933	9,220	550	24,703
Change in net assets	22,957	9,220	550	32,727
Net assets:				
Beginning of year	224,793	14,125	14,238	253,156
End of year	$ 247,750	23,345	14,788	285,883

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

(Dollars in thousands)

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	6,653	32,727
Adjustment to reconcile change in net assets to cash provided by operating activities:			
Depreciation		15,492	15,128
Amortization of bond issuance cost and premium		(196)	(200)
Net unrealized and realized loss on long-term investments		(1,036)	(25,101)
Net (gain) loss on disposal of assets		(12)	619
Contributions for property, plant, and equipment investing activities		(264)	(5,218)
Contributions for property, plant, and equipment financing activities		(61)	(336)
Contributions received for long-term investment		(1,104)	(690)
Increase in value of interest rate swaps		744	209
Decrease in asset remediation obligation		(164)	(638)
Change in working capital		4,891	3,246
Net cash provided by operating activities		24,943	19,746
Cash flows from investing activities:			
Purchase of land, buildings, and equipment		(29,635)	(23,519)
Contributions for property, plant, and equipment		264	5,218
Sale of land, buildings, and equipment		261	242
Capitalization of interest		(1,959)	(167)
Proceeds from maturities and sales of investments		58,024	201,561
Cost of purchases of investments		(55,594)	(184,746)
Change in deposits held by bond trustees		7,144	(49,043)
Change in notes receivable, net		51	(705)
Net cash used in investing activities		(21,444)	(51,159)
Cash flows from financing activities:			
Contributions received for long-term investment		1,104	690
Contributions for property, plant, and equipment		61	336
Repayment of principal on notes and bonds payable		(3,175)	(2,260)
Proceeds from debt issuance, plus premium		—	49,463
Payment of bond issuance costs		(25)	(416)
Increase in refundable advances – U.S. government grants		120	130
Net cash (used in) provided by financing activities		(1,915)	47,943
Change in cash		1,584	16,530
Cash, beginning of year (note 3)		16,866	336
Cash, end of year (note 3)	$	18,450	16,866
Supplemental disclosure:			
Change in accounts payable from property, plant, and equipment	$	51	1,447

See accompanying notes to consolidated financial statements.

(1) Description of the University

Bryant University (the University) is a private, nonsectarian, co-educational institution of higher education chartered under the laws of the State of Rhode Island, composed of a College of Business and a College of Arts and Sciences. The University was founded in 1863 and is located in Smithfield, Rhode Island, on approximately 435 acres. The University offers programs leading to bachelor's degrees in business administration, information technology and international business, each with various concentrations and minors, as well as a bachelor's of arts degree and a bachelor's of science degree, each with various majors and minors. Additionally, the University offers graduate programs leading to master's degrees in accounting, business administration, taxation, communications, global environmental studies, physician assistant studies, and sustainability practices.

The University has a wholly owned consolidated single-member LLC, BRU LLC. The purpose of the single-member LLC is to own and manage real estate and to conduct or engage in any lawful business or purpose related thereto. All significant intercompany transactions and balances have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

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

(a) Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Permanently restricted net assets* – 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 income and gains, if any, on related investments for general or specific purposes.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.
- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations which the University may use at its discretion.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

Dividends, interest, and net gains (losses) on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the University's interpretation of relevant state law requires that they be added to the principal of a permanently restricted fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the contributions impose restrictions on the current use of the income and/or net gains; and
- as increases (decreases) in unrestricted net assets in all other cases.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenues. Promises to give that are scheduled to be received after the consolidated statements of financial position dates are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and/or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The University reports contributions of land, buildings, or equipment as unrestricted revenues unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as unrestricted revenues provided the long-lived assets are placed in service in the same reporting period. Otherwise, the contributions are reported as temporarily restricted support until the assets are acquired and placed in service.

Unconditional promises to give that are receivable as of the end of the fiscal year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The University adheres to the American Institute of Certified Public Accountants (AICPA), *Not for Profit Organizations Audit and Accounting Guide*, in reporting expenses by their functional classification. Accordingly, depreciation, interest, and operations and maintenance expenses have been allocated to functional classifications based on building square footage. In addition, total fundraising expenses were $2,926 and $2,846 for the years ended June 30, 2015 and 2014, respectively.

(b) Short-Term Investments

Short-term investments include cash equivalents having maturities at date of purchase of three months or less.

(c) Investments

Investments are reported at fair value. If an investment is held directly by the University and an active market with quoted prices exists, the University reports the fair value as the market price of the security. The University also holds shares or units in nonmarketable securities including alternative investments such as private partnership, venture capital, hedge funds, and real assets strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The three levels of the fair value hierarchy are:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment in determining the fair value assigned to such assets or liabilities.

Under ASU 2015-07, investments in funds that are valued at NAV or its equivalent are not included in the three levels described above.

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment increases the uncertainty in those estimates.

(e) Land, Buildings, and Equipment

Land, constructed and purchased property, and equipment are carried at historical cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from two to forty years.

(f) Deferred Revenues

Students' reservation deposits, along with advance payments for tuition, room, board, and certain expenditures that relate to the University's summer or fall sessions, have been deferred and will be recorded as unrestricted revenues and expenses, respectively, in the year in which they are earned or incurred.

(g) Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. BRU LLC, a wholly owned single-member LLC, is a disregarded entity for tax purposes. Accordingly, any tax liability of BRU LLC would be reported by the University. The University believes it has taken no significant uncertain tax positions.

(h) Operations

The consolidated statements of activities report the changes in unrestricted, temporarily restricted, and permanently restricted assets from operating and nonoperating activities. Unrestricted operating revenues consist of those items attributable to the University's primary mission of providing education. It includes investment earnings on the University's operating funds. Investment earnings on the University's unrestricted long-term investments and all realized and unrealized gains and losses, net of the amount appropriated for operations, are classified as nonoperating. Net assets released from restrictions for capital purposes are also classified as nonoperating. Additionally, unrestricted operating revenues include contributions received related to annual fund support, while all other contributions and related capital campaign fundraising expenses are classified as nonoperating. Changes in the fair values of the University's interest rate swaps are classified as nonoperating.

(i) Asset Retirement Obligations

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligations is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University had an asset retirement obligation of $2,082 and $2,246 as of June 30, 2015 and 2014, respectively.

(j) Fair Value of Financial Instruments

The University discloses fair value information about all financial instruments for which it is practicable to estimate fair value. The University's financial instruments not carried at fair value are carried at net realizable value, which approximates fair value. Such financial instruments consist of cash and short-term investments, accounts receivable, other assets, accounts payable and accrued liabilities, deferred revenues and advance payments, which would be classified in Level 1 of the fair value hierarchy. The University determined that the estimated fair value of its total indebtedness was $123,780 and $127,271 as of June 30, 2015 and 2014, respectively. The fair value of long-term debt is based on significant observable inputs and is categorized as Level 2 for purposes of valuation disclosure. The University further determined that the differences between the carrying values and estimated fair values of its other financial assets and liabilities at June 30, 2015 and 2014 were not material.

(k) Reclassifications

Certain reclassifications were made to the fiscal year 2014 financial statements to conform to the fiscal year 2015 presentation.

(3) Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the University's Trustees Investment Committee that oversees the University's investments.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged, private partnership, and natural resource strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private partnership and natural resource funds generally employ buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold by an amount different from NAV. As of June 30, 2015 and June 30, 2014, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(Continued)

(Dollars in thousands)

The University's assets at June 30, 2015 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

		6/30/2015	Level 1
Stort-term investments			
Investments at fair value:			
Cash and equivalents	$	47,801	47,801
U.S. equities		1,192	1,192
Fixed income		7,695	7,695
Deposits held by bond trustees		42,011	42,011
Total short-term investments at fair value		98,699	98,699
Long-term investments (endowment)			
Investments at fair value:			
U.S. equities		16,362	16,362
Non-U.S. equities		7,052	7,052
Fixed income		1,682	1,682
Inflation hedging		9,919	9,919
Cash and equivalents		5,934	5,934
Total long-term investments at fair value		40,949	40,949
Investments measured at NAV		134,760	
Total investments	$	274,408	139,648

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU). The ASU eliminates the requirement to categorize investments in the fair value hierarchy if their value is measured at net asset value per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The ASU is effective for fiscal years beginning after December 15, 2015 with early adoption permitted and applied retrospectively. Management has elected to adopt the ASU for the year ended June 30, 2015.

Investments valued at NAV at June 30, 2015 include: a bond fund valued at $12,487 with a daily redemption frequency and a two day notice period; a bond fund valued at $5,912 and equity funds valued at $22,977 with monthly redemption frequencies and notice periods ranging from 5 to 30 days; an equity fund valued at $14,467 with a bi-monthly redemption frequency and notice period of 10 days; an equity fund valued at $2,239 and hedge funds valued at $39,301 with quarterly redemption frequencies and notice periods of 60 to 90 days; hedge funds valued at $12,851 with annual redemption frequencies and notice periods of 45 to

(Dollars in thousands)

95 days; and private equity, venture, distressed, real estate and natural resource funds valued at $24,526 that are illiquid.

The University's assets at June 30, 2014 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	6/30/2014	Level 1
Stort-term investments		
Investments at fair value:		
Cash and equivalents	$ 45,086	45,086
U.S. equities	1,113	1,113
Fixed income	7,662	7,662
Deposits held by bond trustees	49,155	49,155
Total short-term investments at fair value	103,016	103,016
Long-term investments (endowment)		
Investments at fair value:		
U.S. equities	19,721	19,721
Non-U.S. equities	8,112	8,112
Fixed income	7,444	7,444
Inflation hedging	11,051	11,051
Cash and equivalents	3,742	3,742
Total long-term investments at fair value	50,070	50,070
Investments measured at NAV	128,277	
Total invetments	$ 281,363	153,086

Investments valued at NAV at June 30, 2014 include: bond funds valued at $12,827 and equity funds valued at $18,542 with monthly redemption frequencies and notice periods ranging from 5 to 30 days; an equity fund valued at $13,926 with a bi-monthly redemption frequency and notice period of 10 days; an equity fund valued at $2,625 and hedge funds valued at $38,912 with quarterly redemption frequencies and notice periods of 60 to 65 days; hedge funds valued at $12,888 with annual redemption frequencies and notice periods of 45 to 95 days; and private equity, venture, distressed, real estate and natural resource funds valued at $28,557 that are illiquid.

Under the terms of certain limited partnership agreements, the University is obligated to remit additional funding periodically as capital or liquidity calls are exercised by investment managers. The University had outstanding commitments to such limited partnerships of $3,934 as of June 30, 2015.

(Continued)

(Dollars in thousands)

Alternative investments including private partnerships are redeemable with the fund at net asset value under the original terms of the partnership agreement and/or subscription agreements and operations of the underlying funds.

The limited partnerships with redemption lock-up periods have various terms and may provide for extensions of one to three years. Some of the partnership agreements allow for multiple extensions.

The expirations of the private partnerships' and natural resource funds' redemption lock-up periods are summarized in the table below:

		Amount
Fiscal year:		
2016	$	3,328
2017		8,305
2018		—
2019		4,990
2020		1,245
Thereafter		6,659
Total	$	24,527

Long-term investment activity consisted of the following for the years ended June 30, 2015 and 2014:

		2015	2014
Long-term investments at beginning of year	$	178,347	158,352
Interest and dividends		3,798	3,814
Net realized and unrealized gain		1,036	25,101
Management fees		(2,876)	(2,395)
Total investment gain		1,958	26,520
Contributions		1,004	593
Amount appropriated for operating activities		(7,432)	(7,065)
Interfund transfers, additions and payments		1,832	(53)
Long-term investments at end of year	$	175,709	178,347

Management fees have been calculated based on actual costs charged by investment managers and, in the case of mutual funds, based on an approximation of expense ratios on assets under management.

Cash and short-term investments as of June 30, 2015 and 2014, respectively, include a cash balance of $18,450 and $16,866, respectively.

(Continued)

(Dollars in thousands)

(4) Endowment

The University's endowment consists of approximately 46 individual funds established for a variety of purposes, including both donor-restricted endowment funds (true endowment) 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.

(a) Relevant Law

The Uniform Prudent Management of Institutional Funds Act enacted by the State of Rhode Island (the Act) requires 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. The University classifies as permanently restricted net assets (a) the original value of the 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 the Act. In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) The duration and preservation of the fund; 2) The purpose of the University and the donor-restricted endowment fund; 3) General economic conditions; 4) The possible effect of inflation and deflation; 5) The expected total return from income and the appreciation of investments; 6) Other resources of the University; 7) The investment policies of the University.

Endowment net asset composition by type of fund consists of the following at June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (2)	8,362	15,163	23,523
Board-designated endowment funds	146,578	—	—	146,578
Total endowed net assets	$ 146,576	8,362	15,163	170,101

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2014	$	149,576	9,074	14,159	172,809
Investment return:					
Investment income (loss), net		1,195	(350)	—	845
Net gains (losses)		1,237	(362)	—	875
Total investment return		2,432	(712)	—	1,720
Contributions		—	—	1,004	1,004
Transfers from operations		2,000	—	—	2,000
Appropriation of endowment assets for expenditure		(7,432)	—	—	(7,432)
Endowment net assets, June 30, 2015	$	146,576	8,362	15,163	170,101

Endowment net asset composition by type of fund consists of the following at June 30, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(1)	9,074	14,159	23,232
Board-designated endowment funds		149,577	—	—	149,577
Total endowed net assets	$	149,576	9,074	14,159	172,809

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	$ 133,423	6,548	13,566	153,537
Investment return:				
Investment income, net	1,215	132	—	1,347
Net gains	22,003	2,394	—	24,397
Total investment return	23,218	2,526	—	25,744
Contributions	—	—	593	593
Appropriation of endowment assets for expenditure	(7,065)	—	—	(7,065)
Endowment net assets, June 30, 2014	$ 149,576	9,074	14,159	172,809

Long-term investments as of June 30, 2015 and 2014 include $5,608 and $5,538, respectively, of operating investments, which are not part of the endowment investment pool.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in unrestricted net assets and were $2 as of June 30, 2015 and $1 as of June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(c) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to support the educational mission of the University by providing a reliable source of funds for current and future use. The financial objective is to provide a level of support consistent with the endowment's purchasing power being maintained or enhanced over time. It is expected that professional management and portfolio diversification will reduce volatility and assure a reasonably consistent level of return. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees, and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee intend that the endowment fund be managed to maximize total returns consistent with prudent levels of risk, reduce portfolio risk through asset allocation and diversification, and outperform each of the capital markets in which assets are invested.

(Dollars in thousands)

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerances.

The University targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, hedge funds and alternative investments such as private equity, venture capital, natural resource, and real estate, as well as cash equivalents, to achieve its long-term return objectives within prudent risk constraints. The Investment Committee periodically reviews the policy portfolio's asset allocation for possible rebalancing.

Under the University's endowment investment spending policy, up to 5% of the endowment investments' trailing twelve-quarter average market value is appropriated for expenditure.

(5) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2015 and 2014:

		2015	2014
Amounts due in:			
Less than one year	$	2,820	2,381
One to five years		5,573	4,897
Over five years		454	674
Less discount and allowance for uncollectible contributions		(2,192)	(1,480)
Contributions receivable, net	$	6,655	6,472

The risk adjusted discount rate, which ranged from 0.36% to 2.41%, is utilized in determining the fair value of such contributions receivable.

(6) Notes Receivable

Notes receivable include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Such funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government. Notes receivable are principally amounts under the Program and are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

(Dollars in thousands)

(7) Land, Buildings, and Equipment

The University's land, buildings, and equipment are composed of the following as of June 30, 2015 and 2014:

		2015	2014
Buildings	$	266,834	249,377
Furniture, equipment, and other assets		57,789	56,614
Land and improvements		23,387	22,069
Construction in progress		14,110	7,350
		362,120	335,410
Less accumulated depreciation		(188,869)	(177,961)
Land, buildings, and equipment, net	$	173,251	157,449

Depreciation expense was $15,492 and $15,128 for the years ended June 30, 2015 and 2014, respectively.

(8) Notes and Bonds Payable

Notes and bonds payable outstanding as of June 30, 2015 and 2014 are as follows:

		2015	2014
Variable rate, RIHEBC, 2008 Series, due in varying amounts to 2035	$	48,065	48,530
2.000%-5.000%, RIHEBC, 2011 Series, due in varying amounts to 2032		20,825	21,660
1.6125%, RIHEBC, 2013 Series, due in varying amounts to 2019		4,585	5,685
3.000%-5.000%, RIHEBC, 2014 Series, due in varying amounts to 2044		46,320	47,095
Add unamortized bond premium		2,437	2,765
Less bond issuance costs		(656)	(763)
Notes and bonds payable, net	$	121,576	124,972

Cash paid for interest was $5,173 and $3,226 for the years ended June 30, 2015 and 2014, respectively.

The amount of interest capitalized was $1,959 and $167 for the years ended June 30, 2015 and 2014, respectively.

(Dollars in thousands)

Scheduled annual principal repayments of bonds payable are as follows:

Fiscal year:		
2016	$	3,225
2017		3,295
2018		3,375
2019		3,525
2020		3,785
Thereafter		102,590
Total principal payments	$	119,795

In June 2008, the University entered into an agreement with RIHEBC, which provided for the issuance of $50,420 variable rate, Higher Education Facility Revenue Refunding Bonds, due in varying principal payments or sinking fund payments to June 1, 2035. They are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. This bond series is backed by a $48,808 direct-pay Letter of Credit agreement with a bank, which expires on April 24, 2016. The purpose of issuing the 2008 debt was to refund the 2005 and 2007 variable rate bonds including certain expenses incurred in connection with the issuance. The interest rate at June 30, 2015 was 0.07%.

In November 2011, the University entered into an agreement with RIHEBC, which provided for the issuance of $23,255 Higher Education Facility Revenue Refunding Bonds, Series 2011 Bonds, due in varying principal payments or sinking fund payments to December 1, 2031. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The purpose of issuing the 2011 debt was to refund the 2001 bonds.

In February 2013, the University entered into an agreement with RIHEBC, which provided for the issuance of $7,825 Higher Education Facility Revenue Refunding Bonds, Series 2013 Bonds, due in varying principal payments or sinking fund payments to June 30, 2019. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The bond is a private placement bond with TD Bank. The purpose of issuing the 2014 debt was to refund the 2002 bonds.

In June 2014, the University entered into an agreement with RIHEBC, which provided for the issuance of $47,095 Higher Education Facility Revenue Bonds, Series 2014 Bonds, due in varying principal payments or sinking fund payments to June 1, 2044. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The proceeds are being utilized to finance several construction projects.

The University has obtained an uncommitted/unsecured line of credit with a bank for a maximum of $10,000. There is no balance outstanding under the line of credit at June 30, 2015 or June 30, 2014.

The University's bond and letter of credit agreements contain certain covenants, which the University was in compliance with as of June 30, 2015.

(Dollars in thousands)

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs (ASU)*. Debt issuance costs related to a recognized debt liability would be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. The ASU is effective for fiscal years beginning after December 15, 2015 with early adoption permitted and applied retrospectively. Management has elect to adopt the ASU for the year ended June 30, 2015.

(9) Interest Rate Swaps

The University has three interest rate swaps, the purpose of which is to swap the variable rate on the underlying $50,420 debt issued in June 2008 for fixed rates. One interest rate swap was entered into for $30,000 to obtain a fixed rate of 3.793%. Another two interest rate swaps were entered into for $10,000 each to obtain fixed rates of 3.790% and 3.856%, respectively. Counterparty payments will continue through June 1, 2035. The liability, representing a negative fair value of all three swap agreements, has been recorded as an unrestricted net liability on the consolidated statements of financial position for the years ended June 30, 2015 and 2014 in the amount of $10,154 and $9,410, respectively.

The University entered into these agreements to hedge cash flows attributable to interest payments on the debt issues and does not use such instruments for speculative purposes. The instruments' fair values and changes therein must be measured in the University's net assets. The values of the swap instruments represent the estimated benefit or cost to the University to cancel the agreements at the reporting date, and are based on option pricing models that consider risks and market factors.

Counterparty	Issue date	Effective date	Expiration/ termination date	Remaining notional amount	Swap fixed rate	Fair value at June 30 asset (liability) 2015	Fair value at June 30 asset (liability) 2014
Wells Fargo Bank, N.A.	11/24/08	11/24/08	06/01/35	$ 29,400	3.793%	$ (6,340)	(5,837)
Barclays Bank, PLC	11/24/08	11/24/08	06/01/35	10,000	3.790	(2,181)	(1,999)
Barclays Bank, PLC	11/24/08	11/24/08	06/01/35	8,350	3.856	(1,633)	(1,574)
Totals						$ (10,154)	(9,410)

Since the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are categorized as Level 2 for purposes of valuation disclosure.

(Dollars in thousands)

(10) Temporarily Restricted Net Assets

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

		2015	2014
Contributions receivable, net	$	5,864	5,932
Purpose restrictions:			
Scholarships		1,021	714
Instruction		872	723
Academic support		36	99
Student services		224	120
Public service		245	204
Buildings and facilities		2,497	5,246
Other capital campaign		1,331	1,233
Cumulative endowment appreciation (note 4)		8,362	9,074
Total purpose restrictions		14,588	17,413
Total temporarily restricted net assets	$	20,452	23,345

(11) Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30, 2015 and 2014:

		2015	2014
Contributions receivable, net	$	791	540
Other receivables		83	89
Assets for which income is restricted for the following purposes:			
Scholarships		13,544	12,541
Instruction and other programs		1,619	1,618
Total income restricted as to purpose		15,163	14,159
Total permanently restricted net assets	$	16,037	14,788

(Continued)

(Dollars in thousands)

(12) Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

		2015	2014
Buildings and facilities	$	3,161	402
Scholarships and other programs		2,157	2,239
Total net assets released from restrictions	$	5,318	2,641

(13) Retirement Plan

The University has a defined contribution retirement plan (the Plan) for eligible full-time academic, administrative and service personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. Contributions are made by the University and the participants to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and the Fidelity Service Company, the Plan's investment custodians, based on participant elections. The University's expense under the Plan was $4,409 and $4,173 for the years ended June 30, 2015 and 2014, respectively.

(14) Natural Classification of Operating Expenses

Operating expenses by their natural classification were as follows for the years ended June 30, 2015 and 2014:

		2015	2014
Salaries and wages	$	57,383	54,965
Depreciation and amortization of bond issuance cost		15,624	15,255
Fringe benefits		17,235	17,106
Purchased services		7,914	7,761
Food service		7,191	7,684
Interest		2,940	2,897
Utilities and communications		3,294	3,447
Advertising and publications		2,130	2,090
Supplies and postage		1,951	1,863
Facility renovations		1,683	1,450
Other		13,332	12,366
Total operating expenses	$	130,677	126,884

(Continued)

(15) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2015 and through November 9, 2015, the date on which the consolidated financial statements were issued. The University concluded that no material subsequent events have occurred.