UNIVERSITY OF ST. FRANCIS

Financial Statements and Independent Auditor's Report

May 31, 2016 and 2015

Sikich®

University of St. Francis
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May 31, 2016 and 2015

Financial Statements

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Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of St. Francis
Joliet, Illinois

Report on Financial Statements

We have audited the accompanying financial statements of University of St. Francis (the University), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of St. Francis as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sikich LLP

Naperville, Illinois
October 7, 2016

University of St. Francis

Statements of Financial Position

May 31, 2016 and 2015

		2016		2015
Assets				
Cash and cash equivalents	$	4,616,497	$	5,571,527
Student accounts receivable, net of allowance of $1,565,500 in 2016 and $1,640,900 in 2015		5,204,323		4,742,316
Other receivables		1,366,562		241,836
Prepaid expenses and other assets		467,998		535,186
Contributions receivable, net of allowance of $175,900 in 2016 and $4,400 in 2015		3,084,464		236,271
Restricted cash and investments		15,597,441		1,250,061
Investments		14,738,569		17,790,135
Real estate held for investment		1,496,500		1,696,500
Student loans receivable, net of allowance of $50,000		1,424,138		1,326,016
Property and equipment, net of accumulated depreciation of $36,616,708 in 2016 and $33,823,614 in 2015		48,798,604		43,051,714
Beneficial interest in perpetual trust		2,307,036		2,493,601
Total Assets	$	99,102,132	$	78,935,163
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	1,932,580	$	1,735,755
Accrued expenses		2,874,197		2,650,447
Borrowings on revolving line of credit		2,000,000		-
Deferred revenue		4,616,974		3,982,716
Capital lease obligations		489,186		60,873
Other liabilities		1,375,527		1,546,845
Interest rate swap agreements		596,272		311,635
Bonds and note payable, net of unamortized debt issuance costs of $595,985 in 2016 and $251,022 in 2015		39,706,015		25,937,978
U.S. Government student loan funds		1,043,652		1,037,658
Total liabilities		54,634,403		37,263,907
Net Assets				
Unrestricted		29,467,224		28,810,763
Temporarily restricted		6,315,149		4,109,775
Permanently restricted		8,685,356		8,750,718
Total net assets		44,467,729		41,671,256
Total Liabilities and Net Assets	$	99,102,132	$	78,935,163

See accompanying Notes to Financial Statements.

University of St. Francis

Statement of Activities

Year Ended May 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Tuition and fees	$ 60,249,827	$ -	$ -	$ 60,249,827
Less scholarships and aid	(19,385,188)	-	-	(19,385,188)
Net tuition and fees	40,864,639	-	-	40,864,639
Contributions	1,338,627	4,887,118	121,203	6,346,948
Grants and contracts	805,491	47,100	-	852,591
Distribution from trusts held by others	-	138,071	-	138,071
Investment return	93,852	121,952	-	215,804
Auxiliary enterprises	3,862,714	-	-	3,862,714
Other income	1,303,263	-	-	1,303,263
Net assets released from restrictions	2,600,336	(2,600,336)	-	-
Total revenues, gains, and other support	50,868,922	2,593,905	121,203	53,584,030
Expenses				
Instruction	17,117,493	-	-	17,117,493
Academic support	8,771,430	-	-	8,771,430
Student services	10,358,789	-	-	10,358,789
Auxiliary enterprises	4,203,106	-	-	4,203,106
Total educational program services	40,450,818	-	-	40,450,818
Institutional support	8,047,659	-	-	8,047,659
Fundraising	849,152	-	-	849,152
Total expenses	49,347,629	-	-	49,347,629
Change in Net Assets Before Other Revenues (Expenses)	1,521,293	2,593,905	121,203	4,236,401
Other Revenues (Expenses)				
Loss on disposals of property	(135,529)	-	-	(135,529)
Unrealized investment gain (loss)	(244,389)	(388,531)	-	(632,920)
Unrealized gain (loss) on real estate held for investment	(200,000)	-	-	(200,000)
Change in fair value of interest rate swap agreements	(284,636)	-	-	(284,636)
Change in value of split-interest agreements	(278)	-	(186,565)	(186,843)
Total other revenues (expenses)	(864,832)	(388,531)	(186,565)	(1,439,928)
Changes in Net Assets	656,461	2,205,374	(65,362)	2,796,473
Net Assets, Beginning of Year	28,810,763	4,109,775	8,750,718	41,671,256
Net Assets, End of Year	$ 29,467,224	$ 6,315,149	$ 8,685,356	$ 44,467,729

See accompanying Notes to Financial Statements.

University of St. Francis

Statement of Activities

Year Ended May 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Tuition and fees	$ 59,415,093	$ -	$ -	$ 59,415,093
Less scholarships and aid	(18,315,229)	-	-	(18,315,229)
Net tuition and fees	41,099,864	-	-	41,099,864
Contributions	866,808	712,421	634,579	2,213,808
Grants and contracts	564,334	1,853,693	-	2,418,027
Distribution from trusts held by others	-	142,029	-	142,029
Investment return	146,820	223,577	-	370,397
Auxiliary enterprises	3,965,432	-	-	3,965,432
Other income	990,480	-	-	990,480
Net assets released from restrictions	2,729,399	(2,729,399)	-	-
Total revenues, gains, and other support	50,363,137	202,321	634,579	51,200,037
Expenses				
Instruction	17,613,766	-	-	17,613,766
Academic support	8,700,815	-	-	8,700,815
Student services	9,672,970	-	-	9,672,970
Auxiliary enterprises	4,227,782	-	-	4,227,782
Total educational program services	40,215,333	-	-	40,215,333
Institutional support	7,823,663	-	-	7,823,663
Fundraising	658,352	-	-	658,352
Total expenses	48,697,348	-	-	48,697,348
Change in Net Assets Before Other Revenues (Expenses)	1,665,789	202,321	634,579	2,502,689
Other Revenues (Expenses)				
Unrealized investment gain (loss)	(38,589)	64,509	-	25,920
Unrealized gain (loss) on real estate held for investment	(377,000)	-	-	(377,000)
Change in fair value of interest rate swap agreements	(268,188)	-	-	(268,188)
Change in value of split-interest agreements	(10,232)	-	26,444	16,212
Total other revenues (expenses)	(694,009)	64,509	26,444	(603,056)
Changes in Net Assets	971,780	266,830	661,023	1,899,633
Net Assets, Beginning of Year	27,838,983	3,842,945	8,089,695	39,771,623
Net Assets, End of Year	$ 28,810,763	$ 4,109,775	$ 8,750,718	$ 41,671,256

See accompanying Notes to Financial Statements.

University of St. Francis

Statements of Cash Flows

Years Ended May 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ 2,796,473	$ 1,899,633
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,053,301	2,992,632
Loss on asset impairment	-	65,022
Loss on disposals of property	135,529	-
Bad debt expense	96,100	188,600
Change in contributions receivable discount	265,991	(387)
Perkins loans cancellations and adjustments	12,459	21,190
Net realized and unrealized losses on investments	48,627	276,219
Change in beneficial interest in perpetual trust	186,565	(26,444)
Change in fair value of interest rate swap agreements	284,637	268,188
Actuarial loss on annuity obligations	279	10,232
Noncash contributions	(1,604,847)	(134,964)
Contributions restricted for long-term investment	(121,203)	(634,579)
Contributions restricted for acquisition of long-lived assets	(6,149,870)	(1,915,158)
Changes in operating assets and liabilities		
Student accounts receivable	(386,607)	(2,337,550)
Other receivables	(1,124,726)	37,844
Prepaid expenses	67,188	(84,399)
Contributions receivable	1,693,656	(184,057)
Accounts payable	(76,396)	215,035
Accrued expenses	223,750	265,865
Deferred revenue	634,258	494,710
Other liabilities	(131,325)	350,096
Net cash provided by (used in) operating activities	(96,161)	1,767,728
Cash Flows from Investing Activities		
Purchases of property and equipment	(7,625,201)	(7,530,290)
Proceeds from sale of property	44,147	-
Purchases of investments	(15,724,734)	(19,849,826)
Proceeds from sales and maturities of investments	18,019,569	23,010,619
(Increase) decrease in cash and investments restricted for student loans, scholarships, and long-lived asset purchases	(12,444,679)	57,325
Advances of student loans	(241,000)	(227,050)
Principal payments received on student loans	130,419	171,152
Net cash used in investing activities	(17,841,479)	(4,368,070)

(This statement is continued on the following page.)

University of St. Francis

Statements of Cash Flows (continued)

Years Ended May 31, 2016 and 2015

	2016	2015
Cash Flows from Financing Activities		
Payments on capital lease obligations	$ (63,457)	$ (159,447)
Principal payments on bonds	(887,000)	(873,000)
Proceeds from issuance of bonds	14,640,612	-
Proceeds from draw on line of credit	2,000,000	-
Payments on annuities payable	(5,272)	(3,500)
Proceeds from issuance of annuities payable	-	16,025
(Increase) decrease in U.S. Government student loan funds	5,994	(37,887)
Proceeds from contributions restricted for long-term investment	121,203	634,579
Proceeds from contributions restricted for acquisition of long-lived assets	1,170,530	1,915,158
Net cash provided by financing activities	16,982,610	1,491,928
Net Decrease in Cash and Cash Equivalents	(955,030)	(1,108,414)
Cash and Cash Equivalents, Beginning of Year	5,571,527	6,679,941
Cash and Cash Equivalents, End of Year	$ 4,616,497	$ 5,571,527
Supplemental Cash Flows Information		
Interest paid	$ 642,159	$ 542,776
Property and equipment purchases included in accounts payable	998,421	725,200
Noncash contribution of property	575,250	85,440
Equipment acquired by capital lease	491,770	-

See accompanying Notes to Financial Statements.

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

Nature of Operations

University of St. Francis (the University) is a private, not-for-profit, Catholic university rooted in the liberal arts and sciences located in Joliet, Illinois, and is comprised of the Colleges of Arts & Sciences, Business & Health Administration, and Education and the Cecily and John Leach College of Nursing. The University is a welcoming community of learners challenged by Franciscan values and charism that strives for academic excellence in all programs, preparing women and men to contribute to the world through service and leadership. The University's revenues and other support are derived principally from tuition and fees, auxiliary revenue, contributions, and federal and state grants. The University also maintains a campus in Albuquerque, New Mexico, which offers graduate degree programs in both physician assistant studies and nursing (family nurse practitioner). In addition, the University operates adult undergraduate and graduate studies programs at various locations across the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2016 and 2015, cash equivalents consisted primarily of money market funds.

At May 31, 2016 and 2015, the University's cash accounts exceeded federally insured limits by approximately $4,705,510 and $5,538,000, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

Cash and cash equivalents awaiting longer-term investing are considered part of investments in the accompanying financial statements.

Student Accounts and Loans Receivable

Student accounts receivable are stated at the amount billed to students less applied scholarships and loan proceeds plus any accrued and unpaid interest. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Tuition and fees are generally due at the beginning of the term unless the student has established a payment plan. Student accounts that do not have an established payment plan are considered past due after the second published due date (this date varies, but is approximately two to three weeks after classes begin). A late fee

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

Student Accounts and Loans Receivable (Continued)

is charged to all accounts not paid in full or enrolled in a payment plan by that date. In addition, accounts with balances due from a prior term bear interest at 1% per month. Charges that are past due without any payments for approximately three consecutive months are considered delinquent. Delinquent accounts are sent to collections and subsequently written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Loans that are past due for at least one payment are considered delinquent. Interest is accrued on loans with a delinquent balance greater than nine months. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Restricted Cash and Investments

The balance of the Federal Perkins Loan revolving fund, consisting of cash awaiting to be loaned to students, is maintained in a separate, restricted bank account. In addition, contributions restricted for long-lived asset purchases, any unspent bond proceeds, and a significant grant received for future scholarship awards are displayed as a component of restricted cash and investments.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Alternative investment funds are valued using an estimated net asset value (NAV). Investment return includes dividend, interest, and other investment income; and realized and unrealized gains and losses on investments carried at fair value. Investment return is reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the beginning of the year fair value of the interest of each endowment to the total fair value of the pooled investments accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Property and Equipment (Continued)

The following estimated useful lives are being used by the University:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Leasehold improvements	3-20 years
Equipment, furniture, and fixtures	3-25 years
Administrative computer software	10 years
Library books	15 years
Motor vehicles	3-15 years

Property and equipment is capitalized when its purchase price is greater than $2,500 and it has a useful life of more than two years. In addition, furniture and equipment items that are part of a group purchase with a useful life greater than two years may also be capitalized even though individually the items may fall under the $2,500 threshold.

Split-Interest Agreements

The University is the beneficiary of two trusts, the corpuses of which are not controlled by the management of the University. In the absence of donor-imposed conditions, the University recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

The University also administers charitable gift annuities. Assets transferred to the University under these agreements are recorded at fair value. Contribution revenue was recognized at the date the each annuity was established, after recording a liability for the present value of the estimated future payments to be made to the beneficiary.

Deferred Revenue

Deferred revenue consists primarily of student tuition, housing, and other fees received or billed that are nonrefundable prior to the beginning of an academic term. Revenue from prepaid tuition and summer courses is deferred and recognized over the periods to which the revenue relates.

Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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

Net Assets (Continued)

Unrestricted net assets include general and board-designated net assets of the University and are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The unrestricted net assets of the University may be used at the discretion of management to support the University's purposes and operations.

Temporarily Restricted net assets are subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted net assets are subject to donor-imposed restrictions that the contribution be maintained in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for general or specific purposes. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Such assets include primarily the University's permanent endowment.

Tuition and Fees

Student tuition and fees are recorded as revenue during the year the related academic services are rendered.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

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

Contributions (Continued)

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Contributions

In addition to receiving cash contributions, the University receives in-kind contributions of investments, auction items for fundraising events, and property from various donors. It is the policy of the University to record the estimated fair value of certain in-kind donations as an expense or asset in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended May 31, 2016 and 2015, $690,021 and $206,405, respectively, was received in in-kind contributions.

Grants and Contracts

Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Auxiliary Enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the University's auxiliary enterprises consist of residence halls, dining facilities, conference services, and the University bookstore. Auxiliary enterprise revenues and expenses are reported in the accompanying statements of activities in unrestricted net assets.

Advertising Costs

The University uses advertising to promote its various programs. The production costs of advertising are expensed the first time the advertising takes place. Advertising expenses for the years ended May 31, 2016 and 2015 were $684,007 and $705,270, respectively.

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

Income Taxes

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction. In addition, the Internal Revenue Service has determined that the University is not a private foundation within the meaning of Section 509(c) of the IRC.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Depreciation, interest, facilities operations and maintenance, insurance, and utilities expenses have been allocated among the educational program, institutional support, and fundraising categories based on the square footage of the space utilized by the different University departments. Certain employee benefit expenses have been allocated among the same categories based on the number of benefits-eligible employees in the different University departments.

New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2015-03, *Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU No. 2015-03).* ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 is effective for annual periods beginning after December 15, 2015 with early adoption permitted. The University has retrospectively adopted the provisions of ASU No. 2015-03 in fiscal years 2015 and 2016. The effect of the change on the 2015 financial statements was to decrease total assets and total liabilities by $251,022.

In May 2015, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU No. 2015-07). ASU No. 2015-07 was issued to address diversity in practice of how certain investments measured at net asset value were categorized within the fair value hierarchy. ASU No. 2015-07 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 (or its equivalent) as a practical expedient. ASU No. 2015-07 is effective for annual periods beginning after December 15, 2015, with early adoption permitted. The University has adopted the provisions of ASU No. 2015-07 in fiscal year 2016.

In January 2016, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU No. 2016-01).* This ASU eliminated the requirement to disclose the fair value of financial instruments measured at amortized costs

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

New Accounting Pronouncements (Continued)

for entities that are not public business entities. Although ASU No. 2016-01 is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, the ASU permits not-for-profit entities to elect not to disclose the fair value of financial instruments that are report at cost or amortized cost in all financial statements that have not yet been made available for issuance. Accordingly, the University as elected to not disclose the fair value of financial instruments that are reported at cost or amortized cost in the fiscal year 2015 and 2016 financial statements.

Note 2 — Contributions Receivable

Contributions receivable at May 31 consisted of the following:

	2016	2015
Due within one year	$ 345,889	$ 225,440
Due in one to five years	3,085,635	16,000
Due after five years	95,600	-
	3,527,124	241,440
Less		
Present value discount at 2%	(266,760)	(769)
Allowance for uncollectible contributions	(175,900)	(4,400)
	$ 3,084,464	$ 236,271

Note 3 — Investments and Investment Return

Investments at May 31 consisted of the following:

	2016	2015
Cash and money market funds	$ 1,134,022	$ 2,049,240
Common and preferred stocks	5,848,515	2,719,671
U.S. Treasury notes	501,934	1,186,915
U.S. Government agency mortgage-backed securities	420,482	2,174,829
Corporate bonds	2,115,199	3,706,253
Equity mutual funds	2,762,791	888,426
Fixed income mutual funds	1,449,192	1,392,498
Equity exchange-traded funds	-	2,850,750
Fixed income exchange-traded funds	798,445	1,678,745
Alternative strategy mutual funds	986,467	349,248
Alternative investment funds	14,318,963	-
Real estate held for investment	1,496,500	1,696,500
	$ 31,832,510	$ 20,693,075

Note 3 — Investments and Investment Return (Continued)

The University's alternative investments fund held at Net Asset Value (NAV) have unfunded commitments of zero and a 30-day redemption period.

Investments are reflected in the statements of financial position as follows:

	2016	2015
Restricted cash and investments	$ 15,597,441	$ 1,206,440
Investments	14,738,569	17,790,135
Real estate held for investment	1,496,500	1,696,500
	$ 31,832,510	$ 20,693,075

Total investment return is comprised of the following:

	2016	2015
Interest and dividend income (net of expenses of $89,046 and $118,008 in 2016 and 2015, respectively)	$ 367,176	$ 295,536
Realized gain (loss) on investments reported at fair value	(151,372)	74,861
Net investment return	215,804	370,397
Unrealized gain (loss) on investments reported at fair value	(632,920)	25,920
Unrealized loss on real estate held for investment reported at fair value	(200,000)	(377,000)
	$ (617,116)	$ 19,317

Cash and investments are restricted for the following at May 31:

	2016	2015
Student loans	$ 115,508	$ 43,621
Long-lived asset purchases	14,448,876	154,629
Scholarships	1,008,696	1,051,811
Deferred compensation	24,361	-
	$ 15,597,441	$ 1,250,061

Note 4 — Student Loans Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program. These loan amounts represent 1.49% and 1.74% of total assets as of May 31, 2016 and 2015, respectively. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Of these amounts, as of May 31, 2016 and 2015, $790,726 and $767,442, respectively, were not in repayment status (that is, the borrowers were not yet required to make payment). Most loans that are in repayment status are collected over a period of 10 years.

Allowances for doubtful accounts are established based on prior collection experience, current economic factors, and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. Under this Federal loan program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures, therefore, affecting the determination of the needed allowance for losses. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

The change in the allowance for doubtful accounts for the year ended May 31 follows:

	2016	2015
Beginning balance	$ (50,000)	$ (50,000)
Provision charged to income	-	-
Ending balance	$ (50,000)	$ (50,000)

The following amounts were past due under the Federal student loan program at May 31:

		In Default			
	Less than 270 Days	More Than 270 Days and Less Than 2 Years	More Than 2 Years, Up to 5 Years	More Than 5 Years	Total Past Due
2016	$ 92,064	$ 42,007	$ 70,172	$ 128,916	$ 241,095
2015	$ 46,741	$ 75,547	$ 42,234	$ 119,075	$ 236,856

The availability of funds under this federal loan program is dependent on reimbursement of the loan fund from repayments on outstanding loans. Funds advanced by the federal government totaled $1,043,652 and $1,037,658 as of May 31, 2016 and 2015, respectively. These advances are ultimately refundable to the federal government and are classified as liabilities in the statement of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government.

Note 5 — Property and Equipment

Property and equipment at May 31 consists of:

	2016	2015
Land and land improvements	$ 9,348,682	$ 8,951,672
Buildings and building and leasehold improvements	52,385,610	50,640,589
Equipment, furniture, and fixtures	13,712,322	12,419,348
Administrative computer software	987,845	987,845
Library books	391,096	532,105
Motor vehicles	460,993	460,993
Construction in progress	8,128,764	2,882,776
	85,415,312	76,875,328
Less accumulated depreciation and amortization	(36,616,708)	(33,823,614)
	$ 48,798,604	$ 43,051,714

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	2016	2015
Interest costs capitalized	$ 111,747	$ 35,820
Interest costs charged to expense	558,340	540,678
Total interest incurred	$ 670,087	$ 576,498

The following construction commitments exist as of May 31:

	2016	2015
St. Clare Campus (Guardian Angel Hall) Renovations	$ 1,401,263	$ 4,101,199
Robert W. Plaster Free Enterprise Center renovations	-	110,102
Science Building	15,507,275	1,494,995
	$ 16,908,538	$ 5,706,296

Note 6 — Beneficial Interest in Perpetual and Revocable Trusts

The University is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $2,307,036 and $2,493,601, which represents the fair value of the trust assets at May 31, 2016 and 2015, respectively. The income (loss) from this trust for 2016 and 2015 was $109,000 and $112,000, respectively.

The University is also the sole beneficiary under a trust administered by a bank. The assets of this trust are not included in the statement of financial position of the University since the trust is revocable at the discretion of the trustee. The income from this trust for 2016 and 2015 was $29,071 and $30,029, respectively.

Note 7 — Bonds and Notes Payable, Line of Credit and Capital Lease Obligations

Bonds and notes payable and capital lease obligations at May 31 consist of the following:

	2016	2015
2013 Illinois Finance Authority Revenue Refunding Bond; interest varies, is 75% of the sum of the one-month USD-LIBOR-BBA rate and 1.11%, and is reset monthly, rates ranged from .97% to 1.16% in 2016, maturing through December 1, 2037, payable in annual installments beginning December 1, 2017 ranging from $770,000 to $1,440,000	$ 24,248,000	$ 24,248,000
2016 Illinois Finance Authority Revenue Bond; interest varies, is 75% of the one-month USD-LIBOR-BBA rate plus 1.23%, and is reset monthly, rates ranged from 1.37% to 1.56% in 2016, maturing through September 30, 2041, payable in annual installments beginning September 30, 2018 ranging from $304,000 to $488,000	9,000,000	-
2016 Illinois Finance Authority Revenue Bond; interest varies, is 75% of the one-month USD-LIBOR-BBA rate plus 1.25%, and is reset monthly, rates ranged from 1.39% to 1.58% in 2016, maturing through September 30, 2041 payable in annual installments beginning September 30, 2018 ranging from $202,000 to $369,000	6,000,000	-

Note 7 — Bonds and Notes Payable, Line of Credit and Capital Lease Obligations (Continued)

	2016	2015
Term Loan; interest varies, is the sum of the one-month USD-LIBOR-BBA rate and 1.01%, and is reset monthly, rates ranged from 1.19% to 1.45% in 2016, maturing through June 16, 2018, payable in annual installments ranging from $152,000 to $902,000	$ 1,054,000	$ 1,941,000
Total bonds and notes payable	40,302,000	26,189,000
Less unamortized debt issuance costs	595,985	251,022
Total net bonds and notes payable	39,706,015	25,937,978
$2,000,000 Revolving Loan expiring June 10, 2016; interest varies with the bank's prime rate, which was 3.50% on May 31, 2016	2,000,000	-
Capital lease obligations for equipment	489,186	60,873
	$ 42,195,201	$ 25,998,851

The bond and term loan agreements contain certain covenants, including continuation of use of University facilities for educational purposes, maintenance of insurance policies, and availability of certain financial records. In addition, the agreements require the University to maintain certain financial ratios related to debt service coverage and liquidity. As of May 31, 2016 and 2015, the University believes it is in compliance with these covenants and ratios.

Aggregate annual maturities of bonds and notes payable, the line of credit and payments on capital lease obligations at May 31, 2016, are:

	Bonds and Notes Payable	Line of Credit	Capital Lease Obligations
2017	$ 902,000	$2,000,000	$ 102,082
2018	922,000	-	92,372
2019	1,320,087	-	92,372
2020	1,476,039	-	89,338
2021	1,511,223	-	81,152
Thereafter	34,170,651	-	98,336
	$ 40,302,000	$2,000,000	555,652
Less amount representing interest			66,466
Present value of future minimum lease payments			$ 489,186

Note 7 — Bonds and Notes Payable, Line of Credit and Capital Lease Obligations (Continued)

Property and equipment include the following property under capital leases at May 31:

	2016	2015
Equipment	$ 591,263	$ 434,494
Less accumulated depreciation	(93,946)	(378,387)
	$ 497,317	$ 56,107

Note 8 — Derivative Financial Instruments – Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, in June of 2013, the University entered into two interest rate swap agreements for the entire balance of the variable rate bond and term loan payable. The interest rate swap agreement associated with the bond provides for the University to receive interest from the counterparty at 75% of the sum of the one-month USD-LIBOR-BBA rate and 1.11% and to pay interest to the counterparty at a fixed rate of 2.162% on a notional amount of $24,248,000 at May 31, 2016. The interest rate swap agreement associated with the term loan provides for the University to receive interest from the counterparty at the one-month USD-LIBOR-BBA rate plus 1.01% and to pay interest to the counterparty at a fixed rate of 1.65% on a notional amount of $1,054,000 at May 31, 2016. In February of 2016, the University entered into an additional interest rate swap agreement for the 2016 Series B bond. The agreement associated with the bond provides for the University to receive interest from the counterparty at 75% of the one-month USD-LIBOR-BBA rate and to pay interest to the counterparty at a fixed rate of 1.23% on the notional amount of $9,000,000 at May 31, 2016.

Under the agreements, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at fair value with subsequent changes in fair value included in other revenues or expenses.

The table below presents certain information regarding the University's interest rate swap agreements:

	2016	2015
Fair value of liability for interest rate swap agreements		
2013 Series bond	$ 513,688	$ 308,481
2013 Term loan	140	3,154
2016 Series B bond	82,444	-
	$ 596,272	$ 311,635

Note 8 — Derivative Financial Instruments – Interest Rate Swap Agreements (Continued)

	2016	2015
Gain (Loss) recognized in change in net assets		
2013 Series bond	$ (205,207)	$ (272,589)
2013 Term loan	3,014	4,401
2016 Series B bond	(82,444)	-
	$ (284,637)	$ (268,188)

Note 9 — Annuities Payable

The University has been the recipient of charitable gift annuities which require future payments to the donor. The assets received from the donor are recorded at fair value. The University has recorded a liability at May 31, 2016 and 2015 of $55,177 and $60,171, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 1.8% at May 31, 2016 and 2015, respectively, and applicable mortality tables.

Note 10 — Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31 are available for the following purposes or periods:

	2016	2015
Scholarships	$ 1,140,577	$ 1,186,287
Educational programs and other	2,745,813	390,984
Property and equipment purchases	706,926	232,029
Accumulated earnings on endowed funds for		
Scholarships	1,615,429	2,171,095
Faculty development and other programs	44,869	64,262
Prizes and awards	61,535	65,118
	$ 6,315,149	$ 4,109,775

Note 10 —Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets at May 31 are restricted to:

	2016	2015
Investment in perpetuity, the income of which is expendable to support		
Scholarship	$ 5,899,285	$ 5,779,582
Faculty development and other programs	425,135	424,135
Prizes and awards	53,900	53,400
	6,378,320	6,257,117
Beneficial interest in perpetual trust the income of which is to be spent on scholarships	2,307,036	2,493,601
	$ 8,685,356	$ 8,750,718

Net Assets Released from Restrictions

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

	2016	2015
Purpose restrictions accomplished		
Scholarships	$ 576,159	$ 539,735
Faculty development and other programs	1,793,909	373,760
Prizes and awards	2,500	1,799
	2,372,568	915,294
Property and equipment acquired and placed in service	227,768	1,814,105
	$ 2,600,336	$ 2,729,399

Note 11 — Endowment

The University's endowment consists of approximately 92 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 (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (Illinois UPMIFA) as requiring 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 donor-restricted endowment funds 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 Illinois UPMIFA. In addition, the University includes in its permanently restricted endowment a beneficial interest in a perpetual trust administered by an outside party, the income from which is restricted to scholarships. In accordance with Illinois UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at May 31, 2016 and 2015, was:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,721,833	$ 8,679,349	$ 10,401,182
Board-designated endowment funds	6,768,307	-	-	6,768,307
Total endowment funds	$ 6,768,307	$ 1,721,833	$ 8,679,349	$ 17,169,489

Note 11 — Endowment (Continued)

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,300,475	$ 8,673,518	$ 10,973,993
Board-designated endowment funds	6,333,760	-	-	6,333,760
Total endowment funds	$ 6,333,760	$ 2,300,475	$ 8,673,518	$ 17,307,753

Changes in endowment net assets for the years ended May 31, 2016 and 2015, were:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,333,760	$ 2,300,475	$ 8,673,518	$ 17,307,753
Investment return				
Investment income	137,413	180,343	-	317,756
Net depreciation	(305,845)	(403,753)	(186,564)	(896,162)
Total investment return	(168,432)	(223,410)	(186,564)	(578,406)
Contributions	69,231	140,214	192,395	401,840
Board designation to reinvest 2016 endowment expenditures	419,679	-	-	419,679
Board designation to move 25% of annual fund contributions to endowment	87,065	-	-	87,065
Board designation to move estate gifts to endowment	36,500	-	-	36,500
Appropriation of endowment assets for expenditure	(9,496)	(495,446)	-	(504,942)
Endowment net assets, end of year	$ 6,768,307	$ 1,721,833	$ 8,679,349	$ 17,169,489

Note 11 — Endowment (Continued)

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,071,495	$ 2,160,760	$ 8,089,695	$ 15,321,950
Investment return				
Investment income	81,973	124,393	-	206,366
Net appreciation	67,212	137,285	26,444	230,941
Total investment return	149,185	261,678	26,444	437,307
Contributions	90,985	334,749	557,379	983,113
Board designation to reinvest 2015 endowment expenditures	307,470	-	-	307,470
Board designation to move 25% of annual fund contributions to endowment	49,365	-	-	49,365
Board designation to move estate gifts to endowment	685,000	-	-	685,000
Appropriation of endowment assets for expenditure	(19,740)	(456,712)	-	(476,452)
Endowment net assets, end of year	$ 6,333,760	$ 2,300,475	$ 8,673,518	$ 17,307,753

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at May 31 consisted of:

	2016	2015
Permanently restricted net assets		
Beneficial interest in perpetual trust the income of which is to be spent on scholarships	$ 2,307,036	$ 2,493,601
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Illinois UPMIFA	6,372,313	6,179,917
	$ 8,679,349	$ 8,673,518
Temporarily restricted net assets - portion of perpetual endowment funds subject to time restriction under Illinois UPMIFA, with purpose restrictions	$ 1,721,833	$ 2,300,475

Note 11 — Endowment (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as "underwater" endowments. Though the University is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organization require that such losses and subsequent gains be reflected as changes in unrestricted net assets until the fair values again reach their historical dollar values. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at May 31, 2016 and 2015.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to produce the highest level of return while assuming a moderate level of investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8% annually over time. 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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. This distribution is intended to support operations as well as cover investment-related fees and expenses. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12 — Operating Leases and Service Agreements

Under the terms of various operating leases, the University has long-term commitments for facilities, equipment, and operational services.

The University entered into an approximately 10-year lease for classroom and office space at a new location for its campus located in Albuquerque, New Mexico, which will expire in August 2024. The lease requires the University to pay all executory costs (maintenance, utilities, and insurance). Future annual minimum rental payments range from approximately $250,700 to $273,300.

Note 12 —Operating Leases and Service Agreements (Continued)

The University entered into two lease agreements for space in the Rialto Theater building located in downtown Joliet, Illinois. The lease agreements are for 10 and 20 years, respectively, and expire in February 2020 and June 2029, respectively. These leases require the University to pay all executory costs (property taxes, maintenance, utilities, and insurance). Future annual minimum rental payments range from approximately $21,400 to $23,000 and $215,600 to $307,400, respectively.

Effective July 2016, the University entered into a license agreement to lease space in an athletic facility in Joliet, Illinois, through June 2021. This agreement is renewable for an additional five-year term. For the final year of the term of the agreement, a usage fee ranging from approximately $84,300 to $91,200 is payable in three installments due on or before July 1, October 1, and January 1.

In April 2014, the University entered into a contractual services agreement with a third-party for the provision of document production and mail management services through March 2019. The base monthly fee for labor and management services is $22,262 and changes each April.

In addition, the University has several other non-cancellable operating leases and service agreements for office equipment and laundry facilities equipment that expire in various years through 2024.

Future minimum contractual payments as of May 31, 2016 on the above commitments are:

	Facilities	Equipment	Contracted Services	Total
2017	$ 572,087	$ 232,994	$ 280,824	$ 1,085,905
2018	582,150	227,886	280,824	1,090,860
2019	596,991	185,538	280,824	1,063,353
2020	601,130	22,372	230,645	854,147
2021	598,922	13,004	-	611,926
Thereafter	3,128,720	33,593	-	3,162,313
Total minimum lease payments	$ 6,080,000	$ 715,387	$ 1,073,117	$ 7,868,504

Note 12 — Operating Leases and Service Agreements (Continued)

Expenses for the operating leases and service agreements during 2016 totaled:

	2016	2015
Facilities leases rent expenses	$ 589,210	$ 628,210
Vehicle and equipment leases rent expenses	253,693	248,860
Total rent expense	842,903	877,070
Contracted services	273,178	267,872
	$ 1,116,081	$ 1,144,942

Note 13 — Retirement Plans

The University has a defined contribution benefit plan (the Plan) covering substantially all full-time faculty, administrative, and staff personnel who agree to make contributions of at least 5% of the employee's base salary to the Plan. The University's annual contribution to the Plan ranges between 5% and 10% of the employees' base salaries depending upon years of service. The retirement benefit expense was $1,313,746 and $1,298,070 for 2016 and 2015, respectively.

In February 2016, the University established a nonqualified deferred compensation plan for a select group of key management or highly compensated employees, providing supplemental retirement income benefits through the deferral of base salary, bonus compensation, and additional discretionary contributions by the University.

Additionally, the University entered into an agreement with a trustee under an irrevocable trust (the "trust") to be used in connection with the nonqualified plan. The Trust is intended to be a rabbi trust and the assets of the trust belong to the University and are subject to the claims of the University's general creditors. The trust assets are invested in a managed portfolio proprietary fund.

Participants are fully vested at all times in their base salary deferrals, bonus compensation deferrals, matching contributions, and discretionary contributions, and any earnings thereon.

Payment of a participant's vested account shall be made within 90 days of the earliest to occur: separation from service; death; and disability.

During the year ended May 31, 2016, the University made discretionary contributions to the trust of $24,000 recognized as compensation expense. The fair market value of the underlying trust assets as of May 31, 2016, was $24,360 and are included in Cash and Restricted Investments along with a related deferred compensation liability of $24,360 included in Other Liabilities on the Statement of Financial Position.

Note 14 — Related Party Transactions

The University conducts business with various vendors throughout the Joliet and greater Chicagoland areas. Several of the University's vendors have principals or employees currently serving on its Board of Trustees. In accordance with the University's Conflict of Interest Policy, each Trustee is required to disclose her or his business relationship with the University on an annual basis. For the years ended May 31, 2016 and 2015, the University did not purchases any products or services from these related parties. Where applicable, expenditures are competitively bid and management believes that having relationships with the Trustees saves the University money on both an aggregate and individual basis.

Approximately $891,600 (25%) and $6,408 (3%) of all contributions receivable were due from related parties, including certain members of the Board of Trustees, in 2016 and 2015, respectively, and approximately $141,648 (2%) and $140,892 (6%) of contribution revenue was received from related parties, including certain members of the Board of Trustees, in 2016 and 2015, respectively.

Note 15 — Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2016 and 2015:

Note 15 —Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Common and preferred stocks	$ 5,848,515	$ -	$ -	$ 5,848,515
U.S. Treasury notes	-	501,934	-	501,934
U.S. Government agency mortgage-backed securities	-	420,482	-	420,482
Corporate bonds	-	2,115,199	-	2,115,199
Equity mutual funds	2,762,791	-	-	2,762,791
Fixed income mutual funds	1,449,192	-	-	1,449,192
Fixed income exchange-traded funds	798,445	-	-	798,445
Alternative strategy mutual funds	986,467	-	-	986,467
Real estate held for investment	-	1,496,500	-	1,496,500
	$ 11,845,410	$ 4,534,115	$ -	16,379,525
Cash and cash equivalents carried at amortized cost				1,134,022
Alternative investment funds carried at NAV				14,318,963
Total investments				$ 31,832,510
Other Assets				
Beneficial interest in perpetual trust	$ -	$ -	$ 2,307,036	$ 2,307,036
Liabilities				
Interest rate swap agreements	-	596,272	-	596,272

Note 15 —Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Common and preferred stocks	$ 2,719,671	$ -	$ -	$ 2,719,671
U.S. Treasury notes	-	1,186,915	-	1,186,915
U.S. Government agency mortgage-backed securities	-	2,174,829	-	2,174,829
Corporate bonds	-	3,706,253	-	3,706,253
Equity mutual funds	888,426	-	-	888,426
Fixed income mutual funds	1,392,498	-	-	1,392,498
Equity exchange-traded funds	2,850,750	-	-	2,850,750
Fixed income exchange-traded funds	1,678,745	-	-	1,678,745
Alternative strategy mutual funds	349,248	-	-	349,248
Real estate held for investment	-	1,696,500	-	1,696,500
	$ 9,879,338	$ 8,764,497	$ -	18,643,835
Cash and cash equivalents carried at amortized cost				2,049,240
Total investments				$ 20,693,075
Other Assets				
Beneficial interest in perpetual trust	$ -	$ -	$ 2,493,601	$ 2,493,601
Liabilities				
Interest rate swap agreements	-	311,635	-	311,635

Note 15 —Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments and Real Estate Held for Investment

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameter, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

Beneficial Interest in Perpetual Trust

Fair value is determined using the current value of the trust. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

Note 15 —Disclosures About Fair Value of Assets and Liabilities (Continued)

Unobservable (Level 3) Inputs

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	2016	2015
Beneficial interest in perpetual trust		
Balance, beginning of year	$ 2,493,601	$ 2,467,157
Total change in value of perpetual trust	(186,565)	26,444
Balance, end of year	$ 2,307,036	$ 2,493,601
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ (186,565)	$ 26,444

The total change in value of the perpetual trust reflected in the table above is included in other revenues (expenses) in the statement of activities.

Note 16 —Significant Estimates, Concentrations, and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Student Accounts Receivable

The University grants unsecured credit to students located throughout the United States of America.

Asset Retirement Obligation

The University's conditional asset retirement obligations primarily relate to the remediation of asbestos contained in buildings that the University owns. Environmental regulations exist that require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Determination of the recorded liability is based on a number of estimates and assumptions including discount rate, abatement cost estimates, and estimates of dates of abatement. The University estimated its liability at May 31, 2016 and 2015 to be $674,713 and $861,231, respectively, which is included in the other liabilities line in the statements of financial position.

Note 16 — Significant Estimates, Concentrations, and Contingencies (Continued)

Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Note 17 — Risks and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Note 18 — Subsequent Events

No significant events to report.

Subsequent events have been evaluated through October 7, 2016, which is the date the financial statements were available to be issued.