



FAIRFIELD UNIVERSITY

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

FAIRFIELD UNIVERSITY

Financial Statements

June 30, 2016 and 2015

Table of Contents

	Page(s)
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-22



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Fairfield University:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 our 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, we consider internal control relevant to the University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Fairfield University as of June 30, 2016 and 2015, 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

September 29, 2016

FAIRFIELD UNIVERSITY
Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 50,086,146	41,309,340
Accounts receivable – students, less allowance for doubtful collections of \$702,551 in 2016 and \$689,407 in 2015	169,824	156,015
Student loans, less allowance for doubtful collections of \$300,000 in 2016 and 2015	2,865,319	2,742,944
Contributions receivable, net	29,361,443	25,064,869
Other assets	8,012,680	8,576,431
Deposits with bond trustees	69,533,629	21,108,793
Investments	325,372,539	330,683,530
Land, buildings, and equipment, net	300,103,714	286,554,153
Total assets	\$ 785,505,294	716,196,075
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 22,413,388	17,481,920
Accrued compensation	12,636,657	12,500,713
Deferred revenue	17,066,735	16,641,929
Government grants refundable – student loans	2,415,716	2,380,505
Long-term debt, net	247,218,762	198,348,602
Total liabilities	301,751,258	247,353,669
Net assets:		
Unrestricted	255,104,159	245,251,081
Temporarily restricted	88,724,820	87,062,956
Permanently restricted	139,925,057	136,528,369
Total net assets	483,754,036	468,842,406
Total liabilities and net assets	\$ 785,505,294	716,196,075

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2016 Total</u>
Operating revenues:				
Educational and general:				
Tuition and fees	\$ 210,091,665	—	—	210,091,665
Less student financial aid	(68,152,293)	—	—	(68,152,293)
Net tuition and fees	141,939,372	—	—	141,939,372
Government grants and contracts	949,274	2,056,029	—	3,005,303
Contributions	3,992,941	6,199,483	—	10,192,424
Investment return designated for current operations	5,112,714	7,440,944	—	12,553,658
Departmental and other revenues	3,822,521	—	—	3,822,521
Net assets released from restrictions	12,896,218	(12,896,218)	—	—
Total educational and general	168,713,040	2,800,238	—	171,513,278
Auxiliary services	41,928,855	—	—	41,928,855
Total operating revenues	210,641,895	2,800,238	—	213,442,133
Operating expenses:				
Educational and general service:				
Instruction	63,213,100	—	—	63,213,100
Research	7,324,257	—	—	7,324,257
Public service	1,610,541	—	—	1,610,541
Academic support	20,645,386	—	—	20,645,386
Institutional support	38,802,546	—	—	38,802,546
Student services	29,250,197	—	—	29,250,197
Total educational and general services	160,846,027	—	—	160,846,027
Auxiliary services	37,814,321	—	—	37,814,321
Total operating expenses	198,660,348	—	—	198,660,348
Increase in net assets from operations	11,981,547	2,800,238	—	14,781,785
Nonoperating activities:				
Contributions for nonoperating purposes	6,510	12,128,867	3,753,222	15,888,599
Investment return less than amounts designated for current operations	(5,706,028)	(7,749,307)	(37,270)	(13,492,605)
Net asset reclassifications/other	(218,607)	232,534	(221,816)	(207,889)
Loss on long term debt refunding	(1,957,786)	—	—	(1,957,786)
Change in value split interest agreements	(3,026)	—	(97,448)	(100,474)
Nonoperating net assets released from restrictions	5,750,468	(5,750,468)	—	—
Total nonoperating activities	(2,128,469)	(1,138,374)	3,396,688	129,845
Increase in net assets	9,853,078	1,661,864	3,396,688	14,911,630
Net assets:				
Beginning of year	245,251,081	87,062,956	136,528,369	468,842,406
End of year	\$ 255,104,159	88,724,820	139,925,057	483,754,036

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015 Total</u>
Operating revenues:				
Educational and general:				
Tuition and fees	\$ 202,241,747	—	—	202,241,747
Less student financial aid	(65,201,906)	—	—	(65,201,906)
Net tuition and fees	137,039,841	—	—	137,039,841
Government grants and contracts	1,187,348	1,933,469	—	3,120,817
Contributions	4,336,486	6,011,460	—	10,347,946
Investment return designated for current operations	4,640,242	6,803,810	—	11,444,052
Departmental and other revenues	4,217,439	—	—	4,217,439
Net assets released from restrictions	11,827,983	(11,827,983)	—	—
Total educational and general	163,249,339	2,920,756	—	166,170,095
Auxiliary services	40,623,377	—	—	40,623,377
Total operating revenues	203,872,716	2,920,756	—	206,793,472
Operating expenses:				
Educational and general service:				
Instruction	61,534,807	—	—	61,534,807
Research	6,612,565	—	—	6,612,565
Public service	1,546,687	—	—	1,546,687
Academic support	20,937,403	—	—	20,937,403
Institutional support	35,595,293	—	—	35,595,293
Student services	28,938,096	—	—	28,938,096
Total educational and general services	155,164,851	—	—	155,164,851
Auxiliary services	38,419,386	—	—	38,419,386
Total operating expenses	193,584,237	—	—	193,584,237
Increase in net assets from operations	10,288,479	2,920,756	—	13,209,235
Nonoperating activities:				
Contributions for nonoperating purposes	49,422	8,866,009	3,435,083	12,350,514
Investment return (less than) in excess of amounts designated for current operations	(1,352,298)	(1,134,851)	97,906	(2,389,243)
Net asset reclassifications/other	(692,889)	845,929	(294,996)	(141,956)
Change in value split interest agreements	1,058	—	(90,487)	(89,429)
Nonoperating net assets released from restrictions	11,553,111	(11,553,111)	—	—
Total nonoperating activities	9,558,404	(2,976,024)	3,147,506	9,729,886
Increase (decrease) in net assets	19,846,883	(55,268)	3,147,506	22,939,121
Net assets:				
Beginning of year	225,404,198	87,118,224	133,380,863	445,903,285
End of year	\$ 245,251,081	87,062,956	136,528,369	468,842,406

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 14,911,630	22,939,121
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,860,494	16,129,120
Net loss on disposal of buildings and equipment	907,602	1,647,079
Loss on extinguishment of debt	1,957,786	—
Contributions restricted for long-term investment	(13,715,846)	(12,940,425)
Realized and unrealized losses (gains) on investments, net	4,669,997	(6,314,086)
Changes in operating assets and liabilities:		
Contributions receivable	(4,296,574)	(2,391,729)
Student accounts receivable	(13,809)	(1,733)
Other assets	563,751	(2,466,240)
Accounts payable and other accrued liabilities	3,306,664	(378,700)
Deferred revenue	424,806	4,681,742
Government grants refundable – student loans	35,211	200,105
Net cash provided by operating activities	25,611,712	21,104,254
Cash flows from investing activities:		
Proceeds from sale of investments	48,220,941	22,533,018
Purchase of investments	(47,579,947)	(30,496,064)
Purchase of buildings and equipment	(31,589,359)	(23,468,664)
Accruals for the acquisition of buildings and equipment	1,760,748	(399,456)
Issuance of student loans	(583,216)	(731,304)
Repayment of student loans	460,841	513,170
Net cash used in investing activities	(29,309,992)	(32,049,300)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Permanently restricted endowment	3,629,988	4,447,861
Temporarily restricted funds for capital	10,085,858	8,492,564
Net proceeds from long-term borrowing	71,858,707	—
Principal payments from refinancing and retirement of debt	(17,955,000)	—
Payment of long-term debt principal	(6,149,187)	(11,947,539)
Bond issuance costs incurred	(570,444)	—
Increase in deposits with bond trustees	(48,424,836)	(3,658)
Net cash provided by financing activities	12,475,086	989,228
Net increase (decrease) in cash and cash equivalents	8,776,806	(9,955,818)
Cash and cash equivalents:		
Beginning of year	41,309,340	51,265,158
End of year	\$ 50,086,146	41,309,340
Supplemental disclosure of cash flow information:		
Interest paid on debt, including capitalized interest of \$815,500 in 2016	\$ 10,361,258	10,080,904

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Background

Founded in 1942, Fairfield University is a private, Jesuit institution that provides undergraduate, graduate and continuing studies in five distinct schools to its students. The accompanying financial statements, which include the accounts of Fairfield University and its Preparatory School (the University), which together are a 501(c)(3) tax-exempt institution, have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

(b) Basis of Presentation

General

Net assets, revenues, 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:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donor of these assets permits the University to use all or part of the return on the related investments.

Revenues are reported as increases in unrestricted net assets unless their use 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 or the stipulated time period has elapsed, are reported as net assets released from restrictions. Donor contributions restricted for capital expenditures are released to unrestricted net assets when the assets are placed in service and time restrictions have been met.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair value. Promises to give that are scheduled to be received after the date of the statements of financial position are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and 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.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

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. Contributions to be received after one year are discounted based upon a risk adjusted interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Measure of Operations

The statements of activities report the change in net assets from operating and nonoperating activities separately. For this purpose, operations include operating revenues consisting of those items attributable to the University's educational programs or research conducted by the academic departments and operating expenses include the costs of providing University programs and other activities. Investment return on the University's long-term investments in excess of (less than) the amount appropriated under the University spending plan, as discussed in note 7, donor contributions restricted for capital expenditures and certain other unusual or nonrecurring items are reported as nonoperating activities. Additionally, nonoperating activities consist of contributions that are not in direct support of the annual operating budget. This measure of operations is different from cash flows from operating activities reported in the statements of cash flows, which includes the cash effects of all transactions and other events (including certain nonoperating items) that enter into the determination of the change in net assets.

(c) Cash

The University has several bank accounts at June 30, 2016 containing balances, which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2016 with respect to these balances.

(d) Cash Equivalents

Cash equivalents are held for reinvestment and are highly liquid in nature and have original maturities at the time of purchase of three months or less. Cash equivalents include cash held in money market accounts and certificates of deposit for operating and reinvestment purposes. Cash equivalents are valued at one dollar per share in the money market fund and one dollar plus earned interest in certificates of deposit. These assets are categorized as Level 1.

(e) Deposits with Bond Trustees

Deposits with bond trustees are directly owned investments in government money market funds related to the Connecticut Health and Educational Facility Authority (CHEFA) Revenue Bonds, Series M, N, O, P and Q-1. These investments are valued based upon market price quotations and categorized as Level 1.

(f) Accounts and Loans Receivable

Accounts and loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under federally sponsored loan programs, which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(g) ***Fair Value Accounting***

The University records its applicable assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three Levels of the fair value hierarchy under GAAP are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active market for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, the University separates the marketable investment portfolio and other fair valued assets and liabilities into the following categories: cash equivalents, certificate of deposits, deposits with bond trustees, corporate stocks, and fixed income securities.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

The University utilizes the “practical expedient” to estimate the fair value of investments in various investment funds that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with GAAP whereby there is limited market activity. The practical expedient is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The University performs additional procedures, including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers’ compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

(h) Investments

Investments are reported in the financial statements at fair value. Quoted market prices are used to value short-term investments, fixed income securities, and equity securities. Values for investments in limited partnerships, which are generally subject to certain withdrawal restrictions, are provided by the general partner, and may be based on appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation for the University’s investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost.

The University follows Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

Corporate Stocks

Corporate stocks include investments in actively traded equity securities and exchange traded funds, which are listed on a national exchange are valued at the last price quoted by the exchange and are generally categorized as Level 1. The fair values of other equity securities are based upon market price quotations, and are generally categorized as Level 1.

Fixed Income Securities

Fixed income securities include investments in various U.S. Treasury instruments, corporate debt, structured products (such as mortgage-backed securities and asset-backed securities, and bank debt). Fixed income securities values are estimated based upon market price quotations and are generally categorized as Level 2.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

Bond Investment Fund (Registered)

Bonds in investment fund include a mutual fund (registered under the Investors' 1940 Act). Mutual funds are principally invested in fixed income securities and trade in over the counter markets.

Private Equity and Other

Private equity and other include equity positions in a variety of private equity funds with various strategies, private real estate funds that hold real property holdings, and direct investments in real estate funds through partnership interests. These securities are valued by the investment managers and the NAVs are recorded under GAAP utilizing the practical expedient.

Equity Funds (Registered and Nonregistered)

Equities in investment funds include mutual funds (registered under the Investors' 1940 Act) and hedge funds (nonregistered under the Investors' 1940 Act). Mutual funds are principally invested in exchange traded securities. These hedge funds are invested principally in exchange traded and over the counter securities. The University has opted to utilize the NAV practical expedient for certain hedge fund investments fair value.

Hedge Fund of Funds

Hedge fund of funds are nonregistered funds whereby the investment managers are investing in various underlying hedge funds that principally invest in exchange traded and over the counter securities. These securities are valued by the investment manager and NAVs are recorded under GAAP utilizing the practical expedient.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment, net is stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40–60 years), building improvements (15–30 years), and equipment and library books (3–7 years). Depreciation expense is \$17,132,196 and \$16,272,374 for the years ended June 30, 2016 and 2015, respectively. The University recognized \$(28,691) and \$87,268 of expenses relating to the accretion and payments of liabilities associated with the retirement of long-lived assets, for the years ended June 30, 2016 and 2015, respectively. Conditional asset retirement obligations included in accrued liabilities are \$3,001,658 and \$3,030,349 as of June 30, 2016 and 2015, respectively.

(j) Tuition and Fees

The University recognizes revenues from student tuition and fees predominantly within the fiscal year in which the academic term is conducted. Therefore, student advance payments for tuition, room, and board are deferred and then recorded as unrestricted revenues when earned.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(k) Government Grants and Contracts

Revenues associated with government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for in unrestricted net assets. The University records reimbursement of indirect costs relating to such grants and contracts at authorized rates for each fiscal year as unrestricted revenue.

(l) Allocation of Certain Expenses

The financial statements report expenses by functional classification. Certain natural expenses associated with the operation and maintenance of University plant assets are allocated to the respective functional classifications based on square footage occupancy. The expenses that are allocated for the years ended June 30 are:

	<u>2016</u>	<u>2015</u>
Plant operations and maintenance	\$ 16,375,908	18,074,188
Depreciation	17,132,196	16,272,374
Interest on indebtedness	9,364,548	10,025,099

Included in institutional support expenses are fund raising costs of \$5,887,036 and \$5,833,192 in fiscal 2016 and 2015, respectively.

(m) Income Taxes

The University is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code. The University recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2016, the University has not identified or provided for any such positions.

(n) New Authoritative Accounting Pronouncements

In June 2015, the Financial Accounting Standards Board issued ASU No. 2015-10, *Technical Corrections and Improvements*, that addresses a variety of matters, including a refinement of the definition of an equity security that has a readily determinable fair value. Paragraph 30 of the ASU amends the master glossary term, *readily determinable fair value*, in part as follows: An equity security has a readily determinable fair value if it meets at least one of several conditions, including (c) The fair value of an equity security that is an investment in a mutual fund or in a structure similar to a mutual fund (that is, a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Paragraph 30 of the ASU became effective upon issuance. This guidance has resulted in the correction and reclassification of certain investments held by the University from investment funds measured at net asset value (or its equivalent) to Level 1 of the fair value hierarchy. This guidance has been applied retrospectively and is reflected in the fair value hierarchy as of June 30, 2016 and 2015.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. The most significant estimates include valuation of investments, allowance for doubtful accounts on student accounts and loan receivables, and asset retirement obligations. Actual results could differ from those estimates.

(p) Subsequent Events

The University has performed an evaluation of subsequent events through September 29, 2016, which is the date the financial statements were issued and has determined that there are no subsequent events to disclose.

(2) Contributions Receivable

Contributions receivable at June 30, 2016 and 2015 are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
2016	\$ —	6,492,168
2017	9,124,700	5,557,150
2018	6,218,483	3,921,762
2019	6,122,318	3,929,561
2020	4,036,012	4,978,013
2021 and later	5,120,988	1,634,504
	<u>30,622,501</u>	<u>26,513,158</u>
Less:		
Present value discount (1.0% and 1.6%)	(1,061,058)	(1,248,289)
Allowance for doubtful collections	(200,000)	(200,000)
Contributions receivable, net	<u>\$ 29,361,443</u>	<u>25,064,869</u>

Amounts receivable from three and two donors represented 52% and 43% of gross contributions receivable in the years ended June 30, 2016 and 2015, respectively. During 2016, 21% of gross contributions revenue was recognized from two donors.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(3) Investments

The following tables present the fair value hierarchy of the University's investments that were measured at fair value on a recurring basis as of June 30, 2016 and 2015:

Assets at fair value as of June 30, 2016			
	Level 1	Level 2	
	Quoted prices	Other significant observable inputs	Total
Investments:			
Cash equivalents held for reinvestment	\$ 24,113,284	—	24,113,284
Certificates of deposit	10,510,000	—	10,510,000
Fixed income	—	5,332,657	5,332,657
Corporate stocks	152,008,272	—	152,008,272
Equity funds	19,235,196	—	19,235,196
Bond investment fund	34,064,259	—	34,064,259
	\$ 239,931,011	5,332,657	245,263,668
Investment funds:			
Measured at net asset value (or its equivalent)			80,108,871
Total investments			\$ 325,372,539

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

Assets at fair value as of June 30, 2015			
	Level 1	Level 2	
	Quoted prices	Other significant observable inputs	Total
Investments:			
Cash equivalents held for reinvestment	\$ 19,291,933	—	19,291,933
Certificates of deposit	10,500,000	—	10,500,000
Fixed income	—	5,354,436	5,354,436
Corporate stocks	137,376,470	—	137,376,470
Equity funds	21,862,354	—	21,862,354
Bond investment fund	38,466,972	—	38,466,972
	\$ 227,497,729	5,354,436	232,852,165
Investment funds:			
Measured at net asset value (or its equivalent)			97,831,365
Total investments			\$ 330,683,530

In accordance with ASU 2015-10, *Technical Corrections and Improvements*, the University removed \$60,329,326 as of June 30, 2015 from investments measured at net asset value (or its equivalent) and included these amounts in Level 1 to correct the fair value hierarchy table.

The University uses the NAV to determine the fair value of all the investments, which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

June 30, 2016							
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Timing of draw down commitments	Redemption terms
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	\$ 39,180,658	20	1–14 years	\$ 11,442,051	1–10 years	N/A*
Equity funds (nonregistered)	Equities in investment funds (nonregistered)	14,760,374	4	N/A	111,000	N/A	Annually with 60 days written notice
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities	26,167,839	2	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
		\$ 80,108,871	26		\$ 11,553,051		

* These funds are in private equity structure, with no ability to be redeemed.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

June 30, 2015							
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Timing of draw down commitments	Redemption terms	
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	\$ 44,508,335	19	1–15 years	\$ 8,618,967	1–9 years	N/A*
Equity funds (nonregistered)	Equities in investment funds (nonregistered)	24,953,838	5	N/A	111,000	N/A	Annually with 60 days written notice
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities	28,369,192	2	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days
		<u>\$ 97,831,365</u>	<u>26</u>		<u>\$ 8,729,967</u>		

* These funds are in private equity structure, with no ability to be redeemed.

The following table summarizes the investment return for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 3,572,175	2,647,188
Realized and unrealized (losses) gains, net	<u>(4,668,287)</u>	<u>6,301,584</u>
Return on long-term investments	(1,096,112)	8,948,772
Interest on short-term investments	<u>157,165</u>	<u>106,037</u>
Total return on investments	(938,947)	9,054,809
Investment return designated for current operations	<u>(12,553,658)</u>	<u>(11,444,052)</u>
Investment return less than amounts designated for current operations	<u>\$ (13,492,605)</u>	<u>(2,389,243)</u>

The University's policy is to distribute a portion of the total investment return for current operations at the predetermined spending rate as discussed in note 7.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(4) Land, Buildings, and Equipment

The University's investments in land, buildings, and equipment, net are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The cost of land, buildings, and equipment, net at June 30, 2016 and 2015 is as follows:

	2016	2015
Land and land improvements	\$ 23,604,489	24,744,281
Buildings	427,723,070	415,929,312
Equipment and library books	58,190,420	53,767,110
Construction in progress	21,707,569	8,452,016
	531,225,548	502,892,719
Less accumulated depreciation	(231,121,834)	(216,338,566)
Land, buildings, and equipment, net	\$ 300,103,714	286,554,153

At June 30, 2016 and 2015, construction in progress represents ongoing construction costs associated with new construction and improvements to various University facilities on campus.

At June 30, 2016 and 2015, net investment in plant included in unrestricted net assets totaled \$103,517,430 and \$102,163,963, respectively.

(5) Long-Term Debt

Bonds and notes payable at June 30, 2016 and 2015 consisted of the following:

Facility financed	Type of financing	Average interest rate	2016 Outstanding balances*	2015 Outstanding balances*
Various campus facilities	CHEFA Bonds 2008-M, due 2034	4.76%	\$ 7,967,911	27,364,473
Various campus facilities	CHEFA Bonds 2008-N, due 2034	4.92	84,350,097	88,537,774
Various campus facilities	CHEFA Bonds 2010-O, due 2040	5.09	72,969,088	72,933,199
Various campus facilities	CHEFA Bonds 2010-P, due 2028	4.42	9,144,707	9,499,805
Various campus facilities	CHEFA Bonds 2016-Q-1, due 2046	4.16	52,975,212	—
Various campus facilities	CHEFA Bonds 2016-Q-2, due 2034	2.96	19,699,983	—
Various campus facilities	Capital Leases, due 2019	Variable	111,764	13,351
			\$ 247,218,762	198,348,602

* For the CHEFA bonds, amounts are net of unamortized discounts or unamortized premiums, and bond issuance costs.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

The above listed CHEFA bonds are payable in annual installments on a graduating scale. The principal balance of the 2010-O bonds is net of unamortized debt discount of \$272,890 and \$284,398 at June 30, 2016 and 2015, respectively. The principal balances of the 2008-N and the 2010-P bonds, at June 30, 2016, include unamortized premiums of \$1,556,199 and \$311,210, respectively, and at June 30, 2015, include unamortized premiums of \$1,684,390 and \$337,781, respectively. The principal balance of the 2016-Q1 and 2016-Q2 bonds at June 30, 2016 include unamortized premiums of \$6,895,777 and \$2,321,623, respectively. The premiums will be amortized as reductions in interest expense over the remaining life of the bonds.

In accordance with each of the bond indentures, the University maintains a sinking fund with bank trustees at an amount sufficient to pay interest and principal during the succeeding 12 months. The amounts in deposits with bond trustees in the statements of financial position are \$1,902,525 and \$8,747,244 required by the Series M and N bond indentures, respectively, and \$925,431 as required by the Series P bond indentures as of June 30, 2016. The amounts in deposits with bond trustees in the statements of financial position are \$2,959,317 and \$9,940,734 required by the Series M and N indentures, respectively, and \$1,066,016 as required by the Series P bond indentures as of June 30, 2015. The amounts in deposit with bond trustees for the Series O indenture are \$7,388,856 and \$7,127,275 as of June 30, 2016 and 2015, respectively. The amounts in deposits with bond trustees for Q-1 consists of the construction funds of \$48,138,756 and capitalized interest of \$2,325,488 as of June 30, 2016. The amounts in deposits with bond trustees for "Other" is \$105,329 and \$15,451 as of June 30, 2016 and 2015.

The Series Q-1 bonds were issued in February 2016 and the proceeds will be used for the renovation of the Health Sciences Building and various other University facilities on campus. The Series Q-2 bonds were issued in March 2016 in order to advance refund a portion of the Series M bonds and to pay costs of issuance of the bonds. The effect of the refunding was a nonoperating charge of \$1,957,786 in fiscal year 2016.

The University's long-term debt agreements contain various covenants, which may restrict the ability of the University to incur or guarantee debt. These agreements also require the University to meet a debt service ratio as defined in the agreements. The University was in compliance with the financial debt covenants at June 30, 2016.

Interest expense and amortization of bond discount and premium for the years ended June 30, 2016 and 2015 was \$9,364,548 and \$10,029,099, respectively.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

The aggregate amount of principal due with respect to long-term debt (not including unamortized discounts, premiums, and bond issuance costs) within each of the five fiscal years subsequent to June 30, 2016 and in total thereafter is as follows:

2017	\$	6,440,836
2018		6,750,836
2019		7,015,092
2020		7,330,000
2021		7,690,000
Thereafter		<u>203,216,064</u>
		238,442,828
Plus unamortized premium/discount		10,811,919
Less bond issuance costs		<u>(2,035,985)</u>
	\$	<u><u>247,218,762</u></u>

(6) Retirement Benefits

The University has a 403(b) defined contribution retirement plan which covers substantially all of its employees, other than those of the Jesuit Community, and which is funded through direct payments to the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and/or Fidelity Investment Tax Exempt Services Company for the purchase of individual annuities. For each eligible employee, the University generally contributes an amount equal to between 8% and 10% of the employee's salary or base compensation and the employee contributes 2-1/2%. With respect to faculty and administrative members of the Jesuit Community, an equivalent between 8% and 10% of their salaries are paid directly to the Jesuit Community. Retirement contributions paid by the University and charged to unrestricted operations for the years ended June 30, 2016 and 2015 were \$5,383,115 and \$5,111,006, respectively.

(7) Endowment Funds

In August 2008, the FASB issued "Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosure for all Endowment Funds." This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Connecticut adopted the Uniform Management of Institutional Funds Act effective October 1, 2007 (CUPMIFA). This pronouncement requires disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

The University's endowment is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research and public service and funds designated by the Board of Trustees to function as endowment. Earnings from endowment investments support scholarships, chairs, professorships, fellowships, basic research, as well as academic and public service programs. The endowment should provide stability since the principal is invested and earnings are generated year after year. 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.

To accomplish these goals, 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 primary investment objective of the endowment is to attain an average annual total return in excess of the spending rate (currently at 4.25% of the average fair market value of total endowment assets for the preceding twelve quarters); over the long term, defined as rolling five-year periods that should be achieved within acceptable risk levels, while avoiding large short-term declines in market value. Actual returns in any given year may vary from this amount. The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Board of Trustees, after consideration of the factors provided in CUPMIFA, approved a policy that, absent specific donor imposed directions; University management may decide to spend a portion of or the entire spending amount on funds which are underwater. For the years ended June 30, 2016 and 2015, funds were distributed in total according to the spending formula. Although CUPMIFA permits prudent spending from the individual underwater endowments, the Board of Trustees chose not to spend from those funds but to fund this spending from the University unrestricted quasi-endowment.

Assets of the endowment and quasi-endowment are pooled on a market value basis, with each individual asset subscribing to or disposing of units on the basis of the market value per unit at the end of the quarter within which the transaction takes place.

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	40,964,440	139,925,057	180,889,497
Board-designated funds	136,024,347	—	—	136,024,347
Total endowment funds	<u>\$ 136,024,347</u>	<u>40,964,440</u>	<u>139,925,057</u>	<u>316,913,844</u>

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2015	\$ 139,274,831	48,695,696	136,528,369	324,498,896
Investment return:				
Investment income	1,498,361	1,986,200	73,604	3,558,165
Realized and unrealized losses, net	<u>(1,899,881)</u>	<u>(2,659,440)</u>	<u>(110,874)</u>	<u>(4,670,195)</u>
Total investment return	(401,520)	(673,240)	(37,270)	(1,112,030)
Contributions	—	—	3,531,406	3,531,406
Appropriation of endowment assets for expenditure	(5,324,468)	(7,058,016)	—	(12,382,484)
Other changes:				
Change in value split interest agreement	—	—	(97,448)	(97,448)
Transfers to add board-designated endowment funds	<u>2,475,504</u>	<u>—</u>	<u>—</u>	<u>2,475,504</u>
Endowment net assets at June 30, 2016	<u>\$ 136,024,347</u>	<u>40,964,440</u>	<u>139,925,057</u>	<u>316,913,844</u>

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	48,695,696	136,528,369	185,224,065
Board-designated funds	<u>139,274,831</u>	<u>—</u>	<u>—</u>	<u>139,274,831</u>
Total endowment funds	<u>\$ 139,274,831</u>	<u>48,695,696</u>	<u>136,528,369</u>	<u>324,498,896</u>

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2014	\$ 138,212,973	49,824,956	133,380,863	321,418,792
Investment return:				
Investment income	1,391,468	1,185,326	64,437	2,641,231
Realized and unrealized gains, net	<u>3,377,123</u>	<u>2,898,160</u>	<u>33,468</u>	<u>6,308,751</u>
Total investment return	4,768,591	4,083,486	97,905	8,949,982
Contributions	—	—	3,140,088	3,140,088
Appropriation of endowment assets for expenditure	(6,119,311)	(5,212,746)	—	(11,332,057)
Other changes:				
Change in value split interest agreement	—	—	(90,487)	(90,487)
Transfers to add board-designated endowment funds	<u>2,412,578</u>	<u>—</u>	<u>—</u>	<u>2,412,578</u>
Endowment net assets at June 30, 2015	<u>\$ 139,274,831</u>	<u>48,695,696</u>	<u>136,528,369</u>	<u>324,498,896</u>

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Educational and general services (primarily scholarships)	\$ 60,427,630	70,189,144
Acquisition of buildings and equipment	<u>28,297,190</u>	<u>16,873,812</u>
Total temporarily restricted net assets	<u>\$ 88,724,820</u>	<u>87,062,956</u>

Permanently restricted net assets at June 30, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Purpose of restrictions:		
Scholarships	\$ 85,965,061	83,037,300
Educational and general services	<u>53,959,996</u>	<u>53,491,069</u>
Total permanently restricted net assets	<u>\$ 139,925,057</u>	<u>136,528,369</u>

FAIRFIELD UNIVERSITY

Notes to Financial Statements

June 30, 2016 and 2015

(9) Student Financial Aid

Student financial aid reported in the statements of activities as a reduction of tuition and fees were funded in fiscal years 2016 and 2015 from the following revenue sources:

	<u>2016</u>	<u>2015</u>
Tuition and fees	\$ 62,283,310	58,734,072
Endowment distribution	4,354,070	4,664,316
Contributions	942,979	757,433
Government grants	571,934	1,046,085
Total student financial aid	<u>\$ 68,152,293</u>	<u>65,201,906</u>

(10) Operating Leases

The University has various lease agreements, for the bookstore, printers, copiers, and other types of similar equipment, with obligations that extend through 2022. Future minimum rental payments at June 30, 2016, under agreements classified as operating leases with terms in excess of one year are as follows:

2017	\$ 1,108,907
2018	1,080,475
2019	965,209
2020	748,722
2021	558,056
Thereafter	<u>137,500</u>
Total future minimum lease payments	<u>\$ 4,598,869</u>

(11) Commitments and Contingencies

At June 30, 2016, the University had a line of credit agreement, which allows for borrowings up to \$20,000,000. The agreement expires on January 23, 2017. Interest on any borrowings is at the LIBOR rate plus 0.80%. There is an unused commitment fee of 0.30% per annum. There were no borrowings during the year or outstanding at June 30, 2016 and 2015.

The University has entered into construction-related commitments of approximately \$29,000,000 as of June 30, 2016.

The University is involved in various legal actions, arising in the normal course of operations. The University is of the opinion that the resolution of these matters will not have a significant effect on the financial condition of the University.