SANTA CLARA UNIVERSITY

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

SANTA CLARA UNIVERSITY

Consolidated Financial Statements

Table of Contents

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The President and Board of Trustees
Santa Clara University:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Santa Clara University (the University), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the University's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Irvine, California
October 16, 2015

SANTA CLARA UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2015
(With comparative financial information as of June 30, 2014)

(In thousands of dollars)

Assets		**2015**	**2014**
Cash and cash equivalents	$	48,152	48,273
Contributions receivable, net		40,275	21,476
Student and other receivables, net		13,442	12,610
Investments		1,032,750	1,026,007
Funds held in trust by others		8,000	—
Other assets		6,575	5,672
Plant facilities, net		732,901	685,065
Total assets	$	1,882,095	1,799,103
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	48,484	44,596
Deposits and deferred revenue		18,878	18,890
Amounts held on behalf of others		51,813	48,978
Annuity and trust obligations		3,685	5,480
Asset retirement obligations		3,219	3,183
Bonds and notes payable		176,149	183,747
Obligations under capitalized leases		72,834	41,140
U.S. government loan advances		7,366	7,316
Total liabilities		382,428	353,330
Net assets:			
Unrestricted		717,285	695,200
Temporarily restricted		486,903	465,902
Permanently restricted		295,479	284,671
Total net assets		1,499,667	1,445,773
Total liabilities and net assets	$	1,882,095	1,799,103

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2015
(With summarized financial information for the year ended June 30, 2014)

(In thousands of dollars)

	2015 Unrestricted	2015 Temporarily restricted	2015 Permanently restricted	2015 Total	2014
Operating:					
Revenues:					
Tuition and fees	$ 322,198	—	—	322,198	309,239
Financial aid	(82,876)	—	—	(82,876)	(79,669)
Net tuition and fees	239,322	—	—	239,322	229,570
Contributions to annual funds	3,669	—	—	3,669	3,451
Grant revenues	5,030	—	—	5,030	4,464
Net return on operating investments	1,423	—	—	1,423	3,512
Other revenues	13,801	—	—	13,801	16,936
Auxiliary activities	36,592	—	—	36,592	35,230
Operating revenues before nonoperating net assets used in operations	299,837	—	—	299,837	293,163
Nonoperating net assets used in operations:					
Long-term investment income used in operations	28,986	—	—	28,986	27,353
Released contributions used in operations	11,219	—	—	11,219	10,310
Total operating revenues and other support	340,042	—	—	340,042	330,826
Expenses:					
Educational and general:					
Instruction	129,214	—	—	129,214	127,478
Research	3,756	—	—	3,756	4,831
Public service	8,556	—	—	8,556	7,264
Academic support	39,664	—	—	39,664	37,531
Student services	48,502	—	—	48,502	46,376
Institutional support	64,744	—	—	64,744	59,632
Scholarships and fellowships	1,223	—	—	1,223	1,002
Total educational and general expenses	295,659	—	—	295,659	284,114
Auxiliary activities	30,901	—	—	30,901	32,148
Total expenses	326,560	—	—	326,560	316,262
Increase in net assets from operations	13,482	—	—	13,482	14,564
Nonoperating:					
Contributions	1,069	44,908	10,805	56,782	33,033
Net return on nonoperating long-term investments	5,134	18,668	(168)	23,634	131,379
Nonoperating net assets used in operations	(40,205)	—	—	(40,205)	(37,663)
Net assets released from restrictions	42,647	(42,647)	—	—	—
Other changes, net	(42)	72	171	201	607
Change in net assets	22,085	21,001	10,808	53,894	141,920
Net assets at beginning of year	695,200	465,902	284,671	1,445,773	1,303,853
Net assets at end of year	$ 717,285	486,903	295,479	1,499,667	1,445,773

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2015
(With comparative financial information for the year ended June 30, 2014)

(In thousands of dollars)

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	53,894	141,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		36,618	33,965
Accrued interest on zero coupon bonds		(967)	(827)
Interest expense on negative amortization capital lease		1,179	—
Loss on disposal of assets		148	—
Noncash gifts		(13,293)	(6,612)
Proceeds from sale of donated securities		3,336	1,180
Investment gains		(18,390)	(122,711)
Contributions restricted for long-term investment		(22,404)	(17,055)
Changes in operating assets and liabilities:			
Contributions receivable		(18,799)	(4,077)
Student and other receivables		(832)	(677)
Other assets		(903)	1,122
Accounts payable and accrued expenses		3,888	1,389
Deposits and deferred revenue		(12)	1,459
Amounts held on behalf of others		2,835	5,455
Annuity and trust obligations		(1,795)	61
Asset retirement obligations		36	18
Net cash provided by operating activities		24,539	34,610
Cash flows from investing activities:			
Purchase of investments		(205,390)	(222,892)
Proceeds from sale of investments		217,076	216,880
Purchase of plant facilities		(60,171)	(48,553)
Net cash used in investing activities		(48,485)	(54,565)
Cash flows from financing activities:			
Proceeds from issuance of debt		—	8,715
Payments on bonds and notes payable		(6,631)	(15,338)
Principal payments on capital lease obligations		(1,916)	(1,622)
Change in U.S. government loan advances, net		50	28
Proceeds from sale of donated securities		9,918	1,334
Contributions restricted for long-term investment		22,404	17,055
Net cash provided by financing activities		23,825	10,172
Net decrease in cash and cash equivalents		(121)	(9,783)
Cash and cash equivalents at beginning of year		48,273	58,056
Cash and cash equivalents at end of year	$	48,152	48,273
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	10,540	12,328
The University received noncash gifts of:			
Marketable securities	$	13,293	2,570
Real estate		—	3,970
Equipment		—	72
Noncash investing and financing activities:			
Building acquired under capital leases	$	23,800	—
Equipment acquired under capital leases		631	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Santa Clara University is an independent, coeducational institution of higher learning offering undergraduate and graduate degrees in more than 50 fields of study. Santa Clara University was founded in 1851 by the Society of Jesus on the site of Mission Santa Clara de Asis in Northern California. The Jesuit School of Theology of Santa Clara University (JST-SCU) is an affiliated entity and its financial information has been consolidated with Santa Clara University (collectively referred to as the University) and all interaffiliate transactions have been eliminated.

(b) Basis of Presentation

The University displays its net assets and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of operating cash, money market funds, and treasury instruments.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues when donors' commitments are received. Conditional promises to give become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional promises to give are recognized initially at fair value as contribution revenue in the period such promises are made by donors. In subsequent periods, unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified by net asset category in accordance with donor-imposed restrictions. Contributions and promises to give with temporary restrictions are reported as temporarily restricted net assets until donor restrictions are met. The University records contributions of land, buildings, or equipment as unrestricted revenue unless the donor places restrictions on their use. Restrictions on contributions related to construction projects are released when such amounts have been spent.

(e) Investments

In accordance with U.S. generally accepted accounting principles, the University reports investments at fair value based upon a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs of other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The majority of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

Changes in Accounting Policies:

Effective in fiscal year 2015, the University retroactively adopted the provisions of Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to classify within the fair value hierarchy investments measured at NAV. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments of $843,038,000 previously classified in the fair value hierarchy. In addition, the June 30, 2014 opening balance in the Level 3 roll forward was restated to reflect the removal of NAV-measured investments aggregating $441,451,000.

(f) Fair Value of Financial Instruments

The University did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the University's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 5 for further information regarding investments and their fair value.

i) Cash Equivalents, Student and Other Receivables, Funds Held in Trust by Others, Accounts Payable, and Accrued Expenses

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government or its designees.

ii) Contributions Receivable

Contributions receivable are reported based on the discounted value of estimated cash flows. The discount rate is estimated based upon a risk-free rate of return, for pledges received through June 30, 2008. Pledges received after June 30, 2008 are discounted at an interest rate that reflects the risks inherent in those cash flows. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

iii) Bonds and Notes Payable

Fair value of bonds and notes payable is estimated with Level 2 inputs, based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for similar maturities and credit quality. Fair value of bonds and notes payable was approximately $191,029,000 and $200,964,000 as of June 30, 2015 and 2014, respectively.

iv) Capital Lease Obligations

The University's capital lease obligations bear interest at rates which approximate prevailing market rates for instruments with similar characteristics and, accordingly, the carrying value approximates fair value.

v) Alternative Investments

Alternative investments, such as private equity interests, are recorded based on valuations provided by the general partners or external investment managers. As these generally are investments without a ready market to compare, the inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Management reviews and evaluates the valuations and has determined that the valuation methods and assumptions result in reasonable estimates of fair value. Refer to note 5 for fair value determination.

vi) Annuity and Trust Obligations

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(g) Collections

The University's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. The collections, which have been acquired through contributions since the University's inception, are not recognized as assets in the accompanying consolidated statement of financial position.

(h) Plant Facilities

Plant facilities are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts in kind. Depreciation of plant facilities is computed using the straight-line method over estimated useful lives of 3 to 50 years. Amortization of capital leases is provided over the estimated useful lives of the assets or over the life of the lease, as applicable, using the straight-line method.

(i) Deposits and Deferred Revenue

Deposits and deferred revenue consist of fees collected in advance under the University's guaranteed tuition plan, deposits and fees collected for not yet completed summer and fall terms as well as other miscellaneous deferred revenue.

(j) Annuity and Trust Obligations

The University has a variety of gift agreements, including charitable gift annuities and charitable remainder trusts, for which the University is the trustee. An estimated liability has been recorded for charitable gift annuities based upon Internal Revenue Service (IRS) actuarial tables. For charitable remainder trusts, the difference between the fair value of trust investments and the estimated University's remainder interests has been recorded as a liability.

(k) Bond Discounts, Premiums, and Issuance Costs

Bond discounts, premiums, and issuance costs are amortized using a method that approximates the effective interest method over the life of the associated bond issue. Bond discounts and premiums are included in bonds and notes payable, and issuance costs are included in other assets in the accompanying consolidated statement of financial position.

(l) Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions. The University deposits its cash with several financial institutions and its deposits, at times, exceed insured amounts. The University requires its investment managers to follow the University's investment policy, and the investment managers are subject to periodic review by the University's investment committee. The University's investments are comprised primarily of a diversified portfolio of marketable equity securities, investment-grade debt and alternative assets. The credit risk with respect to student receivables is considered minimal due primarily to the wide dispersion of the receivables. Gross contributions receivable due from eight donors was $36,828,000 of the $48,191,000 as of June 30, 2015.

(m) Operations

Operating revenues consist of those items attributable to the University's academic programs, research conducted by the academic departments, and auxiliary operations. It is the policy of the Board of Trustees to designate a portion of the University's cumulative investment return for support of current operations; the remainder is retained to support operations in future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

Expenses associated with fundraising activities of the University were $11,197,000 and $8,956,000 in 2015 and 2014, respectively, which are included in institutional support in the accompanying consolidated statement of activities.

(Continued)

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(2) Net Assets

Net assets are reported in three classes based on the existence or absence of donor-imposed restrictions, as follows:

- Permanently restricted net assets consist of assets donated with stipulations that they be invested to provide a permanent source of income. It is the policy of the University to maintain the historic dollar value of these gifts in perpetuity.
- Temporarily restricted net assets represent amounts received from donors with temporary restrictions and consist primarily of (a) resources held in support of particular operating activities, (b) investments for a specified term, (c) assets for use in a specified future period, (d) resources restricted for the acquisition of long-lived assets, or (e) unexpended endowment earnings in excess of the historic dollar value. Donors' restrictions may require that resources be used in a later period or after a specified date, or that resources be used for a specified purpose, or both. When restrictions expire or assets are expended according to donor restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions.
- Unrestricted net assets consist of amounts with no donor-imposed restrictions.

Net assets released from donor-imposed restrictions are summarized as follows (in thousands):

		2015	2014
Purpose restrictions accomplished:			
Scholarships	$	13,868	13,819
Departmental and other expenses		18,839	19,532
Additions to and renovations of plant facilities		9,940	5,410
	$	42,647	38,761

Donor restricted net assets consisted of the following as of June 30, 2015 and 2014 (in thousands):

		2015		2014	
		Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Scholarships	$	200,678	146,917	201,254	140,942
Departmental and other expenses		248,070	145,957	242,297	139,953
Additions to and renovations of plant facilities		1,433	—	5,196	—
Passage of time		36,722	2,605	17,155	3,776
	$	486,903	295,479	465,902	284,671

Temporarily restricted net assets at June 30, 2015 and 2014 include $433,674,000 and $432,966,000, respectively, of appreciation on donor restricted endowment funds available to support University programs through the spending appropriation.

(3) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2015 and 2014 (in thousands):

		2015	2014
Unconditional promises to be collected in:			
Less than one year	$	14,199	12,408
One to five years		22,044	12,089
More than five years		11,948	256
		48,191	24,753
Less allowance for uncollectible contributions		(2,454)	(1,915)
Less discount to present value		(5,462)	(1,362)
Contributions receivable, net	$	40,275	21,476

The discount rate utilized for purposes of calculating the present value of contributions receivable is 4.5 percent for unconditional promises received in the year ended June 30, 2015 and 5.5 percent for unconditional promises received in prior years. The discount rate is determined at the time the unconditional promise to give is initially recognized and is not revised subsequently.

(4) Student and Other Receivables

Student and other receivables consisted of the following as of June 30, 2015 and 2014 (in thousands):

		2015	2014
Government grants	$	1,332	427
Notes, loans, and other receivables		10,811	10,257
Student receivables		1,401	2,224
Accrued interest receivable		470	507
		14,014	13,415
Less allowance for doubtful accounts		(572)	(805)
	$	13,442	12,610

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

At June 30, 2015 and 2014, student loans held by the University included in notes, loans, and other receivables above consisted of the following (in thousands):

		2015	2014
Federal government programs	$	7,836	8,312
Institutional programs		49	97
		7,885	8,409
Less allowance for doubtful accounts		(3)	(82)
Student loans receivable, net	$	7,882	8,327

The University participates in the Federal Perkins Loan Program (the Program). The availability of funds for loans under the Program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of $7,366,000 at June 30, 2015 and $7,316,000 at June 30, 2014 are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled under the Program result in a reduction of funds available for loan and a decrease in the liability to the government. At June 30, 2015 and 2014, no material amounts were past due under other student loan programs.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management’s judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Program are guaranteed by the government and, therefore, no reserves are placed on past due balances.

(5) Investments

Investments as of June 30, 2015 and 2014 are summarized as follows (in thousands):

		2015	2014
Pooled cash and cash equivalents	$	57,541	9,290
Certificate of deposit investments		9,407	11,076
Mutual funds		105,361	114,985
Equity securities		36,580	29,564
Fixed income securities		65,458	63,798
Commingled funds		192,545	197,465
Hedge funds		229,302	238,460
Private equity		84,180	87,211
Real assets		102,301	116,804
Venture capital		95,981	80,342
Real estate		34,526	23,452
Beneficial interest in funds held by others		7,812	7,771
Notes and other		3,083	3,350
Net pending trades		8,673	42,439
	$	1,032,750	1,026,007

The following tables summarize investment values by category of investment as of June 30, 2015 and 2014. Consistent with ASU 2015-07, investments measured at net asset value (NAV) are not classified in the fair value hierarchy.

	2015				
	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
Pooled cash and cash equivalents	$ —	57,541	—	—	57,541
Certificate of deposit investments	—	—	9,407	—	9,407
Mutual funds:					
Bond	24,065	—	—	—	24,065
Equity	38,140	—	—	—	38,140
International equity	41,802	—	—	—	41,802
Real estate	1,354	—	—	—	1,354
Equity holdings:					
Domestic	—	36,580	—	—	36,580
Fixed income holdings:					
Corporate bonds	—	—	55,509	—	55,509
Municipal bonds	—	—	6,557	—	6,557
U.S. treasury bonds	—	—	3,392	—	3,392
Commingled funds:					
International equity	150,459	—	—	—	150,459
Corporate bond	10,410	—	—	—	10,410
International government bond	31,676	—	—	—	31,676
Hedge funds:					
Equity	23,462	—	—	—	23,462
Distressed debt	28,631	—	—	—	28,631
Fund of funds	154,759	—	—	—	154,759
Global opportunistic	22,450	—	—	—	22,450
Private equity	84,180	—	—	—	84,180
Real assets	102,301	—	—	—	102,301
Venture capital	95,981	—	—	—	95,981
Real estate	—	—	34,526	—	34,526
Beneficial interest in funds held by others	7,812	—	—	—	7,812
Notes and other	—	102	—	2,981	3,083
Net pending trades	—	8,673	—	—	8,673
	$ 817,482	102,896	109,391	2,981	1,032,750

	2014				
	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
Pooled cash and cash equivalents	$ —	9,290	—	—	9,290
Certificate of deposit investments	—	—	11,076	—	11,076
Mutual funds:					
Bond	25,646	—	—	—	25,646
Equity	41,185	—	—	—	41,185
International equity	45,812	—	—	—	45,812
Real estate	2,342	—	—	—	2,342
Equity holdings:					
Domestic	—	29,564	—	—	29,564
Fixed income holdings:					
Corporate bonds	—	—	55,521	—	55,521
Municipal bonds	—	—	4,023	—	4,023
U.S. treasury bonds	—	—	4,254	—	4,254
Commingled funds:					
International equity	152,096	—	—	—	152,096
Corporate bond	10,885	—	—	—	10,885
International government bond	34,484	—	—	—	34,484
Hedge funds:					
Equity	29,803	—	—	—	29,803
Distressed debt	37,256	—	—	—	37,256
Fund of funds	147,178	—	—	—	147,178
Global opportunistic	24,223	—	—	—	24,223
Private equity	87,211	—	—	—	87,211
Real assets	116,804	—	—	—	116,804
Venture capital	80,342	—	—	—	80,342
Real estate	—	—	23,452	—	23,452
Beneficial interest in funds held by others	7,771	—	—	—	7,771
Notes and other	—	107	—	3,243	3,350
Net pending trades	—	42,439	—	—	42,439
	$ 843,038	81,400	98,326	3,243	1,026,007

The following methods and assumptions were used to estimate the fair value for each class of financial instrument included in the fair value hierarchy:

Certificate of deposit investments – The fair value of investments in certificates of deposits, which are derived from various sources and pricing matrices, are classified as Level 2.

Equity securities – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 and are traded in an active market for which closing stock prices are readily available.

Fixed income holdings – Investments in fixed income securities include corporate bonds, municipal bonds and U.S. Treasury bonds. Fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for similar assets in active markets.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following information presents a reconciliation of the consolidated statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014:

The June 30, 2015 opening balance in the Level 3 roll forward was restated to reflect the removal of NAV-measured investments aggregating $467,278,000. The new beginning balance of $3,243,000 was increased by realized gains of $22,000 and purchases of $381,000 and decreased by sales of $665,000 during the year ended June 30, 2015, resulting in an ending Level 3 balance of $2,981,000.

The June 30, 2014 opening balance in the Level 3 roll forward was restated to reflect the removal of NAV-measured investments aggregating $441,451,000. The new beginning balance of $3,420,000 was increased by realized gains of $59,000 and purchases of $634,000 and decreased by sales of $870,000 during the year ended June 30, 2014, resulting in an ending Level 3 balance of $3,243,000.

There were no transfers between Level 1 and Level 2 investments, or between Level 2 and Level 3, for the years ended June 30, 2015 and 2014, for assets classified in the fair value hierarchy after adoption of ASU 2015-07.

The following table presents information for investments where the net asset value (NAV) was used as a practical expedient to measure fair value at June 30, 2015 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Mutual Funds:				
Bonds	$ 24,065	—	daily	none
Equity	38,140	—	daily	none
International equity	41,802	—	daily	none
Real Estate	1,354	—	daily	none
Commingled funds:				
International equity	150,459	—	daily, monthly, quarterly	6 – 45 days
Corporate bond	10,410	—	monthly	6 – 7 days
International government bond	31,676	—	monthly	10 days
Hedge funds:				
Equity	23,462	—	monthly	30 days
Distressed debt	28,631	3,750	quarterly, annually, n/a	60 - 180 days
Fund of funds	154,759	—	annually	365 days
Global opportunistic	22,450	—	quarterly, annually, n/a	45 – 180 days
Private equity	84,180	66,049	see below	see below
Real assets	102,301	48,008	daily, see below	none
Venture capital	95,981	16,062	see below	see below
Beneficial interest in funds held by others	7,812	—	see below	see below
	$ 817,482	133,869		

The University holds certain investments in private equity, real assets, and venture capital limited partnerships in the amounts of $84,180,000, $77,846,000 and $95,981,000, respectively. These limited partnerships do not allow for periodic redemptions, but rather distributions are received through the liquidation of the underlying assets of the partnership. At June 30, 2015, these partnerships had estimated termination dates that ranged from 2015 to 2025. Within distressed debt hedge funds, the University holds $8,239,000 in a closed-end fund with an estimated termination date in 2022. Within fund of funds hedge funds, the University holds $75,289,000 in funds which currently have lockup periods of up to three years. After the lockup periods, the funds have a one-year redemption notice period. The University also holds beneficial interest in funds that are managed by others. These funds, per donor restriction, are to be held in perpetuity by the third party and can never be redeemed.

The following schedule summarizes investment returns during 2015 and 2014, presented in "Net return on operating investments" and "Net return (loss) on nonoperating long-term investments" in the consolidated statement of activities (in thousands):

		2015	2014
Interest, dividends and other income	$	13,355	16,987
Net realized gains		39,024	50,256
Net unrealized gains (losses)		(20,744)	72,455
Direct management fees and other		(6,578)	(4,807)
Net return on investments	$	25,057	134,891

(6) Endowment

The University's endowment consists of approximately 600 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The University's governing board has interpreted UPMIFA enacted in the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Return Objectives and Risk Parameters

The University's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current equities, fixed income and alternative assets. Targeted asset allocation percentages for each of these components are reviewed periodically throughout the year for potential adjustment of asset mix while evaluating the relative risk of each component.

Spending Policy

Endowment spending is determined using a weighted average calculation of two components. The first component is the prior year spending allocated for each endowment increased by an inflationary factor weighted by 40 percent. The second component is a 12-quarter rolling market value average times an established spending rate of 4.5 percent weighted by 60 percent. The combination of these two calculations is the endowment spending allocation.

Changes in endowment net assets and net asset composition for the year ended June 30, 2015 are as follows (in thousands):

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2014	$ 162,154	432,966	281,726	876,846
Investment return:				
Investment income	1,194	3,755	—	4,949
Net appreciation – realized and				—
unrealized	3,710	16,379	—	20,089
Total investment return	4,904	20,134	—	25,038
Contributions	—	1,540	10,627	12,167
Appropriation of endowment assets for expenditure	(6,200)	(22,786)	—	(28,986)
Other changes:				
Transfers to board-designated endowment funds	—	1,820	—	1,820
Endowment net assets, June 30, 2015	$ 160,858	433,674	292,353	886,885
Composition of endowment net assets:				
Donor-restricted endowment funds	$ —	433,674	292,353	726,027
Board-designated endowment funds	160,858	—	—	160,858
Total endowment net assets	$ 160,858	433,674	292,353	886,885

Changes in endowment net assets and net asset composition for the year ended June 30, 2014 are as follows (in thousands):

		2014			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2013	$	148,830	342,380	277,521	768,731
Investment return:					
Investment income		1,302	9,501	—	10,803
Net appreciation – realized and unrealized		16,826	102,151	—	118,977
Total investment return		18,128	111,652	—	129,780
Contributions		5	1,136	4,205	5,346
Appropriation of endowment assets for expenditure		(5,151)	(22,202)	—	(27,353)
Other changes:					
Transfers to board-designated endowment funds		342	—	—	342
Endowment net assets, June 30, 2014	$	162,154	432,966	281,726	876,846
Composition of endowment net assets:					
Donor-restricted endowment funds	$	(10)	432,966	281,726	714,682
Board-designated endowment funds		162,164	—	—	162,164
Total endowment net assets	$	162,154	432,966	281,726	876,846

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2015 and $10,000 in deficiencies were reported as of June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(Continued)

(7) Plant Facilities

Plant facilities as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Land	$ 53,026	52,653
Buildings	687,591	631,957
Improvements other than buildings	93,239	90,646
Equipment	135,181	124,704
Library books	71,529	69,155
	1,040,566	969,115
Accumulated depreciation and amortization	(326,584)	(294,073)
	713,982	675,042
Construction in progress	18,919	10,023
	$ 732,901	685,065

(8) Bonds and Notes Payable

Bonds and notes payable as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
2% to 5% California Educational Facilities Authority (CEFA) Revenue Bonds Series 2010 maturing serially through February 1, 2030 and CEFA term bonds totaling $27,740 maturing February 1, 2029, 2032, and 2040, secured by the full faith and credit of the University	$ 49,132	50,531
4% to 5.625% CEFA Series 2008 bonds maturing serially through April 1, 2028 and CEFA term bonds totaling $26,380 maturing April 1, 2033 and 2037, secured by the full faith and credit of the University	60,121	61,926
3.5% to 5.25% CEFA Series 1999 bonds maturing serially through September 1, 2020 and CEFA term bonds totaling $37,845 maturing September 1, 2023 and 2026, fully insured as to principal and interest, secured by the full faith and credit of the University	58,901	62,575
LIBOR + 30 bps Wells Fargo Term Note maturing serially through September 1, 2019, secured by the full faith and credit of the University	7,995	8,715
	$ 176,149	183,747

(Continued)

On June 25, 2014 the University entered into a term note agreement in the amount of $8,715,000 with Wells Fargo Bank. The proceeds were used to redeem the remaining balance of the CEFA 2003A bonds.

The University's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. During the years ended June 30, 2015 and 2014, $877,000 and $173,000 of interest was capitalized, respectively. For the years ended June 30, 2015 and 2014, total interest expense, net of amounts capitalized, was $10,875,000 and $12,290,000, respectively. During the years ended June 30, 2015 and 2014, $3,127,000 and $1,878,000, respectively, represents interest expense associated with the University's capital lease obligations.

The annual debt service requirements subsequent to June 30, 2015 are as follows (in thousands):

	Principal maturities	Interest	Total
Year ending June 30:			
2016	7,991	9,592	17,583
2017	7,681	7,968	15,649
2018	8,062	7,631	15,693
2019	8,397	7,282	15,679
2020	8,340	7,154	15,494
Thereafter	135,678	57,147	192,825
	$ 176,149	96,774	272,923

The University has $5,000,000 available under an unsecured revolving credit agreement that matures in April 2016. As of June 30, 2015 and 2014, no amounts were outstanding on this line of credit.

(9) Capital Leases

The University has an agreement to lease a student residential housing facility. Two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing the facility to the University. The lease term is for 234 months ending February 2031. At the end of the lease term, the University has two successive options to extend the lease for additional eight-year terms. The gross amount of buildings recorded under this capital lease was $45,553,000 at June 30, 2015 and June 30, 2014. The amortization expense for the capital lease is calculated on a straight-line basis over the useful life of 234 months and included within the University's depreciation and amortization expense. This amount was $2,336,000 for the years ended June 30, 2015 and June 30, 2014.

In November 2014, the University entered into an agreement to lease a commercial office building, which was remodeled to be used as office and classroom space. Two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing the facility to the University. The lease term is for 234 months ending April 2034. At the end of the lease term, the University has two successive options to extend the lease for additional ten-year terms. The gross amount of buildings recorded under this capital lease was $23,800,000 at June 30, 2015. The amortization expense for the capital lease is calculated on a straight-line basis over the useful life of 234 months and included within the University's depreciation and amortization expense. This amount was $616,000 for the year ended June 30, 2015.

In fiscal year 2015, the University entered into two equipment financing leases for the purchase of networking equipment and associated licenses. The agreements end in fiscal 2018. The gross amount of equipment recorded as a capital lease was $631,000 at June 30, 2015.

Future minimum capital lease payments as of June 30, 2015 are as follows (in thousands):

		Capital lease
Year ending June 30:		
2016		8,468
2017		8,531
2018		8,376
2019		5,775
2020		5,843
Thereafter		77,976
Total minimum lease payments		114,969
Less amount representing interest		(42,135)
Present value of net minimum capital lease payments	$	72,834

(10) Defined Contribution Plan

The University provides retirement benefits for faculty, staff, and administrative employees through Internal Revenue Code (IRC), Section 401(a) and 403(b) plans. During 2015 and 2014, the University contributed approximately $12,525,000 and $11,738,000, respectively, to the defined contribution 401(a) retirement plan on behalf of its faculty, staff, and administrative employees. Contributions over the next five years are expected to be comparable to historical contributions, with moderate increases expected from salary increases and headcount changes. The University does not contribute to the 403(b) plan.

(11) Income Taxes

The University is recognized by the Internal Revenue Service as an organization exempt from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is also exempt under California Revenue and Taxation Code Section 23701d. However, the University is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. The University receives some unrelated business income. Taxes on such income, if any, are not material to the University's consolidated financial statements.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles prescribes for all entities minimum thresholds for financial statement recognition of an uncertain position taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. Management believes no such uncertain tax positions exist for the University at June 30, 2015 and 2014. The University files income tax returns in the U.S. federal and other state jurisdictions, and is no longer subject to income tax examinations for tax years before 2011 for federal and 2010 for California.

(Continued)

(12) Related-Party Transactions and Amounts Held on Behalf of Others

The Jesuit Community is a separate entity and provides the University with teaching and administrative services. Compensation paid to the Jesuit Community for those services approximated $3,685,000 and $3,444,000 in 2015 and 2014, respectively, which is included in educational and general expenses in the accompanying consolidated financial statements.

As of June 30, 2015 and 2014, $31,425,000 and $14,425,000, respectively, of contributions receivable are due from members of the Board of Trustees.

During 2006, the University entered into an agreement with the Mission Cemetery owned by the Jesuit Community to participate in the University's investment activity by transferring cash into the University's endowment investment portfolio. The Mission Cemetery's investment at fair value is reflected in Amounts Held on Behalf of Others in the University's consolidated statement of financial position. The fair value of the investment at June 30, 2015 is $49,009,000. The University also holds $2,568,000 in Amounts Held on Behalf of Others for the California Province of the Society of Jesus (CPSJ) Insurance Group of which it is a member and whose administrators are employees of the University. The remaining balance of $236,000 as of June 30, 2015 in Amounts Held on Behalf of Others is held by the University on behalf of various other outside agencies.

As discussed in note 9, two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing facilities to the University.

(13) Commitments and Contingencies

As of June 30, 2015, the University has contractual obligations of approximately $22,367,000 for completion of facilities projects under construction. These obligations are financed with certain debt proceeds, unexpended funds, and gifts. The University self-insures unemployment benefits. It is management's opinion that the amount provided in accrued expenses to cover expected claims is adequate.

The University is subject to audits for amounts received under federal government student financial aid awards and research grants from the federal government. Management believes such audits will not result in any material liabilities against the University.

The University is a defendant in various legal actions. While the outcome of these actions is not currently determinable, management is of the opinion that any uninsured liability from such actions will not have a material effect on the University's financial position.

(14) Subsequent Events

In August 2015, the University completed a new municipal bond financing through the California Educational Facilities Authority (CEFA) in the par amount of $102,230,000. Approximately $59,500,000 of the proceeds from these bonds will be used for capital buildings and improvements on the campus. The remaining proceeds were deposited in an escrow fund to defease and redeem a portion of the Series 2008 bonds in the aggregate principal amount of $51,145,000 and to pay costs associated with the bond issuance.

Subsequent events have been evaluated through October 16, 2015, which corresponds to the date when the financial statements were available to be issued. There are no subsequent events that require disclosure.