BUCKNELL UNIVERSITY

Consolidated Financial Statements

June 30, 2016
(with comparative information as of June 30, 2015)

(With Independent Auditors' Report Thereon)

BUCKNELL UNIVERSITY

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KPMG LLP
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30 North Third Street
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Independent Auditors' Report

The Board of Trustees
Bucknell University:

We have audited the accompanying consolidated financial statements of Bucknell University and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2016 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 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 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bucknell University and its subsidiaries as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the 2015 consolidated financial statements of Bucknell University and its subsidiaries, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Harrisburg, Pennsylvania
October 20, 2016

BUCKNELL UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2016
(with comparative information as of June 30, 2015)

(In thousands)

Assets		**2016**	**2015**
Cash and cash equivalents	$	11,529	21,276
Inventories, prepaid expenses, and other assets		2,505	3,089
Accounts and other receivables, net (note 2)		4,022	4,086
Contributions receivable, net (note 2)		40,148	26,298
Loans and notes receivable, net (note 2)		3,668	4,255
Investments (note 3)		805,349	819,817
Funds held in trust by others (note 3)		12,282	12,542
Funds held by bond trustee (note 5)		—	66,652
Property and equipment, net (notes 4 and 10)		334,477	305,280
Total assets	$	1,213,980	1,263,295
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	27,469	26,954
Deferred revenue and student deposits		12,994	13,815
Funds held for the accounts of others		2,361	2,800
Postretirement healthcare (note 9)		80,083	72,179
Annuities payable		15,811	15,654
Advances from federal government		3,298	4,640
Long-term debt (note 5)		153,133	157,855
Total liabilities		295,149	293,897
Net assets:			
Unrestricted		388,183	423,523
Temporarily restricted (note 6)		243,377	284,427
Permanently restricted (note 7)		287,271	261,448
Total net assets		918,831	969,398
Total liabilities and net assets	$	1,213,980	1,263,295

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2016
(with comparative information for the year ended June 30, 2015)

(In thousands)

	2016				2015
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating revenue:					
Tuition and fees	$ 176,613	—	—	176,613	170,879
Institutional scholarships	(54,765)	—	—	(54,765)	(51,412)
Net tuition and fees	121,848	—	—	121,848	119,467
Sales and services of auxiliary enterprises	36,414	—	—	36,414	33,378
Grants and contracts	4,031	—	—	4,031	3,989
Gifts and contributions	8,801	3,419	—	12,220	13,012
Net investment income (note 3)	17,062	25,217	—	42,279	37,404
Other	5,689	—	—	5,689	6,006
Net assets released from restrictions	26,842	(26,842)	—	—	—
Total operating revenue	220,687	1,794	—	222,481	213,256
Operating expenses (notes 8, 9, and 11):					
Education and general:					
Instruction	80,435	—	—	80,435	75,899
Research and public service	3,164	—	—	3,164	3,188
Academic support	29,759	—	—	29,759	27,788
Student services	38,494	—	—	38,494	37,984
Institutional support	36,452	—	—	36,452	33,960
Auxiliary enterprises	30,933	—	—	30,933	26,818
Total operating expenses	219,237	—	—	219,237	205,637
Change in net assets from operating revenue, net of expenses	1,450	1,794	—	3,244	7,619
Nonoperating activities:					
Nonoperating net investment loss (note 3)	(36,866)	(40,601)	(602)	(78,069)	(27,489)
Gifts and grants for capital or endowment	224	1,757	26,425	28,406	17,901
Postretiree costs other than net periodic expense (note 9)	(4,148)	—	—	(4,148)	(4,892)
Net assets released from restrictions	4,000	(4,000)	—	—	—
Change in net assets from nonoperating activities	(36,790)	(42,844)	25,823	(53,811)	(14,480)
Change in net assets	(35,340)	(41,050)	25,823	(50,567)	(6,861)
Net assets, beginning of year	423,523	284,427	261,448	969,398	976,259
Net assets, end of year	$ 388,183	243,377	287,271	918,831	969,398

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

(In thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(50,567)	(6,861)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Postretiree costs other than net periodic expense		4,148	4,892
Amortization of net bond premium		(797)	(580)
Depreciation		19,259	18,104
(Gain) loss on disposal of fixed assets		(193)	25
Contributions restricted for long-term investment		(28,182)	(17,636)
Net investment depreciation		45,051	2,655
Changes in asset and liabilities:			
Inventories, prepaid expenses, and other assets		584	(1,387)
Accounts and other receivables		64	(44)
Employee loans receivable		127	126
Accounts payable, accrued expenses, and other liabilities		(1,289)	6,946
Postretirement healthcare		3,756	3,396
Net cash (used in) provided by operating activities		(8,039)	9,636
Cash flows from investing activities:			
Sales of investments		526,349	289,698
Purchases of investments		(550,593)	(286,661)
Loans and notes issued		(281)	(396)
Loans and notes collected		741	772
Deposits to funds held by debt trustee		—	(74,652)
Withdrawals from funds held by bond trustee		66,652	8,000
Sale proceeds of property and equipment		278	17
Purchase of property and equipment		(47,918)	(44,629)
Net cash used in investing activities		(4,772)	(107,851)
Cash flows from financing activities:			
Payment of long-term debt obligations		(3,925)	(2,894)
Proceeds from issuance of debt		—	99,996
Payment of debt issuance costs		—	(511)
Return amounts owed to federal government – Perkins loan program		(1,421)	—
Receipts under annuity liability arrangements		405	565
Payments to annuitants		(1,938)	(1,990)
Gifts and grants received for capital or endowment		9,943	15,106
Net cash provided by financing activities		3,064	110,272
Net (decrease) increase in cash and cash equivalents		(9,747)	12,057
Cash and cash equivalents – beginning of year		21,276	9,219
Cash and cash equivalents – end of year	$	11,529	21,276
Supplemental disclosure of cash flow information:			
Gifts of securities	$	4,389	4,994
Cash paid for interest during the year		5,625	2,274
Interest capitalized		558	330

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Bucknell University is a private, not-for-profit institution of higher education in Lewisburg, Pennsylvania. Bucknell University provides education services at the graduate and undergraduate levels. These consolidated financial statements include Bucknell University, Bison Ventures, Inc., a wholly owned subsidiary formed in May 2009, and Bucknell Real Estate, Inc., a tax-exempt title holding company formed in October 2010 (collectively, University). All significant intercompany balances have been eliminated in preparing these consolidated financial statements (financial statements).

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial reporting standards require that net assets, revenue, gains, and losses be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the investment income on related investments for general or specific purposes. Such assets primarily include the University's donor-restricted endowment funds.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenue from sources other than contributions is reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and reported in accordance with donor-imposed restrictions, if any. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Nonoperating activities include the following:

- Endowment investment income earned in excess of the University's spending policy;
- Capital gifts and grants restricted or designated for capital expenditures or long-term investment (e.g., endowment gifts);
- Split-interest agreements' net investment earnings and other gains or losses primarily related to annuity liabilities determined at net present value;
- Prior service costs or credits and actuarial gains or losses of the postretirement healthcare plan.

(b) Fair Value

The University accounts for its investments and funds held in trust by others at fair value; however, as permitted by generally accepted accounting principles, the University has not elected fair value accounting for any assets (accounts, loans, notes, and contributions receivable) or liabilities (long-term debt, postretirement healthcare obligations, and annuities payable) that are not otherwise required to be measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is based upon the transparency of inputs as further described in note 3.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 exempts all not public business entities from disclosing fair value information for financial instruments measured at amortized cost. The University has adopted the early application guidance for this ASU and modified the related disclosures to conform.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and other highly liquid investments with original maturities of three months or less.

(d) Investments

Investments are recorded at estimated fair value as described in note 1(b) and note 3. Because certain investments are not readily marketable, their net asset value per share or equivalent has been used as a practical expedient to fair value and is subject to additional uncertainty. Therefore, values realized upon disposition may vary significantly from currently reported values.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment fair values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

With respect to investments that do not have a readily determinable fair value and for which it is industry practice for the investee to calculate and regularly report in its financial statements a net asset value per share (or its equivalent), the University, as a practical expedient, estimates fair value using the net asset value per share as reported by the investee. The University considers whether adjustment to the most recent net asset value per share is necessary if the net asset value per share obtained from the investee is not as of the University's financial statement date, if the University has plans to sell the investment in the short term, or if the investee's investment assets are not valued at fair value on a recurring basis.

(e) Funds Held in Trust by Others

Funds held in trust by others are for the benefit of the University based on the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the University. Such terms provide that the University a) is to receive annually the investment income earned by the funds that are held in trust or b) is to receive a remainder interest in the trust. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution income at the dates the trusts are established. Investment income distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Funds held in trust by others are carried at fair value as described in note 1(b) and note 3.

(f) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of the University's property and equipment is computed using a straight-line method over 15 to 50 years for buildings and improvements and 3 to 10 years for equipment, furniture, fixtures, and library books. As permitted by generally accepted accounting principles, the University does not capitalize works of art, historical artifacts, and collectibles, which are principally acquired by donation.

Property and equipment, at cost includes capitalized interest, when applicable. Interest is capitalized during the period required to ready the asset for its intended use, expenditures for the asset are being paid, and interest costs for the asset is incurred.

(g) Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Principally all assets held in these trusts are included in investments. Contribution revenue is recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, changes in the estimated present value of future cash outflows, and other changes in the estimates of future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreements.

The University uses the applicable federal rate at the time of the gift as the basis for determining discount rates in recording annuity obligations at net present value for charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Discount rates for determining the net present value of annuities payable as of June 30, 2016 and 2015 ranged from 1.2% to 7.0%.

(h) Advances from Federal Government for Student Loans

Funds provided by the U.S. government under the Federal Perkins Loan Program (Perkins) are loaned to qualified students and may be reloaned after collections. These funds, excluding University required matching funds to Perkins, are ultimately refundable to the U.S. government and are reported as a liability.

(i) Debt – Original Issue Premium or Discount

A premium or discount (including the costs of issuance such as underwriting, bond rating, and legal) resulting from the issuance of long-term debt (typically the difference between the par amount of University Revenue Bonds and similar instruments versus the proceeds received) is amortized to interest expense over the life of the debt instrument using the interest rate method.

(j) Self-insurance

The University is primarily self-insured for healthcare fringe benefits of active employees and under age 65 retirees. Certain claims in excess of maximum amounts on a per claim and aggregate claim basis are insured under stop loss policies. The University includes a liability in accounts payable and accrued expenses for unpaid claims and an estimate for claims incurred but not reported.

(k) Tax Status

Bucknell University, recognized by the Internal Revenue Service as a not-for-profit educational institution, qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose. Bison Ventures, Inc., a wholly owned for-profit, taxable subsidiary, operates a bookstore in Lewisburg, Pennsylvania. Bucknell Real Estate, Inc., a title holding company formed for the benefit of Bucknell University, qualifies under Section 501(c)(2) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose.

The University records income tax liabilities and assets using a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements. The University is subject to routine audits by taxing jurisdictions and provision for audit adjustments, if any, is included in the financial statements when estimable.

(l) Prior Year Information

The financial statements include certain prior year comparative information summarized 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 audited financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(m) Subsequent Events

Management has evaluated subsequent events through October 20, 2016, the date the financial statements were issued.

(In thousands)

(2) Receivables

(a) Accounts, Notes, and Loans Receivable

Accounts, notes, and loans receivable as of June 30 consist of the following:

		2016	2015
Accounts and other receivables:			
Students	$	1,450	879
Other		376	367
Less allowance for doubtful accounts		(324)	(317)
		1,502	929
Accrued grants/contracts revenue		2,520	3,157
Total	$	4,022	4,086
Loans and notes receivable:			
Student loans	$	3,275	3,758
Employee loans		632	759
Less allowance for doubtful accounts		(239)	(262)
Total	$	3,668	4,255

(b) Contributions Receivable

The net present value of contributions receivable as of June 30 follows:

		2016	2015
Unconditional promises expected to be collected:			
One year or less	$	11,503	9,107
Over one year to five years		12,271	16,666
Over five years		20,185	4,657
		43,959	30,430
Less allowance for uncollectible contributions		(3,811)	(4,132)
Total contributions receivable	$	40,148	26,298

(In thousands)

The net present value of contributions receivable is recorded as follows:

		2016	2015
Temporarily restricted (donor imposed purpose and time restrictions)	$	14,198	17,712
Permanently restricted (donor endowment funds)		25,950	8,586
Total contributions receivable	$	40,148	26,298

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time.

Discount rates used to determine net present values of contributions receivable as of June 30, 2016 and 2015 ranged from 1.2% to 6.5%. The discount to present value amounted to approximately $5,388 and $2,730 at June 30, 2016 and 2015, respectively.

(3) Investments and Funds Held in Trust by Others

A summary of the investments held by the University and funds held in trust by others at June 30 follows:

		2016	2015
U.S. government agency bonds and notes	$	16,056	8,097
Publicly traded mutual funds		176,909	129,522
Total fixed-income investments		192,965	137,619
Publicly traded equity securities and mutual funds		175,802	200,466
Custodial investment funds – equity securities		68,096	52,526
Total equity security investments		243,898	252,992
Redeemable alternative funds		142,545	213,261
Private funds		224,799	214,791
Total alternative investment funds		367,344	428,052
Other investments		1,142	1,154
Total investments		805,349	819,817
Funds held in trust by others		12,282	12,542
Total investments and funds held in trust by others	$	817,631	832,359

Alternative investment funds are principally ownership interests in investment entities structured as limited partnerships or corporations or units/shares of investment funds that are not traded in public markets or exchanges. Underlying securities owned by the limited partnerships/corporations or investment funds include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. All alternative investment funds are held in the University's endowment fund.

The University has used an estimate of fair value of custodial investment funds and redeemable alternative funds of $210,641 as of June 30, 2016 and $265,787 as of June 30, 2015 based on the net asset value per share of the respective investment fund consistent with the measurement provisions as described in note 1(d). These investments are redeemable, generally at each calendar quarter-end or anniversary date, at net asset value, under the terms of the underlying investment agreements or subscription documents. However, it is possible that these redemption rights may be restricted in the future. At June 30, 2016 and 2015, $10,932 and $16,217, respectively, of certain redeemable alternative funds were restricted from redemption due to limitations placed by the investment fund managers such as stated lock-up periods for recent investments made (usually within the last year) or due to investment funds that segregate certain underlying securities as currently nonredeemable (e.g., side pocket investments).

Private funds of $224,799 and $214,791 at June 30, 2016 and 2015, respectively, generally are not redeemable at net asset value until the underlying partnership or limited liability corporation dissolves or the underlying investments of the fund are sold. Most of the underlying investments in private funds are ownership interests in closely held companies and are not readily marketable. Although a secondary market may exist from time to time for private funds, individual transactions are typically not observable. When such secondary market transactions do occur, they may occur at amounts that differ from the reported net asset value. It is, therefore, reasonably possible that if the University were to sell these investments in the secondary market, buyers may require a discount to the reported fair value and the discount could be significant.

Under the terms of the agreements with alternative investment funds, the University has remaining commitments to invest in these funds of approximately $101,258 at June 30, 2016. Remaining commitments at June 30, 2015 were approximately $120,895.

(a) Investment Fair Value Accounting and Reporting

As described in note 1(b), fair value is defined as the price the University would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value disclosures are required using a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or liability.

The University excludes from the three-level fair value hierarchy those investments whose fair values are measured at net asset value or its equivalent (NAV) under the 'practical expedient' method permitted for fair value measurements. The amount of investments measured at the NAV practical expedient must continue to be disclosed. The University reports investment in custodial investment, redeemable alternative, and private funds at NAV.

Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's view of assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. That information includes, but is not limited to, the recent audited financial statements of the respective alternative investment funds, financial information of underlying securities of the respective funds provided by the fund manager, and review of performance data of similar funds or investments.

Each investment and funds held in trust by others are assigned a level based upon the observability of the inputs, which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below:

Level 1: Quoted prices in active markets for identical financial instruments.

Level 2: Other significant observable inputs, including quoted prices for similar financial instruments, interest rates, credit spreads, etc.

Level 3: Significant unobservable inputs. This category includes financial instruments whose fair value requires significant management judgment or estimation.

The University's policy is to recognize the transfers in or transfers out of Level 3 (or any other Level) on the date circumstances have changed or the defined event has occurred.

In certain cases, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which fair value level is based on the lowest level of input that is significant to the fair value measurement of the specific alternative investment fund or fund held in trust by others.

The classification of investments in the fair value levels described above is not necessarily an indication of the degree of risks, liquidity, or price volatility.

(In thousands)

The following tables present fair value information at June 30, 2016 and 2015 of the University's investments and funds held in trust by others:

June 30, 2016	Total	Level 1	Level 2	Level 3	Redemption or liquidation
U.S. govt bonds and notes	$ 16,056	—	16,056	—	
Publicly traded mutual funds:					
U.S. fixed-income	163,529	163,529	—	—	Daily [1]
International fixed-income	13,380	13,380	—	—	Daily [1]
Fixed-income investments	192,965	176,909	16,056	—	
Publicly traded equity securities	84,673	84,673	—	—	Daily [1]
Publicly traded mutual funds	74,176	74,176	—	—	Daily [1]
Publicly traded index funds	16,953	16,953	—	—	Daily [1]
Equity investments	175,802	175,802	—	—	
Other investments	1,142	—	—	1,142	Illiquid
	369,909	352,711	16,056	1,142	
Plus investments recorded at NAV [3]	435,440				
Total investments	$ 805,349				
Funds held in trust by others	$ 12,282	—	—	12,282	Illiquid [2]

(In thousands)

June 30, 2015		Total	Level 1	Level 2	Level 3	Redemption or liquidation
U.S. govt bonds and notes	$	8,097	—	8,097	—	
Publicly traded mutual funds:						
U.S. fixed-income		116,393	116,393	—	—	Daily (1)
International fixed-income		13,129	13,129	—	—	Daily (1)
Fixed-income investments		137,619	129,522	8,097	—	
Publicly traded equity securities		76,900	76,900	—	—	Daily (1)
Publicly traded mutual funds		117,841	117,841	—	—	Daily (1)
Publicly traded index funds		5,725	5,725	—	—	Daily (1)
Equity investments		200,466	200,466	—	—	
Other investments		1,154	—	—	1,154	Illiquid
		339,239	329,988	8,097	1,154	
Plus investments recorded at NAV (3)		480,578				
Total investments	$	819,817				
Funds held in trust by others	$	12,542	—	—	12,542	Illiquid (2)

Notes regarding redemption or liquidation on pages 15 and 16:

(1) Bucknell University may sell the investments in these categories on same day or next day terms. However, the settlement of trades and receipt of cash proceeds is governed by the national exchange on which the equity security, fixed-income security, or mutual fund shares trade. These settlement terms typically range from 1 to 3 days.

(2) Funds held in trust by others include $6,203 and $6,678 at June 30, 2016 and 2015, respectively, for which the University irrevocably receives investment income from the trusts and the trust assets are held by others in perpetuity; whereas, $6,079 and $5,864 at June 30, 2016 and 2015, respectively, represent the estimated net present value of expected University receipts from funds held in trust by others as provided by the termination provisions of the trust agreements.

(3) Certain investments are disclosed at NAV, rather than the three-level hierarchy. See additional information below regarding those investments.

(In thousands)

The following tables present a reconciliation of investments in which significant unobservable inputs (Level 3) were used to determine fair value:

		Balance at June 30, 2015	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2016
Investments:							
Other investments	$	1,154	—	(12)	—	—	1,142
Funds held in trust by others		12,542	—	(309)	49	—	12,282

		Balance at June 30, 2014	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2015
Investments:							
Other investments	$	1,159	—	—	(5)	—	1,154
Funds held in trust by others		12,324	—	(183)	401	—	12,542

For the years ended June 30, 2016 and 2015, there were no transfers between levels.

(In thousands)

Publicly Traded Mutual Funds and Equity Securities

The following Level 1 securities have daily quoted prices in active markets:

		2016	2015
Publicly traded mutual funds – fixed income:			
U.S. fixed income	$	163,529	116,393
International fixed income		13,380	13,129
Publicly traded fixed-income securities		176,909	129,522
Publicly traded U.S. equity securities by general industry sector:			
Consumer related		20,919	17,900
Information technology		22,950	15,166
Other sectors		40,804	43,834
		84,673	76,900
Publicly traded mutual funds:			
Domestic equities – by capitalization objective:			
Large capitalization		23,484	38,587
Small and mid sized capitalization		3,160	3,158
		26,644	41,745
International equities:			
Developed markets:			
Large capitalization		19,318	45,608
Small and mid sized capitalization		1,503	1,626
Emerging markets		26,711	28,862
		47,532	76,096
Total publicly traded mutual funds		74,176	117,841
Publicly traded index funds:			
Domestic equities		5,644	5,725
International equities		11,309	—
Total publicly traded index funds		16,953	5,725
Equity investments		175,802	200,466
Total – publicly traded securities	$	352,711	329,988

(In thousands)

Investments recorded at Net Asset Value (NAV)

Certain investments are measured at NAV and are not categorized in the three-level hierarchy shown above. Those investments recorded at NAV as a practical expedient at June 30, 2016 and 2015 are summarized below:

	June 30, 2016	June 30, 2015	Redemption or liquidation	Days' notice	Outstanding commitments at June 30, 2016
Commingled investment					
Funds-equities	$ 68,096	52,526	Monthly	5–30 days	$
	68,096	52,526			—
Redeemable alternative funds:					
Multistrategy	57,901	83,089	Quarterly – Annually	45–60 days	
Long/short equity strategy	41,601	61,880	Quarterly Semi-Annually	30–60 days	
Other strategies	43,043	68,292	Monthly – Annually	30–45 days	
	142,545	213,261			—
Private funds:					
Real estate	38,018	25,209	Illiquid	n/a	29,732
Energy	41,986	33,698	Illiquid	n/a	16,039
Other	144,795	155,884	Illiquid	n/a	55,487
	224,799	214,791			101,258
Total	$ 435,440	480,578			$ 101,258

The amounts presented in the Net Asset Value table above are intended to provide information, when combined with the three-level hierarchy disclosures, to reconcile investment amounts presented in statement of financial position.

Redeemable Alternative Funds

Multistrategy

Multistrategy funds pursue multiple strategies to diversify risks and reduce volatility. These funds have the ability to shift investments between net long and net short positions in equity, fixed income, commodities, currencies, and private investments. At June 30, 2016 and 2015, certain of these funds had redemption restrictions or illiquid side pocket investments totaling $8,221 and $3,353, respectively.

Long/Short Equity Strategy

Long/short equity funds invest in both long and short positions primarily in U.S. common stocks. These funds have the ability to shift investments between value and growth strategies, small and large capitalization stocks, and net long and net short positions. At June 30, 2016 and 2015, approximately $0 and $9,594, respectively, of these funds were not redeemable because the funds have restrictions that do not allow for redemptions in the first 12 months after acquisition.

Other Strategies

Other strategies' funds invest on both the long and short side in fixed-income arbitrage, master limited partnerships, and securities in the healthcare sector. At June 30, 2016 and 2015, approximately $2,712 and $3,270, respectively, of these funds could not be redeemed because of certain illiquid side pocket investments or the investment manager has restricted the amount of annual redemptions.

Private Funds

Real Estate Funds

Private real estate funds invest primarily in U.S. and non-U.S. real estate. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 1 to 12 years.

Energy Funds

Private energy funds invest primarily in U.S. and non-U.S. oil, gas, and renewable energy assets. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 1 to 11 years.

Private – Other

These funds invest primarily in U.S. and non-U.S. private corporations in multiple industries and locations and in other private funds (e.g., fund of funds). Approximately $41,629 and $47,221 at June 30, 2016 and 2015, respectively, of this category includes private funds that have a primary objective of investing outside of the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 12 years.

(In thousands)

(b) Investments and Funds Held in Trust by Others

The following is a summary of the purpose or designation of investments and funds held in trust by others:

		June 30, 2016			June 30, 2015
		Investments	Funds held in trust by others	Total	Total
Endowment	$	716,222	6,203	722,425	789,354
Split interest		24,684	6,079	30,763	31,779
Held for capital project[1]		57,534	—	57,534	—
Operations		6,909	—	6,909	11,226
Total	$	805,349	12,282	817,631	832,359

[1] At June 30, 2015 the Series 2015C (taxable) bond proceeds had not yet been withdrawn by the University and, accordingly, were reported on the consolidated statement of financial position as funds held by bond trustee. In 2016 the Series 2015C (taxable) bond proceeds were withdrawn and invested with other University investments.

(c) Additional Investment and Investment Income Information

Unless precluded by donor restriction, endowment funds are pooled and collectively managed on a unitized basis. Each individual endowment fund subscribes to or disposes of units in the pool using the estimated fair value at the end of the quarter such subscription or disposition occurs.

Net investment (loss) income for the years ended June 30, 2016 and 2015 consisted of the following:

		2016	2015
Interest and dividends	$	10,800	14,779
Net depreciation		(45,051)	(2,655)
Investment expenses		(1,539)	(2,209)
Total investment (loss) income	$	(35,790)	9,915

Net depreciation includes unrealized and realized gains and losses on specific investment securities owned by the University as well as the University's share of net investment return on mutual funds, private funds, redeemable alternative funds, and net depreciation or appreciation of funds held in trust by others.

Investment expenses include those investment custody fees, internal and external investment advisory costs, and investment management fees incurred for services rendered for the sole benefit of the University. Investment expenses incurred directly by mutual funds and alternative investment funds that are contracted by the respective fund managers are included in the University's share of the respective fund's net investment return and are not reported separately as investment expenses by the University.

(In thousands)

Investment income is presented in the consolidated statement of activities as follows:

		2016	2015
Endowment income available for operations	$	41,527	36,857
Other interest and investment income		752	547
Net investment income – operating		42,279	37,404
Endowment investment income and net (depreciation) appreciation		(35,195)	9,807
Endowment income withdrawn for operations		(41,527)	(36,857)
Net endowment income used		(76,722)	(27,050)
Other losses – principally related to split-interest agreements		(1,347)	(439)
Net investment income – nonoperating		(78,069)	(27,489)
Total investment (loss) income	$	(35,790)	9,915

(d) Endowment Accounting and Reporting

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

(e) Interpretation of Relevant Law Regarding Donor Endowments and Spending Policy

The University has interpreted the Commonwealth of Pennsylvania law as requiring the preservation of the fair value of a donor-restricted endowment gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University under its endowment spending policy.

(In thousands)

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment net realized gains based on a minimum of 2% and a maximum of 7% of a three-year or more moving average of the market value of the endowed assets. Unless the terms of a gift instrument state otherwise, accumulated endowment net realized gains may, therefore, eventually be spent over time by the University. As a result, net appreciation of donor endowments is recorded in the financial statements as temporarily restricted net assets.

The University's endowment spending policy allows for the spending of pooled endowment earnings determined at 4.5% of a 12-quarter moving average of the fair value of pooled assets. Should the determined spendable amount not provide for a 5.0% increment over the previous fiscal year spendable amount, the determined amount may be further adjusted to the 5.0% incremental level, but not exceeding 5.5% of the 12-quarter moving average of the fair value of pooled assets. In accordance with this policy, the rate was 5.5% of the 12-quarter moving average of the fair value of pooled endowment assets for each of the years ended June 30, 2016 and 2015.

(f) Summary of Endowment Balances and Activity by Net Asset Classification

Endowment net assets consisted of the following at June 30, 2016 and 2015:

	June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (4,896)	189,986	253,745	438,835
Board-designated endowment funds	277,277	6,313	—	283,590
Total endowment net assets	$ 272,381	196,299	253,745	722,425

	June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (279)	229,429	244,927	474,077
Board-designated endowment funds	308,399	6,878	—	315,277
Total endowment net assets	$ 308,120	236,307	244,927	789,354

(In thousands)

Temporarily restricted board-designated funds include donor purpose or time restricted funds for which the terms of the gift permit, but not require, expenditure of the funds.

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2015	$ 308,120	236,307	244,927	789,354
Contributions received	103	801	8,879	9,783
Proceeds from expired split-interest agreements	—	—	10	10
	103	801	8,889	9,793
Investment return:				
Interest and dividends	3,460	5,347	—	8,807
Net depreciation	(22,987)	(20,944)	(71)	(44,002)
	(19,527)	(15,597)	(71)	(35,195)
Withdrawal for operating activities under the University's spending policy	(16,315)	(25,212)	—	(41,527)
Endowment net assets, June 30, 2016	$ 272,381	196,299	253,745	722,425

 (Continued)

(In thousands)

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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2014	$	265,941	253,293	231,679	750,913
Contributions received		135	508	10,768	11,411
Proceeds from expired split-interest agreements		—	—	1,737	1,737
		135	508	12,505	13,148
Investment return:					
Interest and dividends		4,517	8,228	—	12,745
Net (depreciation) appreciation		(1,756)	(1,925)	743	(2,938)
		2,761	6,303	743	9,807
Withdrawal for operating activities under the University’s spending policy		(13,060)	(23,797)	—	(36,857)
Transfer to board-designated endowment funds		52,343	—	—	52,343
Endowment net assets, June 30, 2015	$	308,120	236,307	244,927	789,354

(g) Donor Endowment Funds with Fair Values Less than Contributed Value

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original value of gifts donated. Deficiencies of this nature that are reported in unrestricted net assets were $4,896 and $279 as of June 30, 2016 and 2015, respectively. Subsequent gains that restore the fair value of the assets of the endowment fund to the original value will be classified as an increase in unrestricted net assets.

(h) Endowment Investment Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The long-term return objective, as approved by the Board of Trustees, is to produce an inflation-adjusted rate of return measured over rolling five-year periods that exceeds the endowment spending policy. The University maintains a diversified asset allocation that places emphasis on generating an acceptable level of return given a prudent level of risk.

Risk may take the form of investment concentration, volatility, illiquidity, or other dimensions, and is monitored to ensure the incremental risks are appropriate for the given level of incremental returns.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that is divided into four asset groups: Growth, Hybrid, Inflation-protection, and Low-volatility assets. Growth assets (principally publicly traded equity securities and mutual funds and certain private alternative investment funds) are intended to produce equity-like returns, while Hybrid assets (principally redeemable alternative investment funds) are meant to produce returns that are less correlated with Growth assets. Inflation-protection assets (principally private real estate and private energy funds and certain redeemable alternative funds) are expected to provide reasonable returns but are likely to perform better during periods of rising inflation. Lastly, Low-volatility assets (principally fixed-income investments) should produce modest returns in most environments and provide stability for the endowment.

The ranges for these asset classes, as approved by the Board of Trustees, are as follows:

	Range
Growth assets	40%–75%
Hybrid assets	10–50
Inflation-protection assets	0–20
Low-volatility assets	5–20

(In thousands)

(4) Property and Equipment

Property and equipment as of June 30 are summarized as follows:

		2016	2015
Land	$	5,326	5,326
Buildings and improvements		429,047	366,673
Equipment, furniture, and fixtures		134,605	129,783
Library books and materials		49,787	49,565
Construction in progress		27,675	48,454
		646,440	599,801
Less accumulated depreciation:			
Buildings and improvements		146,719	135,606
Equipment, furniture, and fixtures		120,718	115,934
Library books and materials		44,526	42,981
		311,963	294,521
Property and equipment, net	$	334,477	305,280

(5) Debt

The table below summarizes long-term debt obligations as of June 30, 2016 and 2015.

		June 30, 2016			
		Par outstanding	Unamortized premium (discount)[1]		Carrying value
University Revenue Bonds					
Series 2002 B	$	2,985	(11)		2,974
Series 2010		1,810	36		1,846
Series 2012 A		26,715	2,436		29,151
Series 2013 A		13,725	1,282		15,007
Series 2015 A		25,000	(156)		24,844
Series 2015 B		21,960	2,670		24,630
Series 2015 C (taxable)		50,000	(228)		49,772
Total University Revenue Bonds outstanding	$	142,195	6,029		148,224
Notes payable					4,909
Capital lease obligation					—
Total long-term debt				$	153,133

(In thousands)

	June 30, 2015		
	Par outstanding	Unamortized premium (discount)[1]	Carrying value
University Revenue Bonds			
Series 2002 B	$ 3,425	(15)	3,410
Series 2010	3,750	97	3,847
Series 2012 A	26,715	2,570	29,285
Series 2013 A	14,030	1,650	15,680
Series 2015 A	25,000	(164)	24,836
Series 2015 B	21,960	2,926	24,886
Series 2015 C (taxable)	50,000	(238)	49,762
Total University Revenue Bonds outstanding	$ 144,880	6,826	151,706
Notes payable			4,943
Capital lease obligation			1,206
Total long-term debt			$ 157,855

(1) The original premium (discount), which includes debt issuance costs, is amortized to interest expense over the term of the bonds using the interest rate method.

(a) Bonds Payable

The University Revenue Bonds, unless otherwise noted as taxable, are subject to Internal Revenue Code requirements to ensure interest paid to bondholders by the University qualifies as interest exempt from federal income tax.

In 2002, the University entered into various agreements with the Union County Higher Educational Facilities Financing Authority (Authority) that provided issuance of $7,890 University Variable Rate Revenue Bonds, Series 2002B. The Series 2002B bonds require annual principal payments each April 1 (with final payment on April 1, 2022) and bear variable rate interest (0.48% and 0.07% at June 30, 2016 and 2015, respectively) as determined by the remarketing agent. The Series 2002B bonds are callable at any time in whole or in part by the Authority upon direction of the University.

The Series 2002B bonds are remarketed weekly by the remarketing agent. The University must provide funds required to purchase tendered Series 2002B bonds should weekly remarketing proceeds be insufficient to pay the selling bondholders.

(In thousands)

In April 2010, the University entered into various agreements with the Authority that provided for issuance of University Revenue Bonds, Series 2010, at a par value of $12,445. The bond proceeds, including original issue premium of $1,241 and issuance costs of $190, were used to redeem previously issued bonds and pay for the costs of issuance. The outstanding Series 2010 bonds bear interest of 5% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2018. The Series 2010 bonds are not subject to call or early redemption.

In April 2012, the University entered into various agreements with the Authority that provided for the issuance of University Revenue Bonds, Series 2012A, at a par value of $26,715. The proceeds of the bonds were used for the construction of academic and other facilities as well as improvements to existing facilities. Gross proceeds from the issuance of the Series 2012A bonds were $30,000 (including original issue premium of $3,285 and issuance costs of $289). The bonds mature annually beginning on April 1, 2023 with final maturity on April 1, 2042. The outstanding bonds bear interest ranging from 4% to 5%.

In April 2013, the University entered into various agreements with the Authority that provided for the issuance of $14,630 University Revenue Bonds, Series 2013A. Net proceeds were $17,100 (including original issue premium of $2,664 and issuance costs of $194). The proceeds of the bonds were used to redeem the Series 2002A bonds. The outstanding Series 2013A bonds bear interest ranging from 2% to 5% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2022 and are not subject to call or early redemption.

In 2015, the University entered into various agreements with the Authority that provided issuance of the following University Revenue Bonds:

	Interest rates based on par	Par	Original Issue premium (discount)	Proceeds	Principal maturities Begin	Final
Series 2015 A	2.9%	$ 25,000	(168)	24,832	August 2022	February 2045
Series 2015 B	3.5%–5.0%	21,960	2,931	24,891	April 2023	April 2033
Series 2015 C (taxable)	4.9%–5.0%	50,000	(238)	49,762	April 2033	April 2045
		$ 96,960	2,525	99,485		

The Series 2015 A, B, C bonds were issued to finance the cost of student housing construction, future academic, and other building construction and renovations.

The Series 2015A bond, issued in January 2015, was purchased by a financial institution and is callable at the purchaser’s option, at par, on February 1, 2035.

(In thousands)

At June 30, 2016, the Series 2015A and 2015B proceeds have been fully expended. The Series 2015C taxable bond proceeds were withdrawn during the year ended June 30, 2016 from the bond trustee as permitted by the trust indenture and are invested in mutual funds in separate accounts at financial institutions and are available for future capital projects. At June 30, 2015 the bond trustee held bond proceeds for Series 2015B and 2015C of $16,890 and $49,762, respectively, and were reported as funds held by bond trustee on the consolidated statement of financial position.

(b) Notes Payable

In December 2009, the University entered into a loan agreement with the Borough of Lewisburg, Pennsylvania. The loan bears interest at 2.7%, requires annual debt service payments of $55, and matures in 2033. The principal balance of the loan was $742 and $776 at June 30, 2016 and 2015, respectively.

In December 2010, Bucknell Real Estate, Inc. entered into a financing arrangement with a bank and its related community development entities for the acquisition and construction of improvements to several buildings in Lewisburg, Pennsylvania (collectively, the Project). Under the terms of the Project, the University advanced $12,022 and the community development entity loaned $4,167 for the acquisition of the properties and construction of the improvements. Under the terms of the $4,167 loan, the University pays interest quarterly at an annual rate of 1.01%. Principal payments begin in April 2018 through the maturity date of January 2046. However, in March 2018 the University may exercise an option to acquire those community development entities and effectively retire the debt at the then fair market value (i.e., the fair value of remaining cash flows of the debt instrument). At June 30, 2016 and 2015, the carrying amount of the community development loan was $4,167.

(c) Future Principal Maturities

Principal maturities of bonds and notes payable described above for the next five fiscal years follow:

2017	$	2,840
2018		2,988
2019		3,407
2020		3,539
2021		3,701

(d) Capital Lease Obligation

In May 2009, the University entered into various agreements with community development entities owned or controlled by a bank and a real estate corporation. The agreements provided financing to construct a bookstore in Lewisburg, Pennsylvania. Concurrent with these financing agreements, the University, primarily through its wholly owned taxable subsidiary, entered into agreements that provide for the University to lease the bookstore from the real estate corporation. Because of the interdependent loan agreements and lease agreements, the University had accounted for the financing arrangement as a capital lease.

(In thousands)

As provided under the agreements, the University exercised its purchase option in June 2016 thereby discharging the remaining capital lease and other obligations with the community development entities and the real estate corporation.

(e) Line of Credit

In April 2012, the University entered into a $10 million line-of-credit borrowing arrangement with a local bank. This short-term borrowing facility is renewable annually and carries an interest rate on outstanding borrowings of the one-month London Interbank Offered Rate (approximately 0.47% at June 30, 2016) plus 1.45%. No amounts were borrowed under this facility during the years ended June 30, 2016 and 2015.

(6) Temporarily Restricted Net Assets

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

		2016	2015
Donor endowments subject to time restrictions (use of investment gains) under Pennsylvania law or donor use restriction	$	189,986	229,429
Contributions receivable subject to time and/or purpose restrictions		14,198	17,712
Unexpended donor-restricted funds available for:			
Scholarship and financial aid		13,460	12,468
Instruction and academic programs		15,182	13,370
Other University activities		10,551	11,448
Total temporarily restricted net assets	$	243,377	284,427

(7) Permanently Restricted Net Assets

Permanently restricted net assets are principally donor endowment funds. The investment income earned on these funds is used, as specified by the donors, to support University activities as listed below:

		2016	2015
Donor-contributed principal invested to support:			
Scholarship and financial aid	$	172,644	152,718
Instruction and academic programs		66,095	61,342
Library and related services		7,735	7,738
Other		40,797	39,650
Total permanently restricted net assets	$	287,271	261,448

(In thousands)

(8) Defined-Contribution Retirement Plan

Retirement benefits for staff, faculty, and administration provided under the University's defined-contribution retirement program are administered by TIAA-CREF. The University's policy is to pay its share of contributions (which are 10% of eligible salaries and wages) to the plan each month; there are no unfunded benefits. University contributions to the plan were $8,166 and $7,996 for the years ended June 30, 2016 and 2015, respectively.

(9) Postretirement Healthcare Benefits

Certain current and former employees are covered by a postretirement healthcare plan. The University accrues the cost of these postretirement benefits over the employee's service period. Participants must have 15 years of continuous service after the later of: a) age 47 or b) date of hire to be eligible for postretirement healthcare benefits. Those benefits are limited per participant to a multiple of calendar year 2006 healthcare premiums. Furthermore, participants retiring after September 1, 2000 are required to contribute up to 25% of retiree healthcare premiums. The percent of retiree co-payment is based on the participant's annual salary at the time of retirement.

The following table sets forth the plan's funded status and amounts recognized in the University's consolidated statement of financial position at June 30:

		2016	2015
Change in benefit obligation during the year:			
Benefit obligation at beginning of year	$	72,179	63,891
Service cost		3,220	3,198
Interest cost		2,993	2,546
Benefit payments		(2,707)	(2,238)
Actuarial loss		4,398	4,782
Benefit obligation at end of year	$	80,083	72,179
Change in plan assets during year:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		2,707	2,238
Benefit payments		(2,707)	(2,238)
Fair value of plan assets at end of year	$	—	—

		2016	2015
Net periodic benefit cost recognized for year:			
Service cost	$	3,220	3,198
Interest cost		2,993	2,546
Amortization of prior service costs		(187)	(187)
Amortization of net loss		437	77
Net periodic benefit cost reported as operating expense	$	6,463	5,634
Effect of a 1% increase in medical cost trend rate:			
Change in total of service cost and interest cost	$	1,142	1,043
Change in benefit obligation		10,401	9,284
Effect of a 1% decrease in medical cost trend rate:			
Change in total of service cost and interest cost	$	(827)	(859)
Change in benefit obligation		(7,992)	(7,853)
Weighted average assumptions at end of year:			
Discount rate		3.34%	4.22%
Initial healthcare cost trend rate		8.00	8.50
Ultimate healthcare cost trend rate		5.00	5.00
Years remaining to attain ultimate healthcare cost trend rate		7	8
Measurement date		June 30	June 30
Mortality table		RP-2014 Scale MP-2015	RP-2014, Scale MP-2014

Estimated actuarial (loss) and prior service credit that will be amortized to net periodic benefit costs during fiscal year June 30, 2016 are $798 and $187, respectively.

Expected cash outflow information for fiscal years ending after June 30, 2016:

Year ending June 30:		
2017	$	2,708
2018		2,931
2019		3,144
2020		3,391
2021		3,634
2022–2026		21,394

(In thousands)

Additionally, the following items were recognized during the years ended June 30, 2016 and 2015 and are presented in the consolidated statement of activities as nonoperating activities:

		2016	2015
Nonoperating activities include:			
Change in unrecognized prior service credits	$	(187)	(187)
Net actuarial loss during the year		(4,398)	(4,782)
Amortization of actuarial loss		437	77
Total nonoperating loss activities related to retiree healthcare	$	(4,148)	(4,892)

Amounts recognized in unrestricted net assets in the consolidated statement of financial position include the following:

		June 30	
		2016	2015
Unrecognized prior service credits	$	374	561
Unrecognized actuarial loss		(15,986)	(12,025)
	$	(15,612)	(11,464)

(10) Commitment and Contingencies

The University has a contingent liability as guarantor of a portion of certain faculty and administrative employees' mortgages and loans. The portion of these outstanding mortgages and loans that is being guaranteed by the University amounts to $1,332 and $1,119 at June 30, 2016 and 2015, respectively. No guaranteed mortgages were in default as of June 30, 2016 and 2015.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial position of the University.

The University is obligated for certain future payments under construction and similar agreements of approximately $19,200 at June 30, 2016.

The University is party to various litigation and other claims in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these matters will not have a material effect on the financial statements of the University.

(Continued)

(In thousands)

(11) Operating Expenses

Operating expenses by natural classification for the years ended June 30, 2016 and 2015 are as follows:

		2016	2015
Compensation and benefits	$	136,182	129,885
Purchased services and supplies		53,227	50,065
Utilities and fuel		5,504	5,876
Depreciation		19,259	18,104
Interest		5,065	1,707
Total operating expenses	$	219,237	205,637

(a) Fund-Raising

Fund-raising expenses totaled $8,534 and $9,598 for the years ended June 30, 2016 and 2015, respectively. Fund-raising expenses are reported as institutional support in the consolidated statement of activities and include salaries and wages, fringe benefits, supplies, purchased services, publications, travel, and allocable costs such as depreciation, information technology, and operation and maintenance of facilities' expenses. Fund-raising expenses do not include alumni relations costs.

For the years ended June 30, 2016 and 2015, fund-raising costs also include costs associated with the nationwide publicity and events promoting the University's 'WE DO' comprehensive fund-raising campaign; those comprehensive campaign costs include approximately $575 in 2016 ($1,239 in 2015) for special events, print, publication and other media production costs, and professional services.

(b) Related-Party Transactions

The President of the University and another member of the University's Board of Trustees are also members of the board of directors of a healthcare organization. That healthcare organization provides certain healthcare services, insurance services, and healthcare claims administration services to the University.

Amounts paid to the healthcare organization and its affiliates for these services totaled $3,144 and $4,253 for the years ended June 30, 2016 and 2015, respectively.

Also, the University and the healthcare organization conduct certain programs whereby University students and faculty participate with the healthcare organization in educational and research activities related to medical and healthcare endeavors.