Saint Francis University

Consolidated Financial Statements

June 30, 2015 and 2014

BAKER TILLY

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Saint Francis University

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June 30, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
Saint Francis University

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
October 29, 2015

Saint Francis University

Consolidated Statement of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 5,395,905	$ 6,284,269
Accounts receivable:		
Student, net	1,889,123	2,119,472
Government agencies	256,647	205,791
Other	609,356	570,338
Contributions receivable, net	583,940	1,046,854
Inventory	255,727	256,857
Prepaid expenses and other	884,699	983,167
Deferred financing costs, net	312,366	331,576
Investments	45,757,516	45,307,899
Student loans receivable	1,208,015	1,242,950
Sinking fund	2,385,991	2,385,943
Beneficial interest in remainder trust	42,172	41,567
Cash restricted for purchase of property and equipment	3,019,903	1,519,055
Plant assets, net	64,610,417	64,447,767
Total assets	$ 127,211,777	$ 126,743,505
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 822,562	$ 943,600
Construction accounts payable	561,995	426,175
Accrued payroll and related liabilities	3,509,953	3,485,979
Deferred revenue	3,091,218	3,298,726
Other accrued liabilities	531,213	547,242
Student deposits and prepayments	555,957	597,899
Bonds payable	23,460,000	24,160,000
Notes payable	1,443,608	1,696,210
Obligations under capital leases	60,886	225,685
Annuities payable	65,775	35,002
Advance from federal government for student loans	1,322,038	1,318,649
Total liabilities	35,425,205	36,735,167
Net Assets		
Unrestricted	31,222,730	30,600,371
Temporarily restricted	35,881,394	35,016,433
Permanently restricted	24,682,448	24,391,534
Total net assets	91,786,572	90,008,338
Total liabilities and net assets	$ 127,211,777	$ 126,743,505

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities
Year Ended June 30, 2015
(With comparative totals for 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues					
Tuition and fees (net of scholarship allowances of $25,234,703 in 2015 and $24,009,322 in 2014)	$ 39,163,559			$ 39,163,559	$ 36,844,332
Federal grants and contracts	1,601,597			1,601,597	1,884,376
State and local grants	637,071			637,071	699,065
Private gifts, grants and bequests	1,370,495	$ 2,644,979	$ 289,992	4,305,466	3,313,564
Interest and dividends	213,049	506,522		719,571	909,445
Other income	3,447,970			3,447,970	3,183,597
Auxiliary enterprises (net of scholarship allowances of $974,577 in 2015 and $919,259 in 2014)	15,268,408			15,268,408	13,826,997
Net assets released from restrictions, satisfaction of time and purpose restrictions	2,900,110	(2,900,110)			
Total operating revenues	64,602,259	251,391	289,992	65,143,642	60,661,376
Operating Expenses					
Educational and general:					
Instructional	24,073,718			24,073,718	21,960,266
Research and public service	1,527,280			1,527,280	1,796,024
Academic support	1,815,480			1,815,480	1,773,610
Student services	15,202,402			15,202,402	14,135,184
Institutional support	11,649,311			11,649,311	11,782,830
Total educational and general	54,268,191			54,268,191	51,447,914
Auxiliary enterprises	9,965,829			9,965,829	9,711,559
Total operating expenses	64,234,020			64,234,020	61,159,473
Increase (Decrease) in Net Assets from Operating Activities	368,239	251,391	289,992	909,622	(498,097)
Nonoperating Activities					
Realized and unrealized gain on investments	254,395	613,612		868,007	4,963,216
Capital grants - state					557,127
Reclassification of underwater endowments	(275)	275		-	-
Change in the valuation of split-interest agreements		(317)	922	605	6,459
Increase in net assets from nonoperating activities	254,120	613,570	922	868,612	5,526,802
Increase in Net Assets	622,359	864,961	290,914	1,778,234	5,028,705
Net Assets, Beginning of Year	30,600,371	35,016,433	24,391,534	90,008,338	84,979,633
Net Assets, End of Year	$ 31,222,730	$ 35,881,394	$ 24,682,448	$ 91,786,572	$ 90,008,338

See notes to consolidated financial statements

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees (net of scholarship allowances of $24,009,322)	$ 36,844,332			$ 36,844,332
Federal grants and contracts	1,884,376			1,884,376
State and local grants	699,065			699,065
Private gifts, grants and bequests	928,689	$ 2,049,263	$ 335,612	3,313,564
Interest and dividends	256,580	652,865		909,445
Other income	3,183,597			3,183,597
Auxiliary enterprises (net of scholarship allowances of $919,259)	13,826,997			13,826,997
Net assets released from restrictions, satisfaction of time and purpose restrictions	2,955,322	(2,955,322)		
Total operating revenues	60,578,958	(253,194)	335,612	60,661,376
Operating Expenses				
Educational and general:				
Instructional	21,960,266			21,960,266
Research and public service	1,796,024			1,796,024
Academic support	1,773,610			1,773,610
Student services	14,135,184			14,135,184
Institutional support	11,782,830			11,782,830
Total educational and general	51,447,914			51,447,914
Auxiliary enterprises	9,711,559			9,711,559
Total operating expenses	61,159,473			61,159,473
(Decrease) Increase in Net Assets from Operating Activities	(580,515)	(253,194)	335,612	(498,097)
Nonoperating Activities				
Realized and unrealized gain on investments	1,131,977	3,831,239		4,963,216
Capital grants - state		557,127		557,127
Restoration of underwater endowments	44	(44)		-
Change in the valuation of split-interest agreements		2,245	4,214	6,459
Increase in net assets from nonoperating activities	1,132,021	4,390,567	4,214	5,526,802
Increase in Net Assets	551,506	4,137,373	339,826	5,028,705
Net Assets, Beginning of Year	30,048,865	30,879,060	24,051,708	84,979,633
Net Assets, End of Year	$ 30,600,371	$ 35,016,433	$ 24,391,534	$ 90,008,338

See notes to consolidated financial statements

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 1,778,234	$ 5,028,705
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,978,753	3,811,802
Loss on disposal of plant assets	280,280	45,029
Realized and unrealized gains on investments	(868,007)	(4,963,216)
State grants for capital purposes	-	(557,127)
Private gifts restricted for long-term investment	(289,992)	(335,612)
Private gifts restricted for purchase of property and equipment	(2,020,239)	(1,915,870)
Changes in split-interest agreements	(605)	(6,459)
Amortization of deferred financing costs	19,210	120,261
Changes in assets and liabilities:		
Accounts receivable	140,475	441,364
Contributions receivable	116,742	287,115
Inventory	1,130	(3,058)
Prepaid expenses and other	98,468	(172,592)
Accounts payable	(160,066)	195,105
Accrued payroll and related liabilities	23,974	258,776
Deferred revenue	(207,508)	(48,646)
Other accrued liabilities	(16,029)	(101,783)
Student deposits and prepayments	(41,942)	(354,573)
Net cash provided by operating activities	2,832,878	1,729,221
Cash Flows from Investing Activities		
Proceeds from sales of investments	18,384,084	24,458,548
Purchases of investments	(17,965,694)	(17,657,688)
Purchases of plant assets	(2,852,782)	(6,466,534)
Purchase of property and equipment with restricted contributions	(519,391)	(953,942)
Purchase of assets restricted to investment in property and equipment	(1,500,848)	(1,519,055)
Proceeds from the sale of plant assets	124,528	201,210
Change in bond project fund	-	(1,636,970)
Payments on student loans receivable	241,935	253,764
Student loans advanced	(207,000)	(125,000)
Net cash used in investing activities	(4,295,168)	(3,445,667)
Cash Flows from Financing Activities		
Payments on bonds and loans payable and capital leases	(2,116,591)	(9,480,314)
Proceeds from contributions restricted for long-term investments	636,164	449,178
Proceeds from contributions restricted for purchase of property and equipment	2,020,239	2,472,997
Proceeds from capital grants	-	2,876,971
Decrease in sinking fund assets	(48)	2,392,552
Payment of annuity obligations	30,773	(1,785)
Net payments from refundable advances from government agencies	3,389	10,847
Net cash provided by (used in) financing activities	573,926	(1,279,554)
Net Decrease in Cash and Cash Equivalents	(888,364)	(2,996,000)
Cash and Cash Equivalents, Beginning of Year	6,284,269	9,280,269
Cash and Cash Equivalents, End of Year	$ 5,395,905	$ 6,284,269
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (excluding capitalized interest of $139,167 in 2014)	$ 1,283,213	$ 1,479,542
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant assets in accounts payable	$ 561,995	$ 387,146
Asset acquired under capital lease	$ -	$ 28,344

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Saint Francis University (the "University") is a nonprofit educational institution located in Loretto, Pennsylvania. The University awards grants-in-aid and scholarships from its unrestricted and temporarily restricted net assets to individuals who meet the University's academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the University participates and from monies contributed to the University by alumni and friends.

DiSepio Institute for Rural Health and Wellness ("DIRHW"), a separate nonprofit organization, is a related party which requires consolidation under Financial Accounting Standards Board ("FASB") guidance. DIRHW offers a series of health promotion and rehabilitation services to the University and surrounding community, particularly those who have limited resources and are underserved. DIRHW staff and members of the University's health and behavioral sciences departments pursue clinical research, engage in clinical teaching, and offer clinical services to members of the University and local communities.

The University evaluated subsequent events for recognition or disclosure through October 29, 2015, the date the financial statements were issued.

Principles of Consolidation

The consolidated financial statements include the accounts of the University and DIRHW. The activities of DIRHW have been consolidated in these financial statements due to the University having controlling interest in DIRHW through a majority voting interest in the board. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounts Receivable, Students

Accounts receivable, students are reported at net realizable value. Accounts receivable, students are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

Donor-Restricted Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributed property and equipment and contributions restricted by donor for purchases of property and equipment, if donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. Temporarily restricted net assets related to these contributions are released from restriction equal to depreciation expense of the related assets. In the absence of such stipulations, these types of contributions are recorded as unrestricted support.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in private equity funds are valued at the net asset value equivalent of the underlying holdings.

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the consolidated statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using a method which approximates the interest method. Amortization expense was $19,210 in 2015 and $120,261 in 2014.

Plant Assets

Plant assets are stated at cost, if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (40-84 years); land improvements (20-40 years); furniture and equipment (2-10 years); vehicles (5 years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful life of 7 years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Student Deposits and Prepayments

Tuition, fees, and room and board from currently enrolled students is billed in advance and is recognized as revenue when earned.

Advance from Federal Government for Student Loans

The University is a participant in the Federal Perkins Loan program, a program which makes student loans available to eligible participants. This program is funded by both the federal government and the University, with the portion estimated to be allocable to the federal government recorded as a liability in the consolidated statement of financial position, and the portion allocable to the University included in unrestricted net assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the University has been limited to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the University in perpetuity.

Tuition and Fees

Tuition and fees are presented net of grants-in-aid, scholarships, and fellowships.

Nonoperating Activities

For the purpose of the statement of activities, the University considers its changes in unrestricted net assets to be operational changes, except for changes related to gains or losses on investments, capital grants, and changes in the valuation of split-interest agreements.

Government Grants

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the University has incurred expenditures in compliance with the contract.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately $720,000 in 2015 and $753,000 in 2014.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $1,178,000 in 2015 and $1,169,000 in 2014 and are included in institutional support in the statement of activities.

Cash Equivalents

For the purposes of the statement of cash flows, the University considered all highly liquid investments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Functional Expenses

Depreciation of property and equipment, interest on long-term debt, and plant operations and maintenance costs are allocated to program and supporting activities based upon the facilities' primary uses.

Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The University accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2015 and 2014.

The University's federal Organization Exempt from Income Tax Returns (990) and the Exempt Organization Business Income Tax Returns (990-T) subsequent to fiscal year 2011 remain subject to examination by the Internal Revenue Service.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The University participates in Government Student Financial Assistance Programs ("Title IV") administered by the U.S. Department of Education ("ED") for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2015 and 2014 are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2015 and 2014 and for the years then ended, the University's composite score exceeded 1.5.

Use of Estimates

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

Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

New Accounting Standards

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update was effective for the University's fiscal year beginning July 1, 2014. The guidance is prospective and the adoption of this ASU did not have any impact on the University's financial position or results of operations.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities the Calculate Net Asset Value per Share (or Its Equivalent)*. This amendment was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This Update also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This update is effective for the University's fiscal year beginning July 1, 2016; early adoption is permitted. The University adopted the guidance for the fiscal year beginning July 1, 2014. The guidance is retrospective, and the adoption of this ASU impacted disclosures related to investments.

2. Accounts Receivable, Student

Accounts receivable, student represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The University extended unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the University.

Student accounts receivable consists of the following at June 30:

	2015	2014
Accounts receivable	$ 2,149,123	$ 2,379,472
Allowance for doubtful accounts	(260,000)	(260,000)
Net	$ 1,889,123	$ 2,119,472

3. Contributions Receivable

Contributions receivable, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises to be received after one year are initially recognized at the estimated present value of future cash flows, net of allowances (fair value).

Contributions receivable at June 30 are as follows:

	2015	2014
In one year or less	$ 394,918	$ 431,210
Between one year and five years	535,336	1,036,751
More than five years	22,500	30,000
Allowance for doubtful collections	(290,758)	(342,194)
Discount	(78,056)	(108,913)
Contributions receivable, net	$ 583,940	$ 1,046,854

The net present value of these cash flows was determined by using risk adjusted discount rates between .33% and 4.17% to account for the time value of money for 2015 and 2014.

Management believes the University's allowance for doubtful collections at June 30, 2015 and 2014 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful collections.

4. Fair Value Measurements, Investments and Other Financial Instruments

The University measures its investments and beneficial interest in remainder trust at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the University for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The following tables present the financial instruments measured at fair value as of June 30, 2015 and 2014 by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	2015				
	Level 1	Level 2	Level 3	Total Fair Value	% of Investments
Assets Reported at Fair Value					
Investments (Note 4):					
Cash and cash equivalents	$ 2,090,207	$ -	$ -	$ 2,090,207	4.6
Equity mutual funds:					
Large cap	2,433,116	-	-	2,433,116	5.3
International	7,926,260	-	-	7,926,260	17.3
Real return	1,666,191	-	-	1,666,191	3.6
Fixed income mutual funds:					
Core fixed income	3,922,988	-	-	3,922,988	8.6
Short term	1,190,760	-	-	1,190,760	2.6
Inflation protected	1,618,664	-	-	1,618,664	3.5
Marketable equity securities:					
Large-cap	11,798,915	-	-	11,798,915	25.8
Small-cap	4,863,568	-	-	4,863,568	10.6
Bonds:					
U.S. government	-	1,340,960	-	1,340,960	2.9
Asset backed	-	2,850,846	-	2,850,846	6.2
U.S. corporate	-	2,625,585	-	2,625,585	5.7
International	-	254,386	-	254,386	0.7
Total investments by valuation hierarchy	$ 37,510,669	$ 7,071,777	-	44,582,446	97.4
Alternative investments reported at net asset value				1,041,598	2.3
Cash surrender value of life insurance at contract value				133,472	0.3
Total investments				45,757,516	100.0
Beneficial interest in remainder trust			42,172	42,172	
Total investments/assets			$ 42,172	$ 45,799,688	

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Disclosed at Fair Value				
Cash and cash equivalents	$ 8,415,808	$ -	$ -	$ 8,415,808
Contributions receivable, net	-	-	583,940	583,940
Student loans receivable	-	1,208,015	-	1,208,015
Total assets	$ 8,415,808	$ 1,208,015	$ 583,940	$ 10,207,763
Liabilities Disclosed at Fair Value				
Bonds payable - fixed rate (carrying value of $23,460,000)	$ -	$ 21,170,675	$ -	$ 21,170,675
Notes payable - fixed rate (carrying value of $1,443,608)	-	1,429,686	-	1,429,686
Construction accounts payable	561,995	-	-	561,995
Advance from federal government for student loans	-	1,322,038	-	1,322,038
Total liabilities	$ 561,995	$ 23,922,399	$ -	$ 24,484,394

The level 3 reconciliation at June 30, 2015 is as follows:

	Beneficial Interest in Remainder Trust
Balance at June 30, 2014	$ 41,567
Additions:	
Change in the valuation of split-interest agreements, temporarily restricted	(317)
Change in the valuation of split-interest agreements, permanently restricted	922
Balance at June 30, 2015	$ 42,172

	2014				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**% of Investments**
Assets Reported at Fair Value					
Investments (Note 4):					
Cash and cash equivalents	$ 2,576,321	$ -	$ -	$ 2,576,321	5.7
Equity mutual funds:					
Large cap	2,301,863	-	-	2,301,863	5.1
International	8,360,190	-	-	8,360,190	18.5
Growth	6,851	-	-	6,851	0.0
Real return	1,525,712	-	-	1,525,712	3.4
Fixed income mutual funds:					
Core fixed income	3,439,120	-	-	3,439,120	7.6
Short term	680,161	-	-	680,161	1.5
Inflation protected	1,503,404	-	-	1,503,404	3.3
Marketable equity securities:					
Large growth	53,762	-	-	53,762	0.1
Mid-cap	4,329,970	-	-	4,329,970	9.6
Large-cap	11,361,531	-	-	11,361,531	25.1
Small-cap	1,011,546	-	-	1,011,546	2.2
International	54,234	-	-	54,234	0.1
Other	32,001	-	-	32,001	0.1
Bonds:					
U.S. government	-	1,199,994	-	1,199,994	2.5
Asset backed	-	2,287,786	-	2,287,786	5.0
U.S. corporate	-	2,922,523	-	2,922,523	6.5
International	-	487,458	-	487,458	1.1
Total investments by valuation hierarchy	$ 37,236,666	$ 6,897,761	-	44,134,427	97.4
Alternative investments reported at net asset value				1,043,540	2.3
Cash surrender value of life insurance at contract value				129,932	0.3
Total investments				45,307,899	100.0
Beneficial interest in remainder trust			$ 41,567	41,567	
Total investments/assets			$ 41,567	$ 45,349,466	

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Disclosed at Fair Value				
Cash and cash equivalents	$ 7,803,324	$ -	$ -	$ 7,803,324
Contributions receivable, net	-	-	1,046,854	1,046,854
Student loans receivable	-	1,242,950	-	1,242,950
Total assets	$ 7,803,324	$ 1,242,950	$ 1,046,854	$ 10,093,128
Liabilities Disclosed at Fair Value				
Bonds payable - fixed rate (carrying value of $24,160,000)	$ -	$ 21,599,543	$ -	$ 21,599,543
Notes payable - fixed rate (carrying value of $1,696,210)	-	1,670,262	-	1,670,262
Construction accounts payable	426,175	-	-	426,175
Advance from federal government for student loans	-	1,318,649	-	1,318,649
Total liabilities	$ 426,175	$ 24,588,454	$ -	$ 25,014,629

The level 3 reconciliation at June 30, 2014 is as follows:

	Beneficial Interest in Remainder Trust
Balance at June 30, 2013	$ 35,108
Additions:	
Change in the valuation of split-interest agreements, temporarily restricted	2,245
Change in the valuation of split-interest agreements, permanently restricted	4,214
Balance at June 30, 2014	$ 41,567

The preceding tables includes cash surrender value of life insurance in the amount of $133,472 and $129,932 at June 30, 2015 and 2014, respectively, which approximates estimated fair value and which is included in investments in the consolidated statement of financial position.

Change in the valuation of split interest agreements is reported as nonoperating activity in the consolidated statement of activities.

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. The fair values of financial instruments were determined as follows:

Cash and cash equivalents, student accounts receivable, government agencies accounts receivable, other accounts receivable, sinking fund, contributions receivable to be received in less than one year, accounts payable, construction accounts payable, accrued payroll and related liabilities, other accrued liabilities, student deposits and prepayments and annuities payable: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Contributions receivable to be received in more than one year: The fair value is estimated based on future cash flows discounted at rates between .33% to 4.17%. The University estimates that the fair value of contributions receivable does not differ materially from the aggregate carrying value recorded in the accompanying consolidated Statement of Financial Position.

Investments: Mutual funds and marketable equity securities in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. Bond obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs.

Alternative Investments: The University measures the fair value for these alternative investments based on NAV as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the Fund's measurement date, net asset value ("NAV") is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The alternative investments represent investments in private equity funds that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple strategies as follows:

- LBC Credit Partners, II is a private equity fund focused on providing middle market financing and equity co-investments in companies with earnings generally greater than $7.5 million. Their financing promotes transactions such as buyouts, acquisitions, recapitalizations, etc. Valuations are determined by the General Partner which are then reviewed by the Valuation Committee. For publicly traded securities, the value is based on the average price of the 5 trading dates immediately prior to the valuation date. All other securities are valued using fair market value techniques which include arm's length transactions, market multiples, discounted cash flow, etc. The duration of this investment is the 10th anniversary of the final closing date, however this may be extended at the General Partner's discretion for up to two one-year periods. The University is committed for the duration of the investment and has committed $500,000 ($175,870 is unfunded as of June 30, 2015).

- Patriot Financial Partners, L.P. is a private equity fund focused on investing in community banks, thrifts and financial service related companies throughout the United States. Patriot's objective is to provide superior risk-adjusted returns by applying a hands-on, value-added investment model to non-control investments within the community banking sector, which consists of more than 1,000 public and privately-held depository institutions that have between $500 million and $5 billion of assets. Valuations are determined by the General Partner which require approval from the Advisory Committee. For publicly traded securities, the value is based on the average price of the 10 trading dates immediately prior to the valuation date. All other securities are valued using fair market value techniques which include arm's length transactions, market multiples, discounted cash flow, etc. The duration of this investment is the 10th anniversary of the final closing date, however this may be extended at the General Partner's discretion for up to two one-year periods. St. Francis is committed for the duration of the investment and has committed $750,000 ($3,040 is unfunded as of June 30, 2015).

There are no redemption restrictions associated with the alternative investments.

The following summarizes the composition of investment return for the years ended June 30:

	2015	2014
Interest and dividend income	$ 1,044,174	$ 1,193,442
Investment fees	(324,603)	(283,997)
Subtotal, operating activities	719,571	909,445
Realized gains on sale of investments	2,960,129	1,775,707
Unrealized (losses) gains on investments	(2,092,122)	3,187,509
Subtotal, non-operating activities	868,007	4,963,216
Net investment return	$ 1,587,578	$ 5,872,661

Net gains and losses (realized and unrealized) are reported as nonoperating activity - investment gain/(loss) in the consolidated statement of activities.

Student loans receivable and advance from federal government for student loans: The fair value of these loans receivable and advances from the federal government are based upon management's best estimate of the indicated future cash flows and interest rates required by market participants.

Bond payable and notes payable: The fair value of fixed rate long-term debt was estimated using borrowing rates available to the University for debt instruments with comparable maturities.

5. Student Loans Receivable

Student loans are made with funds advanced to the University by the federal government under the Federal Perkins Loan program (the "Program"). Such funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2015 and 2014 was $1,322,038 and $1,318,649, respectively.

The University matches and contributes one-third of the amount contributed by the U.S. Government to the Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written off in conformity with Federal Perkins Loan Program requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

6. Plant Assets, Net

The composition of plant assets was as follows at June 30:

	2015	2014
Land	$ 380,284	$ 380,284
Land improvements	9,506,891	9,444,891
Buildings	81,955,217	80,513,950
Furniture and equipment	11,376,218	9,876,923
Equipment held under capital leases	231,751	882,385
Vehicles	762,765	706,049
Library books	4,978,214	4,937,293
Collections	193,450	53,910
Construction in progress	1,615,388	639,640
Total	111,000,178	107,435,325
Accumulated depreciation	(46,389,761)	(42,987,558)
Plant assets, net	$ 64,610,417	$ 64,447,767

The University provides for depreciation using the straight-line method based on lives which, in the opinion of management, are adequate to allocate asset costs over their productive years. Depreciation expense was approximately $3,979,000 in 2015 and $3,812,000 in 2014.

7. Line of Credit

Saint Francis University has a $2,000,000 unsecured demand line of credit available from a bank. At June 30, 2015 and 2014, no amounts were outstanding under this line of credit. No amounts were drawn under the line of credit during the years ended June 30, 2015 and 2014.

8. Bonds Payable

Bonds payable at June 30, 2015 and 2014 are comprised of the following issues:

	2015	2014
Revenue Bonds, Series 2011 JJ2 with $5,175,000 due November 1, 2031 with a fixed interest rate of 6% and $11,325,000 due November 1, 2041 with a fixed interest rate of 6.25%	$ 16,500,000	$ 16,500,000
Revenue Bonds, Series 2012 LL2 due in varying annual installments through November 2023; fixed interest rate ranging from 2% to 3.25%	6,960,000	7,660,000
Total	$ 23,460,000	$ 24,160,000

The aggregate future principal payments on bonds payable at June 30 is as follows:

Years ending June 30:	
2016	$ 710,000
2017	725,000
2018	740,000
2019	750,000
2020	775,000
Thereafter	19,760,000
Total	$ 23,460,000

As required by the loan agreements, the University has established sinking funds. These funds are reflected in the consolidated statement of financial position as of June 30, 2015 and 2014. These funds are invested in cash and cash equivalents and are subject to Federal Deposit Insurance Corporation limits.

In connection with the issuance of these bonds, the University has agreed to certain financial covenants with which it must comply, including a rate covenant. The University was in compliance with these financial covenants at June 30, 2015.

9. Notes Payable

Notes payable at June 30, 2015 and 2014 are comprised of the following:

	2015	2014
Note payable to PennVest, payable in monthly installments of $10,958, including principal and interest at 1.211%; matures July 2018; secured by a mortgage on 6.5 acres of real estate which include the reservoir and water treatment plan, all current and additions of property and equipment thereto	$ 397,337	$ 523,190
Note payable to PennVest, payable in monthly installments of $1,477, including principal and interest at 1.211%; matures July 2018; secured by a mortgage on 6.5 acres of real estate which include the reservoir and water treatment plan, all current and additions of property and equipment thereto	53,611	70,572
Note payable to S&T Bank, payment in semi-annual installments of $103,312, including principal and interest at 4.9%; matured September 2014	-	100,305
Note payable to First National Bank, payable in monthly installments of $41,219, including principal and interest at 1.95%; matures August 2015; secured by the computer equipment acquired with the borrowing	82,235	569,989
Note payable to First National Bank, payable in monthly installments of $9,873, including principal and interest at 2.52%; matures April 2018; secured by the computer equipment acquired with the borrowing	323,468	432,154
Note payable to Northwest Savings Bank, payable in monthly installments of $42,372, including principal and interest at 1.67%, matures August 2016; secured by the computer equipment acquired with the borrowing	586,957	-
Total	$ 1,443,608	$ 1,696,210

The aggregate future principal payments on notes payable at June 30, 2015, is as follows:

Years ending June 30:	
2016	$ 840,682
2017	345,266
2018	245,677
2019	11,983
Total	$ 1,443,608

Interest expense on long-term debt was approximately $1,279,000 and $1,399,000 in 2015 and 2014, respectively.

10. Capital Leases

The University leases computer equipment under capital leases, which expire through 2016. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are included in plant assets and are amortized over the lease terms. Amortization of assets under capital leases are included in depreciation expense.

The cost and accumulated amortization of equipment under capital leases were as follows at June 30, 2015:

Cost of equipment under capital lease	$ 231,751
Accumulated amortization	(114,908)
Total	$ 116,843

Minimum future lease payments under capital leases as of June 30, 2015 are as follows:

Year ending June 30:	
2016	$ 61,042
Amount representing interest	(156)
Present value of minimum lease payments	$ 60,886

Interest rates on the capital leases as of June 30, 2015 range from .30% to .90%, which were imputed based upon the lower of the University's incremental borrowing rate at the inception of the leases or the lessor's implicit rate of return.

11. Net Assets

Unrestricted net assets are available for the following purposes as of June 30, 2015 and 2014:

	2015	2014
Net investment in plant	$ 19,943,018	$ 17,702,905
Quasi endowment	9,760,629	9,977,136
Reserves and operating funds	1,519,083	2,920,330
Total	$ 31,222,730	$ 30,600,371

Temporarily restricted net assets are available for the following purposes or in future periods as of June 30, 2015 and 2014:

	2015	2014
Accumulated income and gains on permanently restricted net assets (Note 12)	$ 10,537,530	$ 10,510,399
Gifts available for scholarships and other academic purposes	2,372,289	2,111,268
Net investment in plant purchased with restricted contributions	19,702,905	20,512,102
Gifts for capital expenditures	3,019,903	1,519,055
Beneficial interest in remainder trust	16,959	17,276
Contributions receivable	231,808	346,333
Total	$ 35,881,394	$ 35,016,433

Permanently restricted net assets are related to the following as of June 30, 2015 and 2014:

	2015	2014
Investments to be held in perpetuity by donor stipulation or by Pennsylvania law, the income from which is generally available for services and programs (Note 12)	$ 24,234,289	$ 23,598,125
Contributions receivable	352,132	700,521
Beneficial interest in remainder trusts	25,213	24,291
Restricted loan fund	70,814	68,597
Total	$ 24,682,448	$ 24,391,534

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following as of June 30, 2015 and 2014, respectively:

	2015	2014
Scholarships and other academic	$ 1,966,389	$ 1,322,862
Depreciation of capitalized gifts	809,197	735,028
Temporarily restricted pledges received	124,524	897,432
Total	$ 2,900,110	$ 2,955,322

12. Endowment Funds

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

The Board of Trustees of the University has interpreted Pennsylvania law 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 classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purpose of the University and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) The investment policies of the University

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 University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a median balanced fund while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent, net of fees, annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage by law must be between 2% and 7%. The University's policy for fiscal years 2015 and 2014 allowed for a payout of 5% of the three-year average balance as measured by the last six semi-annual balance points excluding the current period, which is based on market value net of investment management fees. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 4.5% annually. This is consistent with the university's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the fiscal years ending June 30, 2014 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	$ 7,632,031	$ 7,279,291	$ 23,148,947	$ 38,060,269
Investment return:				
Investment income	188,193	652,865	-	841,058
Net realized and unrealized appreciation	1,104,372	3,831,239	-	4,935,611
Total investment return	1,292,565	4,484,104	-	5,776,669
Contributions	1,366,916	-	449,178	1,816,094
Appropriation of endowment assets for expenditure	(314,420)	(1,252,952)	-	(1,567,372)
Other changes: Restoration of underwater endowments	44	(44)	-	-
Endowment net assets, June 30, 2014	9,977,136	10,510,399	23,598,125	44,085,660
Investment return:				
Investment income	190,776	506,522	-	697,298
Net realized and unrealized appreciation	231,111	613,612	-	844,723
Total investment return	421,887	1,120,134	-	1,542,021
Contributions	-	-	636,164	636,164
Appropriation of endowment assets for expenditure	(638,119)	(1,093,278)	-	(1,731,397)
Other changes: Reclassification of underwater endowments	(275)	275	-	-
Endowment net assets, June 30, 2015	$ 9,760,629	$ 10,537,530	$ 24,234,289	$ 44,532,448

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 law requires the University to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America deficiencies of this nature that are reported in unrestricted net assets were $275 as of June 30, 2015. There were no deficiencies at 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 Board of Trustees.

13. Pension Plan

The University sponsors a defined contribution pension plan. Pension expense was approximately $1,910,000 in 2015 and $1,743,000 in 2014.

14. Franciscan Sponsorship

The University paid full salaries to the religious faculty and staff of approximately $721,000 and $568,000 during the years ended June 30, 2015 and 2014, respectively.

15. Government Grants and Student Aid

The amounts under these captions do not include amounts remitted to students under the Pennsylvania Higher Education Assistance Agency (PHEAA) Program and the PELL Grants Program. These grants are similar to agency funds as the University acts only as custodian and disbursing agent. Had these amounts been included, revenues and expenses would have increased by approximately $4,140,000 in 2015 and $4,116,000 in 2014.

16. Significant Group Concentration of Credit Risk

The University maintains its cash accounts in commercial banks located in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the bank balances will exceed this coverage.

17. Contingencies

The University participates in a Private College Consortium (the “Consortium”), a cooperative effort between educational institutions to purchase medical services for their collective group. The Consortium uses “cost plus funding”, a fully insured product under Highmark Blue Cross Blue Shield (“Highmark”). Under this arrangement, the Consortium pays a predetermined premium based on Highmark’s underwriting projections. At the close of each contract period, Highmark calculates an amount by which the Consortium has either overfunded or underfunded the trust fund created in connection with the arrangement. This calculation takes into consideration the premiums paid by the group, claims paid during the contract period, claims paid but not incurred during the contract period, claims incurred but not paid during the contract period and a reserve deposit. The Consortium limits its claims exposure through the purchase of stop loss insurance, which pays 100% of the sum of all actual claim payments for covered health benefits made to a covered individual in a policy year that exceed $275,000, with an unlimited lifetime maximum. The University’s share of the Consortium’s trust fund surplus was approximately $748,000 and $1,149,000 at June 30, 2015 and 2014, respectively. The University’s premium payments to the Consortium amounted to approximately $4,100,000 in 2015 and $4,055,000 in 2014. Although there is a potential refund due if the University elects to terminate participation in the Consortium, management has concluded that it would not be appropriate to record this potential refund in the financial statements due to the uncertainties surrounding its realization.

The University participates in the University and College Insurance Consortium (“UCIC”). UCIC is a self-insurance group providing workers’ compensation coverage to member educational institutions. As part of the agreement with UCIC, the University is contingently liable for possible additional workers compensation premiums. As of June 30, 2015, management does not expect any significant contingencies.

The University owns property constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The University has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate this property and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the property and sufficient information becomes available to estimate the liability it will be recognized at that time.

The Federal Perkins Loan Program expired September 30, 2015. The Department of Education (ED) issued guidance in January 2015 (Dear Colleague Letter GEN-15-03) which addressed the grandfathering of Perkins loans for students who received loans prior to June 30, 2015. According to the guidance issued by ED, if these students meet certain conditions, they will still be able to receive Perkins loans until 2020 to allow them to “continue or complete their courses of study.” However, Perkins loans may not be made to “new borrowers” for whom the first disbursement of a Federal Perkins loan will occur on or after October 1, 2015. Other issues, including the settlement of school revolving funds and outstanding loan portfolios, still need to be addressed. The University is monitoring this issue and is currently assessing the impact on its financial statements.

18. Related Party Transactions

In connection with certain facilities renovations and construction, the University entered into multiple construction related contracts with a company who has an officer that is also a member of the University's Board of Trustees. Amounts due to this related party were $309,328 at June 30, 2014. There were no amounts due to this related party at June 30, 2015.

19. Expenses

Expenses by natural classification for the year ended June 30, 2015 and 2014 were:

	2015	2014
Compensation:		
Salaries and wages	$ 28,167,837	$ 26,518,610
Student wages	997,431	949,726
Benefits	10,881,135	10,276,079
Other	6,989,705	6,538,823
Depreciation	3,978,753	3,811,802
Other, auxiliary	3,343,713	2,979,669
Conference, travel and meals	2,885,384	2,546,502
Professional and contracted services	1,867,913	2,332,567
Utilities	1,689,811	1,689,029
Supplies and software	1,667,197	1,532,255
Interest	1,241,177	1,398,847
Equipment, repairs and maintenance	523,964	585,564
Total	$ 64,234,020	$ 61,159,473

20. Subsequent Events

In July 2015, the University entered into a $900,000 agreement with a bank to install turf on the soccer and softball fields. The loan bears interest at 2.39%, matures June 2020 and is secured by the assets acquired with the borrowing.

In July 2015, the University entered into a capital lease for student laptop computers. Capitalized cost of the equipment is $991,440 and the lease term is twenty-four months.