2013–2014

TULANE UNIVERSITY FINANCIAL STATEMENTS

TULANE UNIVERSITY

Financial Statements For The Years Ended June 30, 2014 and 2013

CONTENTS

Tulane University, a private research university founded in 1834, is one of the country's most respected universities. A member of the prestigious Association of American Universities, it is consistently ranked among the top universities in the nation. With research and educational partnerships that span the globe, top-ranked programs in academic and professional schools and its location in historic New Orleans, Louisiana, Tulane offers an unparalleled educational experience for its 13,531 students.

About the cover: In addition to the 15 sports teams in its intercollegiate athletics program, Tulane offers a variety of activities for its students, from the Tulane University Marching Band to recreational sports clubs in such indoor activities as ballroom dancing, judo, volleyball and water polo. Outdoor clubs range from cricket and lacrosse to soccer and Ultimate Frisbee, while off-campus clubs take part in cycling, golf, ice hockey, rowing and other events.

Tulane University

INDEPENDENT AUDITORS' REPORT

THE ADMINISTRATORS OF THE TULANE EDUCATIONAL FUND

To The Board of Administrators of Tulane University

We have audited the accompanying consolidated financial statements (the "financial statements") of Tulane University (the "University"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulane University as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New Orleans, Louisiana

November 10, 2014

TULANE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013 (IN THOUSANDS)

	2014	2013
ASSETS:		
Cash and cash equivalents	$ 43,055	$ 34,360
Deposits in trust	51,099	119,907
Accounts and other receivables, net	69,045	71,712
Contributions receivable, net	71,708	56,813
Loans receivable, net	41,629	41,034
Investments	1,198,363	1,056,039
Prepaid expenses and other assets	18,873	20,287
Property, plant and equipment, net	864,560	780,851
TOTAL ASSETS	$ 2,358,332	$ 2,181,003
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 120,186	$ 108,141
Deferred revenue and refundable deposits	60,974	59,671
Notes payable and lines of credit	99,687	92,391
Bonds payable	593,193	598,150
Federal student loan funds	42,277	41,410
Total liabilities	916,317	899,763
Net Assets:		
Unrestricted	113,034	120,392
Unrestricted, funds functioning as endowment	89,815	83,803
Total unrestricted	202,849	204,195
Temporarily restricted	684,052	541,591
Permanently restricted	555,114	535,454
Total net assets	1,442,015	1,281,240
TOTAL LIABILITIES AND NET ASSETS	$ 2,358,332	$ 2,181,003

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014 (IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
OPERATING REVENUES				
Tuition and fees	$ 467,476	$ –	$ –	$ 467,476
Less: Institutional scholarships and fellowships	(144,614)			(144,614)
Tuition and fees, net	322,862			322,862
Government grants and contracts	136,543			136,543
Private gifts and grants	42,618	33,386	25,020	101,024
Medical group practice	83,165			83,165
Affiliated hospital agreements/contracts	38,190			38,190
Endowment income	9,115	33,186		42,301
Investment income and gains, net	3,388	1,462		4,850
Recovery of indirect costs	30,650			30,650
Auxiliary enterprises	71,256			71,256
Other	45,715			45,715
Net assets released from restrictions	52,318	(52,318)		–
Total operating revenues	835,820	15,716	25,020	876,556
OPERATING EXPENSES				
Instruction and academic support	276,455			276,455
Affiliated hospital agreements/contracts	29,808			29,808
Organized research	135,758			135,758
Public service	19,711			19,711
Libraries	26,768			26,768
Student services	27,680			27,680
Institutional support	98,167			98,167
Scholarships and fellowships	12,877			12,877
Auxiliary enterprises	110,849			110,849
Medical group practice	89,046			89,046
Other	8,421	2,453	2,573	13,447
Total operating expenses	835,540	2,453	2,573	840,566
Increase in net assets from operating activities	280	13,263	22,447	35,990
NON-OPERATING ACTIVITIES				
Net realized and unrealized gains	8,929	150,774		159,703
Net unrealized gains on interest rate swaps	2,634	–		2,634
Accumulated gains used for spending	(2,917)	(34,635)		(37,552)
Transfers between net asset groups	(10,272)	13,059	(2,787)	–
INCREASE (DECREASE) IN NET ASSETS	(1,346)	142,461	19,660	160,775
BEGINNING NET ASSETS	204,195	541,591	535,454	1,281,240
ENDING NET ASSETS	$ 202,849	$ 684,052	$ 555,114	$1,442,015

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013 (IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
OPERATING REVENUES				
Tuition and fees	$ 450,246	$ –	$ –	$ 450,246
Less: Institutional scholarships and fellowships	(145,066)			(145,066)
Tuition and fees, net	305,180			305,180
Government grants and contracts	141,894			141,894
Private gifts and grants	45,033	13,967	13,740	72,740
Medical group practice	80,330			80,330
Affiliated hospital agreements/contracts	37,485			37,485
Endowment income	8,685	31,811		40,496
Investment income and gains, net	4,412	982		5,394
Recovery of indirect costs	31,883			31,883
Auxiliary enterprises	69,456			69,456
Other	31,518			31,518
Net assets released from restrictions	52,425	(52,425)		–
Total operating revenues	808,301	(5,665)	13,740	816,376
OPERATING EXPENSES				
Instruction and academic support	270,862			270,862
Affiliated hospital agreements/contracts	30,393			30,393
Organized research	143,754			143,754
Public service	10,905			10,905
Libraries	25,420			25,420
Student services	26,981			26,981
Institutional support	91,700			91,700
Scholarships and fellowships	11,916			11,916
Auxiliary enterprises	103,413			103,413
Medical group practice	84,496			84,496
Other	9,520	3,858	943	14,321
Total operating expenses	809,360	3,858	943	814,161
Increase (decrease) in net assets from operating activities	(1,059)	(9,523)	12,797	2,215
NON-OPERATING ACTIVITIES				
Net realized and unrealized gains	1,297	100,543		101,840
Net unrealized gains on interest rate swaps	4,575	–		4,575
Loss on early extinguishment of debt	(5,911)			(5,911)
Accumulated gains used for spending	(2,684)	(30,288)		(32,972)
Transfers between net asset groups	(1,529)	(399)	1,928	–
INCREASE (DECREASE) IN NET ASSETS	(5,311)	60,333	14,725	69,747
BEGINNING NET ASSETS	209,506	481,258	520,729	1,211,493
ENDING NET ASSETS	$ 204,195	$ 541,591	$ 535,454	$1,281,240

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013 (IN THOUSANDS)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 160,775	$ 69,747
Adjustments to reconcile increase in net assets to net cash provided for operating activities:		
Loss on early extinguishment of debt	–	5,911
Depreciation and amortization	51,824	52,177
Asset retirements	782	1,090
Net realized and unrealized investment gains	(159,703)	(101,840)
Net increase in fair value of interest rate swap agreements	(2,634)	(4,575)
Contributions restricted for permanent investment	(19,660)	(14,725)
Contributions of property	(2,510)	(2,443)
Grant receipts used for capital purposes	(2,395)	(10,793)
Donations received for capital purposes	(16,679)	(8,107)
Insurance and FEMA recoveries received	(5,170)	(2,149)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and other receivables	2,667	(6,664)
(Increase) decrease in contributions receivable	(8,218)	3,536
Decrease in prepaid expenses and other assets	1,414	2,154
Increase in accounts payable and accrued liabilities	8,224	10,696
Increase in deferred revenue and refundable deposits	1,303	14,356
Net cash provided by operating activities	10,020	8,371
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(245,672)	(274,871)
Proceeds from the sale of investments	265,051	289,794
Purchase of property, plant and equipment, net	(128,702)	(93,473)
Decrease (increase) in deposits in trust	68,808	(102,412)
Student loans issued	(6,515)	(6,031)
Proceeds from collections of student loans	5,920	6,222
Grant receipts used for capital purposes	2,395	10,793
Donations received for capital purposes	16,679	8,107
Insurance and FEMA recoveries net of advances received and released	5,170	2,149
Net cash used for investing activities	(16,866)	(159,722)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	12,983	17,674
Payments of bond issue costs	–	(2,240)
Proceeds from issuance of bonded debt	–	200,235
Repayment of bonded debt	(4,660)	(61,505)
Proceeds from issuance of notes payable and lines of credit	192,091	162,125
Repayment of notes payable and lines of credit	(184,795)	(140,888)
Increase in federal student loan funds	867	619
Annuities paid	(945)	(1,296)
Net cash provided by financing activities	15,541	174,724
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,695	23,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,360	10,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 43,055	$ 34,360
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 23,525	$ 18,996

The accompanying notes are an integral part of the financial statements.

Tulane University
Notes to the Financial Statements
Years Ended June 30, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies followed by Tulane University (the university) is presented below and in other sections of these notes. Tulane University is a private research university founded in 1834.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial statements have been consolidated to include the accounts of Tulane University, Tulane Murphy Foundation, Inc., Tulane International, L.L.C., Howard Memorial Association, Riversphere One, Riversphere Two, Wick Cary, L.L.C.'s, Richards Trust and Samuel Z. Stone CIPR Trust, and all auxiliary activities.

The university utilizes three net asset categories, which are described as follows:

Unrestricted net assets include the following:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the educational, research and service missions of the university are included in this category. Additionally, this category includes the health care services associated with the School of Medicine Medical Group Practice and the professional services provided under affiliated hospital agreements.

- Unrestricted funds functioning as endowment include funds designated by the Board of Administrators for investment purposes. The earnings on such funds are distributed to support university operations.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, annuity and life income funds, contributions receivable (where the ultimate purpose of the proceeds is not permanently restricted), accumulated but undistributed gains and losses on donor restricted endowment funds, and distributed but unspent earnings on donor restricted endowment funds.

Permanently restricted net assets include gifts, trusts and contributions receivable, which are required by donor-imposed restriction to be invested in perpetuity. Only the income from such investments is available for program operations in accordance with donor restrictions.

REVENUE RECOGNITION

Tuition and fees, net — Student tuition and fees are recorded as revenues during the year the related services are rendered. Advance payments are recorded as deferred revenue. Financial aid provided by the university is recorded as a reduction to tuition and fees.

Government grants and contracts — Revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

Medical group practice — Revenues for healthcare services rendered by the medical group practice are recorded at contractual or established rates net of discounts and contractual adjustments. Charity services and bad debts are recorded in the operating expenses caption entitled Medical Group Practice.

Deferred revenue — Advance payments are recorded as deferred revenue within the category Deferred Revenue and Refundable Deposits, which consists of the following amounts:

	2014	2013
Grants and contracts – FEMA	$ 20,401	$ 22,193
Grants and contracts	22,006	20,757
Tuition and fees, net	12,234	11,526
Other	6,333	5,195
Total	$ 60,974	$ 59,671

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, the 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.

ALLOCATION OF CERTAIN EXPENSES

The financial statements present expenses by functional classification in accordance with the overall mission of the university. Certain natural expenses are allocated to the respective functional classifications based on certain criteria. Depreciation expense, plant operations and maintenance, and retirement of plant assets are allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the debt. The expenses allocated are as follows (in thousands):

	2014	2013
Depreciation	$ 51,824	$ 52,177
Retirement of plant assets	$ 782	$ 2,021
Plant operations and maintenance	$ 57,275	$ 55,456
Interest expense on indebtedness	$ 20,597	$ 19,837

CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents representing assets of endowment and similar funds and annuity and life income funds are included in the caption Investments.

INVESTMENTS

Equity securities with readily determinable values and most debt securities are valued based on market quotations. Certain fixed income securities are valued based on dealer supplied valuations. Where fair values are not determinable through market quotations, estimates are supplied by external investment managers and a valuation review is conducted by management. Such review includes obtaining and reviewing audited and unaudited financial information from investment managers, holding discussions with external managers and general partners, and evaluating investment returns in light of current conditions. University-held real estate, mortgages and royalty interests are valued at cost or original appraised value. The university's investment in University Healthcare System, L.C. is accounted for using the equity method (see Note 16).

Depreciation is not recorded for endowment fund real estate investments. In the opinion of the university's management, the excess of realizable market value over the book value of such property would be sufficient to preclude the impairment of endowment net assets even if depreciation provisions were made. This excess is considered sufficient to permit the distribution of a portion of the rentals and royalties derived from these properties to current operations.

ENDOWMENT SPENDING POLICY

The pooled endowment spending policy is based upon the average market value of the previous twelve quarters multiplied by a specified percentage. The percentage for the pooled endowment for the fiscal years ended June 30, 2014 and 2013 was 5%. Accumulated investment gains are used to fund the difference between payout and current earnings.

ANNUITY AND LIFE INCOME AGREEMENTS

The university has agreements with donors that include irrevocable charitable remainder trusts, charitable gift annuities, and life income funds where the university serves as trustee. Assets held in trust are generally comprised of investments. Such values are reported as temporarily restricted net assets net of the estimated future payments to be made to donors or other beneficiaries.

OTHER FINANCIAL INSTRUMENTS

The university occasionally uses derivatives to manage the market risk associated with outstanding variable rate debt. Derivative financial instruments are reported at fair value with any resulting gain or loss reported in the non-operating section of the statement of activities.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, or if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows: buildings, 20 to 50 years, improvements, 10 to 20 years, and equipment and library books, 4 to 20 years.

Certain works of art and historical treasures have been recognized at their estimated fair value based upon appraisals or similar valuations at the time of acquisition. Works of art and historical treasures are not depreciated.

Conditional asset retirement obligations related to legal requirements to perform certain future activities related to the retirement, disposal, or abandonment of assets are accrued utilizing physical site surveys to estimate the net present value of applicable future costs such as asbestos abatement or removal.

The university reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value. No impairment charges were recorded for the years ended June 30, 2014 and 2013.

DEFERRED FINANCING COSTS

In connection with the issuance of the various bonds and notes payable (see Notes 10 and 11), financing costs approximating $12.2 million have been capitalized and are being amortized over the respective lives of the bonds. Accumulated amortization of these deferred financing costs approximated $2.7 and $2.3 million at June 30, 2014 and 2013, respectively. Deferred financing costs are included in the caption prepaid expenses and other assets on the statements of financial position.

MEDICAL GROUP PRACTICE

The university's medical school faculty provides professional services in the Tulane University Hospital and Clinic and other community hospitals. Under these agreements, professional revenues are included in the unrestricted net assets grouping and are distributed in accordance with specified formulas.

INTERNAL REVENUE CODE STATUS

The university has been granted tax-exempt status as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In applying the revenue model to contracts within its scope, an entity:

- Identifies the contract(s) with a customer (step 1).
- Identifies the performance obligations in the contract (step 2).
- Determines the transaction price (step 3).
- Allocates the transaction price to the performance obligations in the contract (step 4).
- Recognizes revenue when (or as) the entity satisfies a performance obligation (step 5).

ASU 2014-09 is effective for the year beginning July 1, 2018. Management has not yet determined the impact, if any, that implementation of ASU 2014-09 will have on the university's consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210) Clarifying the Scope Disclosures about Offsetting Assets and Liabilities*, which clarifies the scope of ASU 2011-11, *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities*, which contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are designed to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under International Financial Reporting Standards (IFRS). Generally, it is more difficult to qualify for offsetting under IFRSs than it is under U.S. GAAP because under U.S. GAAP certain derivative and repurchase agreement arrangements are granted exceptions from the general offsetting model. As a result, entities with significant financial instrument and derivative portfolios that report under IFRSs typically present positions on their balance sheets that are significantly larger than those of entities with similarly sized portfolios whose financial statements are prepared in accordance with U.S. GAAP. To facilitate comparison between financial statements prepared under U.S. GAAP and IFRSs, the new disclosures will give financial statement users information about both gross and net exposures. The adoption of ASU 2013-01 on July 1, 2013 did not have a significant impact on the university's financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations. Because of the tentative and preliminary nature of such proposed standards, the university has not yet determined the effect, if any, that the implementation of such proposed standards would have on the financial statements.

2 DEPOSITS IN TRUST

Deposits in trust at June 30, 2014 and 2013 consist of investments at fair value of $51,099 and $119,907 (in thousands), respectively, set aside primarily for bond funded construction costs and medical malpractice self insurance.

3 ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable consist of the following at June 30, 2014 and 2013 (in thousands):

	2014	2013
Student receivables, net of allowance for doubtful accounts of $7,211 and $8,622	$ 6,716	$ 5,945
U.S. Government, state and other contract receivables, net of allowances for doubtful accounts of $1,107 and $455	43,771	47,375
Patient and related receivables, net of allowances for discounts and doubtful accounts of $10,950 and $10,238	12,979	12,398
Other receivables	5,579	5,994
Total	$ 69,045	$ 71,712

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the various components of the accounts receivable portfolio, including such factors as the differing economic risks associated with each category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent accounts, and the past history of the various borrowers and the university. Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the various receivables and a review of the default rate by receivables category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Considering the other factors already discussed herein, management considers the allowance for doubtful accounts losses to be prudent and reasonable. Furthermore, the university's allowance is general in nature and is available to absorb losses from any receivables category. Management believes that the allowances for doubtful accounts at June 30, 2014 and 2013 are adequate to absorb credit losses inherent in the portfolio as of those dates.

4 CONTRIBUTIONS RECEIVABLE

Unconditional promises are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions are recorded after discounting at 6.0% to the present value of the future cash flows at June 30, 2014 and 2013.

Management expects unconditional promises to be realized in the following periods (in thousands) at June 30, 2014 and 2013:

	2014	2013
In one year or less	$ 23,100	$ 17,029
Between one year and five years	54,377	39,803
More than five years	18,347	20,550
	95,824	77,382
Less: discounts of $11,085 and $9,867 and allowances for uncollectible pledges of $13,031 and $10,702	(24,116)	(20,569)
Total	$ 71,708	$ 56,813

Management follows a similar approach as described in Note 3 for accounts receivable in evaluating the adequacy of the allowance for contributions receivable. Management considers the allowance for uncollectible pledges to be prudent and reasonable. Furthermore, the university's allowance is general in nature and is available to absorb losses from any contributions receivable category. Management believes that the allowances for uncollectible pledges at June 30, 2014 and 2013 are adequate to absorb any uncollectible pledges as of those dates.

Contributions receivable at June 30, 2014 and 2013 have restrictions applicable to the following (in thousands):

	2014	2013
Endowments for departmental programs and activities	$ 23,835	$ 17,158
Departmental programs and activities	15,715	12,491
Capital purposes	32,158	27,164
Total	$ 71,708	$ 56,813

5 LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2014 and 2013 (in thousands):

	2014	2013
Perkins student loan program	$ 41,466	$ 40,776
Primary care loan program	2,025	2,030
Other loan programs	613	703
	44,104	43,509
Less: allowance for doubtful accounts	(2,475)	(2,475)
Total	$ 41,629	$ 41,034

The university makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2014 and 2013, student loans represented 1.8% and 1.9% of total assets, respectively.

The university participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of $42,277 and $41,410 at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of funds available for lending and decrease the liability to the government.

At June 30, 2014 and 2013 the following amounts were past due under student loan programs (in 000s).

June 30,	1–60 days past	61–90 days past	>90 days past	Total Past due
2014	$1,224	$161	$2,328	$3,713
2013	$1,627	$353	$4,011	$5,991

Management follows a similar approach as described in Note 3 for accounts receivable in evaluating the adequacy of the allowance for loans receivable. Allowances for doubtful loan accounts are established based on management's best estimate of the collectability of the receivables and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per loan terms. Amounts due under the Perkins loan program related to the government funded portion, are guaranteed by the government and, therefore, no reserves are placed on any balances past due under that program.

Management considers the allowance for doubtful accounts to be prudent and reasonable. Furthermore, the university's allowance is general in nature and is available to absorb losses from any loans receivable category. Management believes that the allowances for doubtful accounts at June 30, 2014 and 2013 are adequate to absorb any uncollectible loans as of those dates.

ASC 820-10 adopts a hierarchy approach for ranking the quality and reliability of the information used to determine fair values in one of three categories to increase consistency and comparability in fair value measurements and disclosures. The highest priority (tier 1) is given to quoted prices in active markets for identical assets. Tier 2 assets are valued based on inputs other than quoted prices that are "observable." For example, quoted prices for similar securities or quoted prices in inactive markets would both be observable. In tier 3, the inputs used for valuation are not observable or transparent and assumptions have to be made about how market participants would price the underlying assets. Investments are classified based on the lowest level of input that is significant to the fair value measurement.

Investments consisted of the following at June 30, 2014 (in thousands):

Investment Type	**Tier 1** (Quoted prices in active markets)	**Tier 2** (Significant Observable inputs)	**Tier 3** (Significant Unobservable inputs)	**Total**
Short term money funds	$ 17,809	$ 3,530	$ –	$ 21,339
Domestic equities	135,843	165,243	19,136	320,222
International and global equities	2,685	149,145	31,918	183,748
Absolute return and long short funds	–	182,513	66,262	248,775
Private Equity and Real Assets (Limited Partnerships)	223	–	236,835	237,058
Government bonds and notes	14,028	21,869	–	35,897
Corporate bonds and notes	68,369	33,097	–	101,466
Total investments at fair value by tier	$ 238,957	$ 555,397	$ 354,151	$ 1,148,505
University Healthcare System on the equity basis	–	–	–	–
Real Estate and royalty interests at original cost or appraised value	–	–	–	38,121
Investment receivables and other at cost or appraised value	–	–	–	11,737
Total investments valued at other than fair value				49,858
Total investments				$ 1,198,363
Deposits in trust				
Short term money funds	$ 18,024	$ –	$ –	$ 18,024
Domestic equities	595	–	–	595
Corporate bonds	–	7,409	–	7,409
Government bonds, notes	–	25,071	–	25,071
Total deposits in trust at fair value by tier	$ 18,619	$ 32,480	$ –	$ 51,099

Investments consisted of the following at June 30, 2013 (in thousands):

Investment Type	**Tier 1** (Quoted prices in active markets)	**Tier 2** (Significant Observable inputs)	**Tier 3** (Significant Unobservable inputs)	**Total**
Short term money funds	$ 17,131	$ 5,868	$ –	$ 22,999
Domestic equities	146,360	126,084	15,731	288,175
International and global equities	16,600	132,858	28,715	178,173
Absolute return and long short funds	–	160,679	84,314	244,993
Private Equity and Real Assets (Limited Partnerships)	–	–	174,429	174,429
Government bonds and notes	11,129	10,758	–	21,887
Corporate bonds and notes	50,163	34,164	–	84,327
Total investments at fair value by tier	$ 241,383	$ 470,411	$ 303,189	$ 1,014,983
University Healthcare System on the equity basis	–	–	–	2,216
Real Estate and royalty interests at original cost or appraised value	–	–	–	36,767
Investment receivables and other at cost or appraised value	–	–	–	2,073
Total investments valued at other than fair value				41,056
Total investments				$ 1,056,039
Deposits in trust				
Short term money funds	$ 17,083	$ –	$ –	$ 17,083
Domestic equities	648	–	–	648
Corporate bonds	–	6,855	–	6,855
Government bonds, notes	–	95,321	–	95,321
Total deposits in trust at fair value by tier	$ 17,731	$ 102,176	$ –	$ 119,907

Reconciliation of Tier 3 assets at June 30, 2014 and 2013 (in thousands):

	2014				
	Total	Long Short funds and Absolute Return funds	Private Equity and Real Assets – Limited Partnership	International Equities – Limited Partnerships	Domestic Equities
Beginning Balances, July 1, 2013	$ 303,189	$ 84,314	$ 174,429	$ 28,715	$ 15,731
Total reclassifications	(84,601)	(28,157)	–	(14,647)	(41,797)
Total gains and losses, (realized/unrealized)	125,295	19,975	45,826	29,897	29,597
Purchases, issuances, (capital advanced)	153,067	38,061	60,555	20,670	33,781
Redemptions, (capital returned)	(142,799)	(47,931)	(43,975)	(32,717)	(18,176)
Ending balances, June 30, 2014	$ 354,151	$ 66,262	$ 236,835	$ 31,918	$ 19,136

	2013				
	Total	Long Short funds and Absolute Return funds	Private Equity and Real Assets – Limited Partnership	International Equities – Limited Partnerships	Domestic Equities
Beginning Balances, July 1, 2012	$ 282,667	$ 121,624	$ 142,402	$ 8,620	$ 10,021
Total reclassifications	(62,669)	(39,250)	–	(4,617)	(18,802)
Total gains and losses, (realized/unrealized)	37,846	14,375	14,168	2,292	7,011
Purchases, issuances, (capital advanced)	130,165	37,888	47,228	25,000	20,049
Redemptions (capital returned)	(84,820)	(50,323)	(29,369)	(2,580)	(2,548)
Ending balances, June 30, 2013	$ 303,189	$ 84,314	$ 174,429	$ 28,715	$ 15,731

The Financial Accounting Standards Board issued a standards update pertaining to Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share in September 2009. Fair values are determined by the use of calculated net asset value per ownership share. As a result of the update, the university transferred $84,601 and $62,669 in 2014 and 2013, respectively, from tier 3 to tier 2 based on the liquidity provisions in the underlying investments. There were no transfers of investments from tier 1 and tier 2. In complying with the update, the university makes the following disclosures about its investments at June 30, 2014 that feature net asset value per share in tiers 2 and 3.

	Fair Value (in thousands)	Unfunded Commitments	Redemption frequency if currently eligible	Redemption Notice Period
Global and Domestic Long Only Equity (a)	$ 281,090	–	Daily, Monthly, Quarterly	1–60 days
Equity long/short hedge funds (b)	157,749		Monthly, Quarterly	45–65 days
Absolute Return hedge funds (c)	148,418		Quarterly	65 days
Enhanced Fixed Income (d)	26,960		N/A	N/A
Private Equity (e)	136,191	$ 104,900	N/A	N/A
Private and Public Real Assets (f)	100,644	51,300	N/A	N/A
Total	$ 851,052	$ 156,200		

(a) This category includes investments in partnerships that invest primarily in common stocks across various sectors and market caps and across different geographic regions. The firms do not normally short or employ leverage. Investments representing approximately 82% of the value of this category were liquid as of June 30, 2014. Generally, these funds do not have lock-up periods after the initial investment.

(b) This category includes investments in hedge funds that invest primarily in equities, both long and short. Managers of these funds have the ability to shift investments by geography, sector, and exposure, both on a net and gross basis. Investments representing approximately 98% of the value of this category were liquid as of June 30, 2014. Generally, restriction periods range from three to thirty six months as of June 30, 2014.

(c) This category includes investments in hedge funds that invest in event-related equity and credit, arbitrage, short selling and other marketable assets and strategies. The category is comprised of approximately 23% equity and the remainder debt and other investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed income markets. Investments representing approximately 70% of the value of this category were liquid as of June 30, 2014. Generally, restriction periods range from one to twenty one months as of June 30, 2014.

(d) This category includes investments in hedge funds where managers pursue opportunistic exposure to distressed debt and post re-org equity, emerging market debt and high yield bonds. The category is comprised of approximately 2% non-distressed equity and the remainder debt and other investments, and provides an attractive risk-adjusted return while targeting outperformance over the broader high yield markets. Only 27% of the investments in this category were liquid because of lockup restrictions as of June 30, 2014.

(e) This category includes private equity partnerships including buyout, venture capital, and distressed investment funds. Many of the partnerships are funds of funds that invest in multiple funds across strategies. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 45% of private equity NAV is in buyout strategies, 41% in venture capital, and 14% in distressed.

(f) This category includes several partnerships in oil and gas and U.S. real estate funds. Many of these partnerships are funds of funds that invest in multiple funds. These investments cannot be redeemed but are subject to liquidation distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. 51% of the NAV in this category is in oil and gas and natural resources partnerships. The remaining 49% is in real estate funds.

The university also makes the following disclosures about its investments at June 30, 2013 that feature net asset value per share in tiers 2 and 3.

	Fair Value (in thousands)	Unfunded Commitments	Redemption frequency if currently eligible	Redemption Notice Period
Global and Domestic Long Only Equity (a)	$ 233,575	–	Daily, Monthly, Quarterly	1–60 days
Equity long/short hedge funds (b)	148,905		Monthly, Quarterly	45–65 days
Absolute Return hedge funds (c)	141,429		Quarterly	65 days
Enhanced Fixed Income (d)	24,473		N/A	N/A
Private Equity (e)	105,708	$ 104,519	N/A	N/A
Private Real Assets (f)	68,721	44,905	N/A	N/A
Total	$ 722,811	$ 149,424		

(a) This category includes investments in partnerships that invest primarily in common stocks across various sectors and market caps and across different geographic regions. The firms do not normally short or employ leverage. Investments representing approximately 81% of the value of this category were liquid as of June 30, 2013. Generally, these funds do not have lock-up periods after the initial investment.

(b) This category includes investments in hedge funds that invest primarily in equities, both long and short. Managers of these funds have the ability to shift investments by geography, sector, and exposure, both on a net and gross basis. Investments representing approximately 96% of the value of this category were liquid as of June 30, 2013. Generally, restriction periods range from three to thirty six months as of June 30, 2013.

(c) This category includes investments in hedge funds that invest in event-related equity and credit, arbitrage, short selling and other marketable assets and strategies. The category is comprised of approximately 27% equity and the remainder debt and other investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed income markets. Investments representing approximately 58% of the value of this category were liquid as of June 30, 2013. Generally, restriction periods range from one to twenty one months as of June 30, 2013.

(d) This category includes investments in hedge funds where managers pursue opportunistic exposure to distressed loans and other senior credits, emerging market debt and high yield bonds. The category is comprised of approximately 20% equity and the remainder debt and other investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed income markets. Only 22% of the investments in this category were liquid because of lockup restrictions as of June 30, 2013.

(e) This category includes private equity partnerships including buyout, venture capital, and distressed investment funds. Many of the partnerships are funds of funds that invest in multiple funds across strategies. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 37% of private equity NAV is in buyout strategies, 49% in venture capital, and 14% in distressed.

(f) This category includes several partnerships in oil and gas and U.S. real estate funds. Many of these partnerships are funds of funds that invest in multiple funds. These investments cannot be redeemed but are subject to liquidation distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. 57% of the NAV in this category is in oil and gas and natural resources partnerships. The remaining 43% is in real estate funds.

Endowment dividend and interest income, net of expenses, amounted to approximately $3.2 and $5.9 million respectively, for the years ended June 30, 2014 and 2013. In accordance with the university's endowment spending policy, $37.5 and $32.9 million of accumulated gains were used to fund current operations for the years ended June 30, 2014 and 2013, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds.

Temporarily restricted net assets at June 30, 2014 and 2013 include annuity, life income and other investments at market value of approximately $35.9 and $31.8 million respectively.

Permanently restricted net assets at June 30, 2014 and 2013, include the investment assets at fair value of the Tulane Murphy Foundation (the Foundation) that amounted to $94.1 and $78.8 million, respectively. The university is the sole beneficiary of the Foundation, and a majority of the Foundation's directors are members of the university's Board of Administrators. During the years ended June 30, 2014 and 2013, income from the Foundation, which is restricted to specific purposes, amounted to approximately $2.3 and $2.1 million, respectively.

Investment return, net of investment management fees of $14.9 and $11.4 million for 2014 and 2013, respectively, is composed of the following for the years ended June 30, 2014 and 2013 (in thousands):

	2014	2013
Operating:		
Endowment income	$ 42,301	$ 40,496
Investment income and gains, net	4,850	5,394
Total operating return	47,151	45,890
Non operating:		
Net realized and unrealized gains	159,703	101,840
Accumulated gains used for spending	(37,552)	(32,972)
Total non-operating return	122,151	68,868
Total investment return	$ 169,302	$ 114,758

7 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 and 2013, (in thousands) benefit the following functions:

	2014	2013
Academic departments and instruction	$ 505,357	$ 387,541
Student financial aid and scholarship	103,253	92,324
Capital projects	35,864	41,560
Operations	39,578	20,166
Total	$ 684,052	$ 541,591

Permanently restricted net assets at June 30, 2014 and 2013, (in thousands) benefit the following functions:

	2014	2013
Academic departments and instruction	$ 361,199	$ 347,556
Student financial aid and scholarship	172,427	166,593
Operations	21,488	21,305
Total	$ 555,114	$ 535,454

8 ENDOWMENT FUNDS AND DISCLOSURES UNDER ASC 958-205

Management for the university, with the Board of Administrator's concurrence, has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as not expressly requiring the preservation of purchasing power (real value) for donor restricted endowment funds absent donor stipulations to the contrary.

Tulane classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment funds net asset composition as of June 30, 2014 and 2013 (in thousands):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 524,131	$ 555,114*	$1,079,245
Board designated endowment funds	$ 89,815	–	–	89,815
Total endowment funds	$ 89,815	$ 524,131	$ 555,114	$1,169,060

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 412,404	$ 535,454*	$ 947,858
Board designated endowment funds	$ 83,803	–	–	83,803
Total endowment funds	$ 83,803	$ 412,404	$ 535,454	$1,031,661

*Funds reflect original gift corpus adjusted for any donor requirements.

Changes in endowment funds net assets for the year ended June 30, 2014 and 2013 (in thousands):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 83,803	$ 412,404	$ 535,454	$1,031,661
Investment Return				
Net appreciation (realized and unrealized)	8,929	146,362		155,291
Total investment return	8,929	146,362	–	155,291
New gifts			25,020	25,020
Endowment assets used for expenditure	(2,917)	(34,635)		(37,552)
Other			(5,360)	(5,360)
Total non investment changes	(2,917)	(34,635)	19,660	(17,892)
Net assets, end of year	$ 89,815	$ 524,131	$ 555,114	$1,169,060

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 80,978	$ 344,469	$ 520,729	$ 946,176
Investment Return				
Net depreciation (realized and unrealized)	1,297	98,223		99,520
Total investment return	1,297	98,223	–	99,520
New gifts	4,212		13,740	17,952
Endowment assets used for expenditure	(2,684)	(30,288)		(32,972)
Other			985	985
Total non investment changes	1,528	(30,288)	14,725	(14,035)
Net assets, end of year	$ 83,803	$ 412,404	$ 535,454	$1,031,661

COMPOSITION OF ENDOWED FUNDS

The university's endowment fund assets are managed around asset components with different characteristics. These are pooled endowment funds, funds managed under the Louisiana Education Quality Support Fund (LEQSF), separately invested endowment funds, and university owned real estate.

The approximate asset composition of these funds at June 30, 2014 and 2013 is as follows:

	2014	2013
Pooled funds	$ 823,323*	$ 734,181*
LEQSF pooled funds	180,812	158,591
Separately invested funds	130,368**	120,167**
Contributions receivable	23,835	17,158
Investment income receivables and other	10,722	1,564
Total endowment related net assets	$1,169,060	$1,031,661

* This category includes $32.4 million in university owned real estate that returned approximately $0.9 and $0.4 million in net rents and royalties for the years ended June 30, 2014 and 2013.

**This category includes an investment of approximately $0 and $2.0 million in University Healthcare System, L.L.C. and investments of approximately $55.8 and $48.8 million in Murphy Oil Corporation and Murphy USA, Inc. common stock at June 30, 2014 and 2013.

FUNDS WITH DEFICITS

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the university to maintain as a fund of perpetual duration. These deficiencies fell across 41 and 159 individual endowment funds and totaled approximately $1.7 and $3.7 million at June 30, 2014 and 2013. Management is monitoring these deficiencies.

RETURN OBJECTIVES AND RISK PARAMETERS

The university has adopted endowment investment and spending policies relative to its pooled endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that purchasing power of the assets do not decline over time. The pooled endowment assets are invested long term in a manner intended to produce results that exceed the rate of inflation plus the payout percentage.

The Board of Regents of Louisiana (BOR) provides investment guidelines for Louisiana Education Quality Support Funds that are more restrictive in terms of investment choices that are available. Accordingly, these funds are managed with the expectation of lower volatility and with a bias toward preservation of capital. Even so, the long term expectation is that these funds will generally return inflation plus 5%.

Separately invested funds are managed to meet donor expectations.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long term rate of return objectives, the university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current 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.

SPENDING POLICIES AND INVESTMENT OBJECTIVES

The university has a policy with respect to its pooled endowment funds of appropriating for distribution each year approximately 5.0% of its pooled endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned.

This policy is consistent with the objective of maintaining the purchasing power of the endowment assets as well as to provide additional real growth through investment return. In the years ended June 30, 2014 and 2013, the university used approximately $32.8 and $31.3 million in pooled endowment assets for spending.

The BOR provides spending guidelines for those accounts that are matched by state funds through the LEQSF program. Those guidelines generally provide for preservation of capital and by averaging the fund values of the previous five years. Generally values that fall below the CPI adjusted balances will forgo a distribution in the subsequent year. For fiscal 2013, the BOR permanently suspended application of the CPI feature of its payout formula, thus allowing payouts when fund value is higher than original fund corpus. In the years ended June 30, 2014 and 2013, the university used approximately $6.8 and $6.5 million, respectively, in such assets for spending.

Separately invested funds generally produce dividends and interest that are then made available for spending. In the years ended June 30, 2014 and 2013, such items totaled $2.7 and $2.7 million, respectively.

ENDOWMENT ASSETS USED FOR SPENDING

The university made $37.5 and $32.9 million of endowment assets available for spending in the years ended June 30, 2014 and 2013, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2014 and 2013 (in thousands):

	2014	2013
Land	$ 23,598	$ 22,369
Buildings and improvements	935,532	896,380
Equipment	196,747	193,949
Library books and materials	176,017	166,134
Construction in progress	132,397	58,983
Gross property, plant and equipment	1,464,291	1,337,815
Less: accumulated depreciation	(599,731)	(556,964)
Property, plant and equipment, net	$ 864,560	$ 780,851

The university capitalizes interest related to construction of major facilities. Capitalized interest is recorded as part of the related asset, and is amortized over the asset's estimated useful life. Capitalized interest amounted to $3.9 and $1.5 million, respectively, for the years ended June 30, 2014 and 2013.

At June 30, 2014, the university's construction in progress included amounts for a new residence hall, football stadium and renovations of the downtown research facilities. Purchases of property, plant and equipment included in accounts payable as of June 30, 2014 and 2013 total $12.3 and $4.9 million, respectively.

10 NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2014 and 2013, consist of the following (in thousands):

	2014	2013
Amounts drawn under three short term credit lines, as described below	$ 65,000	$ 72,476
One unsecured note for $1,500 due in installments through 2036 with interest fixed at 4%.	1,314	1,352
Four unsecured term notes totaling $20,500 drawn under a non-revolving credit agreement dated December 2007. Principal installments commenced at $107 per quarter on January 1, 2009 and peak in fiscal 2014 at $430 per quarter. The notes term out through 2047 at $101 per quarter. Interest is borne at LIBOR plus 77 basis points (0% and 1.08%) at June 30, 3014 and 2013.	3,280	18,563
Term note for $30,192 dated February 28, 2014. Principal installments commenced April 1, 2014 at $100 per quarter and peak in fiscal 2038 at $1,300 per quarter. The note terms out on January 1, 2039. Interest is borne at LIBOR plus 185 basis points. (2.2% at June 30, 2014).	30,093	–
Total notes payable	$ 99,687	$ 92,391

The university had $150 million in lines of credit with four banks to meet short term seasonal cash requirements at June 30, 2014 and 2013. The lines expire as follows: $40 million on May 21, 2015, $20 million on March 26, 2015, $50 million on December 31, 2014 and $40 million on March 27, 2015. Principal is payable upon demand. At June 30, 2014 and 2013, there was $65.0 and $72.476 million drawn on these lines, respectively. Interest rates applicable to these lines are based on several defined indices.

11 BONDS PAYABLE

Bonds payable consist of the following at June 30, 2014 and 2013 (in thousands):

	2014	2013
Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%.	$ 755	$ 835
Tax exempt Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007A-1 with annual maturities of $1,315 to $13,805 from 2017 through 2035, fixed interest rates from 4% to 5%.	150,295	150,295
Tax exempt Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007A-2 with annual principal payments of $1,220 to $2,970 from 2015 through 2036, bearing interest at 67% of three-month LIBOR plus 70 basis points. The rates in effect at June 30, 2014 and 2013 were 0.85% and 0.88%.	43,395	44,565
Tax exempt Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007B with maturities of $1,440 to $2,510 are due from 2021 to 2033. The series was issued as taxable with conversion to tax exempt rates scheduled for December 18, 2007. The conversion took place as scheduled. The fixed interest rates in effect at June 30, 2014 were 4.55% on the bonds due in 2022 and 4.65% on the bonds due in 2033.	25,055	25,055
The Administrators of the Tulane Educational Fund Series 2007C Taxable Refunding Revenue Bonds with annual principal payments ranging from $2,345 to $7,590 from 2015 through 2036, bearing interest at three-month LIBOR plus 30 basis points. The rates in effect at June 30, 2014 and 20123 were 0.52% and 0.58%.	98,815	101,025
Tax Exempt Louisiana Public Facilities Authority Variable Rate Revenue Bonds, Series 2009 (Dormitory) was delivered on December 9, 2009 and matures December 9, 2041. The face value of the issue is $30,000 with draws made to fund construction. Principal is due in annual installments ranging from $100 to $5,500 due from 2015 to 2042. These bonds can be called at any time and may be put by the bondholder in fiscal 2020 and every 5 years thereafter. Interest is priced at 67% of the sum of one-month LIBOR plus 3.50%. At June 30, 2014 and 2013 these rates were 2.45% and 2.48%.	29,535	29,635

(continued)

	2014	2013
Tax exempt Louisiana Public Facilities Authority Variable Rate Bonds, Series 2010 (Energy) were delivered on March 25, 2010 and mature on March 25, 2042. The face value of the issue is $30,000 with draws made to fund construction. Principal is scheduled in annual installments beginning in fiscal 2014 at $100 and ending in fiscal 2042 with $3,865. The bonds may be called at any time and may be put by the bondholder in fiscal 2020 and every 5 years thereafter. Interest is priced monthly at 67% of the sum of one-month LIBOR plus 2.65%. At June 30, 2014 and 2013 these rates were 1.88% and 1.91%.	$ 29,150	$ 29,250
Tax exempt Louisiana Public Facilities Authority Revenue Bonds, Series 2012 was delivered on May 24, 2012 and matures in fiscal 2027. The face value of the issue is $11,325 with draws being made to fund technology improvements and equipment. Principal is scheduled in bi-annual installments beginning in fiscal 2014 at $500 to $364, with a final repayment amount of $364 due at fiscal 2027. The rate is fixed at 2.15%.	10,325	11,325
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013A with annual maturities of $3,203 to $4,270 from 2015 through 2023, fixed interest rate of 2.25%.	36,300	36,300
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013B with annual maturities of $11,965 to $14,255 from 2037 through 2041, fixed interest rates from 4% to 5%.	65,670	65,670
The Administrators of the Tulane Educational Fund Series 2013C Taxable Refunding Revenue Bonds with annual principal payments ranging from $1,380 to $6,700 from 2042 to 2048, fixed interest rate of 5.0%.	36,985	36,985
The Administrators of the Tulane Educational Fund Series 2013D Taxable Refunding Revenue Bonds with annual principal payments ranging from $4,850 to $6,225 from 2036 to 2037, and from $6,035 to $8,200 from 2042 to 2048, fixed interest rates from 5.25% to 5.434%.	60,575	60,575
	586,855	591,515
Bond underwriters net premium and discount	6,338	6,635
Bonds payable	$ 593,193	$ 598,150

The 2007 Series A-1 proceeds were used to establish a proceeds fund to defease portions of five earlier tax exempt bond issues. The 2007 Series A-2 Series were used to redeem $61 million in previously issued taxable bonds. The 2007 Series B proceeds were used to escrow $31.820 million toward redemption of certain 1997 tax exempt issues. The 2007 Series C proceeds were applied toward escrows established to defease portions of six previous tax exempt issues and three previous taxable issues.

The university issued tax exempt bonds in 2010 through the LPFA to support undergraduate campus dormitory construction and medical school campus infrastructure improvements. The Series 2010 bonds were fully drawn by December 31, 2010. The Series 2009 bonds have been fully drawn to match construction requirements that concluded in December 2012. In each case the bond purchaser is a large commercial bank.

During 2012 the university purchased par $16.495 million of 2007 Series A-2 bonds. The trustee was instructed to retire these bonds. A realized gain of $1.922 million was included in other revenues on the statement of activities.

The university issued tax exempt bonds in 2013 through the LPFA (2013A and B Series) to support stadium construction, undergraduate dormitory construction, and medical school and uptown campus infrastructure improvements. Taxable bonds Series 2013C provided financing for similar projects.

The university also issued taxable bonds (Series 2013D) to refund $42.27 million of 2007 Series A-1 bonds and $8.43 million of 2007 Series B bonds.

The annual principal maturities for bonds payable at June 30, 2014 are as follows (in thousands).

Fiscal Year	Amount
2015	$ 8,048
2016	9,295
2017	10,836
2018	12,031
2019	18,101
2020 and thereafter	528,544
Total	$ 586,855

All of the above described outstanding bonds payable, excluding the mortgage bonds payable, are general obligations of the university. The university is required to comply with certain covenants that, if not met, limit the incurrence of additional certain long term indebtedness and the sale of certain assets. Management believes the university was in compliance with its covenants at June 30, 2014 and 2013. The mortgage bonds are secured by first mortgages on the facilities financed and by endowment and similar fund investments in government bonds having a book value and a market value approximating $112,000 at June 30, 2014 and 2013. In addition, annual net revenues from the residence halls and from student fees are pledged for debt service to the mortgage bonds.

12 DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all significant financial instrument amounts has been determined by the university using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Accounts and Contributions Receivable — The university considers the carrying amounts of these financial instruments to approximate fair value.

Loans Receivable — Loans receivable are amounts principally due from students under federally sponsored programs that are subject to significant restrictions. Accordingly, it is not practical to determine fair value.

Investments — Investments at fair value were approximately $1,148 and $1,015 million at June 30, 2014 and 2013, respectively. Market values are used when available. Other investments totaling approximately $50 and $41 million at June 30, 2014 and 2013, respectively, are reported at carrying values because it was not practical to apply fair valuation techniques and application of such techniques was not expected to result in materially different values (see Note 6).

Bonds Payable — The fair value was approximately $570 and $556 million at June 30, 2014 and 2013, respectively. The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

Other — The university considers the carrying amounts of all other financial instruments to be a reasonable estimate of fair value.

13 RETIREMENT PLANS

Retirement benefits for substantially all employees are provided through the Teachers Insurance and Annuity Association, the College Retirement Equities Fund and Fidelity Investments. Under these defined contribution plans, contributions are applied, as directed by each participant, to annuities and/or to the purchase of shares or participation units in a variety of mutual funds. The amount of contributions made by the university is based upon the employee’s salary. Plan contributions are funded as they accrue. For the years ended June 30, 2014 and 2013, contributions to the plans were approximately $20.6 and $20.0 million, respectively.

14 PROFESSIONAL LIABILITY INSURANCE

The university maintains a self-insurance program for professional medical services rendered by its medical faculty, including residents and interns. The trust fund assets of $11.5 and $11.4 million and associated liabilities of $10.2 and $9.7 million at June 30, 2014 and 2013, respectively, are included in unrestricted net assets.

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating healthcare providers. The constitutionality of the statutory limit has been upheld by the Louisiana Supreme Court, but is subject to its review at any time. The university participates in the State Insurance Fund, which provides up to $400,000 of coverage for settlement amounts in excess of $100,000 per claim. The university carries commercial liability insurance for claims that might exceed amounts funded by the self-insurance trust fund or the State Insurance Fund.

15 COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the university under various federal and state programs are subject to audit by governmental agencies. Management believes that adjustments, if any, that might result from such audits would not have a significant impact upon the financial position of the university.

The university is a party to various litigation and other claims, the outcome of which cannot be presently determined. Management's opinion is that the outcome of such matters would not have a significant effect upon the university's financial position or statement of activities.

OFFICE OF INSPECTOR GENERAL AUDIT

Since July 2011, the U.S. Department of Homeland Security Office of Inspector General (the "OIG"), which has responsibility for auditing FEMA public assistance programs, has been conducting an audit of public assistance funds awarded by FEMA to the university as a result of Hurricane Katrina. The OIG audit has been divided into three phases. During the first phase, OIG audited FEMA's allocation of Tulane's $303.3 million of insurance proceeds between Hurricane Katrina property damages and business interruption losses. During the second phase, OIG reviewed the methodology Tulane used to award $230 million in disaster related contracts. The third phase reviewed the support and eligibility of approximately $36.1 million Tulane claimed on various projects. The OIG audit is standard procedure with regard to all major recipients of public assistance funds from FEMA.

In April 2012, the OIG issued a Management Advisory Report to FEMA regarding the amount of insurance FEMA has allocated for use in offsetting public assistance funds that may otherwise be available to the university (Phase 1, as referenced above). By a memorandum dated June 21, 2013, FEMA determined that an additional $17.3 million of insurance recoveries remains to be offset against FEMA-eligible expenses, and noted that this amount will be taken into account as FEMA continues its review of requests for reimbursement that the university has submitted to FEMA. FEMA also indicated that it completed its allocation methodology of the university's commercial property insurance proceeds. FEMA's determination regarding the allocation methodology was consistent with the university's methodology. The allocation may be subject to review at close out.

On August 26, 2013, the OIG publicly released its Final Report on the university's procurement practices and questioned $46.2 million as ineligible contract costs (Phase 2, as referenced above). On October 22, 2014 the OIG publicly released its Final Report as part of its audit of the support and eligibility of specific costs that the University has claimed (Phase 3, as referenced above), recommending that FEMA disallow $13 million of such costs.

The OIG's recommendations regarding the disallowance of contract costs are not binding on FEMA, and FEMA has not yet issued a written public decision on such recommendations. The amount of potential liability, if any, related to federal procurement regulations and certain contracts for disaster recovery and rebuilding at the university's campuses remains to be determined. The university has submitted a memorandum to FEMA responding to the OIG's recommendations relating to Phase 2. The university is currently reviewing the OIG's report on Phase 3, and intends to contest the findings with FEMA.

The following constitutes a summary of the university's cumulative funding from FEMA at June 30, 2014 and 2013:

	2014	2013
Cumulative FEMA cash received	$ 120,222	$ 117,629
Receivable from FEMA	6,910	361
Total FEMA cash received and receivable	$ 127,132	$ 117,990
Cumulative FEMA advances recognized as recoveries	$ 106,731	$ 95,797
FEMA advances recorded as deferred revenue	20,401	22,193
Total cost recoveries and deferred revenue	$ 127,132	$ 117,990

OPERATING LEASES—LESSEE

The university leases certain real property and equipment. These leases are classified as operating leases and have lease terms ranging up to twelve years. Total lease payments amounted to approximately $4.2 million for each of the years ended June 30, 2014 and 2013. Future minimum rental payments on non-cancellable operating leases with lease terms in excess of one year as of June 30, 2014, are as follows (in thousands):

Fiscal Year	Amount
2015	$ 4,306
2016	3,841
2017	3,793
2018	309
2019	313
2020 and thereafter	116
Total	$ 12,678

OPERATING LEASES—LESSOR

The university leases office and other rental space to other businesses. Lease terms range from one to 99 years, with options of renewal for additional periods. All such property leases provide for minimum annual rentals and all rental revenue has been recorded on a straight-line basis. Following is a schedule by years of future minimum rental payments under operating leases as of June 30, 2014 (in thousands):

Fiscal Year	Amount
2015	$ 1,681
2016	1,673
2017	1,150
2018	1,142
2019	1,044
2020 and thereafter	79,568
Total	$ 86,258

The 99 year land lease dated March 1995 relates to the hospital/clinic as described in note 16.

SHARED SAVINGS AGREEMENT

The university entered into an agreement dated December 2006 with a major energy controls company to construct and install energy conservation improvements and measures valued at approximately $17 million on the university's main campus. The physical assets are owned by a third party with whom the university has contracted to share future energy savings associated with more efficient operation of the physical facilities. Over the twelve-year term, the university expects to share annual energy cost savings of $2.7 to $3.4 million with the third party owner. Realization of the energy savings are guaranteed by the energy controls company. The university may purchase the fixed assets at the end of the term for fair market value. The university paid the owner $2.7 and $2.8 million during the years ended June 30, 2014 and 2013, respectively, under this agreement and such amounts are included in the plant operations and maintenance cost total.

INTEREST RATE COLLARS AND SWAPS (IN THOUSANDS)

On January 23, 2009 the university entered into a forward starting swap of interest rates that is effective February 15, 2011 pursuant to continued hedging of the university's taxable variable rate debt. The notional amount is $103,135. The university accepted a fixed rate of 3.195% in exchange for its three-month U.S. Dollar LIBOR rate. The swap terminates in February 2017. The fair values of this swap at June 30, 2014 and 2013 were $5,968 and $7,565 due the counterparty. In a second transaction, a hedge was devised to protect against interest rate fluctuations on the university's tax exempt variable rate debt. This swap had a notional amount of $62,180, terminated on February 15, 2011 and featured a floor and a cap based on 67% of the three-month U.S. Dollar LIBOR rate (67% of LIBOR). This arrangement was amended on January 23, 2009 and replaced with an interest rate swap wherein the university fixed its interest rate at 2.334% until maturity in February 2017. The fair values of this arrangement at June 30, 2014 and 2013 were $2,667 and $3,427, respectively, due the counterparty.

In two additional interest rate swap transactions executed on December 22, 2008, the university fixed its LIBOR interest rates on two variable rated notes payable with beginning notional values of $17,112 and $18,750 at 2.34% and 2.18% until June 22, 2013 and December 21, 2014 respectively. The combined fair values of these arrangements were $137 and $414 due the counterparty at June 30, 2014 and 2013.

The combined values of these agreements at June 30, 2014 and 2013 were included as approximately $8,772 and $11,406 in the caption accounts payable and accrued liabilities on the Statement of Financial Position. In 2014 and 2013, the effect on the statement of activities is recorded in the non-operating section as $2,634 and $4,575, respectively in net unrealized gains on interest rate swaps.

The fair value of the interest rate swap is based on the present value of the fixed and floating portions of the agreements and therefore is considered a tier 3 input (See Note 6).

A roll forward of the fair value measurements for the university's financial liability measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for year ended June 30, 2014 and 2013 is as follows (in thousands):

	Total Realized/Unrealized Gains (Losses) included in:				
Balance, July 1, 2013	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2014
$ (11,406)	$ –	$ 2,634	$ –	$ –	$ (8,772)

	Total Realized/Unrealized Gains (Losses) included in:				
Balance, July 1, 2012	Realized (Losses) Gains	Unrealized (Losses) Gains	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2013
$ (15,980)	$ –	$ 4,574	$ –	$ –	$ (11,406)

16 HOSPITAL/CLINIC JOINT VENTURE

Effective March 31, 1995, the university entered into a joint venture agreement with Hospital Corporation of America (HCA), for the continued operation of the Tulane University Hospital and Clinic. Under the joint venture agreement, a new entity, University Healthcare System, L.C. (UHS), a Louisiana Limited Liability Corporation, was formed. Through June 30, 2005, the university retained a 20% interest in UHS. Effective July 1, 2005, the university accepted a dilution in interest to 17.25% when HCA contributed Lakeside Hospital to the partnership. Under the terms of the joint venture agreement, the university provides services to UHS under a Shared Services Agreement, an Academic Affiliation Agreement and other related agreements. These services include a variety of overhead services, such as plant operations, security and telecommunications, as well as a variety of direct and indirect medical educational and related services. Additionally, the university leases to UHS the land upon which the hospital and clinic facilities are located, and leases office space to UHS and to HCA in a university-owned building.

For the year ended June 30, 2014 and 2013, the university recorded revenue and cost recoveries of approximately $55.6 and $50.6 million, and as of June 30, 2014 and 2013, recorded approximately $6.2 and $6.7 million as receivable from UHS, related to these agreements. Summarized audited financial information about the financial position of the unconsolidated joint venture entity as of December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Current assets	$ 70,068	$ 76,199
Property, plant and equipment, net	78,867	81,327
Other assets	416	436
Total assets	$ 149,351	$ 157,962
Current liabilities	$ 40,260	$ 31,167
Long term debt	110,063	99,062
Total liabilities	150,323	130,229
Partners' equity	(972)	27,733
Total liabilities and partners' equity	$ 149,351	$ 157,962

Summarized audited financial results for the years ended December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Net revenues	$ 344,765	$ 360,061
Operating expenses	350,433	364,232
Depreciation and amortization	14,398	14,442
Other	8,639	8,823
Net (loss)	$ (28,705)	$ (27,436)

The university's share of the joint venture's equity at June 30, 2014 and 2013 was approximately $0 and $2.0 million, respectively.

17 SUBSEQUENT EVENTS

The university completed its subsequent events reviews through November 10, 2014 for the years ended June 30, 2014 and 2013, respectively.

Tulane University