2015–2016
TULANE UNIVERSITY
FINANCIAL STATEMENTS

TULANE UNIVERSITY

Financial Statements For The Years Ended June 30, 2016 and 2015

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 13,580 students.

About the cover: In early 2016, the Howard-Tilton Memorial Library dedicated two new floors. The fifth and sixth floors replaced space lost in the basements of Howard-Tilton and of Jones Hall where collections had formerly been kept and represent the culmination of the Library's recovery from the aftermath of Hurricane Katrina in 2005. (Photos by Paula Burch-Celentano)

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 consolidated statements of financial position as of June 30, 2016 and 2015, 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 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.

Auditors' 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, including the assessment of the risks of material misstatement 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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulane University as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New Orleans, Louisiana
October 25, 2016

TULANE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015 (IN THOUSANDS)

	2016	2015
ASSETS:		
Cash and cash equivalents	$ 22,571	$ 15,259
Deposits in trust	22,019	28,997
Accounts and other receivables, net	66,659	66,682
Contributions receivable, net	80,229	79,689
Loans receivable, net	42,305	40,730
Investments	1,201,498	1,252,537
Prepaid expenses and other assets	18,006	18,080
Property, plant and equipment, net	884,643	885,547
TOTAL ASSETS	$ 2,337,930	$ 2,387,521
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 105,721	$ 98,626
Deferred revenue and refundable deposits	62,764	64,906
Notes payable and lines of credit	128,528	111,715
Bonds payable	577,020	585,203
Federal student loan funds	43,797	43,030
Total liabilities	917,830	903,480
Net Assets:		
Unrestricted	77,641	108,661
Unrestricted, funds functioning as endowment	86,423	92,193
Total unrestricted	164,064	200,854
Temporarily restricted	656,809	699,612
Permanently restricted	599,227	583,575
Total net assets	1,420,100	1,484,041
TOTAL LIABILITIES AND NET ASSETS	$ 2,337,930	$ 2,387,521

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

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016 (IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUES				
Tuition and fees	$ 506,637	$ –	$ –	$ 506,637
Less: Institutional scholarships and fellowships	(160,548)			(160,548)
Tuition and fees, net	346,089	–	–	346,089
Government grants and contracts	123,256			123,256
Private gifts and grants	41,361	26,987	15,078	83,426
Medical group practice	93,852			93,852
Affiliated hospital agreements/contracts	39,492			39,492
Endowment income	15,179	38,438		53,617
Investment income and gains, net	2,488	1,449		3,937
Recovery of indirect costs	30,755			30,755
Auxiliary enterprises	81,116			81,116
Other	69,121			69,121
Net assets released from restrictions	52,690	(52,690)		–
Total revenues	895,399	14,184	15,078	924,661
EXPENSES				
Instruction and academic support	313,979			313,979
Affiliated hospital agreements/contracts	30,103			30,103
Organized research	138,215			138,215
Public service	23,583			23,583
Libraries	25,789			25,789
Student services	28,398			28,398
Institutional support	109,912			109,912
Scholarships and fellowships	15,435			15,435
Auxiliary enterprises	122,067			122,067
Medical group practice	95,168			95,168
Other	6,805	–	445	7,250
Total expenses	909,454	–	445	909,899
Change in net assets from operating activities	(14,055)			
OTHER CHANGES IN NET ASSETS				
Net realized and unrealized (losses) gains	3,581	(12,083)		(8,502)
Net unrealized losses on interest rate swaps	(15,657)			(15,657)
Accumulated gains used for spending	(9,664)	(44,880)		(54,544)
Transfers between net asset groups	(995)	(24)	1,019	–
Total other changes in net assets	(22,735)	(56,987)	1,019	(78,703)
CHANGES IN NET ASSETS	(36,790)	(42,803)	15,652	(63,941)
BEGINNING NET ASSETS	200,854	699,612	583,575	1,484,041
ENDING NET ASSETS	$ 164,064	$ 656,809	$ 599,227	$1,420,100

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

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015 (IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
REVENUES				
Tuition and fees	$ 484,425	$ –	$ –	$ 484,425
Less: Institutional scholarships and fellowships	(152,791)			(152,791)
Tuition and fees, net	331,634	–	–	331,634
Government grants and contracts	126,404			126,404
Private gifts and grants	43,899	20,903	28,743	93,545
Medical group practice	85,372			85,372
Affiliated hospital agreements/contracts	38,969			38,969
Endowment income	9,231	35,287		44,518
Investment income and gains, net	2,746	2,130		4,876
Recovery of indirect costs	28,675			28,675
Auxiliary enterprises	77,554			77,554
Other	71,034			71,034
Net assets released from restrictions	50,306	(50,306)		–
Total revenues	865,824	8,014	28,743	902,581
EXPENSES				
Instruction and academic support	296,387			296,387
Affiliated hospital agreements/contracts	31,496			31,496
Organized research	135,388			135,388
Public service	22,061			22,061
Libraries	24,921			24,921
Student services	28,759			28,759
Institutional support	102,217			102,217
Scholarships and fellowships	14,857			14,857
Auxiliary enterprises	116,380			116,380
Medical group practice	91,445			91,445
Other	7,020	1,679	1,524	10,223
Total operating expenses	870,931	1,679	1,524	874,134
Change in net assets from operating activities	(5,107)			
OTHER CHANGES IN NET ASSETS				
Net realized and unrealized gains	5,835	47,416		53,251
Net unrealized gains on interest rate swaps	3,332			3,332
Accumulated gains used for spending	(3,457)	(39,547)		(43,004)
Transfers between net asset groups	(2,598)	1,356	1,242	–
Total other changes in net assets	3,112	9,225	1,242	13,579
CHANGES IN NET ASSETS	(1,995)	15,560	28,461	42,026
BEGINNING NET ASSETS	202,849	684,052	555,114	1,442,015
ENDING NET ASSETS	$ 200,854	$ 699,612	$ 583,575	$1,484,041

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

TULANE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015 (IN THOUSANDS)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (63,941)	$ 42,026
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Gain on retirement of notes payable		(3,280)
Depreciation and amortization	54,697	52,248
Asset retirements	340	704
Net realized and unrealized investment losses and (gains)	8,502	(53,251)
Net increase (decrease) in fair value of interest rate swap agreements	15,657	(3,332)
Contributions restricted for permanent investment	(15,652)	(28,461)
Contributions of property	(105)	(289)
Grant receipts used for capital purposes	(4,775)	(187)
Donations received for capital purposes	(12,993)	(12,547)
Insurance and FEMA recoveries received	(4,773)	(14,765)
Changes in operating assets and liabilities:		
Decrease in accounts and other receivables	23	2,363
(Increase) in contributions receivable	(5,871)	(1,853)
Decrease in prepaid expenses and other assets	74	793
(Decrease) in accounts payable and accrued liabilities	(8,856)	(6,340)
(Decrease) increase in deferred revenue and refundable deposits	(2,142)	3,932
Net cash (used in) operating activities	(39,815)	(22,239)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(192,983)	(265,019)
Proceeds from the sale of investments	235,520	264,096
Purchase of property, plant and equipment	(53,142)	(84,935)
Decrease in deposits in trust	6,978	22,102
Student loans issued	(8,472)	(5,907)
Proceeds from collections of student loans	6,897	6,806
Grant receipts used for capital purposes	4,775	187
Donations received for capital purposes	12,993	12,547
Insurance and FEMA recoveries net of advances received and released	4,773	14,765
Net cash provided by (used for) investing activities	17,339	(35,358)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	20,983	22,333
Repayment of bonded debt	(7,885)	(7,705)
Repayment of notes payable	(437)	(442)
Repayment of lines of credit	(234,500)	(175,500)
Proceeds from lines of credit draws	251,750	191,250
Increase in federal student loan funds	767	754
Annuities paid	(890)	(889)
Net cash provided by financing activities	29,788	29,801
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,312	(27,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,259	43,055
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 22,571	$ 15,259
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 24,209	$ 23,525

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

Tulane University
Notes to the Financial Statements
Years Ended June 30, 2016 and 2015

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. The university is a private research university founded in 1834.

BASIS OF PRESENTATION

The accompanying consolidated financial statements (the "financial statements") have been prepared using the accrual basis of accounting. The financial statements have been consolidated to include the accounts of the university, Tulane Murphy Foundation, Inc. (the "foundation"), Tulane International, LLC, Howard Memorial Association, Riversphere One, Riversphere Two, Wick Cary, LLCs, 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 health care 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.

Unrestricted operating results — Unrestricted operating results include all transactions that change unrestricted net assets, except for endowment related investment transactions for net realized and unrealized gains, net unrealized gains associated with interest rate swaps, accumulated gains used for spending, and transfers between net asset groups. Donor transactions for expendable gifts that are released from restrictions are included with unrestricted operating results. Unrestricted operating results exclude gifts for permanent investment and gifts received where the donor restrictions have not been met.

Endowment distributions reported as operating income consist of endowment return distributed to support current operating needs. Endowment distributions initially reported as temporarily restricted are transferred to unrestricted status via the line entitled “Net Assets Released from Restrictions” on the basis of fulfilling the donors’ restrictions through qualified expenditures.

Investment income and gains includes income from trusts that is immediately available to fund operations.

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

	2016	2015
Grants and contracts – FEMA	$ 14,240	$ 21,380
Grants and contracts – Other	28,912	23,728
Tuition and fees, net	13,578	14,573
Other	6,034	5,225
Total	$ 62,764	$ 64,906

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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):

	2016	**2015**
Depreciation	$ 54,995	$ 52,533
Retirement of plant assets	$ 340	$ 704
Plant operations and maintenance	$ 56,673	$ 54,896
Interest expense on indebtedness	$ 24,177	$ 23,023

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, LC (UHS) is accounted for using the equity method (see Note 16), but not below zero.

Depreciation is not recorded for endowment fund real estate investments. In the opinion of the university's management, the excess of realizable market values over the book values of such properties 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 12 quarters multiplied by a specified percentage. The percentage for the pooled endowment for the fiscal years ended June 30, 2016 and 2015 was 5%. Accumulated investment gains are used to fund the differences between payouts 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 other changes in net assets 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 media, 4 to 20 years.

Certain works of art and historical treasures have been recognized at their estimated fair values 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, 2016 and 2015.

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 $3.4 and $3.0 million at June 30, 2016 and 2015, respectively. Deferred financing costs are included in the caption prepaid expenses and other assets on the statement 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.

INCOME TAXES

Tulane is a tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and generally is exempt from federal and state income taxes on activities considered to be inside its overall tax exempt mission. Where Tulane activities vary beyond the tax exempt missions, then Tulane pays income taxes on unrelated business income. Such taxes are included in the accompanying financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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 No. 2014-09 is effective for the year beginning July 1, 2019. Management has not yet determined the impact, if any, that implementation of ASU No. 2014-09 will have on the university's financial statements.

Subsequent to the issuance of ASU No. 2014-09, various ASU amendments to the revenue guidance have been issued. These updates address 1) Principal versus Agent Considerations (Reporting Revenue Gross versus Net); 2) Identifying Performance Obligations and Licensing; 3) Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606; and 4) Narrow-Scope Improvements and Practical Expedients. The effective date for each of these revenue amendments is concurrent with the effective date of ASU 2014-09, as referenced above. Management has not yet determined the impact, if any, that implementation of these ASUs will have on the university's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, as part of its simplification initiative. The ASU changes the presentation of debt issuance costs in the balance sheet whereby such costs are recorded as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU No. 2015-03 is effective for the year beginning July 1, 2016 and should be applied retrospectively to all prior periods. Management has not yet determined the impact, if any, that implementation of ASU No. 2015-03 will have on the university's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which requires lease obligations to be recognized on the balance sheet. ASU No. 2016-02 is effective for the year beginning July 1, 2021. Management has not yet determined the impact, if any, that implementation of ASU No. 2016-02 will have on the university's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, which significantly changes the presentation requirements for financial statements of not-for-profit entities (NFPs). The amendments are intended to improve the guidance on net asset classification as well as the information presented in the financial statements and financial statement notes regarding liquidity, financial performance, and cash flows for NFPs. Specifically, the ASU addresses (1) the complexity and understandability of net asset classifications, (2) the lack of consistency in the type of information provided about expenses, and (3) inconsistencies in the reporting of (a) operating information in the statement of activities and (b) operating cash flows in the statement of cash flows. ASU No. 2016-14 is effective for the year beginning July 1, 2017. Management has not yet determined the impact, if any, that implementation of ASU No. 2016-14 will have 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 its financial statements.

2 DEPOSITS IN TRUST

Deposits in trust at June 30, 2016 and 2015 consist of investments at fair value of $22,019 and $28,997 (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, 2016 and 2015 (in thousands):

	2016	2015
Student receivables, net of allowance for doubtful accounts of $6,802 and $7,281	$ 3,643	$ 4,030
U.S. government, state and other contract receivables, net of allowances for doubtful accounts of $378 and $460	38,891	43,042
Patient and related receivables, net of allowances for discounts and doubtful accounts of $10,266 and $10,594	14,897	12,760
Other receivables	9,228	6,850
Total	$ 66,659	$ 66,682

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, 2016 and 2015, 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% to the present value of the future cash flows at June 30, 2016 and 2015.

Management expects unconditional promises to be realized in the following periods (in thousands) at June 30, 2016 and 2015:

	2016	2015
In one year or less	$ 26,295	$ 22,184
Between one year and five years	56,065	64,094
More than five years	19,743	19,927
	102,103	106,205
Less: discounts of $11,551 and $12,764 and allowances for uncollectible pledges of $10,323 and $13,752	(21,874)	(26,516)
Total	$ 80,229	$ 79,689

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, 2016 and 2015 are adequate to absorb any uncollectible pledges as of those dates.

Contributions receivable at June 30, 2016 and 2015 have restrictions applicable to the following (in thousands):

	2016	2015
Endowments for departmental programs and activities	$ 24,632	$ 29,963
Departmental programs and activities	19,893	15,987
Capital purposes	35,704	33,739
Total	$ 80,229	$ 79,689

5 LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2016 and 2015 (in thousands):

	2016	2015
Perkins student loan program	$ 42,454	$ 40,721
Primary care loan program	1,636	1,887
Other loan programs	690	597
	44,780	43,205
Less: allowance for doubtful accounts	(2,475)	(2,475)
Total	$ 42,305	$ 40,730

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, 2016 and 2015, student loans represented 1.8% and 1.7%, respectively, of total assets.

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 $43,797 and $43,030 at June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities in the statements 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, 2016 and 2015, the following amounts were past due under student loan programs (in thousands):

June 30,	1–60 days past	60–90 days past	>90 days past	Total past due
2016	$1,034	$106	$4,909	$6,049
2015	$992	$272	$3,095	$4,359

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, 2016 and 2015 are adequate to absorb any uncollectible loans as of those dates.

6 INVESTMENTS AND ACCOUNTING STANDARDS CODIFICATION (ASC) 820-10, FAIR VALUE MEASUREMENTS AND DISCLOSURES

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. ASU No. 2015-07 exempts assets measured using the NAV expedient from this hierarchy, as described in Note 1. The adoption of ASU No. 2015-07 resulted in the reclassification of investment assets measured using the net asset value expedient and previously reported as Tier 2 and Tier 3 assets as of June 30, 2015. For all other assets measured at fair value, 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. The university does not have any Tier 3 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, 2016 (in thousands):

Investments	**Tier 1 (Quoted prices in active markets)**	**Tier 2 (Signifcant Observable inputs)**	**Total Investments Measured at Fair Value**	**Investments Measured at NAV**	**Total**
Short term money funds and cash (a)	$ 21,134	$ 21,946	**$ 43,080**	$ –	**$ 43,080**
Domestic equity (b)	88,259		**88,259**	164,479	**252,738**
International equity (b)	12,508		**12,508**	170,850	**183,358**
Hedge funds:					
Long/Short equity (c)			**–**	70,452	**70,452**
Absolute return (d)			**–**	122,053	**122,053**
Enhanced fixed income (e)			**–**	30,377	**30,377**
Fixed income (f)	93,732	48,332	**142,064**	–	**142,064**
Partnerships:					
Private equity (g)			**–**	170,301	**170,301**
Private and public real assets (h)			**–**	142,673	**142,673**
Total investments at fair value by tier	$ 215,633	$ 70,278	**$ 285,911**	$ 871,185	**$ 1,157,096**
Real estate and royalty interests at original cost or appraised value					**37,620**
Investment receivables and other at cost or appraised value					**6,782**
Total investments valued at other than fair value					**44,402**
Total investments					**$ 1,201,498**
Deposits in trust					
Short term money funds and cash (a)	$ –	$ 11,634	**$ 11,634**	$ –	**$ 11,634**
Domestic equities (b)	619		**619**		**619**
Fixed income (f)		9,766	**9,766**		**9,766**
Total deposits in trust at fair value by tier	$ 619	$ 21,400	**$ 22,019**	$ –	**$ 22,019**

See annotations on page 20 and 21.

Investments consisted of the following at June 30, 2015 (in thousands):

Investments	Tier 1 (Quoted Prices in Active Markets)	Tier 2 (Signifcant Observable inputs)	Total Investments Measured at Fair Value	Investments Measured at NAV	Total
Short term money funds and cash (a)	$ 25,721	$ 1,857	**$ 27,578**	$ –	**$ 27,578**
Domestic equity (b)	101,145		**101,145**	194,125	**295,270**
International equity (b)	7,298		**7,298**	212,212	**219,510**
Hedge funds:					
Long/Short equity (c)			**–**	82,228	**82,228**
Absolute return (d)			**–**	145,552	**145,552**
Enhanced fixed income (e)			**–**	29,859	**29,859**
Fixed income (f)	104,385	50,125	**154,510**	–	**154,510**
Partnerships:					
Private equity (g)			**–**	146,763	**146,763**
Private and public real assets (h)			**–**	111,030	**111,030**
Total investments at fair value by tier	$ 238,549	$ 51,982	**$ 290,531**	$ 921.769	**$ 1,212,300**
Real estate and royalty interests at original cost or appraised value					**38,152**
Investment receivables and other at cost or appraised value					**2,085**
Total investments valued at other than fair value					**40,237**
Total investments					**$ 1,252,537**
Deposits in trust					
Short term money funds and cash (a)	$ 15,316	$ –	**$ 15,316**	$	**$ 15,316**
Domestic equities (b)	594		**594**		**594**
Fixed income (f)	2,783	$ 10,304	**13,087**		**13,087**
Total deposits in trust at fair value by tier	$ 18,693	$ 10,304	**$ 28,997**	$ –	**$ 28,997**

See annotations on page 22.

The FASB 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. In complying with the update, the university makes the following disclosures about its investments at June 30, 2016, that feature net asset value per share.

	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Domestic and international equities (b)	$ 335,329	$ –	Daily, Monthly, Quarterly, Yearly	1–180 days
Equity long/short hedge funds (c)	70,452		Quarterly	30–60 days
Absolute return hedge funds (d)	122,053		Monthly, Quarterly, Yearly	30–90 days
Enhanced fixed income hedge funds (e)	30,377	9,647	Quarterly	90 days
Private equity (g)	170,301	146,611	N/A	N/A
Private and public real assets (h)	142,673	59,755	N/A	N/A
Total	$ 871,185	$ 216,013		

Annotations are applicable to page 18 in addition to above table.

(a) This category includes investments in money market accounts as well as cash and cash equivalents.

(b) This category includes direct ownership of equities, mutual funds, and investments in partnerships (valued at NAV) that invest primarily in common stocks across various sectors and market caps and across different geographic regions. $335,329 of these investments were valued using NAV. Of the NAV investments approximately 91% of the value of this category were liquid as of June 30, 2016. Most of these funds do not normally short or employ leverage.

(c) 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 82% of the value of this category were liquid as of June 30, 2016. Generally, restriction periods range from three to thirty six months as of June 30, 2016.

(d) 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 38% 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 83% of the value of this category were liquid as of June 30, 2016. Generally, restriction periods range from three to twenty one months as of June 30, 2016.

(e)) This category includes investments in hedge funds where managers pursue opportunistic exposure to distressed, emerging market and high-yield debt. The managers may also hold positions in post-bankruptcy reorg equity and other derivative instruments. The goal is to provide an attractive risk-adjusted return while targeting outperformance over the broader high-yield markets. 17% of the investments in this category were liquid because of lockup restrictions as of June 30, 2016.

(f) This category includes direct ownership of domestic and international corporate and governmental bonds and notes, as well as mutual funds owning such investments.

(g) This category includes private equity partnerships, including buyout, growth, venture capital, and distressed investment firms. 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. Approximately 28% of private equity is in buyout strategies, 56% in growth strategies, 6% in venture capital, and 10% in distressed.

(h) This category includes several partnerships in oil and gas and U.S. real estate 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. Approximately 54% of this category is in oil and gas and natural resources partnerships. The remaining 46% is in real estate funds.

The FASB 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. In complying with the update, the university makes the following disclosures about its investments at June 30, 2015, that feature net asset value per share.

	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Domestic and international equities (b)	$ 406,337	$ –	Daily, Monthly, Quarterly, Yearly	1–180 days
Equity long/short hedge funds (c)	82,228		Quarterly	30–60 days
Absolute Return hedge funds (d)	145,552		Monthly, Quarterly, Yearly	30–90 days
Enhanced fixed income hedge funds (e)	29,859		Quarterly	90 days
Private Equity (g)	146,763	84,083	N/A	N/A
Private and public real assets (h)	111,030	55,682	N/A	N/A
Total	$ 921,769	$ 139,765		

Annotations that follow on page 22 are applicable to page 19 in addition to above table.

(a) This category includes investments in money market accounts as well as cash and cash equivalents.

(b) This category includes direct ownership of equities, mutual funds, and investments in partnerships (valued at NAV) that invest primarily in common stocks across various sectors and market caps and across different geographic regions. $ 406,337 of these investments were valued using NAV. Of the NAV investments approximately 68% of the value of this category were liquid as of June 30, 2015. Most of these funds do not normally short or employ leverage.

(c) 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 84% of the value of this category were liquid as of June 30, 2015. Generally, restriction periods range from three to thirty six months as of June 30, 2015.

(d) 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 37% 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 66% of the value of this category were liquid as of June 30, 2015. Generally, restriction periods range from three to eighteen months as of June 30, 2015.

(e) This category includes investments in hedge funds where managers pursue opportunistic exposure to distressed, emerging market and high-yield debt. The managers may also hold positions in post-bankruptcy reorg equity and other derivative instruments. The goal is to provide an attractive risk-adjusted return while targeting outperformance over the broader high-yield markets. Only 35% of the investments in this category were liquid because of lockup restrictions as of June 30, 2015.

(f) This category includes direct ownership of domestic and international corporate and governmental bonds and notes, as well as mutual funds owning such investments.

(g) This category includes private equity partnerships, including buyout, growth, venture capital, and distressed investment firms. 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. Approximately 30% of private equity is in buyout strategies, 51% in growth strategies, 7% in venture capital, and 12% in distressed.

(h) This category includes several partnerships in oil and gas and U.S. real estate 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. Approximately 48% of this category is in oil and gas and natural resources partnerships. The remaining 52% is in real estate funds.

Endowment dividend and interest income, net of expenses, amounted to approximately $(2.2) and $0.2 million, respectively, for the years ended June 30, 2016 and 2015. In accordance with the university's endowment spending policy, $54.5 and $43.0 million of accumulated gains were used to fund current operations for the years ended June 30, 2016 and 2015, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds and other amounts.

Temporarily restricted net assets at June 30, 2016 and 2015 include annuity, life income, and other investments at market value of approximately $34.4 and $35.7 million, respectively.

Permanently restricted net assets at June 30, 2016 and 2015, include the investment assets at fair value of the Tulane Murphy Foundation (the foundation) that amounted to $77.9 and $83.1 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, 2016 and 2015, income from the foundation, which is restricted to specific purposes, amounted to approximately $2.6 and $2.3 million, respectively.

Investment return, net of investment management fees of $16.1 and $13.3 million for 2016 and 2015, respectively, is composed of the following for the years ended June 30, 2016 and 2015 (in thousands):

	2016	2015
Operating:		
Endowment income	$ 53,617	$ 44,518
Investment income and gains, net	3,937	4,876
Total operating return	57,554	49,394
Non operating:		
Net realized and unrealized gains	(8,502)	53,251
Accumulated gains used for spending	(54,544)	(43,004)
Total non-operating return	(63,046)	10,247
Total investment return	$ (5,492)	$ 59,641

7 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015, (in thousands) benefit the following functions:

	2016	2015
Academic departments and instruction	$ 485,916	$ 508,431
Student financial aid and scholarship	86,543	107,616
Capital projects	46,125	39,756
Operations	38,225	43,809
Total	$ 656,809	$ 699,612

Permanently restricted net assets at June 30, 2016 and 2015, (in thousands) benefit the following functions:

	2016	2015
Academic departments and instruction	$ 377,141	$ 376,575
Student financial aid and scholarship	185,730	185,299
Operations	36,356	21,701
Total	$ 599,227	$ 583,575

8 ENDOWMENT FUNDS AND DISCLOSURES UNDER ASC 958-205

Management for the university, with the board of administrators' 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.

The university 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, 2016 and 2015 (in thousands):

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 476,567	$ 599,227*	$1,075,794
Board designated endowment funds	$ 86,423			86,423
Total endowment funds	$ 86,423	$ 476,567	$ 599,227	$1,162,217

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 533,554	$ 583,575*	$1,117,129
Board designated endowment funds	$ 92,193			92,193
Total endowment funds	$ 92,193	$ 533,554	$ 583,575	$1,209,322

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

Changes in endowment funds, net assets for the years ended June 30, 2016 and 2015 (in thousands):

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 92,193	$ 533,554	$ 583,575	$1,209,322
Investment return				
Net appreciation (depreciation)				
(realized and unrealized)	3,581	(12,083)		(8,502)
Total investment return	3,581	(12,083)	–	(8.502)
New gifts	425		15,078	15,503
Endowment assets used				
for expenditure	(9,664)	(44,880)		(54,544)
Other	(112)	(24)	574	438
Total non-investment changes	(9,351)	(44,904)	15,652	(38,603)
Net assets, end of year	$ 86,423	$ 476,567	$ 599,227	$1,162,217

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 89,815	$ 524,131	$ 555,114	$1,169,060
Investment return				
Net appreciation				
(realized and unrealized)	5,835	48,970		54,805
Total investment return	5,835	48,970	–	54,805
New gifts			28,743	28,743
Endowment assets used				
for expenditure	(3,457)	(39,547)		(43,004)
Other			(282)	(282)
Total non-investment changes	(3,457)	(39,547)	28,461	(14,543)
Net assets, end of year	$ 92,193	$ 533,554	$ 583,575	$1,209,322

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, 2016 and 2015, is as follows:

	2016	2015
Pooled funds	$ 832,270*	$ 873,243*
LEQSF pooled funds	178,648	188,088
Separately invested funds	120,017**	117,047**
Contributions receivable	24,632	29,963
Investment income receivables and other	6,650	981
Total endowment related net assets	$1,162,217	$1,209,322

* This category includes $31.8 million in university-owned real estate that returned approximately $1.0 and $0.8 million in net rents and royalties for the years ended June 30, 2016 and 2015, respectively.

**This category includes an investment of approximately $29.0 and $29.6 million in Murphy Oil Corporation and Murphy USA, Inc. common stock at June 30, 2016 and 2015, respectively.

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 LEQSFs 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% 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, 2016 and 2015, the university used approximately $37.1 and $34.6 million, respectively, in pooled endowment assets for spending.

The BOR provide 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 2014, 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, 2016 and 2015, the university used approximately $8.0 and $7.4 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, 2016 and 2015, such items totaled $2.5 and $2.4 million, respectively.

ENDOWMENT ASSETS USED FOR SPENDING

The university made $54.5 and $43.0 million of endowment assets available for spending in the years ended June 30, 2016 and 2015, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2016 and 2015 (in thousands):

	2016	2015
Land	$ 23,598	$ 23,598
Buildings and improvements	1,123,114	1,076,442
Equipment	204,988	203,672
Library books and materials	197,350	186,580
Construction in progress	23,853	40,757
Gross property, plant and equipment	1,572,903	1,531,049
Less: accumulated depreciation	(688,260)	(645,502)
Property, plant and equipment, net	$ 884,643	$ 885,547

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 $0.7 and $1.7 million for the years ended June 30, 2016 and 2015, respectively.

Purchases of property, plant and equipment included in accounts payable as of June 30, 2016 and 2015, total $5.2 and $4.0 million, respectively.

10 NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2016 and 2015, consist of the following (in thousands):

	2016	2015
Amounts drawn under four short term credit lines, as described below	$ 98,000	$ 80,750
One note for $1,500 due in monthly installments of $8 through 2036 with interest fixed at 4%.	1,235	1,272
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. The note may be put by the noteholder in fiscal 2024 and every 5 years thereafter. Interest is borne at LIBOR plus 185 basis points (2.5% and 2.1% at June 30, 2016 and 2015).	29,293	29,693
Total notes payable	$ 128,528	$ 111,715

The university had $200 and $150 million in lines of credit with four banks to meet short-term seasonal cash requirements at June 30, 2016 and 2015, respectively. The lines expire as follows: $60 million on May 19, 2017, $40 million on March 24, 2017, $50 million on December 22, 2016, and $50 million on June 7, 2017. Principal is payable upon demand. At June 30, 2016 and 2015, there was $98 and $81 million drawn on these lines, respectively. Interest rates applicable to these lines are based on several defined LIBOR indices.

The $1,500 note is secured by a mortgage on one building on the downtown campus.

The annual maturities for the $30,192 term note are $400 in 2017, $425 in 2018, $500 in 2019, $500 in 2020, $500 in 2021 and $26,968 for the periods remaining through 2039.

11 BONDS PAYABLE

Bonds payable consist of the following at June 30, 2016 and 2015 (in thousands):

	2016	2015
Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%.	$ 595	$ 675
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, 2016 and 2015 were 1.12% and 0.88%.	40,910	42,175
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, 2016 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 2016 through 2036, bearing interest at three-month LIBOR plus 30 basis points. The rates in effect at June 30, 2016 and 2015 were 0.93% and 0.57%.	93,990	96,470
Tax exempt Louisiana Public Facilities Authority 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 2016 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. The interest rate is fixed at 2.33%.	29,335	29,435

(continued)

	2016	2015
Tax exempt Louisiana Public Facilities Authority 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. The interest rate is fixed at 2.33%.	$ 28,950	$ 29,050
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, with a bullet payment of $5,825 due on May 24, 2019. The rate is fixed at 2.15%	8,325	9,325
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013A with annual maturities of $2,860 with a bullet payment of $12,705 due on January 1, 2023. The rate is fixed at 2.25%.	30,580	33,440
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
	571,265	579,150
Bond underwriters net premiums and discounts	5,755	6,053
Bonds payable	$ 577,020	$ 585,203

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 proceeds 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 Louisiana Public Facilities Authority (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 during the year ended June 30, 2012.

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, 2016, are as follows (in thousands).

Fiscal Year	Amount
2017	$ 9,425
2018	10,620
2019	16,690
2020	11,985
2021	12,665
2022 and thereafter	509,880
Total	$ 571,265

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, 2016 and 2015. 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 $248 and $151 at June 30, 2016 and 2015, respectively. 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 have 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 $1.157 and $1.212 billion at June 30, 2016 and 2015, respectively. Market values are used when available. Other investments totaling approximately $44 and $40 million at June 30, 2016 and 2015, 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 $568 and $560 million at June 30, 2016 and 2015, 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, 2016 and 2015, employer contributions to the plans were approximately $22.0 and $21.1 million, respectively.

EARLY RETIREMENT PROGRAM

On October 13, 2015, the university announced a voluntary separation program for eligible staff members who wish to retire or move to another position outside the university. An amount of $6.6 million in voluntary separation package benefits has been expensed in relation to these activities and is included in Institutional Support in the accompanying statement of activities for the year ended June 30, 2016.

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 $11.3 and $11.4 million and associated liabilities of $10.7 and $10.2 million at June 30, 2016 and 2015 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 health care 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 (OIG) 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 the University's $303.3 million of insurance proceeds between

Hurricane Katrina property damage and business interruption losses. During the second phase, OIG reviewed the methodology the university used to award $230 million in disaster-related contracts. In the third phase, OIG reviewed the support and eligibility of approximately $36.1 million of expenses that the university claimed on various projects. The OIG audit is standard procedure with regard to all major recipients of public assistance funds from FEMA.

Regarding the first phase, in April 2012, the OIG issued a management advisory report to FEMA regarding the amount of insurance FEMA has allocated for use in offsetting FEMA public assistance funds that may otherwise be available to the university. 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. In a memorandum dated October 3, 2016, the OIG closed the first phase of the audit, stating that no further action was required. The insurance allocation issue may, however, be subject to review by FEMA when it closes out the public assistance process.

Regarding the second phase, 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. On December 19, 2013, FEMA responded to an OIG finding concerning $5.5 million in discounts given to Tulane by its general contractor. The OIG had advised FEMA to insure that the university not be reimbursed for the $5.5 million in discounts. FEMA agreed, and the OIG closed this finding on December 20, 2013. On October 31, 2014, FEMA issued an audit response to OIG's suggested disallowance of approximately $5.6 million of costs regarding four contracts deemed as ineligible by OIG. FEMA reviewed the four contracts and determined that the entire amount of each of these contracts were fair and reasonable, resulting in no de-authorization of previously committed funding. The OIG was satisfied with FEMA's response, and on December 2, 2014, closed this particular finding. On June 19, 2015, FEMA responded to the OIG's recommendation to disallow approximately $35 million as prohibited excessive markups on contract costs. FEMA disagreed with this OIG finding, in part, on the basis that the costs were fair and reasonable. The ultimate disposition of this claim is uncertain.

Regarding the third phase, 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, recommending that FEMA disallow $13 million of such costs. FEMA responded to this OIG report on December 18, 2015, agreeing in part with the recommendations OIG made in the report. FEMA determined to de-authorize approximately $4,500,000 of funding FEMA previously committed to the university. Approximately $230,000 in costs were also identified for de-authorization, as they were deemed claims for duplicative expenses. The ultimate disposition of the third phase of the audit is also uncertain.

Until FEMA decides how it will respond to all of OIG's recommendations, and the FEMA public assistance process is ultimately closed out, the university cannot estimate with any degree of certainty the amount it will lose in previously authorized FEMA funds or ultimately be required to reimburse FEMA for monies already received. Such amounts could be substantial.

The following constitutes a summary of the university's cumulative funding from FEMA at June 30, 2016 and 2015 (in thousands):

	2016	2015
Cumulative FEMA cash received	$ 140,682	$ 135,966
Receivable from FEMA	1,381	6,900
Total FEMA cash received and receivable	$ 142,063	$ 142,866
Cumulative FEMA advances recognized as recoveries	$ 127,823	$ 121,486
FEMA advances recorded as deferred revenue	14,240	21,380
Total cost recoveries and deferred revenue	$ 142,063	$ 142,866

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 20 years. Total lease payments amounted to approximately $5.3 and $4.6 million, respectively, for the years ended June 30, 2016 and 2015. Future minimum rental payments on noncancellable operating leases with lease terms in excess of one year as of June 30, 2016 are as follows (in thousands):

Fiscal Year	Amount
2017	$ 5,344
2018	5,372
2019	5,297
2020	5,086
2021	4,871
2022 and thereafter	30,738
Total	$ 56,708

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, 2016 (in thousands):

	Fiscal Year	Amount
	2017	$ 1,977
	2018	1,966
	2019	2,011
	2020	2,053
	2021	1,949
	2022 and thereafter	81,369
Total		$ 91,325

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 12-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 $2.8 and $2.9 million during the years ended June 30, 2016 and 2015, respectively. Under this agreement such amounts are included in the plant operations and maintenance costs disclosed on page 7.

Effective July 28, 2016, the university exercised its right to purchase the underlying equipment and conservation measures for $12.4 million.

INTEREST RATE COLLARS AND SWAPS (IN THOUSANDS)

The university has entered into interest rate swap agreements to fix variable interest rates when terms have been advantageous. The university is not required to post collateral under any of its outstanding swaps.

In January 2009, the university entered into a forward-starting swap of interest rates that became effective February 15, 2011 to hedge certain of the Series 2007C Bonds ("Swap A"). Under Swap A, which had an original notional amount of $103.1 million that amortizes with the Series 2007C Bonds, the university paid a fixed rate of 3.195% (until subsequently amended) and the swap provider pays a three-month U.S. Dollar LIBOR rate. Swap A had an original termination date of February 2017.

In a second swap arrangement that hedges the Series 2007A-2 Bonds, the university paid a fixed interest rate of 2.334% (until subsequently amended) and received 67% of three-month LIBOR on an original notional amount of $62.2 million that amortizes with the Series 2007A-2 Bonds ("Swap B"). Swap B had an original termination date of February 2017.

Swap A and Swap B were modified in July 2015, to extend their termination dates to February 15, 2036. In connection with these maturity date extensions, effective May 15, 2015, the fixed rate Swap A (current notional amount of $93,990), was amended to 3.1296%, and the fixed rate on the Swap B (current notional amount of $55,680) was amended to 2.1018%.

The combined values of the above agreements at June 30, 2016 and 2015 were approximately $21,097 and $5,440 in favor of the swap providers, as reflected in the line item accounts payable and accrued liabilities.

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 years ended June 30, 2016 and 2015, is as follows (in thousands):

	Total Realized/Unrealized Gains (Losses) included in:					
	Balance, July 1, 2015	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2016
Interest Rate Swaps	$ (5,440)	$ –	$ (15,657)	$ –	$ –	$ (21,097)

	Total Realized/Unrealized Gains (Losses) included in:					
	Balance, July 1, 2014	Realized (Losses) Gains	Unrealized (Losses) Gains	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2015
Interest Rate Swaps	$ (8,772)	$ –	$ 3,332	$ –	$ –	$ (5,440)

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, UHS (University Healthcare System, L.C.), 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 education 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 years ended June 30, 2016 and 2015, the university recorded revenue and cost recoveries of approximately $55.0 and $55.5 million, respectively, and as of June 30, 2016 and 2015, recorded approximately $3.6 and $2.9 million, respectively, as receivable from UHS, related to these agreements.

The university's share of the joint venture's equity at June 30, 2016 and 2015 was zero.

17 SUBSEQUENT EVENTS

The university completed its subsequent events reviews through October 25, 2016. There were no material subsequent events as of that date which would require disclosure in or adjustment to the financial statements.

Tulane University