Northeastern University

Consolidated Financial Statements

June 30, 2016 and 2015

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Report of Independent Auditors

To the Board of Trustees of
Northeastern University

We have audited the accompanying consolidated financial statements of Northeastern University and its subsidiaries ("Northeastern University"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities for the year ended June 30, 2016 and of cash flows for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Northeastern University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northeastern 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2015, and the related consolidated statement of activities and of cash flows for the year then ended (not presented herein), and in our report dated September 30, 2015, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2015 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 24, 2016

Northeastern University
Consolidated Statements of Financial Position
June 30, 2016 and 2015

(in thousands of dollars)	2016	2015
Assets		
Cash and cash equivalents	$ 387,158	$ 381,810
Accounts and other receivables, net	40,111	36,949
Prepaids and other assets (Note 4)	26,018	24,641
Pledges receivable, net (Note 5)	94,545	105,466
Student and other loans receivable, net	35,242	35,017
Deposits with trustees (Note 3)	24,019	86,901
Investments (Notes 3 and 6)	840,271	873,885
Property, plant and equipment, net (Note 7)	1,280,326	1,170,426
Total assets	$ 2,727,690	$ 2,715,095
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 142,275	$ 138,748
Accounts payable on construction projects	33,218	27,153
Deferred revenue and student deposits	55,660	47,832
Refundable advances	34,773	35,432
Interest rate swap agreement (Notes 3 and 9)	70,210	52,264
Capital lease obligation (Note 8)	26,760	27,936
Bonds and notes payable (Notes 3 and 9)	903,192	927,350
Total liabilities	1,266,088	1,256,715
Net assets		
Endowment and similar funds (Note 14)	396,243	428,838
Net investment in plant	376,226	323,956
Other unrestricted	246,781	246,587
Total unrestricted	1,019,250	999,381
Endowment and similar funds (Note 14)	124,950	144,649
Other temporarily restricted	89,746	95,211
Total temporarily restricted (Note 13)	214,696	239,860
Permanently restricted endowment and similar funds (Notes 13 and 14)	227,656	219,139
Total net assets	1,461,602	1,458,380
Total liabilities and net assets	$ 2,727,690	$ 2,715,095

The accompanying notes are an integral part of these consolidated financial statements.

Northeastern University
Consolidated Statement of Activities
Year Ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Operating					
Revenues and other support					
Tuition and fees	$ 1,072,362	$ -	$ -	$ 1,072,362	$ 1,015,064
Less: Financial aid	(292,192)	-	-	(292,192)	(266,063)
Net student-related revenues	780,170	-	-	780,170	749,001
Contributions available for operations	3,832	11,801	-	15,633	31,500
Grants and contracts	82,679	-	-	82,679	81,391
Indirect cost recovery	24,203	-	-	24,203	23,119
Auxiliary enterprises	139,234	-	-	139,234	130,638
Endowment spending available for operations (Note 14)	14,150	9,220	-	23,370	22,127
Other investment return available for operations	2,751	-	-	2,751	2,642
Other	38,376	-	-	38,376	34,261
Total operating revenues	1,085,395	21,021	-	1,106,416	1,074,679
Net assets released for operations	25,941	(25,941)		-	-
Total operating revenues and other support	1,111,336	(4,920)	-	1,106,416	1,074,679
Expenses					
Instruction	405,883	-	-	405,883	392,597
Research	104,012	-	-	104,012	102,204
Academic support	138,087	-	-	138,087	131,527
Student services	127,136	-	-	127,136	117,366
Institutional support	127,204	-	-	127,204	119,018
Other student aid	5,525	-	-	5,525	4,947
Auxiliary enterprises	122,941	-	-	122,941	114,262
Other	4,891	-	-	4,891	6,564
Total operating expenses (Notes 7 and 9)	1,035,679	-	-	1,035,679	988,485
Increase in net assets from operating activities	75,657	(4,920)	-	70,737	86,194
Nonoperating					
Contributions	3,888	14,292	7,126	25,306	49,774
Contributions available for operations	(3,832)	(11,801)	-	(15,633)	(31,500)
Endowment and other investment return (Note 6)	(14,428)	(8,027)	606	(21,849)	19,293
Endowment spending available for operations (Note 14)	(14,150)	(9,220)	-	(23,370)	(22,127)
Other investment return available for operations	(2,751)	-	-	(2,751)	(2,642)
Change in annuity and life income funds	-	(3,024)	-	(3,024)	(1,773)
Net realized and change in unrealized loss on interest rate swap agreement (Note 9)	(25,269)	-	-	(25,269)	(13,264)
Other nonoperating losses	(925)	-	-	(925)	(766)
Net assets released from restrictions and other transfers	1,679	(2,464)	785	-	-
Change in net assets	19,869	(25,164)	8,517	3,222	83,189
Net assets at beginning of year	999,381	239,860	219,139	1,458,380	1,375,191
Net assets at end of year	$ 1,019,250	$ 214,696	$ 227,656	$ 1,461,602	$ 1,458,380

The accompanying notes are an integral part of these consolidated financial statements.

Northeastern University
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	**2016**	**2015**
Cash flows from operating activities		
Cash received from student-related revenues	$ 931,405	$ 875,229
Cash received from sponsored programs	97,012	93,362
Cash received from donors	19,743	22,926
Cash received from endowment and other investment income	7,279	9,002
Cash received from auxiliary enterprises other than student housing	9,837	11,222
Cash received from other income	38,040	33,982
Cash paid to employees and vendors	(955,043)	(892,480)
Interest and other payments	(38,628)	(42,893)
Net cash provided by operating activities	109,645	110,350
Cash flows from investing activities		
Acquisition of property, plant and equipment	(168,426)	(124,524)
Decrease in deposits with trustees	62,882	52,646
Proceeds from sale or maturities of investments	78,600	127,637
Purchases of investments	(74,959)	(105,187)
Student loans and other loans issued	(6,764)	(5,840)
Proceeds from student and other loans	6,130	5,987
Proceeds from sale of property	7,719	1,893
Net cash used in investing activities	(94,818)	(47,388)
Cash flows from financing activities		
(Decrease) increase in refundable advances	(659)	2,123
Interest and dividends restricted for long-term investments	606	454
Payment to annuitants and life income funds	(909)	(703)
Contributions for long-term investments	11,054	12,626
Proceeds from sale of restricted contributed securities	3,755	6,189
Payments on capital lease obligation	(1,176)	(1,121)
Payments on bonds and notes payable	(22,150)	(16,485)
Net cash (used in) provided by financing activities	(9,479)	3,083
Increase in cash and cash equivalents	5,348	66,045
Cash and cash equivalents at the beginning of the year	381,810	315,765
Cash and cash equivalents at the end of the year	$ 387,158	$ 381,810

The accompanying notes are an integral part of these consolidated financial statements.

1. Background

Founded in 1898, Northeastern University ("the University" or "Northeastern") is one of the largest private urban universities in the United States. It is a world leader in experiential education, an academic approach that integrates study and professional work to provide a more powerful learning experience. The University is also a leader in the production of use-inspired research that meets societal needs. Northeastern grants associate, bachelor, master and doctoral degrees. The University attracts students from all 50 states within the United States and more than 125 countries.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the University are set forth below.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with the reporting standards for not-for-profit organizations and include the University and its subsidiaries, principally a real estate holding entity and a research institute.

Generally Accepted Accounting Principles ("GAAP") require classification of net assets and revenues, expenses, gains and losses into three categories, based on the existence or absence of donor or legal restrictions. The categories, unrestricted, temporarily restricted and permanently restricted net assets, are defined as follows:

Unrestricted - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by management or the Board of Trustees.

Temporarily Restricted - Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the University.

Permanently Restricted - Reflects the original amount of gifts and, in some cases, the income generated from these gifts, which are required by the donor to be invested in perpetuity to produce income for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Net realized and change in unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Unconditional promises to give (pledges) are recognized as temporarily or permanently restricted revenues in the period received. Pledges are recorded at the present value of expected future cash flows. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Gifts of noncash assets are recorded at their fair market value at the date of contribution.

The University has received beneficial interests in irrevocable charitable remainder trusts, for which the University does not serve as trustee. For these trusts, the University recorded its beneficial interest in those assets as contributions revenue and pledges receivable at the present value of the expected future cash inflows. Trusts are recorded at the date the University has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for an accrual. Changes in the value of these assets are recorded as a nonoperating change in the valuation of pledges receivable of either temporarily or permanently restricted net assets.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets in the statement of activities. Gifts with donor-imposed restrictions, which are reported as temporarily restricted revenues, are released to unrestricted net assets when used for an expenditure that satisfies the donor-imposed restriction. Gifts restricted for the purchase of land, buildings and equipment are reported as temporarily restricted nonoperating revenues and are released to unrestricted net assets when the assets are placed into service.

Net tuition and fees reflect student financial aid funded by the University's operating budget, restricted endowment funds, and federal and state student assistance programs. Compensation of students for services provided and tuition benefits for employees are presented as expenses. Tuition and fees collected but not earned are reported as deferred revenue and student deposits.

Revenues associated with research and other contracts and grants are recognized when related costs are incurred. Indirect cost recoveries by the University on U.S. Government contracts and grants are based upon a negotiated rate and are recorded as unrestricted revenue.

Federally funded operating grants and contracts for the year ended June 30, 2016 and 2015 were $88,482,000 and $85,978,000, respectively, including indirect costs of $21,611,000 and $20,930,000, respectively.

Auxiliary enterprises include the operation of student housing and dining services, the daycare center and managed properties.

Nonoperating activities include all contributions, endowment and other investment return, change in annuity and life income funds, realized and changes in unrealized losses on interest rate swap agreements, net loss on sale of property and net assets released from restrictions and other transfers during the period used for current operations. Nonoperating revenues also include the portion of the endowment return/ (loss) in connection with the University's spending policy in excess of the amount appropriated and other investment return. Contributions available for operations received and spent in the same year are presented as reductions to nonoperating revenues and are reclassified to operating revenues. All other activities are classified as operating.

Expenses incurred in carrying out the fund-raising activities of the University, amounted to $19,710,000 and $19,421,000 for the years ended June 30, 2016 and 2015, respectively.

Certain 2015 amounts have been reclassified to conform to the current year presentation.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of cash management accounts, money market funds and bonds with maturities when purchased of three months or less.

Most of the University's banking activity, including cash and cash equivalents, is conducted with several national banks with investment grade credit ratings. From time to time in the regular course of business deposit amounts exceed federal insurance limits. It is the University's policy to monitor these banks' financial strength and deposit balances on a daily basis and no losses have been experienced to date.

Accounts and Loans Receivable
Accounts receivable are stated net of allowance for doubtful accounts of $8,721,000 and $7,531,000 at June 30, 2016 and 2015, respectively. Loans receivable are stated net of allowance for doubtful accounts of $687,000 at June 30, 2016 and 2015. Loans receivable are principally amounts due from students under Federally Sponsored Loan Programs, which are subject to significant restrictions; accordingly, it is not practical to determine the fair value of such amounts.

The University records an allowance for doubtful accounts for student and other loans receivables including those under the Federal Perkins Loan Program. Management regularly assesses the adequacy of the allowance for credit losses by performing evaluations on the student loan portfolio, current economic environment, and level of delinquent loans. The allowance is adjusted based on the results of these evaluations. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal government in certain nonrepayment situations. Management believes that this allowance at June 30, 2016 and 2015 is adequate to absorb credit losses inherent in the portfolio as of that date.

Deposits with Trustees
These funds are established in accordance with the resolutions and loan agreements related to the issuance of the Massachusetts Development Finance Agency Series 2014A bonds. These funds are used for construction of the Interdisciplinary Science and Engineering Complex and are invested in U.S Treasuries, Federal agency bonds and money market funds.

Investments
Investments include cash and cash equivalents which are designated for long term investment by the University. They also include fixed income and equity portfolios with broadly defined investment strategies. Managers of these portfolios may utilize hedging strategies, invest in securities denominated in foreign currencies, or invest in options, futures, forward contracts, or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty to the transactions. The University also invests in a number of limited partnerships which sell securities short and which use leverage.

All investments are carried at estimated fair value.

Gains and losses upon sale of certain investments are calculated using average cost at trade date.

Property, Plant and Equipment
Property, plant and equipment are stated at cost on the date of acquisition, net of accumulated depreciation. Plant assets donated to the University are stated at fair market value on the date of the gift, net of subsequent accumulated depreciation.

Depreciation is calculated using the straight-line method, with a half-year convention over the following estimated useful lives:

Buildings	50 years
Building improvements	30 years
Furniture, equipment and books	5-20 years
Software	4-7 years

Expenditures for maintenance and repairs are charged to operations as incurred; significant renewals and betterments are capitalized.

Conditional Asset Retirement Obligations

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities.

The University recognized $1,172,000 and $1,140,000 of operating expenses related to the accretion of liabilities recorded for the years ended June 30, 2016 and 2015, respectively. Conditional asset retirement obligations of $22,370,000 and $22,406,000 at June 30, 2016 and 2015, respectively, are included in accounts payable and accrued liabilities on the consolidated statement of financial position.

Net Investment in Plant

Net investment in plant includes the net book value of all capital assets offset by outstanding liabilities associated with those capital assets. Capital assets include prepaid assets, and property, plant and equipment (net of accumulated depreciation). Outstanding liabilities include the conditional asset retirement obligation, accounts payable associated with construction projects, premiums, unamortized debt issuance costs and discounts on bonds and notes paybles, capital lease obligation and outstanding bonds and notes payable, including amounts of the associated interest rate swap agreement.

Endowment

The endowment includes both donor-restricted funds and funds designated by the Board of Trustees (“the Board”) to function as endowments. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions in accordance with the laws of the Commonwealth of Massachusetts.

The Board of Trustees has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA or Act) for donor-restricted endowment funds as requiring the preservation of the original value of gifts, as of the gift date, to donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively these amounts are referred to as the historic dollar value of the fund.

In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources available; and investment policies.

Unrestricted net assets include funds designated by the Board to function as endowments and the income from certain donor-restricted endowment funds, and any accumulated investment return thereon, which pursuant to donor intent may be expended based on trustee or management designation. Temporarily restricted net assets include funds appropriated for expenditure pursuant to endowment and investment spending policies, certain expendable endowment gifts from donors, and any retained income and appreciation on donor-restricted endowment funds, which are restricted by the donor to a specific purpose or by law. When the temporary restrictions on these funds have been met, the funds are reclassified to unrestricted net assets.

The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. To achieve 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 gains) and current yield (interest and dividends). The University expects its endowment funds, over time, to provide an average real rate of return of approximately 4% annually.

The University’s endowment spending policy is calculated using 4% of a sixty month moving average of the endowment fund’s market value. This amount is distributed to the appropriate funds and treated as operating revenue in the statement of activities. These distributions consist of dividends, interest and, if necessary, a portion of accumulated investment gains. The amount distributed each year is subject to the Board’s approval. During both fiscal years 2016 and 2015, the full payout amount was distributed.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment fund deficits exist, they are classified as a reduction of unrestricted net assets. The balances at June 30, 2016 and 2015 are included in Note 14. These deficits usually result from unfavorable market fluctuations that occur shortly after the investment of recently established endowments.

Tax Status
The University and its subsidiaries are tax-exempt organizations as described in section 501(c)(3) of the Internal Revenue Code.

GAAP requires that the University evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (“IRS”). The University has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no significant uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Use of Estimates
The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Recently Adopted Accounting Standards
On July 1, 2014, the University early adopted new guidance about fair value measurement and disclosures for investments in certain entities that calculate net asset value per share (or its equivalent). This guidance requires the University to show investments that use net asset value ("NAV") as a practical expedient for valuation purposes, separately from other investments categorized in the fair value hierarchy described in Note 3. This disclosure is reflected in the investment leveling tables shown in Note 3 of the financial statements for both fiscal years 2016 and 2015.

On July 1, 2015, the University early adopted new guidance about the recognition and measurement of financial assets and financial liabilities. This guidance no longer requires the University to disclose the fair value of their bonds and notes payable obligations as of June 30, 2016 in the notes to the financial statements. Note 3 no longer discloses this amount.

On July 1, 2015, the University adopted guidance about simplifying the presentation of debt issuance costs. This guidance requires the University to show debt issuance costs as a contra-liability balance within bonds and notes payable. This change, which was applied retrospectively, can be seen on the statement of financial position and in Note 9 of the financial statements for both fiscal years 2016 and 2015.

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 (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact on the University consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance allows an entity to choose, investment-by-investment, to report an equity investment that neither has a readily determinable fair value, nor qualifies for the practical expedient for fair value estimation using NAV, at its cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issue. Impairment of such investments must be assessed qualitatively at each reporting period. Entities must disclose their financial assets and liabilities by measurement category and form of asset either on the face of the statement of financial position or in the accompanying notes. The ASU is effective for annual reporting periods beginning after December 15, 2018. The University is evaluating the impact of the new guidance on the consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which

reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact on the University consolidated financial statements.

In August, 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities including changes to the classification of net assets and liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. The University is evaluating the impact of the new standard on the University consolidated financial statements.

3. Fair Value Measurements

The University values its financial assets and liabilities at fair value in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and delineates the disclosures required about fair value measurements. Financial assets consist primarily of the endowment and other investments. Additionally, GAAP allows the University the use of estimates to fair value alternative investments at the measurement date using net asset values ("NAV") reported by the investment managers without further adjustment, provided that the University does not expect to sell the alternative investments at a value other than the NAV. The University performs due diligence procedures on its alternative investments to determine the values recorded are appropriate.

GAAP clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment.

Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Valuations using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents information about assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2016, and indicates the fair value hierarchy utilized to determine such fair value:

(in thousands)	**6/30/2016**	**Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Level 1**	**Significant Other Observable Level 2**	**Significant Unobservable Inputs Level 3**
Beneficial interest in charitable remainder trust investments	$ 4,546	$ -	$ -	$ 4,546
Deposit with trustees	24,019	24,019	-	-
Endowment Investments				
Cash equivalents	9,684	9,684	-	-
Fixed income	40,546	40,546	-	-
Domestic equity	130,879	130,879	-	-
International equity	153,098	153,098	-	-
Other investments	16,631	16,631	-	-
Private equity at NAV (a)	115,406	-	-	-
Hedge funds at NAV (a)	204,756	-	-	-
Other alternative investments at NAV (a)	30,958	-	-	-
Total endowment investments	701,958	350,838	-	-
Other investments				
Fixed income	120,096	120,096	-	-
Domestic equity	996	996	-	-
Auction rate securities and other	17,221	-	-	17,221
Total other investments	138,313	121,092	-	17,221
Total investments	840,271	471,930	-	17,221
Total assets	$ 868,836	$ 495,949	$ -	$ 21,767
Interest rate swap agreements – liability	$ (70,210)	$ -	$ (70,210)	$ -
Total liabilities	$ (70,210)	$ -	$ (70,210)	$ -

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Excluded from the fair value hierarchy at June 30, 2016 are $115,406,000 of private equity, $204,756,000 of hedge funds and $30,958,000 of other equities for which fair value is measured at NAV per share using the practical expedient.

The following table presents information about assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015, and indicates the fair value hierarchy utilized to determine such fair value:

		Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(in thousands)	**6/30/2015**	**Level 1**	**Level 2**	**Level 3**
Beneficial interest in charitable remainder trust investments	$ 4,306	$ -	$ -	$ 4,306
Deposit with trustees	86,901	86,901	-	-
Endowment Investments				
Cash equivalents	25,537	25,537	-	-
Fixed income	40,043	40,043	-	-
Domestic equity	119,127	119,127	-	-
International equity	157,950	157,950	-	-
Other investments	17,382	17,382	-	-
Private equity at NAV (b)	115,870	-	-	-
Hedge funds at NAV (b)	227,391	-	-	-
Other alternative investments at NAV (b)	39,732	-	-	-
Total endowment investments	743,032	360,039	-	-
Other investments				
Fixed income	113,996	113,996	-	-
Domestic equity	1,135	1,135	-	-
Auction rate securities and other	15,722	-	-	15,722
Total other investments	130,853	115,131	-	15,722
Total investments	873,885	475,170	-	15,722
Total assets	$ 965,092	$ 562,071	$ -	$ 20,028
Interest rate swap agreements – liability	$ (52,264)	$ -	$ (52,264)	$ -
Total liabilities	$ (52,264)	$ -	$ (52,264)	$ -

(b) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Excluded from the fair value hierarchy at June 30, 2015 are $115,870,000 of private equity, $227,391,000 of hedge funds and $39,732,000 of other equities for which fair value is measured at NAV per share using the practical expedient.

All financial instruments are valued using a market approach involving identical or comparable assets or liabilities except for auction rate securities and the University's beneficial interest in charitable remainder trusts which are valued using an income approach.

At June 30, 2016 the change in the fair value of financial instruments valued using significant unobservable inputs (Level 3) is shown below:

(in thousands of dollars)	Auction Rate Securities and Other	Beneficial Interest in Charitable Remainder Trust	Total
Fair value recorded at June 30, 2014	$ 15,722	$ 4,091	$ 19,813
Unrealized gains	-	215	215
Fair value recorded at June 30, 2015	15,722	4,306	20,028
Unrealized gains	1,499	240	1,739
Fair value recorded at June 30, 2016	$ 17,221	$ 4,546	$ 21,767

The fair values of marketable domestic and international equities and fixed income instruments are determined generally based on quoted market prices in active markets. Alternative investments include private equity funds, hedge funds and other alternative investments. Private equity investments may consist of commitments in a limited partnership that invests in private companies or properties. Hedge funds may include investments that are publicly traded and may be subject to redemption restrictions.

At June 30, 2016, redemption terms for investments consist of the following:

(in thousands of dollars) **Redemption Terms**	Within 30 Days	31-60 Days Prior Written Notice	61-90 Days Prior Written Notice	91-180 Days Prior Written Notice	181-365 Days Prior Written Notice	1-5 Years	6-10 Years	Total
Cash equivalents	$ 9,684	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,684
Fixed income	160,642	-	-	-	-	-	-	160,642
Domestic equity	131,875	-	-	-	-	-	-	131,875
International equity	153,098	-	-	-	-	-	-	153,098
Private equity	-	-	-	-	-	-	115,406	115,406
Hedge funds	114	421	1,610	58,684	95,788	47,547	592	204,756
Other alternative investments	10,156	17,694	-	1,036	-	2,072	-	30,958
Other investments	16,631	-	-	-	-	-	17,221	33,852
	$ 482,200	$ 18,115	$ 1,610	$ 59,720	$ 95,788	$ 49,619	$ 133,219	$ 840,271

The University's auction rate securities at June 30, 2016 and 2015 were determined to have a fair value of $17,000,000 and $15,501,000, respectively, and were reflective of a $3,000,000 and $4,499,000 discount, respectively. The auction rate securities are valued using the income approach, specifically a discounted cash flow analysis. This valuation methodology includes utilizing unobservable inputs such as offered quotes and comparability adjustments to arrive at the estimated fair value. The University performs ongoing due diligence to determine that the auction rate securities' fair value is reasonable.

Deposits with trustees are carried at fair value.

The estimated fair value of the interest rate swap agreement is based on an independent third party valuation. The fair value of swap instruments represents the estimated cost to the University to cancel the agreements at the reporting date. The University has performed due diligence on the fair value of its interest rate swap agreement to determine fair value at June 30, 2016 and 2015.

4. Prepaids and Other Assets

Five universities in the Commonwealth of Massachusetts formed The Massachusetts Green High Performance Computing Center, Inc., ("MGHPCC") and MGHPCC Holyoke, Inc. in May 2010 and April 2011, respectively, to construct and operate a research computing center located in Holyoke, Massachusetts. Both MGHPCC and MGHPCC Holyoke, Inc. are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code. Each respective university has agreed to contribute $10,000,000 in total. The University has contributed $10,000,000 which is included in the University's statement of financial position within prepaids and other assets. The center became fully operational in January 2013, at which time the University began amortizing the asset over the 10 year expected useful life.

5. Pledges

Pledges receivable as of June 30 are expected to be realized in the following time periods:

(in thousands of dollars)	**2016**	**2015**
One year or less	$ 27,431	$ 28,047
Between one and five years	51,868	59,386
Greater than five years	31,286	36,199
	110,585	123,632
Less: Discount	(11,178)	(13,304)
Allowance for doubtful pledges	(4,862)	(4,862)
	$ 94,545	$ 105,466

At June 30, 2016, the University has $2,500,000 of conditional pledges that are not reflected in the consolidated financial statements due to their conditional nature.

6. Investments

Investments, stated at fair value, held by the University at June 30 were as follows:

(in thousands of dollars)	**2016**	**2015**
Cash equivalents	$ 9,684	$ 25,537
Fixed income	160,642	154,039
Domestic equity	131,875	120,262
International equity	153,098	157,950
Private equity	115,406	115,870
Hedge funds	204,756	227,391
Other alternative investments	30,958	39,732
Other investments	33,852	33,104
	$ 840,271	$ 873,885

The unfunded commitments, consisting of commitments that the University has made to various private equity investments at June 30, 2016 are listed below. These funds may be called for a period to extend between one and fifteen years.

(in thousands of dollars)	**2016**
Venture capital	$ 81,557
Real estate	5,072
Energy & commodities	15,596
	$ 102,225

Endowment and other investment return is comprised of:

(in thousands of dollars)	**2016**	**2015**
Realized and change in unrealized (losses) gains		
Endowment investments	$ (34,530)	$ 6,916
Other investments	688	(1,366)
Investment yield		
Endowment investments	9,242	11,101
Other investments	2,751	2,642
	$ (21,849)	$ 19,293
Unrestricted	$ (14,428)	$ 10,561
Temporarily restricted	(8,027)	8,278
Permanently restricted	606	454
	$ (21,849)	$ 19,293

Direct investment management fees paid were $1,552,000 and $1,677,000 for the years ended June 30, 2016 and 2015, respectively.

7. Property, Plant and Equipment

Property, plant and equipment at June 30 consisted of the following:

(in thousands of dollars)	**2016**	**2015**
Land	$ 23,348	$ 23,443
Building and improvements	1,415,466	1,356,563
Capitalized lease	38,410	38,410
Furniture and equipment	252,007	288,626
Library books	52,078	49,727
Construction in progress	160,397	76,275
	1,941,706	1,833,044
Less: Accumulated depreciation	(661,380)	(662,618)
	$ 1,280,326	$ 1,170,426

Depreciation expense amounted to $57,759,000 and $56,716,000 for the years ended June 30, 2016 and 2015, respectively, and is allocated in the consolidated statement of activities to functional expenses based on specific use of the related facilities. Operation, maintenance and security of plant expense totaled $76,977,000 and $72,752,000 for the years ended June 30, 2016 and 2015, respectively, and is allocated to functional expense categories in the consolidated statement of activities based on salary expense.

8. Capitalized Lease

The University commenced the residence hall lease in July 2001. The rent, over the 30-year term of the lease, will be equal to the actual debt service plus customary fees payable with respect to the $31,130,000 principal amount of the bonds issued to finance the building. The annual lease commitments for future years range from $2,620,000 in 2017 to $2,576,000 in 2031.

Approximate future annual principal requirements as of June 30, 2016 are as follows:

(in thousands of dollars)	**Principal Payments**
Year	
2017	$ 1,238
2018	1,300
2019	1,366
2020	1,433
2021	1,505
2022-2031	19,918
	$ 26,760

9. Bonds and Notes Payable

Bonds and notes payable consists of the following at June 30:

(in thousands of dollars) Name	Rate	Maturity	2016	2015
Massachusetts Development Finance Agency				
Series R	4.50%-5.00%	2033	$ 73,695	$ 76,205
Series T -1	2.00%-5.00%	2037	62,260	62,610
Series T -2	3.00%-5.00%	2037	65,315	65,690
Series T -3	Variable	2019	69,025	69,375
Series Y-1	5.00%-5.62%	2029	29,975	31,400
Series Y-2	5.00%-5.50%	2024	12,170	13,120
Series 2010A	3.00%-5.00%	2035	208,390	216,955
Series 2012	4.00%-5.00%	2035	54,385	54,385
Series 2014A	4.37%-5.25%	2044	150,000	150,000
Taxable Revenue Bonds				
Series 2010B	3.35%-6.43%	2035	65,870	68,600
Series 2014B	0.01%-5.29%	2032	95,300	100,000
Other Notes Payable	2.50%	2019	706	900
			887,091	909,240
Add: Unamortized Premium on Bonds			20,987	23,239
Less: Unamoritized Discount on Bonds			(3,217)	(3,374)
Less: Unamortized Issuance Cost on Bonds			(1,669)	(1,755)
			$ 903,192	$ 927,350

Approximate future annual principal requirements are below:

(in thousands of dollars)	**Principal Payments**
Year	
2017	$ 23,011
2018	24,015
2019	25,074
2020	26,209
2021	27,240
Thereafter	761,542
	$ 887,091

The tables above reflect the contractual maturities of the debt agreements which were effective as of June 30, 2016.

Interest expense totaled $27,695,000 and $31,458,000 for the years ended June 30, 2016 and 2015, respectively. Interest expense has been allocated to each functional expense category in the consolidated statement of activities based on specific identification. Total amounts paid in 2016 and 2015, were $48,301,000 and $49,235,000, respectively, to meet interest costs including settlement costs on the related interest rate swap agreement. Interest expense capitalized totaled $11,119,000 and $7,845,000 for the years ended June 30, 2016 and 2015, respectively.

The University entered into an interest rate swap agreement on December 22, 2006 to manage the interest cost and variable rate risk associated with its Series T3 outstanding debt. The interest rate swap agreement was not entered into for trading or speculative purposes. Under the terms of the agreement, the University pays a fixed rate, determined at inception, to a third party who in turn pays the University a variable rate on these respective notional principal amounts.

The University records the interest rate swap at fair value. Net payments or receipts under the swap agreement along with the change in fair value of the swap are included in the nonoperating section on the consolidated statement of activities.

The University has adopted guidance related to the *Disclosures about Derivative Instruments and Hedging Activity*. Under this guidance, the University is required to disclose the location and amounts of derivatives within the consolidated financial statements. The tables below depict the impact the derivative has on both the consolidated statements of financial position and consolidated statements of activities.

(in thousands of dollars)	**June 30, 2016 Fair Value**	**June 30, 2015 Fair Value**
Interest rate swap agreement (liability)	$ (70,210)	$ (52,264)

Net realized and unrealized loss on the interest rate swap recorded in the consolidated statement of activities as nonoperating was as follows for the years ended June 30, 2016 and 2015:

(in thousands of dollars)	**2016**	**2015**
Realized loss	$ (7,323)	$ (7,584)
Change in unrealized loss	(17,946)	(5,680)
	$ (25,269)	$ (13,264)

The following schedule presents the notional principal amounts and fair value of the University's interest rate swap agreement at June 30, 2016:

(in thousands of dollars)

Bond Issue	**Counterparty**	**Trade Type**	**Notional Amount**	**Date Expiration October 1,**	**Fair Value at June 30, 2016**
MDFA Series T3	AIG	Swap	$ 207,025	2037	$ (70,210)

There is no collateral posting requirement for the University related to the swap with AIG.

The University maintained lines of credit with two banks in the aggregate amount of $50,000,000 for years ended June 30, 2016 and 2015. There were no amounts outstanding on the lines of credit at June 30, 2016 and 2015.

10. Retirement Plan

The University sponsors a retirement plan under which full-time faculty and staff may elect to contribute an amount of their eligible compensation up to the Internal Revenue Service published limit toward the purchase of contracts with Teachers Insurance and Annuity Association of America and College Retirement Equities Fund and/or Fidelity Management Trust Company. After two years of employment, the University contributes 10% of each participant's eligible compensation to each participant's account providing that the participant contributes a minimum of 5% of eligible compensation to the plan. The cost of the University's contribution to this plan was $27,223,000 and $25,049,000 for the years ended June 30, 2016 and 2015, respectively.

11. Post-Retirement Medical Plan

The University sponsors a post retirement medical plan under which faculty and staff who are 55 years of age and have at least 10 years of service can participate. Under the plan retirees can contribute 50% of the premium for the medical plan selected. The plan is provided for Pre-Medicare coverage and such coverage terminates at age 65. Spouses and dependent children may elect coverage under the plan by contributing 100% of the premium. Spouses are eligible until they are able to participate in Medicare and dependent children until age 26.

For the year ended June 30, 2016 and 2015, net periodic post-retirement medical benefits cost includes the following:

(in thousands of dollars)	2016	2015
Service cost	$ 620	$ 617
Interest cost	395	394
	$ 1,015	$ 1,011

Changes in the post-retirement medical benefit obligations are as follows:

(in thousands of dollars)	2016	2015
Benefit obligations at beginning of year	$ 11,523	$ 11,771
Service cost	620	617
Interest cost	395	394
Participant contributions	560	495
Actuarial loss (gain)	2,002	(424)
Benefits paid	(1,403)	(1,330)
Benefit obligations at end of year	$ 13,697	$ 11,523

These costs are allocated to the functional expense categories in the statement of activities based on salary expense. The accrued post-retirement benefit obligation in the table above is included in accounts payable and accrued liabilities on the consolidated statement of financial position. The plan does not hold assets and is funded as benefits are paid.

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered medical benefits was 6.5% for the year ending June 30, 2017, graded down ratably until reaching an ultimate medical trend rate of 3.5% for fiscal year 2022 and thereafter. The discount rate used to determine the accumulated benefit obligation is 2.71% and 3.56% as of June 30, 2016 and 2015, respectively. The discount rate used to determine the net periodic post-retirement benefit cost is 3.56% and 3.47% as of June 30, 2016 and 2015, respectively. The cumulative amount within unrestricted net assets related to unamortized losses is $879,000 as of June 30, 2016.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would have the following effect:

(in thousands of dollars)	**2016**	**2015**
Impact of 1% increase in health care cost trend		
on interest cost plus service cost during the past year	$ 106	$ 121
on accumulated post-retirement benefit obligation	1,104	875
Impact of 1% decrease in health care cost trend		
on interest cost plus service cost during the past year	(92)	(105)
on accumulated post-retirement benefit obligation	(990)	(787)

Expected future benefit payments and cash contributions to the plan are as follows:

(in thousands of dollars)	**Future Benefit Payments**
Year	
2017	$ 836
2018	911
2019	1,012
2020	1,096
2021	1,083
2022-2026	5,953
	$ 10,891

12. Self-Insurance

The University is self-insured for certain employee health benefits, workers' compensation, a portion of property and casualty coverage and a student health plan. The self-insurance reserve balances are $3,183,000 and $4,651,000 at June 30, 2016 and 2015, respectively, and are included in accounts payable and accrued liabilities on the consolidated statement of financial position.

13. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are composed of the following general classes of uses or purpose at June 30:

	2016		2015	
(in thousands of dollars)	**Temporarily Restricted**	**Permanently Restricted**	**Temporarily Restricted**	**Permanently Restricted**
Instruction and academic administration	$ 84,668	$ 99,413	$ 88,498	$ 95,085
Research	16,090	17,141	19,243	16,858
Scholarships, fellowship and other aid	92,100	101,381	104,316	96,108
Capital construction and maintenance	7,680	1,313	8,381	694
Life income funds	5,122	3,490	8,253	3,522
Other	9,036	4,918	11,169	6,872
	$ 214,696	$ 227,656	$ 239,860	$ 219,139

14. Endowment and Similar Net Assets

Endowment and similar net assets composition by type of fund as of June 30, 2016:

(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (776) [1]	$ 124,950	$ 227,656	$ 351,830
Board-designated endowment funds	397,019	-	-	397,019
	$ 396,243	$ 124,950	$ 227,656	$ 748,849

Endowment and similar net assets composition by type of fund as of June 30, 2015:

(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (13) [1]	$ 144,649	$ 219,139	$ 363,775
Board-designated endowment funds	428,851	-	-	428,851
	$ 428,838	$ 144,649	$ 219,139	$ 792,626

[1] The $776,000 and $13,000 deficits in unrestricted net assets on June 30, 2016 and 2015, respectively, represent the amounts by which the fair values of certain donor-restricted endowment funds were below the amount required to be retained permanently.

Changes in Endowment and similar net assets for the fiscal year ended June 30, 2016:

(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment and similar net assets at July 1, 2015	$ 428,838	$ 144,649	$ 219,139	$ 792,626
Investment income	5,182	4,053	7	9,242
Net appreciation (realized and change in unrealized)	(21,994)	(11,529)	599	(32,924)
Total endowment return	(16,812)	(7,476)	606	(23,682)
Contributions	57	983	7,126	8,166
Endowment spending for operations and reinvestment	(14,150)	(9,220)	-	(23,370)
Other expenses and transfers	(1,690)	(3,986)	785	(4,891)
Endowment and similar net assets at June 30, 2016	$ 396,243	$ 124,950	$ 227,656	$ 748,849

Changes in Endowment and similar net assets for the fiscal year ended June 30, 2015:

(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment and similar net assets at July 1, 2014	$ 433,487	$ 147,051	$ 199,182	$ 779,720
Investment income	6,453	4,648	-	11,101
Net appreciation (realized and change in unrealized)	3,896	4,303	454	8,653
Total endowment return	10,349	8,951	454	19,754
Contributions	120	3,475	11,727	15,322
Endowment spending for operations and reinvestment	(13,923)	(8,204)	-	(22,127)
Other expenses and transfers	(1,195)	(6,624)	7,776	(43)
Endowment and similar net assets at June 30, 2015	$ 428,838	$ 144,649	$ 219,139	$ 792,626

Endowment and similar net assets classified as unrestricted net assets include unrestricted gifts from donors and other funds designated by the University as quasi-endowment for the long-term support of the University, including any accumulated income and appreciation. Temporarily restricted endowment net assets include accumulated income and appreciation on permanently restricted endowment funds, life income, annuities and trust funds (net of actuarial liability). Permanently restricted endowment and similar net assets consist of those funds designated by donors to be invested in perpetuity to provide a permanent source of income. Endowment and similar net assets are primarily used to fund scholarships and professorships.

15. Lease Commitments and Contingencies

The University is subject to certain legal proceedings and claims which arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position.

The University leases property, plant and equipment. The annual operating minimum lease commitments for property rentals through the year 2021 are approximated below:

(in thousands of dollars)	**Minimum Lease Commitments**
Year	
2017	$ 31,542
2018	29,636
2019	27,889
2020	25,998
2021	24,888
	$ 139,953

Total rental expense, including computer software licenses, for the University was $43,262,000 and $37,418,000 for the years ended June 30, 2016 and 2015, respectively.

The University has entered into contracts for various construction, maintenance and renovation projects for which a balance of $59,631,000 is committed at June 30, 2016.

16. Cash Flow Statement

The University has presented cash flows from operating activities in the statement of cash flows using the direct method. The following table reconciles total changes in net assets to net cash provided by or used in operating activities.

(in thousands of dollars)	**2016**	**2015**
Cash flows from operating activities		
Change in net assets	$ 3,222	$ 83,189
Adjustments to reconcile total changes in net assets to net cash provided by operating activities		
Depreciation and amortization	55,750	54,556
Accretion expense	1,172	1,140
Student loan cancellations	409	263
Allowance for bad debt	3,975	3,552
Loss on disposals of property, plant, and equipment	4,014	826
Contributions in kind	(1,916)	(2,250)
Contributed securities	(6,117)	(7,487)
Proceeds from sale of contributed securities	2,362	1,298
Contributions for long-term investments	(11,054)	(12,626)
Interest and dividends restricted for long-term investments	(606)	(454)
Net realized and change in unrealized loss (gain) on investments	29,973	(9,622)
Unrealized loss on interest rate swap agreement	17,946	5,680
Net (gain) loss on sale of property	(2,986)	766
Changes in assets and liabilities		
Decrease (increase) in receivables and prepaid assets	2,407	(23,902)
Increase in accounts payable and accrued liabilities	3,266	7,770
Increase in deferred revenue and student deposits	7,828	7,651
Net cash provided by operating activities	$ 109,645	$ 110,350

17. Subsequent Events

The University has assessed the impact of subsequent events through October 24, 2016, the date of the audited consolidated financial statements were issued, and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.