



**UNIVERSITY OF NEW HAVEN**

Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

(With Independent Auditors' Report Therein)

**UNIVERSITY OF NEW HAVEN**  
Consolidated Financial Statements  
June 30, 2015  
(with comparative information for June 30, 2014)

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
<b>Schedules</b>	
Schedule I – Consolidating Schedule of Financial Position	25
Schedule II – Consolidating Schedule of Changes in Unrestricted Net Assets	26
Schedule III – Consolidating Schedule of Changes in Restricted and Total Net Assets	27



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## **Independent Auditors' Report**

The Board of Governors  
University of New Haven:

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the University of New Haven and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of New Haven and its subsidiaries as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Consolidating schedules in schedules I – III are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Report on Summarized Comparative Information**

We have previously audited the University’s 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**KPMG LLP**

December 21, 2015

**UNIVERSITY OF NEW HAVEN**

Consolidated Statement of Financial Position

June 30, 2015

(with summarized comparative information as of June 30, 2014)

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 36,379,021	50,163,237
Accounts and loans receivable, net (note 3)	8,653,142	8,894,806
Pledges receivable, net (note 4)	3,527,470	3,075,682
Other assets	2,643,462	2,995,348
Investments (note 5)	65,355,419	35,018,985
Investments held in trust by others (notes 5 and 9)	1,966,801	1,971,019
Deposits with bond trustee and restricted cash (note 5)	6,797,250	2,748,500
Investment in plant, net (note 7)	203,265,381	179,244,466
Total assets	\$ 328,587,946	284,112,043
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 15,561,076	22,903,088
Deposits and other liabilities	15,318,234	8,454,524
Bonds and notes payable (note 10)	114,280,467	97,382,934
Interest rate swap liability (notes 5 and 11)	15,657,446	13,483,627
Postretirement healthcare obligation (note 15)	4,828,230	3,925,184
Government grants refundable	3,453,060	3,453,060
Total liabilities	169,098,513	149,602,417
<b>Net Assets</b>		
Unrestricted	115,755,986	101,149,322
Temporarily restricted (notes 9 and 13)	23,955,555	20,419,465
Permanently restricted (note 13)	19,777,892	12,940,839
Total net assets	159,489,433	134,509,626
Total liabilities and net assets	\$ 328,587,946	284,112,043

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF NEW HAVEN**  
Consolidated Statement of Activities  
Year ended June 30, 2015  
(with summarized comparative information as of June 30, 2014)

	<b>2015</b>			<b>Total</b>	<b>2014 Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>		
Operating activities:					
Revenues, gains, and other support:					
Tuition and fees	\$ 199,252,722	—	—	199,252,722	187,931,786
Residence and dining	37,078,810	—	—	37,078,810	33,209,323
Less scholarships and grants	(75,064,009)	—	—	(75,064,009)	(68,077,822)
Net student fees	161,267,523	—	—	161,267,523	153,063,287
Federal, state, and private grants and gifts	4,556,040	2,162,120	2,937,592	9,655,752	6,808,052
Endowment spending used in operations (notes 5 and 6)	669,438	—	—	669,438	615,419
Interest income and other sources	5,402,244	520,856	—	5,923,100	1,838,004
Other auxiliary services	2,476,697	311,451	—	2,788,148	3,114,507
Net assets released from restrictions (note 14)	3,512,435	(3,512,435)	—	—	—
Total revenue from operations	177,884,377	(518,008)	2,937,592	180,303,961	165,439,269
Expenses:					
Instructional	58,096,234	—	—	58,096,234	53,987,985
Academic support	18,033,218	—	—	18,033,218	15,951,280
Student services	23,250,507	—	—	23,250,507	23,604,315
Institutional support	39,952,931	—	—	39,952,931	33,304,847
Residence and dining	29,569,449	—	—	29,569,449	23,630,610
Total expenses	168,902,339	—	—	168,902,339	150,479,037
Change in net assets from operations	8,982,038	(518,008)	2,937,592	11,401,622	14,960,232
Nonoperating activities:					
Effects of affiliation (note 18)	6,749,623	2,912,602	3,899,461	13,561,686	—
Net return on long-term investments, net of amounts used in operations (note 5)	(81,178)	949,615	—	868,437	4,370,975
Nonoperating contributions	1,130,000	196,099	—	1,326,099	2,980,539
Change in market value of interest rate swap (note 5 and 11)	(2,173,819)	—	—	(2,173,819)	119,701
Unrealized (losses) gains on investments held in trust by others	—	(4,218)	—	(4,218)	516,594
Loss on sale of fixed assets	—	—	—	—	(534,096)
Change in net assets	14,606,664	3,536,090	6,837,053	24,979,807	22,413,945
Net assets, beginning of year	101,149,322	20,419,465	12,940,839	134,509,626	112,095,681
Net assets, end of year	\$ 115,755,986	23,955,555	19,777,892	159,489,433	134,509,626

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF NEW HAVEN**

Consolidated Statement of Cash Flows

June 30, 2015

(with summarized comparative information as of June 30, 2014)

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Change in net assets	\$ 24,979,807	22,413,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,209,341	9,213,909
Disposal of plant and equipment	—	534,096
Change in market value of interest rate swap	2,173,819	(119,701)
Net unrealized and realized gains on investments	(1,065,715)	(4,635,927)
Losses on investments held in trust by others	4,218	(516,594)
Effects from acquisition of affiliate	(13,561,686)	—
Contributions restricted for long-term investment	(2,937,592)	(697,654)
Change in accounts and pledges receivable	1,317,942	710,258
Change in other assets	414,393	(1,291,723)
Change in accounts payable and accrued expenses	(7,997,525)	(3,107,244)
Change in deposits and deferred income	3,563,049	(1,049,133)
Net cash provided by operating activities	18,100,051	21,454,232
Cash flows from investing activities:		
Purchases of plant and equipment	(22,212,765)	(34,387,932)
Proceeds from disposal of fixed assets	—	2,069,900
Lyme Academy's cash at time of affiliation	445,612	—
Proceeds from maturity and sale of investments	9,344,309	12,240,121
Purchases of investments	(34,168,756)	(12,598,537)
Change in restricted cash and deposits with bond trustee	(4,048,750)	(112,592)
Loans receivable advanced	(337,185)	(679,088)
Loans receivable collected	468,033	373,638
Net cash used in investing activities	(50,509,502)	(33,094,490)
Cash flows from financing activities:		
Proceeds from bonds and notes payable	18,661,069	19,798,624
Principal payments on bonds and notes payable	(2,973,426)	(2,350,000)
Proceeds from contributions restricted for long-term investment	2,937,592	697,654
Net cash provided by financing activities	18,625,235	18,146,278
Net (decrease) increase in cash and cash equivalents	(13,784,216)	6,506,020
Cash and cash equivalents at beginning of year	50,163,237	43,657,217
Cash and cash equivalents at end of year	\$ 36,379,021	50,163,237
Supplemental data:		
Interest paid	\$ 4,777,145	4,041,745
Noncash investing activity – change in accounts payable attributable to fixed assets	1,147,735	8,837,774

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

### (1) Organization

The University of New Haven (University) is a private, tax-exempt, nonprofit educational institution. The University was founded in 1920 and is located in suburban West Haven, Connecticut with branch locations also located in Orange, Connecticut, Lyme, Connecticut and Prato, Italy. The University entered into an affiliation agreement effective July 31, 2014 with the Lyme Academy College of Fine Arts (Lyme Academy) in Old Lyme, Connecticut and is its sole corporate member. No consideration was paid or received in connection with the affiliation.

Lyme Academy functions as a separate academic unit of the University with its historical mission to be advanced by the University. Lyme Academy remains a separate legal entity continuing to hold all of its assets and liabilities, including debt. See note 18.

Cash will be invested by the University to restore operational and financial stability to Lyme Academy. An agreement was formalized through an intercompany promissory note dated July 31, 2014 not to exceed \$3,000,000. Lyme Academy will be required to make payments on the intercompany note, if Lyme Academy generates a positive change in unrestricted net assets. This payment will be equal to one half of such excess. The entire outstanding principal amount of this note, together with accrued and unpaid interest thereon, shall be due and payable on the earlier of June 30, 2029 or the date on which Lyme Academy is no longer an affiliate of the University. As of June 30, 2015, Lyme Academy has borrowed on the intercompany note \$879,702.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and include the accounts of the University, the Henry C. Lee Institute, and Lyme Academy.

The accompanying consolidated financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Permanently restricted net assets* – Net assets subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use, for general or specific purposes, all or part of the income and capital gains, if any, on related investments.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met by actions of the University and/or the passage of time. This classification includes income and gains which can be expended but for which spending restrictions have not been met, or the Board of Governors has not appropriated for spending.

*Unrestricted net assets* – Net assets not subject to donor-imposed restrictions but may be limited as to use in other respects, such as quasi-endowment.

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

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. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Donor-restricted contributions, and any income earned on those contributions, whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities. Gifts of long-lived assets are considered unrestricted support.

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such prior year information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

**(b) *Liquidity Information***

In order to provide information about liquidity, assets have been sequenced in the consolidated Statement of Financial Position according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

**(c) *Contribution Revenue***

The University reports contributions (including unconditional promises to give) as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at an appropriate discount rate. The discount rate represents the risk-free rate in existence at the date of the gift. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, nature of fundraising activity and future collection expectations.

**(d) *Cash Equivalents***

The University considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except for cash held with investment managers for long-term investment.

**(e) *Investment in Plant***

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the statement of activities.

**(f) *Income Taxes***

The University was granted an exempt status under the Internal Revenue Code (IRC) Section 501(a), as an organization described in Section 501(c)(3). Under IRC Section 501(a) the University is generally exempt from income taxes. The University believes it has taken no significant uncertain tax positions.

**(g) *Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited. Fundraising expenses for the years ended June 30, 2015 and 2014 totaling \$1,771,361 and \$1,968,236, respectively, have been classified as institutional support expenses in the Statement of Activities.

**(h) *Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(i) *Fair Value***

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

*Level 2* inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

*Level 3* inputs are unobservable inputs for the assets or liabilities. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2015 and 2014, the carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenues approximated their fair values. An approximate estimate of the fair values of student loan receivables administered by the University under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designees.

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

Investments are reported at fair value. Equity securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value.

**(3) Accounts and Loans Receivable**

Accounts receivable consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Students	\$ 11,307,131	11,568,622
Grants	388,100	688,639
Others	1,064,010	1,510,411
Allowance for doubtful accounts	(6,926,348)	(7,823,963)
Net accounts receivable	\$ 5,832,893	5,943,709

Loans receivable consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Perkins loans	\$ 3,195,249	3,326,097
Allowance for doubtful accounts	(375,000)	(375,000)
Net loans receivable	\$ 2,820,249	2,951,097

**(4) Pledges Receivable**

Pledges receivable consist of the following unconditional promises to give as of June 30:

	<b>2015</b>	<b>2014</b>
Amounts due in:		
Less than one year	\$ 1,414,813	151,324
One to five years	2,352,061	2,941,028
Greater than five years	25,000	226,500
Charitable remainder trust (note 9)	89,417	89,417
Gross pledges receivable	3,881,291	3,408,269
Less:		
Allowance for uncollectible pledges	(261,391)	(256,514)
Discount to present value	(92,430)	(76,073)
Net pledges receivable	\$ 3,527,470	3,075,682

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

Pledges recorded at June 30, 2015 and 2014 are discounted at rates ranging from 0.07% to 6.25%.

### (5) Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity and fixed income.

The University's assets and liabilities at June 30, 2015 and 2014 that are reported at fair value are summarized in the following tables by their fair value hierarchy:

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2015 Total</u>	<u>Redemption or Liquidation</u>	<u>Days' Notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 13,189,662	—	—	13,189,662	Daily	1
Fixed income	—	13,348,868	—	13,348,868	Daily	1
Equities – U.S.	29,870,132	—	—	29,870,132	Daily	1
Equities – Foreign	8,946,757	—	—	8,946,757	Daily	1
Total investments	<u>\$ 52,006,551</u>	<u>13,348,868</u>	<u>—</u>	<u>65,355,419</u>		
Other assets:						
Funds held by bond trustee - US agency/treasury debt	\$ 3,466,598	—	—	3,466,598	Daily	1
Funds held by bond trustee - US government repurchase agreements	3,330,652	—	—	3,330,652	Daily	1
Investments held in trust by others	—	—	1,966,801	1,966,801	N/A	N/A
Liabilities:						
Interest rate swap agreements	—	(15,657,446)	—	(15,657,446)	N/A	N/A
<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2014 Total</u>	<u>Redemption or Liquidation</u>	<u>Days' Notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 1,255,377	—	—	1,255,377	Daily	1
Fixed income	—	8,709,583	—	8,709,583	Daily	1
Equities – U.S.	19,666,453	—	—	19,666,453	Daily	1
Equities – Foreign	5,387,572	—	—	5,387,572	Daily	1
Total investments	<u>\$ 26,309,402</u>	<u>8,709,583</u>	<u>—</u>	<u>35,018,985</u>		
Other assets:						
Funds held by bond trustee - US agency/treasury debt	\$ 1,291,795	—	—	1,291,795	Daily	1
Funds held by bond trustee - US government repurchase agreements	1,456,705	—	—	1,456,705	Daily	1
Investments held in trust by others	—	—	1,971,019	1,971,019	N/A	N/A
Liabilities:						
Interest rate swap agreements	—	(13,483,627)	—	(13,483,627)	N/A	N/A

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

The following table presents the University's activity for the fiscal years ended June 30, 2015 and 2014 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in the fair value hierarchy:

	<b>2015</b>	<b>2014</b>
Investments held in trust by others		
Fair value at beginning of year	\$ 1,971,019	\$ 1,454,425
Unrealized (loss) gain	(4,218)	542,594
Distributions	—	(26,000)
Fair value at end of year	\$ 1,966,801	\$ 1,971,019

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2015 and 2014. The University's total return on its invested assets consists of the following components reported on the statement of activities:

	<b>2015</b>	<b>2014</b>
Investment income, net of investment expenses	\$ 508,796	350,467
Net realized and unrealized gains	1,029,079	4,635,927
Total return on investments	1,537,875	4,986,394
Endowment spending used in operations	(669,438)	(615,419)
Net return on long-term investments, net of amounts used in operations	\$ 868,437	4,370,975

Investment expenses for June 30, 2015 and 2014 were \$236,904 and \$308,504, respectively.

#### **(6) Endowment Funds**

The University's endowment consists of approximately 190 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the University to function as endowments (quasi endowment).

The University manages its long-term investments to ensure that the future growth of the endowments are sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for future generations.

The University's annual spending distribution is determined by applying a spending formula outlined in the Long Term Investment Policy. The actual endowment fund distribution shall be at an annual rate that is the lesser of the following:

1. Four and one-half percent (4.5%) based upon the twelve quarter moving average market value of the fund's value at the beginning of each quarter with a one-quarter lag, or

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

2. The annual yield (dividends and interest) as measured by the preceding fiscal year.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowment. 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 are added to the fund.

The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard prudence prescribed by the State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net assets consisted of the following at June 30, 2015 and June 30, 2014:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor restricted	\$ (100,600)	8,797,295	19,486,520	28,183,215
Quasi (Board designated)	21,254,066	—	—	21,254,066
Total	\$ 21,153,466	8,797,295	19,486,520	49,437,281

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

	<b>2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted	\$ (756)	7,908,225	12,667,824	20,575,293
Quasi (Board designated)	10,856,838	—	—	10,856,838
Total	<u>\$ 10,856,082</u>	<u>7,908,225</u>	<u>12,667,824</u>	<u>31,432,131</u>

Changes in endowment funds for the fiscal years ended June 30, 2015 and 2014 were as follows:

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance, June 30, 2014	\$ 10,856,082	7,908,225	12,667,824	31,432,131
Additions as a result of affiliation	258,035	198,202	3,869,976	4,326,213
Investment return	153,288	329,644	—	482,932
Unrealized/realized gains	62,552	848,086	—	910,638
Appropriated to operations	(182,576)	(486,862)	—	(669,438)
Transfers from operations	10,006,085	—	—	10,006,085
Contributions	—	—	2,948,720	2,948,720
Balance, June 30, 2015	<u>\$ 21,153,466</u>	<u>8,797,295</u>	<u>19,486,520</u>	<u>49,437,281</u>

	<b>2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance, June 30, 2013	\$ 9,559,910	5,289,429	12,086,071	26,935,410
Investment return	105,859	218,417	—	324,276
Unrealized/realized gains	1,390,252	2,815,859	—	4,206,111
Appropriated to operations	(199,939)	(415,480)	—	(615,419)
Contributions	—	—	581,753	581,753
Balance, June 30, 2014	<u>\$ 10,856,082</u>	<u>7,908,225</u>	<u>12,667,824</u>	<u>31,432,131</u>

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

**(7) Investment in Plant**

Plant assets consist of the following at June 30:

	<b>2015</b>	<b>2014</b>	<b>Estimated Useful Lives</b>
Land	\$ 11,516,797	9,709,616	—
Land improvements	15,423,575	13,536,043	15 years
Buildings and building improvements	240,758,558	186,274,763	30 years
Furniture and equipment	57,656,929	54,343,378	3-10 years
Collections	621,545	—	—
Construction in progress	2,864,846	29,865,603	—
	328,842,250	293,729,403	
Less accumulated depreciation	(125,576,869)	(114,484,937)	
	<b>\$ 203,265,381</b>	<b>179,244,466</b>	

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$11,091,932 and \$9,197,906, respectively.

Lyme Academy currently owns an unimproved lot with a carrying value of \$443,678; this amount includes costs associated with obtaining the property and surveying costs. This property is included above as part of land and is recorded at the lower of cost or fair value.

As a result of the State of Connecticut Department of Economic and Community Development providing bond funding to Lyme Academy, there is a ten-year lien on a building in Lyme. The lien requires that Lyme Academy maintain its location in the State of Connecticut for the lien period that expires on August 4, 2018.

**(8) Leases**

The University has entered into operating lease agreements to rent property for office space and for off campus residences. These lease agreements have varying remaining terms until fiscal year 2032.

The approximate future minimum rental commitments under operating lease agreements are as follows:

Year ending June 30:		
2016	\$	3,144,984
2017		1,969,282
2018		1,132,925
2019		767,345
2020 and thereafter		1,959,981
Total required minimum lease payments	\$	<b>8,974,517</b>

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

Rent expense for the years ended June 30, 2015 and 2014 was \$3,021,892 and \$3,151,595, respectively.

**(9) Investments Held in Trust by Others**

The University is the sole beneficiary of a charitable trust \$1,966,801 and \$1,971,019 at June 30, 2015 and 2014, respectively of which the University is not the trustee. The trust is time restricted. The University's beneficial interest in the trust is recognized as a temporarily restricted net asset. Distributions are reflected as reductions in the beneficial interest of the trust and as reclassifications from temporarily restricted to unrestricted net assets.

The University is the sole beneficiary of a charitable remainder trust payable to the University upon death of the donor. The assets of the trust are recorded as temporarily restricted pledge receivable, at the present value of estimated future payment, as disclosed in Note 4.

The University is named as a beneficiary of a charitable remainder trust. Under the trust agreement, distributions for the benefit of the primary beneficiaries may include the expenditure of principal causing the remainder amount the University expects to receive to be undeterminable. As a result, the trust has not been recorded in the University's financial statements.

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

**(10) Bonds and Notes Payable**

The following is a summary of bonds and notes payable at June 30:

	<b>2015</b>	<b>2014</b>
University of New Haven		
Connecticut Health and Education Facilities		
Authority (CHEFA):		
Series E bonds, issued in August 2005 with variable interest, based on 70% of 1M LIBOR plus 1.5%, 1.6288% at June 30, 2015, and an interest rate swap based on 1M LIBOR vs. fixed rate of 3.425%; interest expense was \$1,040,450 for the fiscal year. Principal payments are made in monthly installments ranging from \$27,083 to \$155,000, through 2035.	\$ 21,130,000	21,990,000
Series G bonds, issued in August 2006 with variable interest, based on 70% of 1M LIBOR plus 1.5%, 1.6288% at June 30, 2015, and an interest rate swap based on 1M LIBOR vs. fixed rate of 3.96%; interest expense was \$655,543 for the fiscal year. Principal payments are made in monthly installments ranging from \$20,000 to \$61,666, through 2036.	12,130,000	12,720,000
Series H bonds, issued in July 2008 with variable interest, \$46,000,000 based on 70% of 1M LIBOR plus 1.5%, 1.6288% at June 30, 2015, and two interest rate swap agreements based on 1M LIBOR vs. fixed rate of 3.605% and 3.638% on \$42,000,000 and \$4,000,000 respectively; interest expense was \$2,149,055 for the fiscal year. Principal payments are made in monthly installments ranging from \$73,333 to \$228,333 through 2038.	42,245,000	43,245,000
Series I bonds, issued in October 2013, with variable interest based on an interest rate swap of 68.05% of 1M LIBOR vs. fixed rate of 2.215%; interest expense was \$712,449 for the fiscal year. Principal payments are made in monthly installments ranging from \$58,764 to \$143,313 through 2040.	28,147,573	9,798,624
Series J bonds, issued in November 2013 with fixed interest rate of 1.8%; interest expense was \$162,712 for the fiscal year. Principal payments are made annually beginning in July 2014, ranging from \$160,000 to \$600,000, through 2034.	9,840,000	10,000,000
Bonds payable	113,492,573	97,753,624
Unamortized bond discount	(354,687)	(370,690)
Bonds payable, net related to the University of New Haven	\$ 113,137,886	97,382,934

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

	<u>2015</u>	<u>2014</u>
Lyme Academy		
Note payable in monthly installments of principal and interest adjusted to the index rate plus 200 basis points each five-year period. The interest rate and monthly payment was 6.16% and \$11,330 through December 6, 2012 and 3.12% and \$9,223 through June 30, 2015. The next rate adjustment will be on December 7, 2017. The outstanding principal balance is due in full on December 2027. The note payable is secured by all assets of Lyme Academy.	\$ 1,142,581	—
Bonds and notes payable, net	<u>\$ 114,280,467</u>	<u>97,382,934</u>

In November 2013, the University issued \$10,000,000 of CHEFA Series J tax-exempt bonds. The proceeds were used to finance (a) the purchase of a student residence hall; and (b) paying capitalized interest with respect to the bonds; and (c) paying costs of issuance fees with respect to the bonds.

In October 2013, the University issued CHEFA Series I tax-exempt, draw-down bonds in amount up to \$28,670,000. The proceeds were used to finance (a) the construction and equipping of a student residence hall; and (b) paying capitalized interest with respect to the bonds; and (c) paying costs of issuance fees with respect to the bonds. As of June 30, 2015, the University had drawn-down \$27,671,508. The University incurred \$1,057,595 in issuance costs associated with the new bonds and these costs have been capitalized and will be amortized over the life of the bonds. These fees are reported on the statement of financial position as other assets.

In July 2008, the University issued \$46,000,000 of CHEFA Series H tax-exempt bonds. The proceeds were used to finance (a) the construction and equipping of a student residence hall; and (b) paying capitalized interest with respect to the bonds; and (c) paying costs of issuance fees with respect to the bonds. The University incurred \$753,424 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds. These fees are reported on the statement of financial position as other assets.

In August 2006, the University issued \$15,890,000 of CHEFA Series G tax-exempt bonds. The proceeds were used to finance (a) the construction and equipping of a student recreation center; and (b) the defeasance of the prior issue Series F bonds; and (c) paying capitalized interest with respect to the bonds; and (d) paying costs of issuance and credit enhancement fees with respect to the bonds. The University incurred \$492,480 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds. These fees are reported on the statement of financial position as other assets.

In August 2005, the University issued \$27,460,000 of CHEFA Series E tax-exempt bonds and \$4,800,000 of CHEFA Series F taxable bonds. The proceeds were used to finance (a) deferred maintenance and various improvements to the University's campus, including classroom, lab, faculty office and residence hall renovations; and (b) the defeasance of the prior issue Series D bonds. The University incurred \$582,484 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds. These fees are reported on the statement of financial position as other assets.

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

Under the bond agreement with CHEFA the University has agreed to certain financial covenants. The University has met its financial covenants as of June 30, 2015.

Substantially all property and equipment is pledged as collateral for the above notes. Additionally, the University has granted to CHEFA and other financial institutions, a security interest in certain gross receipts, such as annual student tuition and other residence hall fees.

Fair value measurement of bonds and notes payable are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The fair value of the University's bonds and notes payable approximates the carrying value as a result of the variable interest rates.

The following is a schedule of debt maturities payable over the next five years and thereafter by the University:

Year ending June 30:		
2016	\$	3,281,118
2017		3,814,635
2018		3,970,618
2019		4,114,858
2020		4,270,247
Thereafter		<u>94,041,097</u>
Total	\$	<u><u>113,492,573</u></u>

The following is a schedule of debt maturities payable over the next five years and thereafter by Lyme Academy:

Year ending June 30:		
2016	\$	76,368
2017		78,785
2018		81,279
2019		83,851
2020		86,509
Thereafter		<u>735,789</u>
	\$	<u><u>1,142,581</u></u>

In accordance with the terms of the notes payable, Lyme Academy had a financial loan covenant. Subsequent to June 30, 2015, Lyme Academy received an amendment that waived the debt service coverage ratio as long as the University continues to be the sole member of Lyme Academy.

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

**(11) Interest Rate Swap**

The University entered into interest rate swap agreements with a financial institution counterparty. The purpose of these agreements is to swap the variable rate on underlying debt for fixed rates. The University entered into the agreements to manage the risk associated with the cash flows attributable to interest payments on the debt and does not use such instruments for speculative purposes. The instruments fair value and changes therein must be measured in the University's net assets. The value of the swap instruments represents the estimated benefit or cost to the University to cancel the agreement at the reporting date, and is based on an option-pricing model that considers risks and market factors.

<u>Trade date</u>	<u>Notional amount</u>	<u>Maturity</u>	<u>Series</u>	<u>Rate</u>	<u>Fair value at June 30</u>	
					<u>2015</u>	<u>2014</u>
August 17, 2005	\$ 21,990,000	July 1, 2035	2005	3.425%	\$ (3,122,509)	(3,050,208)
August 28, 2006	12,720,000	July 1, 2036	2006	3.960	(2,451,227)	(2,420,345)
July 1, 2008	39,485,000	July 1, 2038	2008	3.605	(7,912,895)	(7,300,736)
July 1, 2008	3,760,000	July 1, 2038	2008	3.638	(771,147)	(712,338)
November 1, 2014	23,733,419	October 2, 2023	2014	2.215	(1,399,668)	—
Total					<u>\$ (15,657,446)</u>	<u>(13,483,627)</u>

**(12) Pension Plan**

The University maintains a defined contribution retirement program with Fidelity Brokerage Services LLC. The University generally contributes between 6% and 9% of base salaries, as defined, for both exempt and nonexempt participating employees. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. Pension expense for the years ended June 30, 2015 and 2014 was \$5,304,689 and \$4,782,859, respectively.

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

**(13) Temporarily and Permanently Restricted Net Assets**

Restricted net assets as of June 30 consist of:

	<b>2015</b>	<b>2014</b>
Temporarily restricted net assets:		
Time restricted	\$ 4,541,857	3,099,568
Investments held in trust by others	1,966,801	1,971,019
Use restricted:		
Capital projects	4,024,871	3,387,231
Unappropriated endowment gains	8,797,295	7,908,225
Other	4,624,731	4,053,422
Total	\$ 23,955,555	20,419,465
Permanently restricted net assets:		
Scholarships	\$ 14,200,894	8,289,291
General university support	5,576,998	4,651,548
Total	\$ 19,777,892	12,940,839

**(14) Net Assets Released from Restrictions**

Temporarily restricted assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. For the years ended June 30, 2015 and 2014, temporarily restricted net assets were released as follows:

	<b>2015</b>	<b>2014</b>
Capital projects	\$ 528,763	2,847,188
Academic support	392,031	444,505
Student services/athletics	322,901	326,768
Institutional support	1,138,886	623,099
Instruction	727,188	107,789
Student aid	402,666	302,179
Total	\$ 3,512,435	4,651,528



**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	<b>2015</b>	<b>2014</b>
Impact of 1% increase in health care cost trend:		
On interest cost plus service cost during past year	\$ 21,502	44,222
On accumulated postretirement benefit obligation	417,969	346,952
Impact of 1% decrease in health care cost trend:		
On interest cost plus service cost during past year	(19,069)	(39,887)
On accumulated postretirement benefit obligation	(361,426)	(299,994)

Estimated future benefit payments, net of employee contributions, are as follows:

	<b>Estimated benefit payment</b>
Fiscal year:	
2016	\$ 319,447
2017	331,626
2018	395,168
2019	401,169
2020	414,710
2021 – 2024	2,161,141

The expected employer contribution for fiscal year 2016 is \$319,447.

**(16) Commitments and Contingencies**

The University participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the financial statements.

The University is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the University's financial position.

Prior to the affiliation between the University and Lyme Academy, Lyme Academy sold a parcel of land below fair value. Lyme Academy entered into a ten-year master lease agreement for a building on the property that was sold where Lyme Academy guaranteed occupancy over the life of the lease. Lyme Academy did not qualify for sale-leaseback accounting as result of guaranteeing occupancy which resulted in Lyme Academy recording an asset and related liability of approximately \$3.3 million in August

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

2013. Lyme Academy recorded \$76,241 thousand of depreciation expense and \$207,324 of interest expense from the affiliation date to June 30, 2015.

#### (17) Related-Parties

Members of the University's Board of Governors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The Board's conflict of interest policy requires, among other things, that no member of the Board of Governors or its committees can participate in any decision by the University in which he or she (or immediate family member) has a material financial interest. For members of the Board of Governors and senior management, the University requires an annual disclosure of significant financial interest in, or employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interest of the University and ensure compliance with relevant conflict of interest laws or policy.

#### (18) Affiliation with Lyme Academy

The affiliation discussed in note 1 has been accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) guidance for not-for-profit entities regarding mergers and acquisitions, which defines a combination of one or more not-for-profit entities, business or nonprofit activities as either a merger or an acquisition.

The following table summarizes the value assigned to the Lyme Academy net assets recognized as of the affiliation date, July 31, 2014.

Assets:	
Current assets	\$ 4,891,884
Property, plant and equipment	11,869,757
Other assets	<u>1,721,421</u>
Total assets	<u>18,483,062</u>
Liabilities:	
Current liabilities	376,027
Other liabilities	<u>4,545,349</u>
Total liabilities	<u>4,921,376</u>
Net assets recognized	<u><u>13,561,686</u></u>

**UNIVERSITY OF NEW HAVEN**

Notes to Consolidated Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

As a result of the affiliation, the University has recognized \$13,561,686 in its 2015 consolidated statement of activities, classified as follows:

	<b>Unrestricted net assets</b>	<b>Temporarily restricted net assets</b>	<b>Permanently restricted net assets</b>
Effects of affiliation	\$ 6,749,623	2,912,602	3,899,461

**(19) Subsequent Events**

The University considers events or transactions that occur after the balance sheet date, but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure.

These financial statements were issued on December 21, 2015 and subsequent events have been evaluated through that date.

**UNIVERSITY OF NEW HAVEN**  
 Consolidating Schedule of Financial Position  
 June 30, 2015

<b>Assets</b>	<b>University of New Haven</b>	<b>Lyme Academy</b>	<b>Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 35,834,951	544,070	—	36,379,021
Accounts and loans receivable, net	8,511,632	141,510	—	8,653,142
Pledges receivable, net	2,099,164	1,428,306	—	3,527,470
Other assets	2,564,855	78,607	—	2,643,462
Investments	60,667,081	4,688,338	—	65,355,419
Due from affiliate	879,702	—	(879,702)	—
Investments held in trust by others	1,966,801	—	—	1,966,801
Deposits with bond trustee and restricted cash	6,797,250	—	—	6,797,250
Investment in plant, net	191,715,057	11,550,324	—	203,265,381
Total assets	<u>\$ 311,036,493</u>	<u>18,431,155</u>	<u>—</u>	<u>328,587,946</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 15,223,350	337,726	—	15,561,076
Deposits and other liabilities	11,921,552	3,396,682	—	15,318,234
Bonds and notes payable	113,137,886	1,142,581	—	114,280,467
Due to affiliate	—	879,702	(879,702)	—
Interest rate swap liability	15,657,446	—	—	15,657,446
Post retirement healthcare obligation	4,828,230	—	—	4,828,230
Government grants refundable	3,453,060	—	—	3,453,060
Total liabilities	<u>164,221,524</u>	<u>5,756,691</u>	<u>(879,702)</u>	<u>169,098,513</u>
<b>Net Assets</b>				
Unrestricted	109,582,793	6,173,193	—	115,755,986
Temporarily restricted	21,355,795	2,599,760	—	23,955,555
Permanently restricted	15,876,381	3,901,511	—	19,777,892
Total net assets	<u>146,814,969</u>	<u>12,674,464</u>	<u>—</u>	<u>159,489,433</u>
Total liabilities and net assets	<u>\$ 311,036,493</u>	<u>18,431,155</u>	<u>(879,702)</u>	<u>328,587,946</u>

See accompanying independent auditors' report.

## UNIVERSITY OF NEW HAVEN

## Consolidating Schedule of Changes in Unrestricted Net Assets

Year ended June 30, 2015

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
Operating activities:				
Revenues, gains, and other support:				
Tuition and fees	\$ 196,900,583	2,352,139	—	199,252,722
Residence and dining	36,941,972	136,838	—	37,078,810
Less scholarships and grants	(74,236,297)	(827,712)	—	(75,064,009)
Net student fees	159,606,258	1,661,265	—	161,267,523
Federal, state, and private grants and gifts	4,484,930	71,110	—	4,556,040
Endowment spending used in operations	669,438	—	—	669,438
Interest income and other sources	5,332,742	633,260	(563,758)	5,402,244
Other auxiliary services	2,395,794	80,903	—	2,476,697
Net assets released from restrictions	2,395,077	1,117,358	—	3,512,435
Total revenue from operations	<u>174,884,239</u>	<u>3,563,896</u>	<u>(563,758)</u>	<u>177,884,377</u>
Expenses:				
Instructional	57,041,787	1,054,447	—	58,096,234
Academic support	17,532,489	500,729	—	18,033,218
Student services	22,952,039	298,468	—	23,250,507
Institutional support	38,522,035	1,994,654	(563,758)	39,952,931
Residence and dining	29,185,403	384,046	—	29,569,449
Total expenses	<u>165,233,753</u>	<u>4,232,344</u>	<u>(563,758)</u>	<u>168,902,339</u>
Change in net assets from operations	9,650,486	(668,448)	—	8,982,038
Nonoperating activities:				
Effects of affiliation	—	6,749,623	—	6,749,623
Net return on long-term investments, net of amounts used in operations	(173,196)	92,018	—	(81,178)
Nonoperating contributions	1,130,000	—	—	1,130,000
Change in market value of interest rate swap	(2,173,819)	—	—	(2,173,819)
Change in unrestricted net assets	8,433,471	6,173,193	—	14,606,664
Unrestricted net assets, beginning of year	<u>101,149,322</u>	<u>—</u>	<u>—</u>	<u>101,149,322</u>
Unrestricted net assets, end of year	<u>\$ 109,582,793</u>	<u>6,173,193</u>	<u>—</u>	<u>115,755,986</u>

See accompanying independent auditors' report.

**UNIVERSITY OF NEW HAVEN**  
Consolidating Schedule of Changes in Restricted and Total Net Assets  
Year ended June 30, 2015

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
<b>Temporarily restricted net assets:</b>				
Private grants and gifts	1,547,871	614,249	—	2,162,120
Interest income and other sources	444,001	76,855	—	520,856
Other auxiliary services	311,451	—	—	311,451
Net return on long-term investments, net of amounts used in operations	836,203	113,412	—	949,615
Nonoperating contributions	196,099	—	—	196,099
Effects of affiliation	—	2,912,602	—	2,912,602
Unrealized losses on investments held in trust by others	(4,218)	—	—	(4,218)
Net assets released from restrictions	(2,395,077)	(1,117,358)	—	(3,512,435)
Change in temporarily restricted net assets	936,330	2,599,760	—	3,536,090
Temporarily restricted net assets, beginning of year	20,419,465	—	—	20,419,465
Temporarily restricted net assets, end of year	\$ 21,355,795	2,599,760	—	23,955,555
<b>Permanently restricted net assets:</b>				
Private grants and gifts	2,935,542	2,050	—	2,937,592
Effects of affiliation	—	3,899,461	—	3,899,461
Change in permanently restricted net assets	2,935,542	3,901,511	—	6,837,053
Permanently restricted net assets, beginning of year	12,940,839	—	—	12,940,839
Permanently restricted net assets, end of year	\$ 15,876,381	3,901,511	—	19,777,892
<b>Total net assets:</b>				
Change in total net assets	12,305,343	12,674,464	—	24,979,807
Total net assets, beginning of year	134,509,626	—	—	134,509,626
Total net assets, end of year	146,814,969	12,674,464	—	159,489,433

See accompanying independent auditors' report.