



**UNIVERSITY OF NEW HAVEN**

Consolidated Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF NEW HAVEN**

Consolidated Financial Statements

June 30, 2016

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## **Independent Auditors' Report**

The Board of Governors  
University of New Haven:

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, 2016, 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, 2016, 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. The consolidating schedules 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 of New Haven and its subsidiaries' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**KPMG LLP**

November 3, 2016

**UNIVERSITY OF NEW HAVEN**  
Consolidated Statement of Financial Position  
June 30, 2016  
(with comparative information as of June 30, 2015)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 45,407,011	36,379,021
Accounts and loans receivable, net (note 3)	4,919,234	8,653,142
Pledges receivable, net (note 4)	4,588,946	3,527,470
Other assets	3,202,443	2,643,462
Investments (note 5)	64,660,183	65,355,419
Investments held in trust by others (notes 5 and 9)	1,315,121	1,966,801
Deposits with bond trustee and restricted cash (note 5)	6,332,355	6,797,250
Investment in plant, net (note 7)	201,516,780	203,265,381
Total assets	\$ 331,942,073	328,587,946
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 16,036,725	15,561,076
Deposits and other liabilities	16,514,155	15,318,234
Bonds and notes payable (note 10)	110,516,183	114,280,467
Interest rate swap liability (notes 5 and 11)	21,911,113	15,657,446
Post retirement healthcare obligation (note 15)	5,241,271	4,828,230
Government grants refundable	3,453,060	3,453,060
Total liabilities	173,672,507	169,098,513
<b>Net Assets</b>		
Unrestricted	113,617,817	115,755,986
Temporarily restricted (notes 9 and 13)	22,434,034	23,955,555
Permanently restricted (note 13)	22,217,715	19,777,892
Total net assets	158,269,566	159,489,433
Total liabilities and net assets	\$ 331,942,073	328,587,946

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF NEW HAVEN**  
Consolidated Statement of Activities  
Year ended June 30, 2016  
(with summarized comparative information as of June 30, 2015)

	2016			2015
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:				
Revenues, gains, and other support:				
Tuition and fees	\$ 199,291,811	—	—	199,291,811
Residence and dining	37,792,792	—	—	37,792,792
Less scholarships and grants	(77,650,927)	—	—	(77,650,927)
Net student fees	159,433,676	—	—	159,433,676
Federal, state, and private grants and gifts	6,641,206	1,401,290	2,439,823	10,482,319
Endowment spending used in operations (notes 5 and 6)	1,034,799	—	—	1,034,799
Interest income and other sources	2,200,129	599,163	—	2,799,292
Other auxiliary services	2,730,621	257,798	—	2,988,419
Net assets released from restrictions (note 14)	3,926,163	(3,926,163)	—	—
Total revenue from operations	175,966,594	(1,667,912)	2,439,823	176,738,505
Expenses:				
Instructional	63,307,849	—	—	63,307,849
Academic support	15,272,698	—	—	15,272,698
Student services	25,436,772	—	—	25,436,772
Institutional support	35,880,429	—	—	35,880,429
Residence and dining	30,116,632	—	—	30,116,632
Total expenses	170,014,380	—	—	170,014,380
Change in net assets from operations	5,952,214	(1,667,912)	2,439,823	6,724,125
Nonoperating activities:				
Effects of affiliation (note 18)	—	—	—	—
Net return on long-term investments, net of amounts used in operations (note 5)	(1,827,681)	(830,661)	—	(2,658,342)
Nonoperating contributions	—	1,542,482	—	1,542,482
Change in market value of interest rate swap (notes 5 and 11)	(6,253,667)	—	—	(6,253,667)
Unrealized losses on investments held in trust by others	—	(565,430)	—	(565,430)
Loss on sale of fixed assets	(9,035)	—	—	(9,035)
Change in net assets	(2,138,169)	(1,521,521)	2,439,823	(1,219,867)
Net assets, beginning of year	115,755,986	23,955,555	19,777,892	159,489,433
Net assets, end of year	\$ 113,617,817	22,434,034	22,217,715	158,269,566

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF NEW HAVEN**  
Consolidated Statement of Cash Flows  
June 30, 2016  
(with comparative information as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,219,867)	24,979,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,694,970	11,209,341
Disposal of plant and equipment	25,813	—
Change in market value of interest rate swap	6,253,667	2,173,819
Net unrealized and realized losses (gains) on investments	2,747,360	(1,065,715)
Losses on investments held in trust by others	565,430	4,218
Contributions restricted for long-term investment	(2,438,993)	(2,937,592)
Change in accounts and pledges receivable	2,527,733	1,317,942
Proceeds from acquisition of affiliate	—	(13,561,686)
Change in other assets	(472,731)	414,393
Change in accounts payable and accrued expenses	(1,043,878)	(7,997,525)
Change in deposits and other liabilities	1,195,921	3,563,049
Net cash provided by operating activities	<u>19,835,425</u>	<u>18,100,051</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(8,178,090)	(22,212,765)
Lyme Academy's cash at time of affiliation	—	445,612
Proceeds from maturity and sale of investments	5,442,669	9,344,309
Purchases of investments	(7,494,793)	(34,168,756)
Change in restricted cash and deposits with bond trustee	464,895	(4,048,750)
Loans receivable advanced	(160,550)	(337,185)
Loans receivable collected	305,249	468,033
Net cash used in investing activities	<u>(9,620,620)</u>	<u>(50,509,502)</u>
Cash flows from financing activities:		
Proceeds from bonds and notes payable	—	18,661,069
Principal payments on bonds and notes payable	(3,625,808)	(2,973,426)
Proceeds from contributions restricted for long-term investment	2,438,993	2,937,592
Net cash (used in) provided by financing activities	<u>(1,186,815)</u>	<u>18,625,235</u>
Net increase (decrease) in cash and cash equivalents	9,027,990	(13,784,216)
Cash and cash equivalents at beginning of year	<u>36,379,021</u>	<u>50,163,237</u>
Cash and cash equivalents at end of year	<u>\$ 45,407,011</u>	<u>36,379,021</u>
Supplemental data:		
Interest paid	\$ 4,927,392	4,777,145
Noncash investing activity – change in accounts payable attributable to fixed assets	1,794,092	1,147,735

See accompanying notes to consolidated financial statements.

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2016

#### (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 in Orange, Connecticut, Lyme, Connecticut and Prato, Italy. The University includes the accounts of the Henry C. Lee Institute. Effective July 31, 2014, the University entered into an affiliation agreement 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.

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, 2016, and June 30, 2015, Lyme Academy has borrowed on the intercompany note \$1,728,489 and \$879,702 respectively. The intercompany note is eliminated in consolidation.

#### (2) Summary of Significant Accounting Policies

##### (a) Basis of Presentation

The accompanying 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). All intercompany transactions and balances are eliminated in consolidation.

The accompanying 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, 2016

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 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, 2015 from which the summarized information was derived.

**(b) *Liquidity Information***

In order to provide information about liquidity, assets have been sequenced in the statements 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.

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2016

**(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 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 and Lyme Academy were granted an exempt status under the Internal Revenue Code (IRC) Section 501(a), as organizations described in Section 501(c)(3). Under IRC Section 501(a) the University and Lyme Academy are generally exempt from income taxes. The University and Lyme Academy believe they have 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, 2016 and 2015 totaling \$2,170,709 and \$1,771,361, 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.

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## Notes to Consolidated Financial Statements

June 30, 2016

At June 30, 2016 and 2015, 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.

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>2016</b>	<b>2015</b>
Students	\$ 7,793,366	11,307,131
Grants	524,058	388,100
Others	1,586,483	1,064,010
Allowance for doubtful accounts	(7,552,718)	(6,926,348)
Net accounts receivable	<u>\$ 2,351,189</u>	<u>5,832,893</u>

Loans receivable consist of the following at June 30:

	<b>2016</b>	<b>2015</b>
Perkins loans	\$ 2,943,045	3,195,249
Allowance for doubtful accounts	(375,000)	(375,000)
Net loans receivable	<u>\$ 2,568,045</u>	<u>2,820,249</u>

**UNIVERSITY OF NEW HAVEN**  
Notes to Consolidated Financial Statements  
June 30, 2016

**(4) Pledges Receivable**

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

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 328,781	587,754
One to five years	4,564,395	3,179,120
Greater than five years	25,000	25,000
Charitable remainder trust (note 9)	89,417	89,417
	<u>5,007,593</u>	<u>3,881,291</u>
Gross pledges receivable		
Less:		
Allowance for uncollectible pledges	(291,585)	(261,391)
Discount to present value	(127,062)	(92,430)
	<u>(418,647)</u>	<u>(353,821)</u>
Net pledges receivable	<u>\$ 4,588,946</u>	<u>3,527,470</u>

Pledges recorded at June 30, 2016 and 2015 are discounted at rates ranging from 0.70% to 6.25%.

**(5) Fair Value 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, 2016 and 2015 that are reported at fair value are summarized in the following tables by their fair value hierarchy:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016 Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 2,273,474	—	—	2,273,474	Daily	1
Fixed income	—	24,098,340	—	24,098,340	Daily	1
Equities – U.S.	36,303,312	—	—	36,303,312	Daily	1
Equities – Foreign	1,985,057	—	—	1,985,057	Daily	1
	<u>40,561,843</u>	<u>24,098,340</u>	<u>—</u>	<u>64,660,183</u>		
Total investments	<u>\$ 40,561,843</u>	<u>24,098,340</u>	<u>—</u>	<u>64,660,183</u>		

**UNIVERSITY OF NEW HAVEN**  
Notes to Consolidated Financial Statements  
June 30, 2016

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2016 Total</b>	<b>Redemption or liquidation</b>	<b>Days' notice</b>
Other assets:						
Funds held by bond trustee – U.S. agency/treasury debt	\$ 569,912	—	—	569,912	Daily	1
Funds held by bond trustee – U.S. government repurchase agreements	5,762,443	—	—	5,762,443	Daily	1
Investments held in trust by others	—	—	1,315,121	1,315,121	Not applicable	Not applicable
Liabilities:						
Interest rate swap agreements	\$ —	(21,911,113)	—	(21,911,113)	Not applicable	Not applicable

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2015 Total</b>	<b>Redemption or liquidation</b>	<b>Days' notice</b>
Assets:						
Investments:						
Cash and cash equivalents	\$ 3,195,668	—	—	3,195,668	Daily	1
Fixed income	—	23,342,862	—	23,342,862	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>\$ 42,012,557</u>	<u>23,342,862</u>	<u>—</u>	<u>65,355,419</u>		
Other assets:						
Funds held by bond trustee – U.S. agency/treasury debt	\$ 3,466,598	—	—	3,466,598	Daily	1
Funds held by bond trustee – U.S. government repurchase agreements	3,330,652	—	—	3,330,652	Daily	1
Investments held in trust by others	—	—	1,966,801	1,966,801	Not applicable	Not applicable
Liabilities:						
Interest rate swap agreements	\$ —	(15,657,446)	—	(15,657,446)	Not applicable	Not applicable

The following table presents the University's activity for the fiscal years ended June 30, 2016 and 2015 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in the fair value hierarchy:

	<b>Investments held in trust by others</b>
Fair value at June 30, 2015	\$ 1,966,801
Unrealized (losses)	(565,430)
Distributions	(86,250)
Fair value at June 30, 2016	<u>\$ 1,315,121</u>

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## Notes to Consolidated Financial Statements

June 30, 2016

		<b>Investments held in trust by others</b>
Fair value at June 30, 2014	\$	1,971,019
Unrealized losses		(4,218)
Fair value at June 30, 2015	\$	<u>1,966,801</u>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2016 and 2015. The University's total return on its invested assets consists of the following components reported on the statement of activities:

	<b>2016</b>	<b>2015</b>
Investment income, net of investment expenses	\$ 1,122,038	508,796
Net realized and unrealized (losses) gains	(2,745,581)	1,029,079
Total return on investments	(1,623,543)	1,537,875
Endowment spending used in operations	(1,034,799)	(669,438)
Net return on long-term investments, net of amounts used in operations	<u>\$ (2,658,342)</u>	<u>868,437</u>

Investment expenses for June 30, 2016 and 2015 were \$309,504 and \$236,904, respectively.

### (6) Endowment Funds

The University's endowment consists of approximately 200 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). From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level classified as permanently restricted consistent with donor restrictions and University policies under CT UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were \$235,950 and \$100,600 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and/or appropriation for certain programs that was deemed prudent by the University. Subsequent gains that restore the fair value of the assets of the endowment fund to the fair value of the original gift will be classified as an increase in unrestricted net assets.

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 pursues investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the endowment funds in perpetuity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2016

donor-specified period as well as board-designated funds. Under the University's investment policy, the endowment assets are currently invested in a manner that is intended to produce results consistent with the return and risk results of a combination of various indexes representative of portfolio target allocations. The University expects its endowment funds, over the long-term, to provide an average annual rate of return in excess of spending plus inflation while carrying a moderate level of risk. Actual returns in any given year may vary from such amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation of domestic and international equities, and fixed income, marketable and nonmarketable alternative investments (hedge funds and private investments), and real assets to achieve its long-term return objectives within prudent risk constraints.

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
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

**UNIVERSITY OF NEW HAVEN**  
Notes to Consolidated Financial Statements  
June 30, 2016

7. The investment policies of the University

Endowment net assets consisted of the following at June 30, 2016 and June 30, 2015:

		<b>2016</b>		
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>
				<b>Total</b>
Donor restricted	\$	(235,950)	7,528,931	20,729,286
Quasi (Board designated)		20,104,859	—	—
Total	\$	<u>19,868,909</u>	<u>7,528,931</u>	<u>20,729,286</u>
				<u>48,127,126</u>

  

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

Changes in endowment funds for the fiscal years ended June 30, 2016 and 2015 were as follows:

		<b>2016</b>		
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>
				<b>Total</b>
Balance, June 30, 2015	\$	21,153,466	8,797,295	19,486,520
Investment return		356,282	484,930	—
Unrealized/realized losses		(1,206,360)	(1,152,974)	—
Appropriated to earnings		(434,479)	(600,320)	—
Contributions		—	—	1,242,766
Balance, June 30, 2016	\$	<u>19,868,909</u>	<u>7,528,931</u>	<u>20,729,286</u>
				<u>48,127,126</u>



**UNIVERSITY OF NEW HAVEN**  
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June 30, 2016

	<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>

**(7) Investment in Plant**

Plant assets consist of the following at June 30:

	<b>2016</b>	<b>2015</b>	<b>Estimated useful lives</b>
Land	\$ 11,516,797	11,516,797	—
Land improvements	18,061,044	15,423,575	15 years
Buildings and building improvements	249,558,632	244,774,785	30 years
Furniture and equipment	60,904,535	58,515,904	3-10 years
Collections	810,288	621,545	—
Construction in progress	2,861,031	2,864,846	—
	<u>343,712,327</u>	<u>333,717,452</u>	
Less accumulated depreciation	<u>(142,195,547)</u>	<u>(130,452,071)</u>	
	<u>\$ 201,516,780</u>	<u>203,265,381</u>	

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$11,743,476 and \$11,091,932, respectively.

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.

**UNIVERSITY OF NEW HAVEN**  
Notes to Consolidated Financial Statements  
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The approximate future minimum rental commitments under operating lease agreements are as follows:

Year ending June 30:	
2017	\$ 2,802,235
2018	1,457,413
2019	1,130,680
2020	755,935
2021 and thereafter	<u>1,492,176</u>
Total required minimum lease payments	\$ <u><u>7,638,439</u></u>

Rent expense for the years ended June 30, 2016 and 2015 was \$3,074,496 and \$3,021,892, respectively.

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

The University is the sole beneficiary of a charitable trust with a fair value of \$1,315,121 and \$1,966,801 at June 30, 2016 and 2015, 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.

**(10) Bonds and Notes Payable**

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

	<u>2016</u>	<u>2015</u>
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%, 1.819655% at June 30, 2016, and an interest rate swap based on 1M LIBOR vs. fixed rate of 3.425%; interest expense was \$995,704 for the fiscal year. Principal payments are made in monthly installments ranging from \$27,083 to \$155,000, through 2035.	\$ 20,240,000	21,130,000

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2016

	<u>2016</u>	<u>2015</u>
Series G bonds, issued in August 2006 with variable interest, based on 70% of 1M LIBOR plus 1.5%, 1.819655% at June 30, 2016, and an interest rate swap based on 1M LIBOR vs. fixed rate of 3.96%; interest expense was \$616,079 for the fiscal year. Principal payments are made in monthly installments ranging from \$20,000 to \$61,666, through 2036.	\$ 11,520,000	12,130,000
Series H bonds, issued in July 2008 with variable interest, \$46,000,000 based on 70% of 1M LIBOR plus 1.5%, 1.819655% at June 30, 2016, and two interest rate 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 \$1,963,222 for the fiscal year. Principal payments are made in monthly installments ranging from \$73,333 to \$228,333 through 2038	41,205,000	42,245,000
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 \$1,110,217 for the fiscal year. Principle payments are made in monthly installments ranging from \$58,764 to \$143,313 through 2040.	27,427,938	28,147,573
Series J bonds, issued in November 2013 with fixed interest rate of 1.8%; interest expense was \$206,610 for the fiscal year. Principle payments are made annually beginning in July 2014, ranging from \$160,000 to \$600,000, through 2034.	9,395,000	9,840,000
Bonds payable	109,787,938	113,492,573
Unamortized bond discount	(338,685)	(354,687)
Bonds payable, net	109,449,253	113,137,886
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 3.12% and \$9,223 as of June 30, 2016. Interest expense was \$35,560 for the fiscal year. 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.	1,066,930	1,142,581
Bonds and notes payable, net	\$ 110,516,183	114,280,467

## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2016

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. The University incurred \$1,071,595 in issuance costs associated with the new bonds which have been capitalized as other assets and will be amortized over the life of the bonds.

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 dormitory; 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 issuance costs associated with the new bonds which have been capitalized as other assets and will be amortized over the life of the bonds.

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 issuance costs associated with the new bonds which have been capitalized as other assets and will be amortized over the life of the bonds.

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 issuance costs associated with the new bonds which have been capitalized as other assets and will be amortized over the life of the bonds.

Under the bond agreements with CHEFA the University has agreed to certain financial covenants. The University has met its financial covenants as of June 30, 2016.

Substantially all property and equipment is pledged as collateral for the above bonds and 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.

**UNIVERSITY OF NEW HAVEN**  
Notes to Consolidated Financial Statements  
June 30, 2016

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

Year ending June 30:	
2017	\$ 3,814,635
2018	3,970,618
2019	4,114,858
2020	4,270,247
2021	4,419,203
Thereafter	<u>89,198,377</u>
Total	<u><u>\$ 109,787,938</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:	
2017	\$ 78,785
2018	81,279
2019	83,851
2020	86,509
2021	89,277
Thereafter	<u>647,229</u>
	<u><u>\$ 1,066,930</u></u>

**(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.

Trade date	Notional amount	Maturity	Series	Rate	Fair value at June 30	
					2016	2015
August 17, 2005	\$ 21,990,000	July 1, 2035	2005	3.425%	\$ (4,069,323)	(3,122,509)
August 28, 2006	12,720,000	July 1, 2036	2006	3.960	(3,160,637)	(2,451,227)
July 1, 2008	39,485,000	July 1, 2038	2008	3.605	(11,263,501)	(7,912,895)
July 1, 2008	3,760,000	July 1, 2038	2008	3.638	(1,093,283)	(771,148)
November 1, 2014	23,733,419	October 2, 2023	2014	2.215	<u>(2,324,369)</u>	<u>(1,399,667)</u>
Total					<u><u>\$ (21,911,113)</u></u>	<u><u>(15,657,446)</u></u>

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2016

### (12) Pension Plan

The University maintains a defined contribution retirement program with Fidelity Brokerage Services LLC. The University generally contributes 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, 2016 and 2015 was \$5,193,660 and \$5,304,689, respectively.

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

Restricted net assets as of June 30 consist of:

	<u>2016</u>	<u>2015</u>
Temporarily restricted net assets:		
Time restricted	\$ 4,627,870	4,850,539
Investments held in trust by others	1,315,121	1,966,801
Use restricted:		
Capital projects	4,922,361	4,024,871
Unappropriated endowment gains	7,528,931	8,797,295
Other	4,039,751	4,316,049
Total	<u>\$ 22,434,034</u>	<u>23,955,555</u>
Permanently restricted net assets:		
Scholarships	\$ 16,256,976	14,200,894
General university support	5,960,739	5,576,998
Total	<u>\$ 22,217,715</u>	<u>19,777,892</u>

### (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, 2016 and 2015, temporarily restricted net assets were released as follows:

	<u>2016</u>	<u>2015</u>
Capital projects	\$ 124,339	528,763
Academic support	493,527	392,031
Student services/athletics	496,477	322,901
Institutional support	1,445,574	1,138,886
Instruction	887,593	727,188
Student aid	478,653	402,666
Total	<u>\$ 3,926,163</u>	<u>3,512,435</u>

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2016

### (15) Postretirement Medical Benefits Plan

The University provides certain healthcare benefits, including medical care and prescription drug components, for certain of its retired employees but does not pre-fund these benefits. Information with respect to the plan is as follows:

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,828,230	3,925,184
Service cost	146,184	111,857
Interest cost	186,803	152,365
Impact of plan changes (amendments)	302,863	534,129
Assumption change losses	—	295,238
Experience losses	106,091	32,385
Benefits paid	(328,900)	(222,928)
Benefit obligation at end of year	<u>5,241,271</u>	<u>4,828,230</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	328,900	222,928
Benefits paid	(328,900)	(222,928)
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Funded status	<u>\$ (5,241,271)</u>	<u>(4,828,230)</u>

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
Components of net periodic postretirement benefit cost:		
Service cost	\$ 146,184	111,857
Interest cost	186,803	152,365
Impact of plan changes (amendments)	—	534,129
Net periodic postretirement benefit cost	<u>\$ 332,987</u>	<u>798,351</u>

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
Discount rate used to value obligations	3.00%	4.00%
Discount rate used to value expenses	4.00	4.00
Weighted average healthcare cost trend:		
Initial trend rate	5.80	5.80
Ultimate trend rate	4.70	4.70

# UNIVERSITY OF NEW HAVEN

## Notes to Consolidated Financial Statements

June 30, 2016

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 increases (decreases) in reported amounts:

	<u>2016</u>	<u>2015</u>
Impact of 1% increase in health care cost trend:		
On interest cost plus service cost during past year	\$ 26,213	21,502
On accumulated postretirement benefit obligation	451,619	417,969
Impact of 1% decrease in health care cost trend:		
On interest cost plus service cost during past year	(23,335)	(19,069)
On accumulated postretirement benefit obligation	(389,845)	(361,426)

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

	<u>Estimated benefit payment</u>
Fiscal year:	
2017	\$ 354,702
2018	390,182
2019	391,714
2020	403,997
2021	409,476
2022–2026	2,126,047

The expected employer contribution for fiscal year 2017 is \$354,702.

### (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.



## UNIVERSITY OF NEW HAVEN

### Notes to Consolidated Financial Statements

June 30, 2016

#### (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) Account Standards Codification (ASC) guidance for not-for-profit entities regarding mergers and acquisitions, which defines a combination of one or more no-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>\$ 13,561,686</u>

#### (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 November 3, 2016 and subsequent events have been evaluated through that date.

## Schedule I

**UNIVERSITY OF NEW HAVEN**  
Consolidating Schedule of Financial Position  
June 30, 2016

<b>Assets</b>	<b>University of New Haven</b>	<b>Lyme Academy</b>	<b>Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 44,638,827	768,184	—	45,407,011
Accounts and loans receivable, net	4,599,614	319,620	—	4,919,234
Pledges receivable, net	3,843,062	745,884	—	4,588,946
Other assets	3,087,292	115,151	—	3,202,443
Investments	59,876,216	4,783,967	—	64,660,183
Due from affiliate	1,728,489	—	(1,728,489)	—
Investments held in trust by others	1,315,121	—	—	1,315,121
Deposits with bond trustee and restricted cash	6,332,355	—	—	6,332,355
Investment in plant, net	190,210,210	11,306,570	—	201,516,780
Total assets	<u>\$ 315,631,186</u>	<u>18,039,376</u>	<u>(1,728,489)</u>	<u>331,942,073</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 15,795,136	241,589	—	16,036,725
Deposits and other liabilities	13,152,756	3,361,399	—	16,514,155
Bonds and notes payable	109,449,253	1,066,930	—	110,516,183
Due to affiliate	—	1,728,489	(1,728,489)	—
Interest rate swap liability	21,911,113	—	—	21,911,113
Post retirement healthcare obligation	5,241,271	—	—	5,241,271
Government grants refundable	3,453,060	—	—	3,453,060
Total liabilities	<u>169,002,589</u>	<u>6,398,407</u>	<u>(1,728,489)</u>	<u>173,672,507</u>
<b>Net Assets</b>				
Unrestricted	107,802,320	5,815,497	—	113,617,817
Temporarily restricted	20,510,488	1,923,546	—	22,434,034
Permanently restricted	18,315,789	3,901,926	—	22,217,715
Total net assets	<u>146,628,597</u>	<u>11,640,969</u>	<u>—</u>	<u>158,269,566</u>
Total liabilities and net assets	<u>\$ 315,631,186</u>	<u>18,039,376</u>	<u>(1,728,489)</u>	<u>331,942,073</u>

See accompanying independent auditors' report.

## UNIVERSITY OF NEW HAVEN

## Consolidating Schedule of Changes in Unrestricted Net Assets

Year ended June 30, 2016

	University of New Haven	Lyme Academy	Eliminations	Total
Operating activities:				
Revenues, gains, and other support:				
Tuition and fees	\$ 196,161,727	3,130,084	—	199,291,811
Residence and dining	37,512,702	280,090	—	37,792,792
Less scholarships and grants	(76,445,138)	(1,205,789)	—	(77,650,927)
Net student fees	157,229,291	2,204,385	—	159,433,676
Federal, state, and private grants and gifts	6,546,391	94,815	—	6,641,206
Endowment spending used in operations	965,672	69,127	—	1,034,799
Interest income and other sources	2,133,530	621,251	(554,652)	2,200,129
Other auxiliary services	2,620,150	110,471	—	2,730,621
Net assets released from restrictions	2,754,465	1,171,698	—	3,926,163
Total revenue from operations	172,249,499	4,271,747	(554,652)	175,966,594
Expenses:				
Instructional	61,933,446	1,374,403	—	63,307,849
Academic support	14,615,083	657,615	—	15,272,698
Student services	24,972,793	463,979	—	25,436,772
Institutional support	34,526,968	1,908,113	(554,652)	35,880,429
Residence and dining	29,954,497	162,135	—	30,116,632
Total expenses	166,002,787	4,566,245	(554,652)	170,014,380
Change in net assets from operations	6,246,712	(294,498)	—	5,952,214
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations	(1,764,483)	(63,198)	—	(1,827,681)
Change in market value of interest rate swap	(6,253,667)	—	—	(6,253,667)
Loss on sale of fixed assets	(9,035)	—	—	(9,035)
Change in unrestricted net assets	(1,780,473)	(357,696)	—	(2,138,169)
Unrestricted net assets, beginning of year	109,582,793	6,173,193	—	115,755,986
Unrestricted net assets, end of year	\$ 107,802,320	5,815,497	—	113,617,817

See accompanying independent auditors' report.

## UNIVERSITY OF NEW HAVEN

## Consolidating Schedule of Changes in Restricted and Total Net Assets

Year ended June 30, 2016

	<b>University of New Haven</b>	<b>Lyme Academy</b>	<b>Eliminations</b>	<b>Total</b>
Temporarily restricted net assets:				
Private grants and gifts	\$ 1,032,876	368,414	—	1,401,290
Interest income and other sources	561,793	37,370	—	599,163
Other auxiliary services	257,798	—	—	257,798
Net return on long-term investments, net of amounts used in operations	(920,361)	89,700	—	(830,661)
Nonoperating contributions	1,542,482	—	—	1,542,482
Unrealized losses on investments held in trust by others	(565,430)	—	—	(565,430)
Net assets released from restrictions	(2,754,465)	(1,171,698)	—	(3,926,163)
Change in temporarily restricted net assets	(845,307)	(676,214)	—	(1,521,521)
Temporarily restricted net assets, beginning of year	21,355,795	2,599,760	—	23,955,555
Temporarily restricted net assets, end of year	<u>\$ 20,510,488</u>	<u>1,923,546</u>	<u>—</u>	<u>22,434,034</u>
Permanently restricted net assets:				
Private grants and gifts	\$ 2,439,408	415	—	2,439,823
Change in permanently restricted net assets	2,439,408	415	—	2,439,823
Permanently restricted net assets, beginning of year	15,876,381	3,901,511	—	19,777,892
Permanently restricted net assets, end of year	<u>\$ 18,315,789</u>	<u>3,901,926</u>	<u>—</u>	<u>22,217,715</u>
Total net assets:				
Change in total net assets	\$ (186,372)	(1,033,495)	—	(1,219,867)
Total net assets, beginning of year	146,814,969	12,674,464	—	159,489,433
Total net assets, end of year	<u>\$ 146,628,597</u>	<u>11,640,969</u>	<u>—</u>	<u>158,269,566</u>

See accompanying independent auditors' report.

**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>(879,702)</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

	<b>University of New Haven</b>	<b>Lyme Academy</b>	<b>Eliminations</b>	<b>Total</b>
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	174,884,239	3,563,896	(563,758)	177,884,377
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	165,233,753	4,232,344	(563,758)	168,902,339
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	101,149,322	—	—	101,149,322
Unrestricted net assets, end of year	\$ 109,582,793	6,173,193	—	115,755,986

See accompanying independent auditors' report.

## UNIVERSITY OF NEW HAVEN

## Consolidating Schedule of Changes in Restricted and Total Net Assets

Year ended June 30, 2015

	University of New Haven	Lyme Academy	Eliminations	Total
Temporarily restricted net assets:				
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
Permanently restricted net assets:				
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
Total net assets:				
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.