



UNIVERSITY OF NEW HAVEN

Consolidated Financial Statements

June 30, 2017

(With Independent Auditors' Report Thereon)

UNIVERSITY OF NEW HAVEN
Consolidated Financial Statements
June 30, 2017

Table of Contents

	Page
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
Consolidating Schedules	
Schedule I – Consolidating Schedule of Financial Position as of June 30, 2017	25
Schedule II – Consolidating Schedule of Changes in Unrestricted Net Assets for the year ended June 30, 2017	26
Schedule III – Consolidating Schedule of Changes in Restricted and Total Net Assets for the year ended June 30, 2017	27
Schedule IV – Consolidating Schedule of Financial Position as of June 30, 2016	28
Schedule V – Consolidating Schedule of Changes in Unrestricted Net Assets for the year ended June 30, 2016	29
Schedule VI – Consolidating Schedule of Changes in Restricted and Total Net Assets for the year ended June 30, 2016	30



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

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, 2017, 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 Consolidated 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, 2017, 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' 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

October 27, 2017

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Financial Position

June 30, 2017

(with comparative information as of June 30, 2016)

Assets	2017	2016
Cash and cash equivalents	\$ 63,472,836	45,407,011
Accounts and loans receivable, net (note 3)	8,096,861	4,919,234
Pledges receivable, net (note 4)	13,477,272	4,588,946
Other assets	574,160	938,856
Investments (note 5)	68,195,767	64,660,183
Investments held in trust by others (notes 5 and 9)	1,664,854	1,315,121
Deposits with bond trustee and restricted cash (note 5)	7,923,616	6,332,355
Investment in plant, net (note 7)	207,684,182	201,516,780
Total assets	\$ 371,089,548	329,678,486
Liabilities		
Accounts payable and accrued expenses	\$ 19,159,130	16,036,725
Deposits and other liabilities	26,205,376	16,514,155
Bonds and notes payable (note 10)	104,612,447	108,252,596
Interest rate swap liability (notes 5 and 11)	14,489,024	21,911,113
Postretirement healthcare obligation (note 15)	5,025,360	5,241,271
Government grants refundable	3,453,060	3,453,060
Total liabilities	172,944,397	171,408,920
Net Assets		
Unrestricted	135,882,271	113,617,817
Temporarily restricted (notes 9 and 13)	37,898,936	22,434,034
Permanently restricted (note 13)	24,363,944	22,217,715
Total net assets	198,145,151	158,269,566
Commitments and contingencies (note 16)		
Total liabilities and net assets	\$ 371,089,548	329,678,486

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Activities

Year ended June 30, 2017

(with summarized comparative information as of June 30, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating activities:					
Revenue, gains, and other support:					
Tuition and fees	\$ 207,126,088	—	—	207,126,088	199,291,811
Residence and dining	37,245,679	—	—	37,245,679	37,792,792
Less scholarships and grants	(79,339,862)	—	—	(79,339,862)	(77,650,927)
Net student fees	165,031,905	—	—	165,031,905	159,433,676
Federal, state, and private grants and gifts	8,041,504	11,677,627	2,146,229	21,865,360	10,482,319
Endowment spending used in operations (notes 5 and 6)	1,594,017	—	—	1,594,017	1,034,799
Interest income and other sources	6,479,666	497,240	—	6,976,906	2,799,292
Other auxiliary services	4,145,400	303,845	—	4,449,245	2,988,419
Net assets released from restrictions (note 14)	3,712,124	(3,712,124)	—	—	—
Total revenue from operations	189,004,616	8,766,588	2,146,229	199,917,433	176,738,505
Expenses:					
Instructional	66,336,911	—	—	66,336,911	63,818,811
Academic support	17,688,993	—	—	17,688,993	15,748,080
Student services	27,568,467	—	—	27,568,467	26,641,335
Institutional support	35,933,067	—	—	35,933,067	35,727,815
Residence and dining	28,968,960	—	—	28,968,960	28,078,339
Total expenses	176,496,398	—	—	176,496,398	170,014,380
Change in net assets from operations	12,508,218	8,766,588	2,146,229	23,421,035	6,724,125
Nonoperating activities:					
Net return on long-term investments, net of amounts used in operations (note 5)	2,385,574	3,536,410	—	5,921,984	(2,658,342)
Nonoperating contributions	—	2,778,171	—	2,778,171	1,542,482
Change in market value of interest rate swap (notes 5 and 11)	7,422,089	—	—	7,422,089	(6,253,667)
Unrealized losses on investments held in trust by others	—	383,733	—	383,733	(565,430)
Loss on sale of fixed assets	(51,427)	—	—	(51,427)	(9,035)
Change in net assets	22,264,454	15,464,902	2,146,229	39,875,585	(1,219,867)
Net assets, beginning of year	113,617,817	22,434,034	22,217,715	158,269,566	159,489,433
Net assets, end of year	\$ 135,882,271	37,898,936	24,363,944	198,145,151	158,269,566

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Cash Flows

June 30, 2017

(with comparative information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 39,875,585	(1,219,867)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,740,864	11,694,970
Loss on disposal of plant and equipment	51,427	25,813
Change in market value of interest rate swap	(7,422,089)	6,253,667
Net unrealized and realized (gains) losses on investments	(6,509,323)	2,747,360
(Gains) losses on investments held in trust by others	(383,733)	565,430
Contributions restricted for long-term investment	(2,146,229)	(2,438,993)
Change in accounts and pledges receivable	(10,717,088)	2,527,733
Change in other assets	2,662,283	(472,731)
Change in accounts payable and accrued expenses	412,374	(1,043,878)
Change in deposits and other liabilities	8,197,657	1,195,921
Net cash provided by operating activities	<u>35,761,728</u>	<u>19,835,425</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(17,616,327)	(8,178,090)
Proceeds from maturity and sale of investments	9,045,241	5,442,669
Purchases of investments	(6,071,501)	(7,494,793)
Change in restricted cash and deposits with bond trustee	(1,591,261)	464,895
Loans receivable advanced	(148,017)	(160,550)
Loans receivable collected	292,716	305,249
Net cash used in investing activities	<u>(16,089,149)</u>	<u>(9,620,620)</u>
Cash flows from financing activities:		
Principal payments on bonds and notes payable	(3,752,983)	(3,625,808)
Proceeds from contributions restricted for long-term investment	2,146,229	2,438,993
Net cash used in financing activities	<u>(1,606,754)</u>	<u>(1,186,815)</u>
Net increase in cash and cash equivalents	18,065,825	9,027,990
Cash and cash equivalents at beginning of year	<u>45,407,011</u>	<u>36,379,021</u>
Cash and cash equivalents at end of year	\$ <u><u>63,472,836</u></u>	<u><u>45,407,011</u></u>
Supplemental data:		
Interest paid	\$ 4,760,091	4,927,392
Noncash investing activity – change in accounts payable attributable to fixed assets	343,366	1,794,092

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(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 and Lyme Academy College of Fine Arts (Lyme Academy) in Old Lyme, Connecticut.

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, 2017 and 2016, Lyme Academy has borrowed on the intercompany note \$1,669,804 and \$1,728,489, respectively. The intercompany note is eliminated in consolidation.

(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). All intercompany transactions and balances are eliminated in consolidation.

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, 2017

Revenue is 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 consolidated statement of activities. Gifts of long-lived assets are considered unrestricted support.

The consolidated 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 consolidated financial statements for the year ended June 30, 2016 from which the summarized information was derived.

(b) Liquidity Information

In order to provide information about liquidity, assets have been sequenced in the consolidated 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 consolidated 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 fund-raising 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 retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the consolidated statement of activities.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(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 consolidated 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. Fund-raising expenses for the years ended June 30, 2017 and 2016 totaling \$2,402,783 and \$2,170,709, respectively, have been classified as institutional support expenses in the consolidated statement of activities.

(h) Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue 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, 2017 and 2016, the carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenue 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

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

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.

(j) Recently Adopted Accounting Standards

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 is intended to simplify the presentation of debt issuance costs, requiring them to be presented as a direct reduction from the carrying value of the related debt liability. This guidance is effective for fiscal years beginning after December 15, 2015. Management has adopted and applied ASU 2015-03 retrospectively to all periods presented.

(k) Reclassification of Prior Year Financial Information

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

(3) Accounts and Loans Receivable

Accounts receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Students	\$ 10,410,584	7,793,366
Grants	346,255	524,058
Others	2,527,039	1,586,483
Allowance for doubtful accounts	<u>(7,564,139)</u>	<u>(7,552,718)</u>
Net accounts receivable	<u>\$ 5,719,739</u>	<u>2,351,189</u>

Loans receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Perkins loans	\$ 2,752,122	2,943,045
Allowance for doubtful accounts	<u>(375,000)</u>	<u>(375,000)</u>
Net loans receivable	<u>\$ 2,377,122</u>	<u>2,568,045</u>

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(4) Pledges Receivable

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

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 3,715,877	1,743,302
One to five years	8,223,552	3,149,874
Greater than five years	2,700,000	25,000
Charitable remainder trust (note 9)	<u>89,417</u>	<u>89,417</u>
Gross pledges receivable	14,728,846	5,007,593
Less:		
Allowance for uncollectible pledges	(758,967)	(291,585)
Discount to present value	<u>(492,607)</u>	<u>(127,062)</u>
Net pledges receivable	<u>\$ 13,477,272</u>	<u>4,588,946</u>

Pledges recorded at June 30, 2017 and 2016 are discounted at rates ranging from 6.25% to 0.74%.

(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.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

The University's assets and liabilities at June 30, 2017 and 2016 that are reported at fair value are summarized in the following tables by their fair value hierarchy:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2017 Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 6,311,398	—	—	6,311,398	Daily	1
Fixed income	—	13,380,271	—	13,380,271	Daily	1
Equities – U.S.	39,594,175	—	—	39,594,175	Daily	1
Equities – Foreign	8,909,923	—	—	8,909,923	Daily	1
Total investments	<u>\$ 54,815,496</u>	<u>13,380,271</u>	<u>—</u>	<u>68,195,767</u>		
Other assets:						
Funds held by bond trustee – U.S. agency/treasury debt	\$ 4,478,428	—	—	4,478,428	Daily	1
Funds held by bond trustee – U.S. government repurchase agreements	3,445,188	—	—	3,445,188	Daily	1
Investments held in trust by others	—	—	1,664,854	1,664,854	Not applicable	Not applicable
Liabilities:						
Interest rate swap agreements	—	(14,489,024)	—	(14,489,024)	Not applicable	Not applicable
<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
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, 2017

2016	Level 1	Level 2	Level 3	2016 Total	Redemption or liquidation	Days' notice
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 sw ap agreements	\$ —	(21,911,113)	—	(21,911,113)	Not applicable	Not applicable

The following table represents the University's activity for the fiscal years ended June 30, 2017 and 2016 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in the fair value hierarchy:

	Investments held in trust by others
Fair value at June 30, 2016	\$ 1,315,121
Unrealized gains	383,733
Distributions	(34,000)
Fair value at June 30, 2017	<u>\$ 1,664,854</u>
	Investments held in trust by others
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>

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2017 and 2016. The University's total return on its invested assets consists of the following components reported on the consolidated statement of activities:

	<u>2017</u>	<u>2016</u>
Investment income, net of investment expenses	\$ 1,006,678	1,122,038
Net realized and unrealized gains (losses)	<u>6,509,323</u>	<u>(2,745,581)</u>
Total return on investments	7,516,001	(1,623,543)
Endowment spending used in operations	<u>(1,594,017)</u>	<u>(1,034,799)</u>
Net return on long-term investments, net of amounts used in operations	<u>\$ 5,921,984</u>	<u>(2,658,342)</u>

Investment expenses for June 30, 2017 and 2016 were \$343,290 and \$309,504, 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 \$68,676 and \$235,950 as of June 30, 2017 and 2016, 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 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.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

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 12-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
7. The investment policies of the University

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

Endowment net assets consisted of the following at June 30, 2017 and 2016:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(68,676)	10,357,267	22,957,045	33,245,636
Quasi (Board designated)		22,036,715	—	—	22,036,715
Total	\$	<u>21,968,039</u>	<u>10,357,267</u>	<u>22,957,045</u>	<u>55,282,351</u>

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(235,950)	7,528,931	20,729,286	28,022,267
Quasi (Board designated)		20,104,859	—	—	20,104,859
Total	\$	<u>19,868,909</u>	<u>7,528,931</u>	<u>20,729,286</u>	<u>48,127,126</u>

Changes in endowment funds for the fiscal years ended June 30, 2017 and 2016 were as follows:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2016	\$	19,868,909	7,528,931	20,729,286	48,127,126
Investment return		364,666	530,561	—	895,227
Unrealized/realized gains		2,395,375	3,230,881	—	5,626,256
Appropriated to earnings		(660,911)	(933,106)	—	(1,594,017)
Contributions		—	—	2,227,759	2,227,759
Balance, June 30, 2017	\$	<u>21,968,039</u>	<u>10,357,267</u>	<u>22,957,045</u>	<u>55,282,351</u>

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2015	\$	21,153,466	8,797,295	19,486,520	49,437,281
Investment return		356,282	484,930	—	841,212
Unrealized/realized losses		(1,206,360)	(1,152,974)	—	(2,359,334)
Appropriated to earnings		(434,479)	(600,320)	—	(1,034,799)
Contributions		—	—	1,242,766	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
Notes to Consolidated Financial Statements
June 30, 2017

(7) Investment in Plant

Plant assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>	<u>Estimated useful lives</u>
Land	\$ 14,028,629	11,516,797	—
Land improvements	19,374,129	18,061,044	15 years
Buildings and building improvements	258,159,471	249,558,632	30 years
Furniture and equipment	64,215,367	60,904,535	3–10 years
Collections	810,288	810,288	—
Construction in progress	4,988,064	2,861,031	—
	<u>361,575,948</u>	<u>343,712,327</u>	
Less accumulated depreciation	<u>(153,891,766)</u>	<u>(142,195,547)</u>	
	<u>\$ 207,684,182</u>	<u>201,516,780</u>	

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$11,696,219 and \$11,743,476, respectively.

As a result of the State of Connecticut Department of Economic and Community Development providing bond funding to Lyme Academy, there is a 10-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:	
2018	\$ 2,484,159
2019	1,157,979
2020	792,126
2021	460,732
2022 and thereafter	<u>1,461,075</u>
Total required minimum lease payments	<u>\$ 6,356,071</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$2,854,767 and \$3,074,496, respectively.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(9) Investments Held in Trust by Others

The University is the sole beneficiary of a charitable trust with a fair value of \$1,664,854 and \$1,315,121 at June 30, 2017 and 2016, 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 a 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 consolidated financial statements.

(10) Bonds and Notes Payable

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

	2017	2016
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%, 2.23535% at June 30, 2017, and an interest rate swap based on 70% of 1M LIBOR vs. fixed rate of 3.425%; interest expense was \$958,057 for the fiscal year. Principal payments are made in monthly installments ranging from \$27,083 to \$155,000 through 2035.	\$ 19,320,000	20,240,000
Series G bonds, issued in August 2006 with variable interest, based on 70% of 1M LIBOR plus 1.5%, 2.23535% at June 30, 2017, and an interest rate swap based on 68% of 3M LIBOR vs. fixed rate of 3.960%; interest expense was \$651,562 for the fiscal year. Principal payments are made in monthly installments ranging from \$20,000 to \$61,666 through 2036.	10,880,000	11,520,000
Series H bonds, issued in July 2008 totaling \$46,000,000 with variable interest based on 70% of 1M LIBOR plus 1.5%, 2.23535% at June 30, 2017, and two interest rate swap agreements based on 68% of 3M LIBOR vs. fixed rate of 3.605% and 3.638% on \$36,625,000 and \$3,495,000, respectively; interest expense was \$1,903,014 for the fiscal year. Principal payments are made in monthly installments ranging from \$73,333 to \$228,333 through 2038.	40,120,000	41,205,000

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

	2017	2016
Series I bonds, issued in October 2013, with variable interest based on an 68.05% of 1M LIBOR plus 2.65%, 2.6214% at June 30, 2017, and an interest rate swap based on 68.05% of 1M LIBOR vs a fixed rate of 2.215%; interest expense was \$1,029,560 for the fiscal year. Principal payments are made in monthly installments ranging from \$58,764 to \$143,313 through 2040.	\$ 26,847,158	27,427,938
Series J bonds, issued in November 2013 with fixed interest rate of 2.6%; interest expense was \$184,300 for the fiscal year. Principal payments are made annually beginning in July 2014, ranging from \$160,000 to \$600,000, through 2034.	8,945,000	9,395,000
Bonds payable	106,112,158	109,787,938
Unamortized bond discount	(322,682)	(338,685)
Bond issuance costs	(2,166,756)	(2,263,587)
Bonds payable, net	103,622,720	107,185,666
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 3.15% and \$9,233 as of June 30, 2017. Interest expense was \$33,598 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.	989,727	1,066,930
Bonds and notes payable, net	\$ 104,612,447	108,252,596

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 and will be amortized over the life of the bonds.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

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 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 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 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, 2017.

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.

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

Year ending June 30:		
2018	\$	3,999,858
2019		4,145,247
2020		4,299,203
2021		4,454,549
2022		4,588,657
Thereafter		<u>84,624,644</u>
Total	\$	<u><u>106,112,158</u></u>

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

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

Year ending June 30:		
2018	\$	80,683
2019		83,273
2020		85,878
2021		88,702
2022		91,549
Thereafter		559,642
	\$	989,727

(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	
					2017	2016
August 17, 2005	\$ 21,990,000	July 1, 2035	2005	3.425 %	\$ (2,627,175)	(4,069,323)
August 28, 2006	12,720,000	July 1, 2036	2006	3.960	(2,206,529)	(3,160,637)
July 1, 2008	39,485,000	July 1, 2038	2008	3.605	(7,755,388)	(11,263,501)
July 1, 2008	3,760,000	July 1, 2038	2008	3.638	(755,511)	(1,093,283)
November 1, 2014	23,733,419	October 2, 2023	2014	2.215	(1,144,421)	(2,324,369)
Total					\$ (14,489,024)	(21,911,113)

(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, 2017 and 2016 was \$5,629,647 and \$5,193,660, respectively.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(13) Temporarily and Permanently Restricted Net Assets

Restricted net assets as of June 30 consist of:

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets:		
Time restricted	\$ 11,109,954	4,627,870
Investments held in trust by others	1,664,854	1,315,121
Use restricted:		
Capital projects	7,757,330	4,922,361
Unappropriated endowment gains	10,357,267	7,528,931
Other	<u>7,009,531</u>	<u>4,039,751</u>
Total	<u>\$ 37,898,936</u>	<u>22,434,034</u>
Permanently restricted net assets:		
Scholarships	\$ 17,897,623	16,256,976
General university support	<u>6,466,321</u>	<u>5,960,739</u>
Total	<u>\$ 24,363,944</u>	<u>22,217,715</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, 2017 and 2016, temporarily restricted net assets were released as follows:

	<u>2017</u>	<u>2016</u>
Capital projects	\$ 761,068	124,339
Academic support	188,872	493,527
Student services/athletics	367,630	496,477
Institutional support	1,505,332	1,445,574
Instruction	468,134	887,593
Student aid	<u>421,088</u>	<u>478,653</u>
Total	<u>\$ 3,712,124</u>	<u>3,926,163</u>

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

	June 30	
	2017	2016
Discount rate used to value obligations	3.50 %	3.00 %
Discount rate used to value expenses	3.00	4.00
Weighted average healthcare cost trend:		
Initial trend rate	5.80	5.80
Ultimate trend rate	4.70	4.70

The assumed healthcare cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed healthcare cost trend rate would have the following increases (decreases) in reported amounts:

	2017	2016
Impact of 1% increase in healthcare cost trend:		
On interest cost plus service cost during past year	\$ 19,665	26,213
On accumulated postretirement benefit obligation	401,208	451,619
Impact of 1% decrease in healthcare cost trend:		
On interest cost plus service cost during past year	(17,474)	(23,335)
On accumulated postretirement benefit obligation	(348,124)	(389,845)

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

	Estimated benefit payment
Fiscal year:	
2018	\$ 396,134
2019	396,926
2020	409,697
2021	413,853
2022	425,249
2023–2027	2,119,650

The expected employer contribution for fiscal year 2018 is \$396,134.

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2017

(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 consolidated 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 consolidated financial position.

(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) Subsequent Events

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

These consolidated financial statements were issued on October 27, 2017 and subsequent events have been evaluated through that date.

UNIVERSITY OF NEW HAVEN
 Consolidating Schedule of Financial Position
 June 30, 2017

Assets	University of New Haven	Lyme Academy	Eliminations	Total
Cash and cash equivalents	\$ 62,437,835	1,035,001	—	63,472,836
Accounts and loans receivable, net	7,928,987	167,874	—	8,096,861
Pledges receivable, net	12,950,417	526,855	—	13,477,272
Other assets	442,468	131,692	—	574,160
Investments	62,721,992	5,473,775	—	68,195,767
Due from affiliate	1,669,804	—	(1,669,804)	—
Investments held in trust by others	1,664,854	—	—	1,664,854
Deposits with bond trustee and restricted cash	7,923,616	—	—	7,923,616
Investment in plant, net	196,516,951	11,167,231	—	207,684,182
Total assets	<u>\$ 354,256,924</u>	<u>18,502,428</u>	<u>(1,669,804)</u>	<u>371,089,548</u>
Liabilities				
Accounts payable and accrued expenses	\$ 18,981,759	177,371	—	19,159,130
Deposits and other liabilities	22,901,923	3,303,453	—	26,205,376
Bonds and notes payable	103,622,720	989,727	—	104,612,447
Due to affiliate	—	1,669,804	(1,669,804)	—
Interest rate swap liability	14,489,024	—	—	14,489,024
Postretirement healthcare obligation	5,025,360	—	—	5,025,360
Government grants refundable	3,453,060	—	—	3,453,060
Total liabilities	<u>168,473,846</u>	<u>6,140,355</u>	<u>(1,669,804)</u>	<u>172,944,397</u>
Net Assets				
Unrestricted	129,947,148	5,935,123	—	135,882,271
Temporarily restricted	35,468,912	2,430,024	—	37,898,936
Permanently restricted	20,367,018	3,996,926	—	24,363,944
Total net assets	<u>185,783,078</u>	<u>12,362,073</u>	<u>—</u>	<u>198,145,151</u>
Total liabilities and net assets	<u>\$ 354,256,924</u>	<u>18,502,428</u>	<u>(1,669,804)</u>	<u>371,089,548</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW HAVEN

Consolidating Schedule of Changes in Unrestricted Net Assets

Year ended June 30, 2017

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
Operating activities:				
Revenue, gains, and other support:				
Tuition and fees	\$ 203,186,725	3,939,363	—	207,126,088
Residence and dining	36,785,904	459,775	—	37,245,679
Less scholarships and grants	<u>(77,714,682)</u>	<u>(1,625,180)</u>	<u>—</u>	<u>(79,339,862)</u>
Net student fees	162,257,947	2,773,958	—	165,031,905
Federal, state, and private grants and gifts	7,972,341	69,163	—	8,041,504
Endowment spending used in operations	1,523,921	70,096	—	1,594,017
Interest income and other sources	6,370,641	732,771	(623,746)	6,479,666
Other auxiliary services	4,040,217	105,183	—	4,145,400
Net assets released from restrictions	<u>2,545,618</u>	<u>1,166,506</u>	<u>—</u>	<u>3,712,124</u>
Total revenue from operations	<u>184,710,685</u>	<u>4,917,677</u>	<u>(623,746)</u>	<u>189,004,616</u>
Expenses:				
Instructional	64,901,927	1,434,984	—	66,336,911
Academic support	17,075,487	613,506	—	17,688,993
Student services	26,960,784	607,683	—	27,568,467
Institutional support	34,633,218	1,923,595	(623,746)	35,933,067
Residence and dining	<u>28,825,313</u>	<u>143,647</u>	<u>—</u>	<u>28,968,960</u>
Total expenses	<u>172,396,729</u>	<u>4,723,415</u>	<u>(623,746)</u>	<u>176,496,398</u>
Change in net assets from operations	12,313,956	194,262	—	12,508,218
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations	2,460,210	(74,636)	—	2,385,574
Change in market value of interest rate swap	7,422,089	—	—	7,422,089
Loss on sale of fixed assets	<u>(51,427)</u>	<u>—</u>	<u>—</u>	<u>(51,427)</u>
Change in unrestricted net assets	22,144,828	119,626	—	22,264,454
Unrestricted net assets, beginning of year	<u>107,802,320</u>	<u>5,815,497</u>	<u>—</u>	<u>113,617,817</u>
Unrestricted net assets, end of year	<u>\$ 129,947,148</u>	<u>5,935,123</u>	<u>—</u>	<u>135,882,271</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW HAVEN

Consolidating Schedule of Changes in Restricted and Total Net Assets

Year ended June 30, 2017

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
Temporarily restricted net assets:				
Private grants and gifts	\$ 10,691,089	986,538	—	11,677,627
Interest income and other sources	497,240	—	—	497,240
Other auxiliary services	283,175	20,670	—	303,845
Net return on long-term investments, net of amounts used in operations	2,870,634	665,776	—	3,536,410
Nonoperating contributions	2,778,171	—	—	2,778,171
Unrealized losses on investments held in trust by others	383,733	—	—	383,733
Net assets released from restrictions	<u>(2,545,618)</u>	<u>(1,166,506)</u>	—	<u>(3,712,124)</u>
Change in temporarily restricted net assets	14,958,424	506,478	—	15,464,902
Temporarily restricted net assets, beginning of year	<u>20,510,488</u>	<u>1,923,546</u>	—	<u>22,434,034</u>
Temporarily restricted net assets, end of year	<u>\$ 35,468,912</u>	<u>2,430,024</u>	—	<u>37,898,936</u>
Permanently restricted net assets:				
Private grants and gifts	\$ 2,051,229	95,000	—	2,146,229
Change in permanently restricted net assets	2,051,229	95,000	—	2,146,229
Permanently restricted net assets, beginning of year	<u>18,315,789</u>	<u>3,901,926</u>	—	<u>22,217,715</u>
Permanently restricted net assets, end of year	<u>\$ 20,367,018</u>	<u>3,996,926</u>	—	<u>24,363,944</u>
Total net assets:				
Change in total net assets	\$ 39,154,481	721,104	—	39,875,585
Total net assets, beginning of year	<u>146,628,597</u>	<u>11,640,969</u>	—	<u>158,269,566</u>
Total net assets, end of year	<u>\$ 185,783,078</u>	<u>12,362,073</u>	—	<u>198,145,151</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW HAVEN

Consolidating Schedule of Financial Position

June 30, 2016

Assets	University of New Haven	Lyme Academy	Eliminations	Total
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	823,705	115,151	—	938,856
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>\$ 313,367,599</u>	<u>18,039,376</u>	<u>(1,728,489)</u>	<u>329,678,486</u>
Liabilities				
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	107,185,666	1,066,930	—	108,252,596
Due to affiliate	—	1,728,489	(1,728,489)	—
Interest rate swap liability	21,911,113	—	—	21,911,113
Postretirement healthcare obligation	5,241,271	—	—	5,241,271
Government grants refundable	3,453,060	—	—	3,453,060
Total liabilities	<u>166,739,002</u>	<u>6,398,407</u>	<u>(1,728,489)</u>	<u>171,408,920</u>
Net Assets				
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>\$ 313,367,599</u>	<u>18,039,376</u>	<u>(1,728,489)</u>	<u>329,678,486</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW HAVEN

Consolidating Schedule of Changes in Unrestricted Net Assets

Year ended June 30, 2016

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
Operating activities:				
Revenue, 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	<u>(76,445,138)</u>	<u>(1,205,789)</u>	—	<u>(77,650,927)</u>
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	<u>2,754,465</u>	<u>1,171,698</u>	—	<u>3,926,163</u>
Total revenue from operations	<u>172,249,499</u>	<u>4,271,747</u>	<u>(554,652)</u>	<u>175,966,594</u>
Expenses:				
Instructional	62,444,408	1,374,403	—	63,818,811
Academic support	15,090,465	657,615	—	15,748,080
Student services	26,177,356	463,979	—	26,641,335
Institutional support	34,374,354	1,908,113	(554,652)	35,727,815
Residence and dining	<u>27,916,204</u>	<u>162,135</u>	—	<u>28,078,339</u>
Total expenses	<u>166,002,787</u>	<u>4,566,245</u>	<u>(554,652)</u>	<u>170,014,380</u>
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	<u>(9,035)</u>	—	—	<u>(9,035)</u>
Change in unrestricted net assets	(1,780,473)	(357,696)	—	(2,138,169)
Unrestricted net assets, beginning of year	<u>109,582,793</u>	<u>6,173,193</u>	—	<u>115,755,986</u>
Unrestricted net assets, end of year	<u>\$ 107,802,320</u>	<u>5,815,497</u>	—	<u>113,617,817</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW HAVEN

Consolidating Schedule of Changes in Restricted and Total Net Assets

Year ended June 30, 2016

	<u>University of New Haven</u>	<u>Lyme Academy</u>	<u>Eliminations</u>	<u>Total</u>
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	<u>(2,754,465)</u>	<u>(1,171,698)</u>	<u>—</u>	<u>(3,926,163)</u>
Change in temporarily restricted net assets	(845,307)	(676,214)	—	(1,521,521)
Temporarily restricted net assets, beginning of year	<u>21,355,795</u>	<u>2,599,760</u>	<u>—</u>	<u>23,955,555</u>
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	<u>15,876,381</u>	<u>3,901,511</u>	<u>—</u>	<u>19,777,892</u>
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	<u>146,814,969</u>	<u>12,674,464</u>	<u>—</u>	<u>159,489,433</u>
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.