2015 FINANCIAL REPORT

CASE WESTERN RESERVE UNIVERSITY
EST. 1826

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DISCUSSION OF FINANCIAL RESULTS

Case Western Reserve University continued to grow a solid financial resource base during Fiscal Year 2015 ("FY15"). The University's fundraising campaign drove record levels of attainment, undergraduate enrollment efforts exceeded the University's goal, and the University's net operating activities continued to remain positive.

The FY15 financial plan continued to focus on maintaining momentum in core operating results, funding strategic capital projects by philanthropy, and achieving desired undergraduate enrollment. The results were a $56 million or 6.1% operating margin (GAAP basis), another all-time record in attainment of $167 million in new pledges, and undergraduate enrollment that contributed to a net tuition revenue increase of $15 million.

Capital expenditures continue to adhere to a disciplined planning process that leverages philanthropic support for strategic projects. The first phase of the Milton and Tamar Maltz Performing Arts Center and think[box] Institute for Collaboration and Innovation will open in Fall 2015. Both strategic capital projects were funded entirely by gifts. Undergraduate enrollment growth has consumed all available student housing and the University issued its first new housing-related debt in a decade. This new debt will be supported by incremental revenue from the increased undergraduate enrollment.

Following are additional comments related to the University's operations and financial results, with *Selected Financial Data* shown on page 7.

FY15 FINANCIAL HIGHLIGHTS

Solid Core Operating Results

The University's management of resources produced a net operating income on a GAAP basis of $56 million, a 6.1% operating margin. A proactive management plan was reflected in a balanced budget in 2015, including a budgeted operating surplus of $3.9 million (*Statement of Operations*).

The *Statement of Operations* (management view) reflects a surplus of $9.0 million. Both net operating activity (GAAP basis) and operating surpluses (management view) have been positive for the last eight consecutive years.

Record-breaking Attainment Level

In 2015, the University again benefitted from the generosity of its donors. Case Western Reserve University set all-time records, including attainment of $167 million in FY15. The total represents a 10% increase over the previous record amount of $152 million achieved in FY14. Attainment has increased in each of the last seven years. In FY15, the University received gifts from over 18,000 donors, totaling $133 million as reported on a cash basis. Realized gifts and pledges of $88 million are reported in the financial statements on an accrual basis.

Exceeded Undergraduate Enrollment

The University began the 2014-2015 academic year welcoming 1,282 first year students, a number comparable to 2013-2014 academic year and exceeded the University's goal. Total student tuition revenue, including Undergraduate, professional and graduate programs, grew to $394 million, or by $26 million from the prior year. Student aid increased $11 million or 7% over FY14, and overall net tuition increased $15 million over FY14. The total undergraduate discount rate decreased from 50.2% to 50.0% in FY15.

Higher undergraduate enrollment drove auxiliaries revenue to increase by $3 million. Available for the 2015-2016 academic year is a new 290-bed undergraduate residence hall needed for the higher undergraduate enrollment.

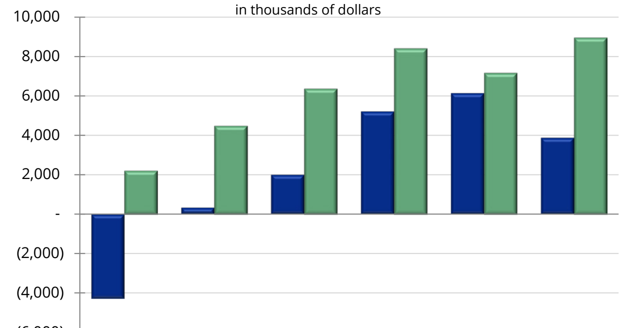
STATEMENT OF OPERATIONS

The University manages its daily operations using a *Statement of Operations* (management view) that is prepared on a modified-cash basis and presented by natural account class; it is unaudited. The *Statement of Operations* measures and reports the organization's management center-based activities. It excludes non-operating transactions, depreciation expense, differs in its treatment of capital, and excludes most restricted funds transactions (e.g. restricted gift revenue).

The University produced a total surplus of $9.0 million in FY15, compared to a budgeted surplus of $3.9 million and a $7.2 million surplus in FY14. FY15 marked the eighth consecutive year of positive operating results.

UNIVERSITY SURPLUS/(DEFICIT)

in thousands of dollars



	2010	2011	2012	2013	2014	2015
Budget	(4,278)	332	2,000	5,200	6,127	3,868
Actual	2,226	4,499	6,375	8,412	7,179	8,964

The FY15 operating results reflect increasing net tuition revenue from increasing numbers of students and strong auxiliary revenues correlated to increased undergraduate enrollment.

MANAGEMENT CENTER OPERATING REVENUES

Operating revenues are classified in four categories: Tuition and Fees, Endowment, Research-related, and Other Revenue. The University reported $1,030 million in total revenue, a $17 million or 2% increase from FY14.

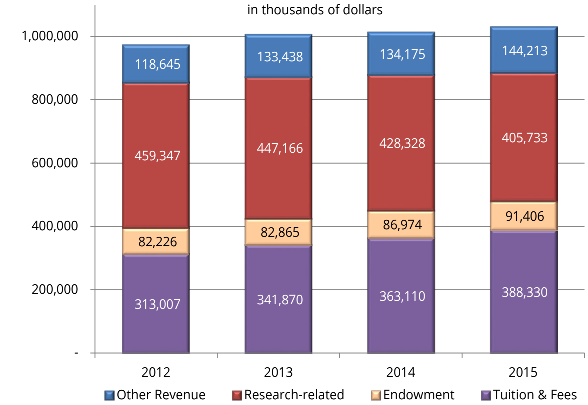
Gross tuition and fees revenue was $388 million, a $25 million or 7% increase from FY14. Gross undergraduate tuition was $191 million, a $15 million or 8% increase over FY14. The increase is a direct reflection of the 3.25% rate increase and an addition of 251 undergraduate full-time equivalents over FY14. Professional and graduate program gross tuition, along with Summer programs and fees, was $197 million, a $10 million or 6% increase over FY14.

Endowment revenue used by operations was $91 million, a $4 million or 5% increase over FY14.

Research-related revenues (Research & Training, Overhead Recovery, and Restricted Gifts) were $406 million, a $23 million or 5% decrease from FY14.

OPERATING REVENUE

in thousands of dollars



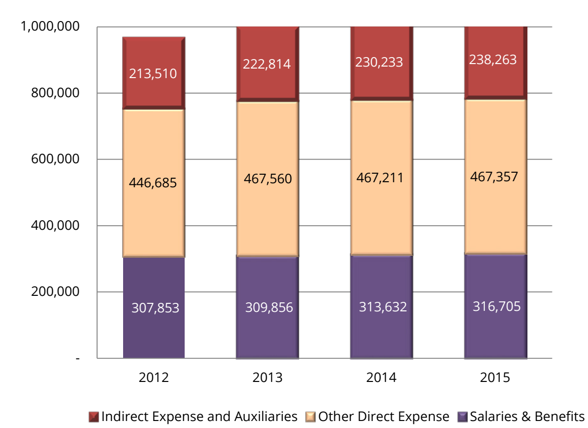
Other Revenue was $144 million, a $10 million or 7% increase over FY14, with a $6 million or 11% increase in other income and a $4 million or 6% increase in auxiliary services revenue, related to rate increases and a growth in the undergraduate student population.

MANAGEMENT CENTER OPERATING EXPENSES

Operating expenses were $1,022 million, a $11 million or 1% increase from FY14. Functional expenses are categorized as Salaries and Benefits, Other Direct, and Indirect Expense and Auxiliaries.

OPERATING EXPENSES

in thousands of dollars



Salaries and Benefits were $317 million, a $3 million or 1% increase from FY14. Other Direct Expense was $467 million, which held constant as compared to FY14. Indirect Expense and Auxiliaries were $238 million, an $8 million or 3% increase from FY14, which were driven by the undergraduate student population growth as reflected in the student-related segments.

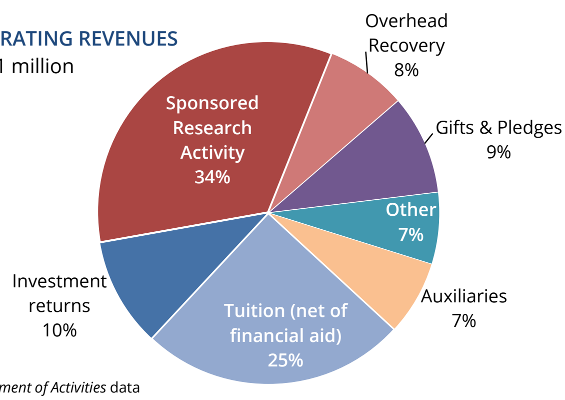
CONSOLIDATED STATEMENT OF ACTIVITIES

The *Statement of Activities* (GAAP basis) includes consolidated results from the University's operating and non-operating activities which produced a positive change in net assets. In FY15, operating activity contributed $56 million to net assets.

OPERATING REVENUES

Total operating revenues were $931 million, an increase of $4 million or less than 1% from FY14. The components of the University's revenues are shown below; additional detail of operating revenue follows.

OPERATING REVENUES
$931 million



Statement of Activities data

Tuition income

Gross tuition income of $394 million increased $26 million or 7% over FY14, and includes fees and undergraduate, graduate, summer, and professional tuition. Gross tuition income is offset in part by financial aid awarded; the financial aid offset for FY15 was $161 million, resulting in net tuition of $234 million, or 25% of operating revenues.

The net tuition and fees income of $234 million represents a $15 million or 7% increase over FY14, with increased revenues generated by an increase in tuition rates and from higher student enrollment.

Investment returns

Investment returns included $68 million in returns distributed from the long-term investment pool, $12 million in returns on operating investments, and $15 million in distributions from funds held by others (FHBO) for endowment spending. Investment returns, which represent 10% of operating revenues, totaled $95 million, a decrease of $3 million or 3% from FY14.

Grants and contracts

Grants and contracts revenue includes awards to Case Western Reserve University and also its affiliates, most notably the Cleveland Clinic Lerner College of Medicine ("CCLCM").

Grants and contracts received for research and training purposes totaled $315 million, including $81 million in CCLCM awards. This amount reflects a decrease of $17 million or 5% from FY14. The total represents 34% of overall University operating revenues. This decline corresponds with a drop in research operating expenses.

Overhead cost recovery

The Facilities and Administrative cost recovery applicable to federally sponsored projects and all other sponsored activity was $71 million in FY15, a $2 million or 3% decrease from FY14. Overhead recovery constituted 8% of operating revenues.

Gifts & Pledges

Gifts & Pledges income was $88 million, an increase of $2 million or 3% from FY14. Gifts & Pledges, which represent 9% of operating revenues, are recorded in the appropriate asset category when received.

Auxiliaries

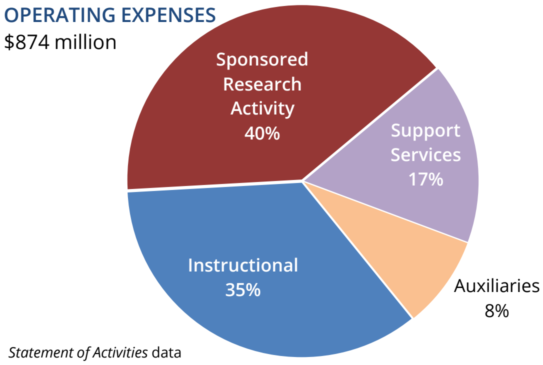
Auxiliaries revenue of $65 million increased $3 million or 5% over FY14. Auxiliaries revenue is categorized as either "Student," which is largely Housing, Food, and Health Services, totaling $54 million, or "Other," including Rental Properties and Parking, totaling $11 million for FY15. Auxiliaries revenue represents 7% of operating revenues.

Other revenue

Other revenue of $63 million increased $6 million or 10% from FY14. Other revenue represents 7% of operating revenues and includes the State of Ohio appropriation, Organized Activities, and Other Sources.

OPERATING EXPENSES

Total expenses of $874 million increased $13 million or 1% over FY14. The components of the University's expenses are shown below; additional detail of operating expenses follows.



Statement of Activities data

Instructional costs of $305 million, which comprise 35% of operating expenses, increased by $15 million or 5% over FY14. Included in direct instructional costs are faculty and staff salaries and benefits.

Sponsored Research Activity of $348 million, represents 40% of operating expenses, decreased $12 million or 3% from FY14. Sponsored research activity includes Sponsored research and training, Other sponsored projects, and CCLCM research and training expenses.

Support Services costs of $146 million, or 17% of operating expenses, including Library, Student Services, and University Services, increased $6 million or 4% over FY14.

Auxiliaries expenses of $74 million, which constitute 8% of operating expenses, increased $5 million or 7% over FY14. Most of the increase came from student-focused auxiliaries due to increased volume in student housing and food services.

NON-OPERATING ACTIVITIES

Non-operating activities decreased net assets by $34 million, a $184 million decrease from FY14.

Long-term Investment Activities

Long-term investment activities realized $60 million in investment returns and $9 million in unrealized depreciation on $1.9 billion in investment assets. Investment income increased $1 million over FY14, and net (depreciation) appreciation decreased $174 million from FY14.

Other Non-Operating Activities

Other non-operating activities includes Changes in liabilities due under life-income agreements, Pension plan changes other than periodic benefit costs, and Loss on disposal of plant assets. These other non-operating activities resulted in a $17 million loss in net assets, or a decrease of $6 million over FY14.

THE UNIVERSITY'S ENDOWMENT

Case Western Reserve University's investment pool consist of a group of funds, including the endowment funds, funds functioning as endowments (also referred to as *quasi-endowment*), Board-designated funds, and operating funds, that are invested in a broadly diversified portfolio. The total investment return for the investment pool, net of external manager fees, approximated 4.8% (2015) and 16.0% (2014). Additional detail on the investment pool is shown in *Footnote 5*.

The University's combined endowment, the purpose of which is to generate revenue in perpetuity, is comprised of funds invested and managed by the University, that includes endowment funds and quasi-endowments (referred to as the *endowment pool*) and funds invested and managed outside the University (referred to as *funds held in trust*). The University's combined endowment at June 30, 2015 and 2014 is shown in the table below:

(in thousands)	2015	2014
Endowment Pool:		
Donor-restricted	$ 1,107,222	$ 1,089,658
Donor-purpose restricted	287,188	290,857
Quasi-endowment	44,764	37,779
Funds held in trust (FHBO)	336,825	340,275
Total combined endowment	**$ 1,775,999**	**$ 1,758,569**
Change in market value	**0.99%**	**10.23%**

Activities and total investment return for the combined endowment for the years ending June 30, 2015 and 2014 are shown in the table below:

(in thousands)	2015	2014
Beginning combined endowment	$ 1,758,569	$ 1,595,300
Additions	38,282	17,250
Spending distribution	(83,246)	(79,646)
Campaign support	(5,900)	(6,500)
Operating support	(2,481)	(2,477)
Other	(271)	(284)
Appreciation and investment income	71,046	234,926
Ending combined endowment	**$ 1,775,999**	**$ 1,758,569**
Investment return	**4.6%**	**16.1%**

CHANGE IN NET ASSETS

The combined net operating activity of $56 million and net negative non-operating activity of $34 million resulted in an increase in net assets of $22 million or 1% from FY14.

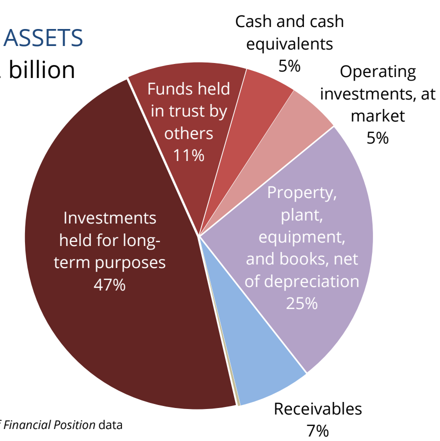
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The University's *Statements of Financial Position* reflect total assets of $3.022 billion with a primarily sizable cash and investment balance of $2.045 billion.

ASSETS

Total cash and investments of $2.045 billion, including cash and cash equivalents, operating investments, long-term investments, and funds held by others, combined total 68% of University assets. Property, plant, equipment and books represent an additional $766 million or 25% of assets. Total assets increased $40 million or 1% over FY14.

TOTAL ASSETS
$3.022 billion



Statements of Financial Position data

Cash and Cash Equivalents

The University actively manages its cash and cash equivalents to maintain targeted levels of working capital in highly liquid assets to meet daily operating requirements. Working capital and board designated funds in excess of the liquidity target is retained in operating investments to produce a higher investment return.

The University's cash position on June 30 was $143 million, a decrease of $38 million or 21% over FY14. Cash equivalents include all highly liquid investments with original purchase maturity of 90 or fewer days, and appropriated endowment income which may be spent on demand.

Operating Investments, at market

The University's operations were supported by $148 million of operational investments in addition to cash and cash equivalents. These investments generally have a maturity of greater than 90 days but may be liquidated on demand. Operating investments increased $19 million or 15% over FY14.

Receivables

Receivables include net accounts and loans receivable as well as net pledges receivable. In total, the University had $204 million in receivables, which represent 7% of assets. Receivables decreased $1 million or less than 1% from FY14.

Investments held for long-term purposes

Long-term investments of $1.417 billion increased $32 million or 2% from FY14. Because a majority of the University's long-term investments are endowments or similar funds, the Board of Trustees' annually-approved endowment spending allocation and support for certain development-related activities had an impact of approximately $71 million on long-term investments in FY15.

Funds Held By Others

Funds held in trust by others of $337 million decreased $3 million or 1% from FY14.

Property, Plant, Equipment, and Books

Property, plant, equipment, and library books, net of depreciation, constitute 25% of the University's assets, totaling $766 million for FY15. Net plant assets increased $30 million or 4% from FY14.

LIABILITIES

Total liabilities of $849 million increased $18 million or 2% over FY14.

Retirement Plans

The University provides defined benefit and defined contribution pension plans for its faculty and staff. The pension plan discount rate for the defined benefit plan of 4.75% in FY15 remains unchanged from FY14. The University's accrued pension liability increased $12 million from FY14, to a total accrued pension liability of $68 million in FY15.

Debt

Total liability on notes and bonds payable decreased $6 million or 1% from FY14. The decrease was due to principal repayments of commercial paper and the line of credit, which was offset by the issuance of new debt for the new undergraduate residence hall. This new debt will be supported by incremental revenues from the larger undergraduate enrollment.

NET ASSETS

In FY15, the University's total net assets increased $22 million or 1% over FY14 to $2.173 billion.

CHANGE IN NET ASSETS

(in thousands)		2015		2014
Beginning net assets	$	2,150,684	$	1,935,908
Increase in net assets		21,906		214,776
Ending net assets	**$**	**2,172,590**	**$**	**2,150,684**

Unrestricted Net Assets

Unrestricted net assets increased $19 million or 10% over FY14 to $202 million. Net operating activity added $16 million and net non-operating activity added $3 million in net assets.

Temporarily Restricted Net Assets

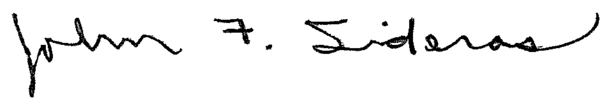
Temporarily restricted net assets decreased $19 million or 2% from FY14 to $970 million. The University received $43 million of new temporarily restricted gifts and pledges and recognized $52 million in long-term investment activities. Temporarily restricted net assets were offset by $114 million in assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets increased $22 million or 2% over FY14 to $1.001 billion. The increase was due to the receipt of $25 million in new gifts and pledges, a $2 million decrease in long-term investment activities, and a $2 million change in liabilities due under life-income agreements.

PROSPECTIVE DISCUSSION

The University expects to improve its positive operating position as reflected in its FY16 operating budget surplus of $4 million. The philanthropic strategic capital projects, first phase of the Milton and Tamar Maltz Performing Arts Center and think[box] Institute for Collaboration and Innovation, will open in Fall 2015. Finally, senior leadership is committed to continuous operating performance improvements, thereby strengthening the University's financial position.



John F. Sideras, CPA
Senior Vice President and Chief Financial Officer

SELECTED FINANCIAL DATA *unaudited*

Fiscal Years Ended June 30

in thousands of dollars	2015	2014	2013	2012
STATEMENTS OF OPERATIONS HIGHLIGHTS - Management View				
Total Revenue	$ 1,029,682	$ 1,012,587	$ 1,005,339	$ 973,225
Total Expense	1,022,325	1,011,076	1,000,230	968,048
Operating Margin	7,357	1,511	5,109	5,177
Retained Surplus Use	1,607	5,668	3,303	1,198
Surplus	**$ 8,964**	**$ 7,179**	**$ 8,412**	**$ 6,375**
STATEMENTS OF ACTIVITIES HIGHLIGHTS - GAAP Basis				
Tuition and Fees (net of student aid)	$ 233,564	$ 218,482	$ 209,258	$ 199,709
Investment, FHBO, and operational returns	95,288	98,559	88,141	84,165
Grants and Contracts	315,316	332,228	344,170	358,849
Facilities and Administrative cost recovery	70,611	72,495	76,196	79,607
Gifts and Pledges	87,542	85,237	77,498	62,165
Other Revenue	63,034	57,272	54,662	55,205
Auxiliary Services	65,287	62,019	58,250	51,002
Total Operating Revenue	930,642	926,292	908,175	890,702
Instructional Expenses	305,429	290,341	287,539	269,966
Sponsored Research Activity	348,381	360,848	374,422	389,979
Support Services	146,278	140,628	138,000	135,463
Auxiliary Services	74,216	69,621	66,003	58,971
Total Operating Expense	874,304	861,438	865,964	854,379
Net Operating Activity	**$ 56,338**	**$ 64,854**	**$ 42,211**	**$ 36,323**
Long-term Investment Activities	50,567	224,314	109,288	(60,933)
Other non-operating activity	(84,999)	(74,392)	(40,240)	(124,282)
Net Non-Operating activity	**$ (34,432)**	**$ 149,922**	**$ 69,048**	**$ (185,215)**
Change in Net Assets	**$ 21,906**	**$ 214,776**	**$ 111,259**	**$ (148,892)**
FINANCIAL POSITION HIGHLIGHTS				
Cash and cash equivalents	$ 143,096	$ 180,828	$ 151,100	$ 133,905
Operating investments, at market	148,105	128,699	112,618	87,304
Receivables	203,933	204,542	194,157	171,807
Investments (held for long-term purposes)	1,417,187	1,384,953	1,266,661	1,229,017
Funds held in trust by others	336,825	340,275	305,682	285,756
Property, plant, equipment, and books, net of depreciation	766,094	735,649	724,547	730,637
Prepaid expenses and other assets	6,634	6,769	7,448	6,979
Total Assets	**$ 3,021,874**	**$ 2,981,715**	**$ 2,762,213**	**$ 2,645,405**
Total Liabilities	**$ 849,284**	**$ 831,031**	**$ 826,305**	**$ 820,756**
Total Net Assets	**$ 2,172,590**	**$ 2,150,684**	**$ 1,935,908**	**$ 1,824,649**
OTHER FINANCIAL INFORMATION				
Net Investments (including FHBO), at fair value	$ 1,902,117	$ 1,853,927	$ 1,684,961	$ 1,602,077
Investments payout in support of operations	$ 83,434	$ 78,166	$ 74,499	$ 74,159
Total gifts and pledges (attainment)	$ 166,914	$ 151,639	$ 145,908	$ 138,362
Total gifts - cash basis	$ 133,423	$ 124,857	$ 94,529	$ 91,763
STUDENTS				
Enrollment*				
Undergraduate	4,814	4,572	4,302	3,935
Graduate	5,316	5,049	4,957	4,879

* Enrollment for fall semester of fiscal year in FTEs

REPORT OF INDEPENDENT AUDITORS

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Independent Auditor's Report

To the Board of Trustees
Case Western Reserve University:

We have audited the accompanying consolidated financial statements of Case Western Reserve University ("University"), which comprise the consolidated statement of financial position as of June 30, 2015 and the related consolidated statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Opinion

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

Other Matters

We have previously audited Case Western Reserve University's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 3, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of dollars	For the year ended June 30 2015			2014
ASSETS				
Cash and cash equivalents	$	143,096	$	180,828
Operating investments		148,105		128,699
Accounts and loans receivable, net		106,343		107,979
Pledges receivable, net		97,590		96,563
Prepaid expenses and other assets		6,634		6,769
Investments, held for long-term purposes		1,417,187		1,384,953
Funds held in trust by others		336,825		340,275
Property, plant, equipment and books, net		766,094		735,649
TOTAL ASSETS	$	3,021,874	$	2,981,715
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	$	70,585	$	59,582
Deferred income and other liabilities		55,165		54,572
Annuities payable		40,323		41,105
Refundable advances		2,930		4,898
Accrued pension liability		67,955		55,841
Notes and bonds payable		583,319		588,948
Refundable federal student loans		29,007		26,085
TOTAL LIABILITIES	$	849,284	$	831,031
NET ASSETS				
Unrestricted	$	201,953	$	182,867
Temporarily restricted		969,913		988,939
Permanently restricted		1,000,724		978,878
TOTAL NET ASSETS	$	2,172,590	$	2,150,684
TOTAL LIABILITIES AND NET ASSETS	$	3,021,874	$	2,981,715

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

CONSOLIDATED STATEMENT OF ACTIVITIES

with summarized financial information for the year ended June 30, 2014

In thousands of dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	For the year ended June 30 2015	2014
OPERATING REVENUES					
Student tuition and fees	$ 394,365			$ 394,365	$ 368,739
Less: Student aid	(160,801)			(160,801)	(150,257)
	233,564			233,564	218,482
Investment returns distributed for operations	67,885			67,885	63,309
FHBO returns distributed	15,095	$ 454		15,549	14,857
Investment returns on operating investments	11,854			11,854	20,393
Grants and contracts	234,124			234,124	249,232
CCLCM grants and contracts	81,192			81,192	82,996
Gifts and pledges	20,184	42,620	$ 24,738	87,542	85,237
State of Ohio appropriation	2,770			2,770	2,773
Facilities and administrative cost recovery	70,611			70,611	72,495
Organized activities	13,228			13,228	12,907
Other sources	46,374		662	47,036	41,592
Auxiliary services - students	54,203			54,203	50,122
Auxiliary services - other	11,084			11,084	11,897
Net assets released from restrictions	28,459	(28,884)	425	-	-
TOTAL OPERATING REVENUES	**$ 890,627**	**$ 14,190**	**$ 25,825**	**$ 930,642**	**$ 926,292**
OPERATING EXPENSES					
Instructional	305,429			305,429	290,341
Sponsored research and training	242,118			242,118	248,959
Other sponsored projects	25,071			25,071	28,893
CCLCM research and training	81,192			81,192	82,996
Libraries	21,926			21,926	22,549
Student services	26,049			26,049	24,063
University services	98,303			98,303	94,016
Auxiliary services - students	59,338			59,338	55,021
Auxiliary services - other	14,878			14,878	14,600
TOTAL OPERATING EXPENSES	**$ 874,304**	**$ -**	**$ -**	**$ 874,304**	**$ 861,438**
NET OPERATING ACTIVITY	**$ 16,323**	**$ 14,190**	**$ 25,825**	**$ 56,338**	**$ 64,854**
NON-OPERATING ACTIVITIES					
Long-term investment activities					
Investment income	$ 2,144	$ 54,740	$ 3,073	$ 59,957	$ 59,261
Net (depreciation) appreciation	(1,835)	(2,751)	(4,804)	(9,390)	165,053
Total long-term investment activities	309	51,989	(1,731)	50,567	224,314
Long-term investment income and gains distributed for operations	(67,885)			(67,885)	(63,309)
Change in liabilities due under life-income agreements			(2,248)	(2,248)	(3,633)
Loss on disposal of plant assets	(311)			(311)	(438)
Pension plan changes other than periodic benefit costs	(14,555)			(14,555)	(7,012)
Net assets released from restrictions	85,205	(85,205)		-	-
NET NON-OPERATING ACTIVITY	**$ 2,763**	**$ (33,216)**	**$ (3,979)**	**$ (34,432)**	**$ 149,922**
CHANGE IN NET ASSETS	**$ 19,086**	**$ (19,026)**	**$ 21,846**	**$ 21,906**	**$ 214,776**
Beginning Net Assets	182,867	988,939	978,878	2,150,684	1,935,908
ENDING NET ASSETS	**$ 201,953**	**$ 969,913**	**$ 1,000,724**	**$ 2,172,590**	**$ 2,150,684**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars	For the year ended June 30 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 21,906	$ 214,776
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,240	61,383
Amortization of bond issuance costs	194	585
Amortization of bond premiums	(2,499)	(3,095)
Increase in capital appreciation notes	-	124
Realized and unrealized net gains on investments	(65,861)	(212,331)
Increase to annuities payable resulting from actuarial adjustments	2,248	3,633
Gifts of property and equipment	(250)	(2,284)
Loss on disposal of plant assets	311	438
Contributions restricted for long-term investment	(26,355)	(9,885)
Decrease (increase) in accounts and loans receivable, net	3,335	(5,940)
Increase in pledges receivable, net	(1,027)	(3,140)
(Increase) decrease in prepaid expenses and other assets	(59)	94
Decrease (increase) in funds held in trust by others	3,451	(34,593)
Increase in accounts payable and accrued expenses	6,887	658
Increase in deferred income and other liabilities	593	967
Decrease in refundable advances	(1,969)	(2,643)
Increase in accrued pension liability	12,114	15,063
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 17,259**	**$ 23,810**
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans		
Collected	$ 6,842	$ 6,606
Issued	(8,541)	(7,911)
Proceeds from the sale of investments	2,287,530	2,865,863
Purchase of investments	(2,273,309)	(2,787,905)
Proceeds from the sale of plant assets	814	265
Purchases of property, plant, equipment and books	(91,444)	(69,095)
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	**$ (78,108)**	**$ 7,823**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in federal advances for student loans	$ 2,922	$ 2,350
Contributions restricted for long-term investment	20,957	3,143
Proceeds from the sales of investments received as gifts	5,398	6,742
Proceeds from short-term debt	60,000	60,000
Repayment of short-term debt	(80,000)	(45,000)
Proceeds from commercial paper	5,000	-
Repayment of commercial paper	(15,061)	(11,000)
Proceeds from notes and bonds payable	56,887	114,985
Repayment of notes and bonds payable	(29,956)	(129,046)
Increase to annuities payable resulting from new gifts	847	373
Decrease to annuities payable resulting from payments	(3,877)	(4,452)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**$ 23,117**	**$ (1,905)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**$ (37,732)**	**$ 29,728**
Cash and cash equivalents, beginning of year	180,828	151,100
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 143,096**	**$ 180,828**
SUPPLEMENTAL DATA:		
Interest paid in cash	**$ 12,578**	**$ 13,282**
Construction-in-progress payments included in accounts payable	**9,114**	**4,998**

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

Basis of Presentation

Case Western Reserve University ("the University") is an Ohio not-for-profit corporation that operates a private research university in Cleveland, Ohio. The consolidated financial statements of the University as of June 30, 2015, and for the year then ended, as well as summarized information for the year ended June 30, 2014, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and all wholly-owned subsidiaries.

Triangle Residential LP is a limited partnership formed in 2005 that owned and operated two apartment buildings and a parking garage located in the Ford-Euclid-Mayfield Road area through March 31, 2015. The University is the sole limited partner. The general partner is Triangle Residential LLC, also a wholly-owned subsidiary of the University, formed in 2005. All material transactions between the University and its subsidiaries have been eliminated.

Effective March 31, 2015, Triangle Residential LP assigned to the University all of its right, title, and interest in all of its contracts and leases. All right, title, and interest in all tangible and intangible personal property were also assigned to the University by Triangle Residential LP. In addition, the Ground Lease between Triangle Residential LP and the University was terminated effective March 31, 2015. All transactions, assets, and liabilities related to the operation of the two apartment buildings and the parking garage are included in the accounts of the University beginning April 1, 2015.

Net Asset Categories

Standards for external financial reporting by not-for-profit organizations require that resources be classified for reporting purposes into three net asset categories according to donor-imposed restrictions:

UNRESTRICTED net assets are available for any purpose consistent with the University's mission. Unrestricted net assets and related activity include the following:

- All revenues traditionally classified as unrestricted resources of the University, including tuition and fees, unrestricted gifts, investment returns on unrestricted funds designated to function as endowment, recovery of facility and administrative costs from grants and contracts, and auxiliary services revenues
- Revenues related to sponsored research and other sponsored program agreements which are considered exchange transactions
- Unrestricted funds functioning similar to endowment and related investment returns
- Gifts with donor-imposed restrictions, if the restriction is anticipated to be met within the current fiscal year of the University
- Investments in plant assets
- All expenses of the University

TEMPORARILY RESTRICTED net assets include investment returns from endowments and gifts for which donor-imposed restrictions have not been met. This restriction on temporarily restricted endowment returns (income and realized and unrealized gains and losses) is released when appropriations are distributed for use and the funds have been spent for intended purposes. The category also includes pledges receivable and life-income gifts for which the ultimate purpose of the proceeds is not permanently restricted.

PERMANENTLY RESTRICTED net assets include gifts, trusts and pledges on which donors have imposed the restriction that the corpus is maintained in perpetuity and only the investment returns be made available for program operations. In the case of trusts, gains and losses are added to the gift amount. Gifts restricted by donors to provide loans to students are also included in permanently restricted net assets.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Donor required matching from University funds and donor release or clarification of restrictions is also included in this category.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 958, "Not for Profit Entities," in August 2008. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and expanded disclosures about an organization's endowment (both donor-restricted and board-designated funds). The University's Board of Trustees ("the Board") has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets, (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and expended by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

Contributions

Contributions, including unconditional pledges to give and irrevocable trusts held by others with the University as the beneficiary, are recognized as revenues in the period received or promised. They are classified as unrestricted, temporarily restricted, or permanently restricted net assets depending upon the donor's intent.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Gifts whose restrictions are met in the same fiscal year in which they are received are reported with unrestricted contribution revenues. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3).

Grants and Contracts (Government and Private)

Revenues from government and private grants and contracts are recognized as earned in accordance with the terms of the grant or contract. Any government payment received before it has been expended is recorded as a refundable advance. Projects funded by government grants that incur expenses prior to payment receipt are recorded as revenue with a corresponding receivable.

Investment Returns on Operating Investments

The University has invested excess operating funds and certain Board-designated funds with the University's investment pool. The operating funds are invested alongside other funds and receive a pro-rata portion of income, expenses, gains, and losses of the pool.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of 90 days or fewer when purchased as cash and cash equivalents, except those amounts managed by investment managers as part of the investment pool that do not belong to operations, or unspent bond proceeds, which are classified as investments. The University maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The University periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Operating Investments

Operating investments are stated at fair value and include all other current investments with original maturities greater than 90 days that are used to support operations. These investments may include obligations of triple A rated banks, various United States Government agencies, other investments, and internal operating funds invested in the University's investment pool. Although the pool primarily invests in mid- to long-term investments, the pool maintains a sufficient investment mix that allows operating assets to be liquidated upon demand.

Investments

Investments are made within guidelines authorized by the Board. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

Ownership of marketable securities is recognized as of the trade date. Endowment returns are calculated net of internal and external investment management expenses.

Investments are stated at fair value as defined by ASC 820, "Fair Value Measurements and Disclosures." Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability, i.e., an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Realized gains and losses on investments are included in investment income. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis (Note 6). The three levels of inputs are as follows:

Level 1 — Quoted unadjusted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to produce pricing information on an ongoing basis. Market price data are generally obtained from exchange or dealer markets.

Level 2 — Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

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

Collections

The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, their value is not reflected in the University's consolidated financial statements.

Funds Held in Trust by Others

Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their fair value as of June 30, 2015 and 2014, which approximates the present value of the future income flows from these funds.

Income received from funds held in trust by others is classified as temporarily restricted net assets until those amounts are appropriated and expended by the University. Income appropriated within the same year earned/received is classified as unrestricted. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation in permanently restricted net assets.

Fixed Assets

When capital assets are sold or disposed, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts. Any resulting gain or loss on disposal is recognized in the non-operating portion of the statement of activities.

Expenditures for construction in progress are capitalized as incurred and depreciated when placed into service. All identifiable direct costs including other costs incurred to ready the asset for its intended use are included in the cost of the project. The University capitalizes interest on borrowings to finance facilities, net of any investment income earned through the temporary investment of project borrowings, during construction until the project has been substantially completed.

Asset Retirement Obligations

The University accounts for asset retirement obligations in accordance with ASC 410, "Asset Retirement Environmental Obligations." The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

Split-Interest Agreements

The University has split-interest agreements consisting primarily of pooled income funds, charitable gift annuities and charitable remainder unitrusts and annuities. Contributions are recognized at the date the trusts and annuities are established, net of a liability for the present value of the estimated future cash outflows to beneficiaries. These assets are invested and payments are made to donors and beneficiaries in accordance with the respective agreements.

Allocation of Certain Expenses

The consolidated statement of activities presents expenses by function. Some expenses — such as depreciation, amortization, and expenses related to the operation of the physical plant — are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit from the facilities financed.

Retirement Plans

The University accounts for its defined benefit postretirement plan in accordance with ASC 715, "Compensation - Retirement plan in accordance with ASC 715, "Plans." The University recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its consolidated statements of financial position in the year in which the change occurs, with an offsetting impact to unrestricted net assets.

Use of Estimates

Financial statements using accounting principles generally accepted in the United States of America rely on estimates. At June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.

Comparative Information

The consolidated statement of activities includes prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ending June 30, 2014, from which it was derived.

Income Taxes

The University is exempt from federal income tax to the extent provided under section 501(c) (3) of the Internal Revenue Code. The University is classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code, and as such, gifts to the University qualify for deduction as charitable contributions. The University is exempt from federal income tax; however, it is required to pay federal income tax on unrelated business income. The University did not have any material income tax liabilities for the years ended June 30, 2015 and 2014. ASC 740, "Income Taxes," prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

In addition, ASC 740 provides guidance on recognition, classification and disclosure requirements for uncertain tax provisions. The University has no financial reporting requirements associated with ASC 740 for the years ended June 30, 2015 and 2014.

New Pronouncements

In May 2014, the FASB issued Accounting Standard Update ("ASU") 2014-09: "Revenue from Contracts with Customers (Topic 606)" at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2018. The University is evaluating the impact this will have on the consolidated financial statements for fiscal year ending June 30, 2020, the first year in which the standard is effective.

In April 2015, the FASB issued ASU 2015-03: "Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs", which requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2015. The University is evaluating the impact this will have on the consolidated financial statements for fiscal year ending June 30, 2017, the first year in which the standard is effective.

In May 2015, the FASB issued the disclosure changes required by ASU 2015-07: "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." Investments that are measured using net asset value will no longer be categorized in the fair-value hierarchy. The standard is effective for fiscal years beginning after December 15, 2016. The University is evaluating the impact this will have on the consolidated financial statements for fiscal year ending June 30, 2018, the first year in which the standard is effective.

2. ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable of the University at June 30, 2015 and 2014 were as follows:

	2015	2014
ACCOUNTS RECEIVABLE, NET		
Grants, contracts and others	$ 50,594	$ 52,825
Students	2,160	2,814
STUDENT LOANS, NET	53,589	52,340
ACCOUNTS AND LOANS RECEIVABLE, NET	**$ 106,343**	**$ 107,979**
Allowance for doubtful accounts:		
Accounts receivable	$ 3,703	$ 3,915
Loans receivable	$ 2,134	$ 2,107

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the various components of the accounts receivable and student loan portfolios, including such factors as the differing economic risks associated with each category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans and the past history of the various borrowers and the University. Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the various receivables and loans, and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Management considers the allowance for doubtful accounts to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for doubtful accounts at June 30, 2015 is adequate to absorb credit losses inherent in the portfolio as of that date.

3. PLEDGES RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting based on the market rate to the present value of expected future cash flows. The discount rate utilized for fiscal 2015 and 2014 was 5%.

Unconditional promises to give at June 30, 2015 and 2014 are expected to be realized in the following periods:

	2015	2014
In one year or less	$ 26,295	$ 16,781
Between one year and five years	74,520	76,820
More than five years	10,459	19,026
	111,274	112,627
Less: Discount	(7,840)	(8,278)
Less: Allowance	(5,844)	(7,786)
TOTAL PLEDGES RECEIVABLE, NET	**$ 97,590**	**$ 96,563**

Management follows a similar approach as described in Note 2 for accounts and loans receivable in evaluating the adequacy of the allowance for doubtful accounts for pledges receivable. Management considers the allowance for doubtful accounts to be prudent and reasonable. Management believes that the allowance for doubtful accounts at June 30, 2015 is adequate to absorb any uncollectible pledges as of that date.

Pledges receivable at June 30, 2015 and 2014 had the following restrictions:

	2015	2014
Department programs and activities	$ 27,032	$ 39,313
Endowments for scholarships and department programs and activities	24,460	25,248
Building construction	46,098	32,002
TOTAL PLEDGES RECEIVABLE, NET	**$ 97,590**	**$ 96,563**

Uncollectible pledges totaling $3,940 (2015) and $3,169 (2014) were written off against the allowance for uncollectible pledges. The University had conditional pledge commitments totaling $43,725 at June 30, 2015.

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4. LONG-TERM INVESTMENTS

The University holds long-term investments for permanently restricted endowment funds, donor-restricted funds, annuity assets, Board-designated funds and excess operating assets that are able to be invested in longer term investments.

The University invests through traditional investments as well as operating an investment pool that works similar to a mutual fund (Note 5). The University's long-term investments at June 30, 2015 and 2014 were as follows:

	2015	2014
Cash and cash equivalents	$ 39,049	$ 14,935
Domestic stocks	45,384	76,055
International securities	23,079	40,150
Global securities	110,681	117,511
Bonds		
Government and municipal	6,922	6,885
Corporate	8,167	23,549
Mutual funds	414,750	261,786
Derivatives	38,325	5,109
Limited partnerships and Other		
Venture capital	105,390	100,350
Private equity	238,595	287,838
Real estate	101,885	102,119
Hedge funds	385,232	432,033
Other	47,753	45,252
Equity real estate	80	80
TOTAL INVESTMENTS	**$ 1,565,292**	**$ 1,513,652**

	2015	2014
Operating investments, at market	$ 148,105	$ 128,699
Investments, held for long-term purposes	1,417,187	1,384,953
TOTAL INVESTMENTS	**$ 1,565,292**	**$ 1,513,652**

Investment returns shown on the statement of activites are netted against investment management fees of $9,811 (2015) and $14,781 (2014). The investments were held for the following purposes:

	2015	2014
Endowment	$ 1,107,222	$ 1,089,658
Donor-restricted funds	297,129	305,687
University investments	100,164	55,142
Annuities	50,896	53,459
Funds held for the benefit of others	9,881	9,706
TOTAL INVESTMENTS	**$ 1,565,292**	**$ 1,513,652**

University investments include unspent bond proceeds of $24,506 as of June 30, 2015 (Note 8).

Endowment Funds

The purpose of endowment funds is to generate in perpetuity revenue to support specific activities or for general institutional use. Endowments represent only those net assets that are under the control of the University. Gift annuities, interests in funds held in trust by others and pledges designated for the endowment but not yet received are not considered components of the endowment.

The state of Ohio has enacted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA stipulates that unless directed otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Accordingly, the following items are recorded as permanently restricted net assets:

- The original value of initial gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- For those endowment funds with donor-specified reinvestment provisions, accumulations to the permanent endowment made in accordance with the gift instrument at the time the accumulation is added to the fund

The remaining portion of donor-restricted endowment funds that are not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and spent in accordance with the endowment purpose by the University.

Similar Funds

The University has designated certain funds to function as endowments and has co-invested as such. Purpose-restricted by donor funds were not given to the University with the understanding that the gift amount would be maintained in perpetuity; these funds are classified in temporarily restricted net assets. All other Board-designated funds are classified in unrestricted net assets. Even though the Board has elected to treat these funds in the same fashion as an endowment fund, at its option, the Board may elect to change that treatment and spend these funds in accordance with the donor wishes, if any, without the constraints of the University endowment spending formula. Prior to 2015, unrestricted Board-designated endowments were not reflected in similar funds.

The breakdown of these classifications are:

		Temporarily	Permanently	Total	
	Unrestricted	Restricted	Restricted	2015	2014
Donor-restricted endowment funds	$ (7,888)	$ 526,697	$ 588,413	$ 1,107,222	$ 1,089,658
Donor purpose-restricted funds		287,188		287,188	290,857
Board-designated funds	44,764			44,764	-
TOTAL ENDOWMENT AND SIMILAR FUNDS	**$ 36,876**	**$ 813,885**	**$ 588,413**	**$ 1,439,174**	**$ 1,380,515**

Investment Pool

The Board's interpretation of its fiduciary responsibilities for endowment and similar funds is to preserve intergenerational equity to the extent possible. This principle holds that future beneficiaries should receive at least the same level of economic support that the current generation enjoys. To that end, investment goals are formulated to earn returns over the long-term that equal or exceed the Board-approved distribution rates plus the impacts of inflation. The University's endowment and similar funds are invested in a broadly diversified portfolio designed to produce long-term rates of return that sustain or increase the real spending contribution from endowed and similar assets and to mitigate downturns in a single sector.

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Unless otherwise directed in the gift instrument, both endowment and similar funds are pooled for efficient investment purposes.

The pool is accounted for on a dollarized method of accounting similar to a money market fund and accounted for on an account basis. The total investment return for the pooled investments, net of external manager fees, approximated 4.77% (2015) and 15.96% (2014).

Spending Policy

The Board has approved an endowment spending policy for pooled investments based on a hybrid formula. The objective of this two-pronged approach is to provide support for operations, preserve intergenerational equity, and insulate programming supported by endowment and similar funds from short-term fluctuations in the investment markets. The two components are:

- A constant growth component which seeks to provide growth in annual spending equal to the rate of academic inflation as measured by the Higher Education Price Index
- A market value component based on 5% of the average of the three previous calendar year-end market values

Specific appropriation for expenditure of funds under the policy occurs each spring when the Board approves the operating budget for the following year. The fiscal 2015 and 2014 pooled endowment and similar funds spending allocation approximated 4.88% and 5.04%, respectively, of beginning market value. The total amount allocated was $65,578 and $62,216, respectively.

While the policy provides guidance for the level of spending permitted (allocation), the actual spending will vary from the spending allocation based on the timing of actual expenditures. Funds are transferred from the investment pool to the University's operating account after they have been spent in accordance with the endowment and similar funds requirements. The actual movement of cash and investments between the investment pool and operating accounts occurs on a periodic basis as determined by the University and its processes to maintain the proper balance between liquidity and the remaining invested.

For years where actual investment return exceeds actual approved spending, the difference remains in temporarily restricted net assets; years in which the actual endowment and similar funds return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Both fiscal years 2015 and 2014 pooled endowment and similar funds distribution were funded from a combination of current year investment income and prior year accumulated realized gains.

In addition to the general distribution described above, the Board has authorized a temporary supplemental distribution of previously reinvested income and realized appreciation to support certain development-related activities. This distribution totaled $5,900 in 2015 and $6,500 in 2014.

Changes in endowment and similar funds net assets for fiscal year 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Endowment and similar funds net assets, beginning of year	$ (9,156)	$ 829,102	$ 560,569	$ 1,380,515	$ 1,256,079
Add: Beginning balance, unrestricted Board-designated	37,720			37,720	-
Investment income	3,102	42,457		45,559	53,982
Realized and unrealized (losses) gains	(2,688)	7,610		4,922	117,589
TOTAL INVESTMENT RETURN	414	50,067		50,481	171,571
Contributions	8,723	1,832	28,258	38,813	16,213
Current year withdrawals		(56)	(414)	(470)	(39)
Current year expenditures	(2,093)	(65,792)		(67,885)	(63,309)
Reclassification of deficits in donor-designated funds	1,268	(1,268)		-	-
ENDOWMENT AND SIMILAR FUNDS NET ASSETS, END OF YEAR	**$ 36,876**	**$ 813,885**	**$ 588,413**	**$ 1,439,174**	**$ 1,380,515**

Occasionally, the fair market value of assets associated with individual donor-restricted endowment funds falls below the value of the original gift amounts. When deficits exist in these funds, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $7,888 (2015) and $9,156 (2014). These deficits resulted from unfavorable market fluctuations that occurred after the investment of recently established endowments, and authorized appropriation that was deemed prudent.

Of the amount classified as temporarily restricted endowment net assets, $526,697 (2015) and $538,245 (2014) represented the portion of perpetual endowment funds subject to time and purpose restrictions under Ohio's enacted version of UPMIFA.

6. FAIR VALUE MEASUREMENTS

Financial instruments carried at fair market value as of June 30, 2015 and 2014 by the ASC 820 valuation hierarchy are as follows:

June 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Cash and cash equivalents	$ 34,988	$ 4,061		$ 39,049
Domestic stocks	1,627	980	$ 42,777	45,384
International securities		5,005	18,074	23,079
Global securities		32,747	77,934	110,681
Bonds				
Government and municipal		6,922		6,922
Corporate		8,167		8,167
Mutual funds	409,311	5,439		414,750
Derivatives		38,325		38,325
Limited partnerships and Other				
Venture capital			105,390	105,390
Private equity			238,595	238,595
Real estate			101,885	101,885
Hedge funds		105,516	279,716	385,232
Other		42	47,711	47,753
Equity real estate			80	80
TOTAL INVESTMENTS	**$ 445,926**	**$ 207,204**	**$ 912,162**	**$ 1,565,292**
FUNDS HELD IN TRUST BY OTHERS	**$ -**	**$ -**	**$ 336,825**	**$ 336,825**
PENSION PLAN ASSETS				
Cash and cash equivalents	$ 4,070			$ 4,070
Mutual funds	54,513	$ 8,432		62,945
Limited partnerships and Other				
Hedge funds		80,415		80,415
Equity real estate			$ 7,734	7,734
TOTAL PENSION PLAN ASSETS (Note 9)	**$ 58,583**	**$ 88,847**	**$ 7,734**	**$ 155,164**
ASSETS AT FAIR VALUE	**$ 504,509**	**$ 296,051**	**$ 1,256,721**	**$ 2,057,281**
Interest rate swaps payable	$ -	$ 20,600	$ -	$ 20,600
LIABILITIES AT FAIR VALUE	**$ -**	**$ 20,600**	**$ -**	**$ 20,600**

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June 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Cash and cash equivalents	$ 10,578	$ 4,357		$ 14,935
Domestic stocks	19,575	980	$ 55,500	76,055
International securities		4,856	35,294	40,150
Global securities		35,725	81,786	117,511
Bonds				
Government and municipal		6,885		6,885
Corporate		6,130	17,419	23,549
Mutual funds	257,727	4,059		261,786
Derivatives		5,109		5,109
Limited partnerships and Other				
Venture capital			100,350	100,350
Private equity			287,838	287,838
Real estate			102,119	102,119
Hedge funds		97,350	334,683	432,033
Other		74	45,178	45,252
Equity real estate			80	80
TOTAL INVESTMENTS	**$ 287,880**	**$ 165,525**	**$ 1,060,247**	**$ 1,513,652**
FUNDS HELD IN TRUST BY OTHERS	**$ -**	**$ -**	**$ 340,275**	**$ 340,275**
PENSION PLAN ASSETS				
Cash and cash equivalents	$ 276			$ 276
Mutual funds	55,085	$ 8,602		63,687
Limited partnerships and Other				
Hedge funds		77,684		77,684
Equity real estate			$ 6,983	6,983
TOTAL PENSION PLAN ASSETS (Note 9)	**$ 55,361**	**$ 86,286**	**$ 6,983**	**$ 148,630**
ASSETS AT FAIR VALUE	**$ 343,241**	**$ 251,811**	**$ 1,407,505**	**$ 2,002,557**
Interest rate swaps payable	$ -	$ 22,817	$ -	$ 22,817
LIABILITIES AT FAIR VALUE	**$ -**	**$ 22,817**	**$ -**	**$ 22,817**

Level 3 Investment Information

Investments included in Level 3 consist primarily of the University's ownership in alternative investments (principally limited partnership interests in hedge funds, private equity, real estate, real assets and other similar funds), beneficial interests in funds held in trust by others, and portions of investments in the pension assets. Level 3 investments are more difficult to value due to the following:

- The value of certain alternative investments represents the ownership interest in the net asset value of the respective partnership.
- The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner based on appraisals or other estimates that require varying degrees of judgment.
- If no public market consideration, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, or other estimates requiring varying degrees of judgment. The University regularly reviews, evaluates and performs significant due diligence around these investments to ensure that the values provided by the investment managers are appropriate measures of fair value. The University agrees with the valuations and assumptions used in determining the fair value of these investments.

A roll forward of the consolidated statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy is as follows:

	Domestic Stocks & Corporate Bonds	Int'l & Global Securities	Venture Capital	Private Equity	Hedge Funds	Real Estate - Equity & LP	Other & Funds Held by Others	Total
June 30, 2013	$ 34,183	$ 71,431	$ 86,323	$ 262,553	$ 409,089	$ 101,073	$ 346,849	$ 1,311,501
Investment income	(1,536)	4,179	5,666	12,934	18,451	(996)	385	39,083
Unrealized gains (losses)	13,889	10,559	12,593	32,748	15,620	13,524	39,623	138,556
Purchases		55,000	9,834	28,605	35,210	22,655		151,304
Settlements	(20,000)		(14,066)	(49,002)	(101,683)	(27,074)	(1,404)	(213,229)
Transfers in (out)	46,383	(24,089)			(42,004)			(19,710)
June 30, 2014	**$ 72,919**	**$ 117,080**	**$ 100,350**	**$ 287,838**	**$ 334,683**	**$ 109,182**	**$ 385,453**	**$ 1,407,505**
Investment income	(4,305)	(1,736)	8,204	21,441	(1,812)	13,835	628	36,255
Unrealized gains (losses)	23,668	6,121	3,079	(34,799)	14,104	(1,618)	(221)	10,334
Purchases	2,034	34	12,702	23,738	7,488	19,989	20	66,005
Settlements	(51,539)	(25,491)	(18,945)	(59,623)	(74,747)	(31,689)	(1,344)	(263,378)
June 30, 2015	**$ 42,777**	**$ 96,008**	**$ 105,390**	**$ 238,595**	**$ 279,716**	**$ 109,699**	**$ 384,536**	**$ 1,256,721**

The net realized and unrealized gains and losses in the table above are included in the University's consolidated statement of activities in one of two financial statement lines: *Investment income* or *Net (depreciation) appreciation.* In the case of pension assets, net realized and unrealized gains and losses are recognized in the financial statement line *Pension plan changes other than periodic benefit costs*.

The pricing inputs and methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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As a practical matter, the University is permitted under U.S. generally accepted accounting principles ("US GAAP") to estimate the fair value of an investment at the measurement date using the reported net asset value ("NAV") without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The University's investments in private equity, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency at NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the University's investments. Furthermore, investments which can be redeemed at NAV by the University on the measurement date or within 90 days are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

The table below illustrates the fair value of the University's Level 3 investments and the commitments that have been made for future purchases:

Category	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments
Domestic stocks (a)	monthly, quarterly, annually	30 - 90 days	$ 42,777	
International securities (b)	monthly, quarterly	30 - 90 days	18,074	
Global securities (c)	monthly, quarterly	30 - 90 days	77,934	
Limited partnerships and Other				
Venture capital (d)			105,390	$ 25,299
Private equity (e)			238,595	80,746
Real estate (f)			101,885	27,000
Hedge funds (g)	monthly, quarterly, annually	30 - 90 days	279,716	1,067
Other (h)			47,711	240
Equity real estate (i)			80	
TOTAL			**$ 912,162**	**$ 134,352**

(a) Domestic stocks include funds invested in equity securities domiciled in the United States. Fund liquidity is daily, monthly, quarterly, semi-annual, annual, and up to a maximum period of three years. Approximately 0% of the net asset value is accessible within one year or less, with all funds accessible within three years.

(b) International securities include funds invested in equity securities domiciled in countries outside of the United States including developed and emerging markets. Approximately 100% of the net asset value is accessible within one year or less.

(c) Global securities include funds invested in equity securities domiciled in both Domestic stocks and International securities. Investments in this asset class have a mandate for global securities worldwide. Approximately 100% of the net asset value is accessible within one year or less.

(d) Venture capital includes several private equity funds that invest primarily in technology, health care or clean technology industries. While the portfolio is U.S. centric, there are small allocations to companies in foreign markets. The funds typically provide money and resources to entrepreneurs to finance a start-up company or product, with the hope that the company experiences exceptional growth and therefore would produce a successful investment. The funds invest at different stages of a company's growth, some very early and others at a later stage where the company may already produce revenues. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

e) Private equity includes several private equity funds that invest across all industries. While the portfolio is U.S. centric, there has been an increasingly larger allocation to companies in foreign markets. The funds typically invest capital into more mature companies for a minority or majority of ownership and through operational and financial expertise, generate a return of capital greater than the original amount invested. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(f) Real estate includes private real estate funds that invest primarily in the United States. Some of these private partnerships also make investments internationally, primarily in Europe, India and Brazil. The private funds make investments in various real estate types, such as office, industrial, retail and multi-family properties. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying properties are sold at the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 5-7 years.

(g) Hedge funds include hedge fund investments across a multitude of strategies including long/short equity, long/short commodity, global macro, multi-strategy, event-driven, credit, fund of hedge funds, and emerging markets. The vast majority of these investments are U.S. based, but some may invest internationally. Investment managers may make investment decisions based on top down macroeconomic analysis or bottom up company or theme specific analysis; managers may shift portfolios from net long to net short positioning but on balance tend to carry a net long exposure within their portfolios. The estimated fair values of the investments are received on a monthly basis from the fund administrators. Final valuations are typically received around mid-month for most funds but in some instances funds will report final valuations on a quarterly basis in accordance with the reporting period specified in the fund legal documents. Fund liquidity varies across the hedge fund category from monthly, quarterly, annually, and up to a maximum period of three years. Approximately 84% of the net asset value in this class is accessible within one year or less, with all funds accessible within three years.

(h) Other includes various investments that do not fall within the other categories listed. Examples would include investments in timber and other liquid multi-asset strategy investments.

(i) Equity real estate includes liquid real estate securities and indices domiciled in both the United States and countries outside of the United States including developed and emerging markets.

Derivative Information

The use of financial derivative instruments is governed by the University's Investment Policy Statement, which is approved and overseen by the Investment Committee of the Board. The University assumes many risks as a result of its investment decisions and investment holdings. Many risks are discussed in the Investment Policy Statement:

Manager risk – the risk that a manager underperforms similar managers, benchmarks, or appropriate indices.

Benchmark risk – the risk of harm caused by constructing, selecting, or managing to an inappropriate benchmark.

Peer risk – the risk that one's peers generate better investment performance, thereby boosting the relative size of their endowments and enhancing their competitive advantage.
Market risk – the risk that the value of an investment will decrease due to market moves.
Interest rate risk – the risk that an investment's value will change due to a change in the absolute level of interest rates, the spread between two rates, the shape of the yield curve, or any other interest rate relationships.
Concentration – the risk of being too concentrated in one particular security, manager, strategy, sector or asset class, thus being vulnerable to poor performance stemming from lack of diversification.
Absolute return risk – the ability to generate positive absolute returns, not just in favorable markets, but also in uncertain and negative phases measured over a business cycle.
Currency risk – the risk that currency fluctuations or trends reduce the value of investments in non-U.S. markets.
Commodity risk – refers to the uncertainties of future market values and the size of future income caused by fluctuation in the prices of commodities (energy, agricultural, precious and industrial metals) due to demand/supply imbalances.
Leverage – the risk that significant volatility or losses will be generated by the use of debt designed to magnify returns.
Counterparty risk – the risk that one party to a transaction does not make complete or timely payment of margin, swap cash flow, bond proceeds, or other similar payments.
Credit risk – the possibility that a bond issuer will default by failing to pay interest or repay principal in a timely manner.
Tail risk – a form of portfolio risk that arises when the possibility that an investment will move more than three standard deviations from the mean is greater than what is shown by a normal distribution.
Liquidity risk – the inability to sell or trade securities at fair market value within a short period of time; also, the risk that sufficient cash is not maintained, or cannot be accessed, to meet short-term obligations.
Inflation risk – the risk that rising prices significantly erode the effective purchasing power of the portfolio, as measured by the University's cost inflation.
Shortfall risk – the risk that investment returns will be lower than expected, causing a failure to accomplish investment or financial objectives.

The University seeks to mitigate these risks by using derivative transactions. At the macro level of the investment portfolio, derivative transactions also create cost-effective beta exposure that may replace a fund or investment manager, add alpha, support liquidity management, and reduce the impact of extreme negative market conditions. The derivative instruments used include futures, total return swaps, and over-the-counter options.

Futures: An Equity Index Future is a standardized obligation to buy or sell a market index, at a certain date in the future (settlement date), at a specified price (futures price). Equity Index Futures are typically cash-settled. Trading Medium: Exchange A single clearing house (e.g., Options Clearing Corporation, for the Chicago Board Options Exchange) is the counterparty to both parties involved in the contract. Futures trade a premium or discount to the cash index level based on the following theoretical formula: Futures Fair Value = Cash Index Value + Expected Interest Income prior to contract expiry – Expected Dividend Income prior to contract expiry – Expected Lending Income prior to contract expiration. The value of a futures contract converges to that of the underlying index at expiration. The investor posts an initial margin and a maintenance margin which represents a small portion of the overall notional value (usually 12%-18% of the notional value). Collateral between the counterparties is exchanged daily based on the mark to market performance of the futures contract. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. Used primarily as a manager replacement strategy.

Total Return Swaps ("TRS"): A TRS is a non-standardized agreement whereby one party makes periodic cash payments based on a set rate (e.g., London Interbank Offered Rate ("LIBOR")) while another party makes periodic cash payments based on the total return of an underlying index. The total return payer agrees to pay the total return of the underlying index to the total return receiver. The total return receiver agrees to receive future total return, and pay periodic payments to the total return payer. Trading Medium: Over-The-Counter ("OTC"). Total Return Swaps offer synthetic exposure to beta returns while avoiding the transaction and administrative costs of owning the actual underlying equity shares. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Transacted via agreement between counterparties. There is no initial or maintenance margin posting. Collateral between the counterparties is exchanged daily based on the mark to market performance of the swap. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. The swap resets on a periodic basis (monthly, quarterly, or annually), at which point the LIBOR rate is reset and the gains/losses cash settled. A new notional value reflecting the settled gains/losses is established at this point. The next measurement begins with the new notional value. There may be a breakup fee if the swap is terminated earlier than its expiration date. Used primarily as a manager replacement strategy.

Options: Options or Option Structures are non-standardized agreements whereby one party makes or receives one payment at the time of initial transaction to/from a counterparty and may make or receive a second payment to/from the counterparty at the expiration date of the agreement based on an individual option or a combination of individual options. Trading Medium: OTC. Transacted via ISDA/CSA agreement between counterparties. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Options/Option Structures allow investors to customize the risk/return profile of existing portfolios. For example: Investors who are underweight equities and have a moderately positive outlook can obtain enhanced equity exposure by capping returns with or without a leveraged payoff. More bearish investors can opt for downside protection to reduce risk. Collateral between the counterparties is exchanged daily based on the mark to market performance of the Option or Option Structure. At maturity the Option or Option Structure is cash settled. Prior to maturity, Options/Option Structures may trade above or below their intrinsic value due to various factors such as time, volatility, interest rates, skew, delta, gamma etc. The value eventually converges to intrinsic value at maturity. Used for beta replacement strategies, alpha strategies or hedging strategies.

Swaptions: Swaptions are a specific type of Option which gives the buyer the right, but not the obligation, to enter into a specified swap agreement with the counterparty on a specified future day.

Forward contracts: A forward contract is an agreement to buy or sell an asset at a certain future time for a certain price. A forward contract is traded in the OTC market – usually between two financial institutions or a financial institution and a client. One party assumes a long position and agrees to buy the underlying asset on a certain date for a certain price. The other party assumes a short position and agrees to sell the underlying asset on a certain date for a certain price. The price in a forward contract is known as the delivery price. Forward contracts are commonly used to hedge foreign currency risk. Payoff for a long position on a forward contract is St – K where K is the delivery price and St is the spot price at maturity of the contract. Similarly the payoff on a short position in a forward contract is K – St. Settlement of forward contracts can be made with delivery of the underlying or cash settlement. Since the contract is OTC, margin and collateral are determined by individual agreements and sometimes fall under the agreement.

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30 and where they are located in the consolidated statements of financial position:

			2015		
Location	Derivative Type	Notional Amount	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments					
	Total return swaps	$ 288,601		$ 33,519	
	Options (over-the-counter)			(230)	
	Futures contracts	20,234		4,872	
	Forward contracts			(5)	
	Interest rate hedges			216	
	Yield curve hedges	332,069		(47)	
TOTAL DERIVATIVES, 2015			**$ -**	**$ 38,325**	**$ -**

			2014		
Location	Derivative Type	Notional Amount	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments					
	Total return swaps	$ 253,031		$ 5,290	
	Options (over-the-counter)	6,796		(117)	
	Yield curve hedges	146,358		(64)	
TOTAL DERIVATIVES, 2014			**$ -**	**$ 5,109**	**$ -**

The following table provides detailed information on the effect the derivatives had on the overall performance of the investment portfolio which is reflected in the consolidated statement of activities:

Location	Derivative Type	2015	2014
Net effect on investment income			
	Total return swaps	$ 14,020	$ 22,544
	Options (over-the-counter)	7,519	(3,649)
	Interest rate hedges	152	
	Yield curve hedges	208	
		$ 21,899	**$ 18,895**
Unrealized gains (losses)			
	Total return swaps	1,291	10,086
	Options (over-the-counter)		7,952
	Futures contracts	(959)	
	Interest rate hedges	(267)	
	Yield curve hedges	248	(61)
		$ 313	**$ 17,977**
NET EFFECT OF DERVATIVES		**$ 22,212**	**$ 36,872**

7. PROPERTY, PLANT, EQUIPMENT AND BOOKS

Property, plant, equipment and books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 40 years for buildings, 5 to 12 years for equipment, and 10 years for books. Components of property, plant, equipment and books are as follows:

	2015	2014
Land and land improvements	$ 56,099	$ 52,180
Building and building improvements	1,222,821	1,165,187
Equipment and software	275,034	264,005
Library books	40,566	38,917
Construction-in-progress	86,361	73,543
	1,680,881	**1,593,832**
Less: Accumulated depreciation	(914,787)	(858,183)
TOTAL PROPERTY, PLANT, EQUIPMENT AND BOOKS, NET	**$ 766,094**	**$ 735,649**

The above assets include $476,126 leased from the Ohio Higher Education Facility Commission ("OHEFC"). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. The corresponding liability is included in Notes and bonds payable on the consolidated statements of financial position.

Capitalized interest added to construction in progress was $430 (2015) and $38 (2014). The expected cost to complete construction-in-progress is approximately $22,543.

Depreciation expense included in the consolidated statement of activities is $64,240 (2015) and $61,383 (2014).

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8. NOTES AND BONDS PAYABLE

Notes and bonds payable are as follows:

		Interest Rate(s)	Maturity (Calendar Year)		2015		2014
OHEFC revenue notes and bonds:	Series 1990	6.50%	2015-2020	$	11,650	$	11,650
	Series 1994	6.125 - 6.25%	2015-2018		16,500		20,000
	Series 1997	6.25%	2014				1,855
	Series 2001	0.04%	2015-2022		10,605		11,200
	Series 2002A	0.04%	2023-2031		64,875		64,875
	Series 2006	4.00 - 5.25%	2015-2044		78,330		79,860
	Series 2008A	0.04%	2030-2044		60,000		60,000
	Series 2008C	4.00 - 5.25%	2015-2033		47,805		50,490
	Series 2012A	2.00 - 5.00%	2015-2023		26,680		27,520
	Series 2013A	2.00 - 5.00%	2015-2023		39,180		42,120
	Series 2014A	0.55%	2030-2044		67,500		67,500
	Series 2015A	2.00 - 5.00%	2015-2034		51,630		
OHEFC commercial paper		0.09 - 0.10%	2030		68,939		79,000
Compass Group USA, Inc.		-n/a-	2015-2019		1,162		1,462
Housing and Urban Development loan:	Part A	4.96%	2015				11,679
	Part B	5.33%	2015				4,032
TOTAL LIABILITY				**$**	**544,856**	**$**	**533,243**
Line of credit					20,000		40,000
Unamortized bond premium					18,463		15,705
TOTAL NOTES AND BONDS PAYABLE				**$**	**583,319**	**$**	**588,948**

The fair market value of the University's notes and bonds payable is approximately $594,067 (2015) and $610,163 (2014) and is considered Level 2 financial instruments as defined by the ASC 820 valuation hierarchy. These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

In December 2013, the OHEFC Series 2013A bonds were issued to refinance the balance of the OHEFC Series 2004A bonds. The amount refinanced for the OHEFC Series 2004A bonds was $42,120 and included an additional equity contribution of $2,455. Deferred financing fees of $475 were paid and the unamoritized balance is included in Prepaid expenses and other assets.

In March 2014, the OHEFC Series 2014A bonds were issued to refinance the OHEFC Series 2008B bonds. The amount refinanced for the OHEFC Series 2008B bonds was $67,500. The financing fees of $182 were not included in the refinancing and were expensed.

In February 2015, the OHEFC Series 2015A bonds were issued to finance the construction of the new residence hall in the amount of $37,240 and to refinance the Housing and Urban Development Part A and Part B loans in the amount of $14,390. The total amount of the bond issue was $51,630. Deferred financing fees of $707 were paid and the unamortized balance is included in Prepaid expenses and other assets.

The OHEFC authorized a $63,000 tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. In November 2008, the OHEFC authorized a $27,000 expansion of that program, to a total size of $90,000, to provide funding for future projects.

In February 2013, $27,000 was drawn to provide bridge financing for the construction of the Tinkham Veale University Center. During 2014, $11,000 of principal was paid down and made available for financing of future projects. In August 2014, $5,000 was drawn to provide bridge financing for the new residence hall. During 2015, $15,061 of principal was paid down making $21,061 of funds available for the financing of future projects. The amount outstanding under the commercial paper program was $68,939 (2015) and $79,000 (2014), with maturities not exceeding 270 days from the issuance date. All commercial paper issued under the terms of the program must mature no later than February 1, 2030. The annualized interest cost and credit facility expense for this program was 0.63% (2015) and 0.67% (2014).

The University has revolving lines of credit with two financial institutions in the amount of $70,000 to finance working capital. The $30,000 line is subject to review and renewal annually, and the $40,000 line is subject to renewal in December 2017. The amount outstanding was $20,000 (2015) and $40,000 (2014).

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years and thereafter are as follows:

Year	Scheduled Principal Payments	Outstanding VRDOs	Total Maximum Principal Payments
2016	$ 16,385	$ 95,480	$ 111,865
2017	15,070	20,000	35,070
2018	30,800	80,000	110,800
2019	16,013	-	16,013
2020	16,345	30,000	46,345
Thereafter	450,243	(225,480)	224,763
TOTAL	**$ 544,856**	**$ -**	**$ 544,856**

The University has letter of credit agreements, standby bond purchase agreements and liquidity agreements with various financial institutions to purchase the University's variable rate demand obligations ("VRDOs") and commercial paper if they cannot be remarketed. Outstanding VRDOs in the above table represent amounts payable in the event that bonds are tendered but not successfully remarketed.

Interest expense, including those amounts for interest rate swap agreements (Note 12), was $18,637 (2015) and $20,125 (2014).

Certain borrowing agreements require that the University comply with certain covenants. The University is in compliance with these provisions as of June 30, 2015.

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9. RETIREMENT PLANS

The University has both defined benefit and defined contribution pension plans for its employees. In accordance with provisions of the Employee Retirement Income Security Act of 1974, the University has established a trust to hold plan assets for its defined benefit plan. The funded status of the University's defined benefit plan is as follows:

	2015	2014
Benefit obligation at June 30	$ 223,119	$ 204,471
Fair value of plan assets at June 30	155,164	148,630
FUNDED STATUS AT JUNE 30	**$ (67,955)**	**$ (55,841)**
Accumulated benefit obligation	**$ 221,975**	**$ 203,742**

Benefit plan costs for the defined benefit plan are as follows:

	2015	2014
Net periodic benefit cost	$ 8,004	$ 8,051
Employer contributions	10,445	
Benefits paid	5,632	4,665

Estimated benefits expected to be paid under the defined benefit plan for the next five fiscal years are as follows:

2016	$ 5,325
2017	5,521
2018	6,103
2019	6,649
2020	7,380

Amounts expected to be paid between 2021 and 2025 total $48,064. The University's estimated employer contribution for the defined benefit plan in fiscal 2016 will depend on the results of the July 1, 2015 actuarial valuation and is estimated to be $6,770.

Weighted-average assumptions used to determine the benefit obligation and benefit plan costs are as follows:

	2015	2014
BENEFIT OBLIGATION		
Discount Rate	4.75%	4.75%
Rate of compensation increase	2.25%	2.25%
Measurement date	6/30/15	6/30/14
Census date	7/1/14	7/1/13
NET PERIODIC BENEFIT COST		
Discount rate	4.75%	5.25%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	2.25%	4.25%

The expected long-term rate of return for the defined benefit plan was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. Management estimated the rate by which the plan assets would outperform the market in the future based on historical experience adjusted for changes in asset allocation and expectations compared to past periods.

The investment objective for the defined benefit plan is to maximize total return with tolerance for slightly above average risk, in order to meet the obligations that the University has to its plan beneficiaries. To accomplish this objective, the University has established a broadly-diversified asset allocation strategy that includes absolute return strategies (combination of fixed income and equity securities) (50%), equity investments (30%), bonds and cash (16%), and real estate (4%). The weightings of the investments relative to each other in the total portfolio fluctuate as market conditions vary; they are adjusted regularly to remain within acceptable ranges.

The weighted-average asset allocation for the defined benefit plan is as follows:

	2015	2014
Equity securities	31.00%	33.00%
Fixed income securities	12.00%	10.00%
Real estate	5.00%	5.00%
Other	52.00%	52.00%
TOTAL ASSET ALLOCATION	**100.00%**	**100.00%**

The amounts recognized in the University's consolidated statements of financial position and in unrestricted net assets related to the defined benefit plan are as follows:

		2015		2014
NET LIABILITY	**$**	**(67,955)**	**$**	**(55,841)**
UNRESTRICTED NET ASSETS				
Actuarial losses		78,318		63,763
AMOUNT RECOGNIZED AS REDUCTION OF UNRESTRICTED NET ASSETS	**$**	**78,318**	**$**	**63,763**

The estimated amortization of prior year service costs expected in fiscal 2016 totals $4,303. Components of the net periodic benefit cost and other changes in plan assets that are recognized in the consolidated statement of activities are as follows:

		2015		2014
Change in actuarial losses	$	14,555	$	7,012
TOTAL LOSS RECOGNIZED, UNRESTRICTED NET ASSETS		**14,555**		**7,012**
Net periodic benefit cost		8,004		8,051
TOTAL LOSS RECOGNIZED, STATEMENT OF ACTIVITIES	**$**	**22,559**	**$**	**15,063**

During fiscal 2015, the Board approved a change to the defined benefit plan with an effective date of June 30, 2015. The University elected to close the plan to new entrants. Employees hired prior to July 1, 2015 may enter and continue to participate in the defined benefit plan. This change had no effect on the valuations stated for the plan at year end.

Benefit plan costs for the defined contribution plan are $20,364 (2015) and $20,225 (2014).

10. COMMITMENTS AND CONTINGENCIES

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's financial position, operations, or cash flows.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation ("CCF") to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine ("CCLCM"). Beginning in 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the School of Medicine. Expenditures for research conducted under this joint agreement totaled $81,192 (2015) and $82,996 (2014).

In April 2006, the Boards of University Hospitals Health System and the University approved a new affiliation agreement between the School of Medicine and University Hospitals of Cleveland ("UHC"). This agreement significantly strengthened the historical relationship between the entities through the creation of the Case Medical Center, a virtual entity that encompasses certain teaching, research and clinical activities of the School of Medicine and UHC.

During 2013, the University entered into a joint purchase agreement with the Cleveland Museum of Art to purchase real property from the Cleveland Institute of Art. The University's commitment is $4,600 with $505 placed as an earnest deposit and is shown on the consolidated statements of financial position in Prepaid expenses and other assets. The remaining $4,095 is due at closing, which is anticipated to be in fiscal 2016.

The University is self-insured for workers compensation and employee and student medical coverage. Property is commercially insured with an aggregate deductible of $700. The University also carries general liability insurance with a deductible of $100 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

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11. RELATED PARTY TRANSACTION

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University buildings. The amounts purchased were $19,382 (2015) and $20,118 (2014). No obligation associated with this agreement is recorded in the accompanying consolidated financial statements.

In July 2012, the University received an energy efficiency grant from the Medical Center Company in the amount of $998. The grant required a capital contribution of $267 from the University and payback of a portion of projected energy cost savings. Payback terms are 36 months beginning January 2014. The obligation recorded in Deferred income and other liabilities is $543 (2015) and $772 (2014).

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The University uses floating-to-fixed interest rate swap agreements of various durations to manage both its funding cost and the interest rate risk associated with variable rate debt. Under these swap agreements, the University pays a fixed rate and receives from its counterparty a variable rate payment, each calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest on the corresponding bonds; the difference between the fixed and variable interest amounts under the swap agreements is recorded in non-operating revenues and expenses as investment and other income.

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are valued by an independent swap consultant that uses the mid-market levels, as of the close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy.

At June 30, 2015, the University has five interest rate swap agreements. Net payments or receipts under the swap agreements are recorded as adjustments to investment and other income and the incremental expense is disclosed below.

Under one agreement in effect at June 30, 2015, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under four other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month LIBOR.

The following table provides detailed information on the interest rate swaps at June 30, 2015, with comparative fair values for June 30, 2014. Information related to the interest rate swap agreements to which the University is a party, including the associated OHEFC borrowing, where applicable, and the liability recognized in the consolidated statements of financial position in Deferred income and other liabilities are as follows:

Notional Amount	Interest Rate	Commencement	Termination Date	Basis	2015 Level 2 Fair Market Value	2014 Level 2 Fair Market Value
$ 18,875	4.34%	Aug. 12, 2004	Oct. 1, 2022	LIBOR	$ (1,541)	$ (1,778)
15,000	4.43%	Jun. 5, 2002	Jun. 5, 2022	LIBOR	(2,943)	(3,174)
15,000	3.60%	Sept. 25, 2002	Sept. 25, 2022	LIBOR	(2,202)	(2,300)
35,000	3.81%	Aug. 4, 2004	Aug. 1, 2034	LIBOR	(9,029)	(8,074)
100,000	3.37%	Jan. 3, 2012	Jan. 1, 2017	SIFMA	(4,885)	(7,491)
TOTAL INTEREST RATE SWAP AGREEMENT LIABILITY					**$ (20,600)**	**$ (22,817)**

Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as investment and other income. The provisions of the swap agreements require that on a weekly basis the University place into an escrow fund collateral sufficient to limit the counter-party's financial exposure to the University to no more than $20,000.

The University had placed $2,144 (2015) and $3,703 (2014) into such a fund, which is shown in Cash and cash equivalents on the consolidated statements of financial position.

Interest expense recorded for the swap agreements in the non-operating activities for the year ended June 30 was $6,220 (2015) and $6,224 (2014).

13. RESTRICTED NET ASSETS

The University's restricted net assets as of June 30 were as follows:

	Temporarily Restricted	Permanently Restricted	2015	2014
Endowment				
True endowment	$ 526,697	$ 588,413	$ 1,115,110	$ 1,098,814
Funds functioning as endowment (FFE)	287,188		287,188	290,857
Total true endowment and FFE	813,885	588,413	1,402,298	1,389,671
Funds held in trust by others		336,825	336,825	340,275
TOTAL UNIVERSITY ENDOWMENT	**$ 813,885**	**$ 925,238**	**$ 1,739,123**	**$ 1,729,946**
Other net assets				
Pledges receivable	70,054	20,323	90,377	90,931
Funds held in trust by others, unused income	5,307		5,307	4,853
Student loan funds		36,201	36,201	35,333
Split-interest agreements		15,630	15,630	16,911
Purpose restricted gifts	80,667	3,332	83,999	89,843
TOTAL NET ASSETS	**$ 969,913**	**$ 1,000,724**	**$ 1,970,637**	**$ 1,967,817**

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14. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 3, 2015, the date on which the consolidated financial statements were issued.

In September 2015, the University completed the purchase of real property from the Cleveland Institute of Art. The property was acquired as part of a joint purchase with the Cleveland Museum of Art as described in Note 10.

In September 2015, the Board approved the commencement of the construction phase of the Health Education Campus, a joint project with the Cleveland Clinic Foundation. At this time, it is expected that the project will be funded by gifts and private grants.

In July 2015, the OHEFC Series 2015B bonds were issued to refinance the balance of the OHEFC Series 2001A bonds ($10,605) and the OHEFC Series 2002A bonds ($64,875) for a total of $75,480. The financing fees of $176 were not included in the refinancing and were expensed.