UNIVERSITY OF SAINT JOSEPH

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
University of Saint Joseph:

We have audited the accompanying financial statements of University of Saint Joseph (the University), which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Saint Joseph as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 23, 2014

UNIVERSITY OF SAINT JOSEPH

Statements of Financial Position

June 30, 2014 and 2013

(Dollars in thousands)

Assets		**2014**	**2013**
Cash and cash equivalents	$	585	310
Accounts and loans receivable, net (note 3)		3,353	2,204
Pledges receivable, net (note 4)		3,266	2,357
Other assets		1,076	974
Investments (note 5)		25,141	20,994
Restricted investments (notes 5 and 8)		—	1,614
Deposits with bond trustee (note 5)		5,901	1,427
Investment in plant, net (notes 7, 8, and 9)		38,801	36,146
Total assets	$	78,123	66,026
Liabilities			
Short-term line of credit (note 8)	$	1,506	1,398
Accounts payable and accrued expenses		7,614	8,080
Deposits and deferred revenue		4,559	3,780
Capital lease obligation (notes 7 and 9)		174	123
Bonds and loans payable (note 8)		24,203	16,766
Government grants refundable		350	350
Total liabilities		38,406	30,497
Net Assets			
Unrestricted		16,595	15,874
Temporarily restricted (note 12)		9,680	6,835
Permanently restricted (note 12)		13,442	12,820
Total net assets		39,717	35,529
Total liabilities and net assets	$	78,123	66,026

See accompanying notes to financial statements.

UNIVERSITY OF SAINT JOSEPH

Statement of Activities

Year ended June 30, 2014

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:				
Revenues:				
Tuition and fees, net	$ 35,945	—	—	35,945
Grant and contract income	3,086	—	—	3,086
Contributions	2,746	1,809	622	5,177
Endowment spending used in operations (note 5)	565	615	—	1,180
Residence and dining	4,477	—	—	4,477
Other auxiliary services	287	—	—	287
Sales and services of education departments	10,567	—	—	10,567
Other revenues	215	—	—	215
Net assets released from restrictions (note 13)	1,143	(1,143)	—	—
Total revenues from operations	59,031	1,281	622	60,934
Expenses:				
Instructional	23,054	—	—	23,054
Public service	8,970	—	—	8,970
Academic support	5,159	—	—	5,159
Student services	4,942	—	—	4,942
Auxiliary services	6,841	—	—	6,841
Institutional support and other expenses	8,977	—	—	8,977
Total expenses	57,943	—	—	57,943
Increase in net assets from operating activities	1,088	1,281	622	2,991
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations (note 5)	386	1,564	—	1,950
Loss on refinancing	(375)	—	—	(375)
Change in fair value of interest rate swap	(378)	—	—	(378)
Change in net assets	721	2,845	622	4,188
Net assets, beginning of year	15,874	6,835	12,820	35,529
Net assets, end of year	$ 16,595	9,680	13,442	39,717

See accompanying notes to financial statements.

UNIVERSITY OF SAINT JOSEPH

Statement of Activities

Year ended June 30, 2013

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:				
Revenues:				
Tuition and fees, net	$ 31,663	—	—	31,663
Grant and contract income	3,651	—	—	3,651
Contributions	1,719	2,082	355	4,156
Endowment spending used in operations (note 5)	414	604	—	1,018
Residence and dining	4,450	—	—	4,450
Other auxiliary services	258	—	—	258
Sales and services of education departments	10,268	—	—	10,268
Other revenues	236	—	—	236
Net assets released from restrictions (note 13)	1,883	(1,883)	—	—
Total revenues from operations	54,542	803	355	55,700
Expenses:				
Instructional	21,368	—	—	21,368
Public service	8,484	—	—	8,484
Academic support	4,788	—	—	4,788
Student services	4,676	—	—	4,676
Auxiliary services	6,590	—	—	6,590
Institutional support and other expenses	8,542	—	—	8,542
Total expenses	54,448	—	—	54,448
Increase in net assets from operating activities	94	803	355	1,252
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations (note 5)	354	926	—	1,280
Adjustment to asset retirement obligation	943	—	—	943
Net gain on interest rate swap	423	—	—	423
Change in net assets	1,814	1,729	355	3,898
Net assets, beginning of year	14,060	5,106	12,465	31,631
Net assets, end of year	$ 15,874	6,835	12,820	35,529

See accompanying notes to financial statements.

UNIVERSITY OF SAINT JOSEPH

Statements of Cash Flows

Years ended June 30, 2014 and 2013

(Dollars in thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	4,188	3,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		3,232	2,915
Loss on refinancing		375	—
Termination of interest rate swap		(1,342)	—
Change in value of interest rate swap agreements		378	(423)
Net unrealized and realized gains on investments		(2,819)	(1,982)
Contributions restricted for long-term investment		(622)	(355)
Change in accounts and loans receivable		(1,149)	(338)
Change in pledges receivable		(909)	(863)
Change in other assets		(506)	(329)
Change in accounts payable and accrued expenses		498	(399)
Change in deposits and deferred revenue		779	452
Net cash provided by operating activities		2,103	2,576
Cash flows from investing activities:			
Purchases of plant and equipment		(5,643)	(5,120)
Proceeds from maturities and sale of investments		7,054	7,218
Purchases of investments		(6,768)	(6,049)
Net cash used in investing activities		(5,357)	(3,951)
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term investment		622	355
Principal payments on bonds and loans payable		(14,163)	(1,185)
Proceeds from CHEFA Easyloan financing		21,600	—
Short-term line of credit		108	(264)
Payments on capital lease obligations		(164)	(147)
Change in deposit with bond trustee		(4,474)	2,554
Net cash provided by financing activities		3,529	1,313
Net change in cash and cash equivalents		275	(62)
Cash and cash equivalents at beginning of year		310	372
Cash and cash equivalents at end of year	$	585	310
Supplemental data:			
Cash paid during the year for interest	$	723	642
Fixed assets acquired through capital lease		215	—

See accompanying notes to financial statements.

(1) Organization

University of Saint Joseph (the University) is a private, tax-exempt, nonprofit educational institution. The University was founded in 1932 and is located on approximately 91 acres in West Hartford, Connecticut with additional leased facilities in West Hartford and Hartford, Connecticut.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the University and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Gifts of long-lived assets are considered unrestricted support.

The University's measure of operations presented in the statement of activities includes income from tuition and fees, grants and contracts, contributions for operating programs, endowment spending used in operations, and other revenues. Operating expenses are reported on the statement of activities by functional categories, after allocating costs for operation and maintenance of plant, interest on indebtedness, and depreciation expense.

Nonoperating activity includes changes in the interest rate swap, loss on refinancing and investment returns and other activities related to endowment utilized for long-term purposes.

(Continued)

(b) Liquidity Information

In order to provide information about liquidity, assets have been sequenced in the statement of financial position according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

(c) Contribution Revenue

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

(d) Cash Equivalents

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

(e) Investments

Investments are reported in the financial statements at fair value. Accordingly, the gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur.

(f) Student Tuition and Fees

Student tuition and fees are recorded net of University funded student aid and externally funded student aid. Total University funded and externally funded student aid for the years ended June 30, 2014 and 2013 was $13,970 and $13,625, respectively.

(g) Investment in Plant

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the statement of activities.

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

(h) Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method over the life of the associated bond issue.

(i) Student Deposits

Student deposits along with advance payments for tuition, room, and board related to the next term have been deferred and will be reported as unrestricted revenue in the year in which the term is completed.

(j) Income Taxes

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

(k) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

(Dollars in thousands)

(3) Accounts and Loans Receivable

Accounts and loans receivable consist of the following at June 30:

		2014	2013
Student accounts receivable	$	655	651
Perkins loans receivable		449	438
Gengras Center receivables		350	123
Grants and other receivables		1,995	1,086
Less allowance for doubtful accounts		(96)	(94)
Net accounts and loans receivable	$	3,353	2,204

(4) Pledges Receivable

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

		2014	2013
Amounts due in:			
Less than one year	$	1,747	1,274
One to five years		1,570	850
Greater than five years		2,000	2,000
Gross pledges receivable		5,317	4,124
Less:			
Allowance for uncollectible pledges		(974)	(604)
Discount to present value		(1,077)	(1,163)
Net pledges receivable	$	3,266	2,357

Pledges recorded at June 30, 2014 and 2013 are discounted at rates ranging from 1.72% to 3.25%.

At June 30, 2014, the University had received conditional promises to give of $216. These promises to give are not recognized as assets until such time as the conditions have been met.

Fundraising expenses for the years ended June 30, 2014 and 2013 totaling $1,523 and $1,420, respectively, have been classified as institutional support expenses in the statement of activities.

(5) Fair Value

The carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenues approximated their fair values. An approximate estimate of the fair values of student loan receivables administered by the University under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designees. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

> *Level 1 inputs* are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.
>
> *Level 2 inputs* are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
>
> *Level 3 inputs* are unobservable inputs for the assets or liabilities. The University has no Level 3 investments.

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's investments classified as Level 2 have been valued using net asset value (NAV) as the practical expedient. Because of the use of NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the University's ability to redeem its interest in the fund at or near the date of the statement of financial position.

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

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Dollars in thousands)

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

	Level 1	Level 2	Total	Redemption frequency	Days notice
Assets:					
Investments:					
Cash and cash equivalents	$ 993	—	993	Daily	1
Domestic equities	4,867	—	4,867	Daily	1
International equities	682	—	682	Daily	1
Equity funds:					
Large cap	—	3,646	3,646	Monthly	1–30
International	2,460	2,676	5,136	Monthly	1–30
Fixed income funds	2,990	3,036	6,026	Daily	1
Hybrid funds	3,745	—	3,745	Daily	1
Real estate investment trusts (REITs)	46	—	46	Daily	1
Total investments	$ 15,783	9,358	25,141		
Other assets:					
Deposit with bond trustee	$ 5,901	—	5,901	N/A	N/A
	$ 5,901	—	5,901		
Liabilities:					
Interest rate swap agreement	$ —	413	413		

(Dollars in thousands)

The University's assets and liabilities at June 30, 2013 that are reported at fair value are summarized in the following table by their fair value hierarchy:

		Level 1	Level 2	Total	Redemption frequency	Days notice
Assets:						
Investments:						
Cash and cash equivalents	$	825	—	825	Daily	1
Domestic equities		4,431	—	4,431	Daily	1
International equities		629	—	629	Daily	1
Equity funds:						
Large cap		—	3,340	3,340	Monthly	1–30
International		—	4,182	4,182	Monthly	1–30
Fixed income funds		2,402	2,271	4,673	Daily	1
Hybrid funds		2,857	—	2,857	Daily	1
Real estate investment trusts (REITs)		57	—	57	Daily	1
Total investments	$	11,201	9,793	20,994		
Other assets:						
Funds held by swap counterparty	$	1,614	—	1,614	N/A	N/A
Deposit with bond trustee		1,427	—	1,427	N/A	N/A
	$	3,041	—	3,041		
Liabilities:						
Interest rate swap agreement	$	—	1,377	1,377		

The University's total return on its invested assets consists of the following components reported on the statement of activities:

		2014	2013
Investment return:			
Investment income, net of investment expenses	$	311	316
Net realized gains on sale of securities		743	403
Net unrealized gains on securities		2,076	1,579
Total return on investments		3,130	2,298
Amount appropriated for operations		(1,180)	(1,018)
Reinvested investment return	$	1,950	1,280

(6) Endowment Funds

The University's endowment consists of approximately 170 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the University to function as endowments (quasi-endowment).

The University manages its long-term investments in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The University's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment. The University compares the performance of its investments against several benchmarks.

The University's annual spending distribution is determined by applying a spending formula outlined in the Endowment Spending Policy. The spending formula equals the lesser of 5% or the actual total return generated by the portfolio over the prior three years, net of inflation for the same period. The spending rate is then applied to the average of the quarterly portfolio market values for the previous three fiscal years to determine the total spending amount. The spending total is allocated to the individual funds on a unit basis. In fiscal years 2014 and 2013, the spending rate was 5%. In fiscal year 2014, the Board of Trustees authorized an additional spending distribution to support the development and launch of a Capital Campaign. The amount of the spending authorization was $350.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation 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 for expenditure by the University in a manner consistent with the standard prudence prescribed by Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the University and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the investment policies of the University.

(Dollars in thousands)

Endowment net assets consisted of the following at June 30, 2014 and 2013:

	2014				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$	(25)	5,284	13,317	18,576
Quasi (board designated)		7,027	—	—	7,027
Total	$	7,002	5,284	13,317	25,603

	2013				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$	(71)	3,761	12,703	16,393
Quasi (board designated)		6,686	—	—	6,686
Total	$	6,615	3,761	12,703	23,079

Changes in endowment net assets for the fiscal years ended June 30, 2014 and 2013 were as follows:

	2014				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2013	$	6,615	3,761	12,703	23,079
Investment return		301	750	—	1,051
Unrealized gains		647	1,429	—	2,076
Transfers		—	(10)	—	(10)
Contributions		—	—	614	614
Distributions		(561)	(646)	—	(1,207)
Net assets June 30, 2014	$	7,002	5,284	13,317	25,603

(Dollars in thousands)

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2012	$ 6,438	2,922	12,303	21,663
Investment return	267	446	—	713
Unrealized gains	491	1,088	—	1,579
Transfers	(190)	—	—	(190)
Contributions	—	5	400	405
Distributions	(391)	(700)	—	(1,091)
Net assets June 30, 2013	$ 6,615	3,761	12,703	23,079

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in unrestricted net assets and aggregated $25 and $71 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets.

(7) Investment in Plant

Plant assets consist of the following at June 30:

	2014	2013	Estimated useful lives
Land	$ 2,523	660	—
Land improvements	5,036	4,954	10–39 years
Leasehold improvements	2,448	2,448	10–30 years
Buildings and building improvements	46,078	45,110	10–45 years
Furniture and equipment	21,552	20,204	3–10 years
Construction in progress	1,844	290	—
	79,481	73,666	
Less accumulated depreciation	(40,680)	(37,520)	
	$ 38,801	36,146	

Depreciation expense for the years ended June 30, 2014 and 2013 amounted to $3,203 and $2,881, respectively.

As of June 30, 2014 and 2013, the University had assets under capital lease of $500 and $438, respectively, with related accumulated depreciation of $134 and $203, respectively. These assets are included in furniture and equipment above.

(Continued)

(Dollars in thousands)

Costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs were estimated using a per square foot estimate. At June 30, 2014 and 2013, the balance in the asset retirement obligation (included in accounts payable and accrued expenses) was $1,946 and $1,898, respectively.

(8) Bonds Payable and Line of Credit

(a) Bonds Payable

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

		2014	2013
Connecticut Health and Educational Facilities Authority (CHEFA):			
Series B bonds, face amount, $15,000 issued in 2008, due 2038 with variable interest rate of 0.08167% at June 30, 2013	$	—	13,195
Series C bonds, face amount, $10,800 issued in November 2013, due 2038 with variable interest rate of 1.293% at June 30, 2014, and an interest rate swap with a fixed rate of 3.25% through 2023		10,631	—
Series D bonds, face amount, $10,800 issued in November 2013, due 2043 with a fixed interest of 3.5% through 2028		10,715	—
	$	21,346	13,195

In April 2008, the University issued CHEFA Series B bonds in the amount of $15,000, a portion of which was used to construct new residence halls, with the remainder used to advance refund the Series A bonds. The bonds were secured by a pledge of gross receipts of the University, with the pledge being shared on a parity basis with the Credit Facility Provider. The scheduled payment of principal and interest when due was initially secured by an irrevocable direct-pay letter of credit issued by Sovereign Bank. The Series B bonds of $12,705 were fully redeemed in November 2013 using a portion of the proceeds from the Series C and Series D issues, which resulted in a loss on debt refinancing of $375.

On March 4, 2008, the University entered into an interest rate swap agreement with an effective date of March 27, 2008 relating to the aggregate principal of the Series B Bonds. The interest rate swap agreement was not entered into for trading or speculative purposes. Under the swap agreement, the University made payments to the counterparty based upon a fixed interest rate of 3.146%. Pursuant to the swap agreement, the counterparty paid the University a variable rate based on the lesser of the weighted average of the weekly interest resets on the Series B Bonds and the SIFMA (formerly BMA) Municipal Swap Index. The fair value of the swap at June 30, 2013 was $1,377. This amount was recorded in accounts payable and accrued expenses in the statements of financial position. In compliance with the terms of the swap agreement, the University was required to post collateral equivalent to the fair market value of the swap. At June 30, 2013, the amount of collateral posted in support of the swap was $1,614. The terms of the swap also required the University to maintain certain levels of unrestricted cash and investments. At June 30, 2013, the University met the minimum unrestricted cash and investment threshold; however, the counterparty maintained the right to terminate based on the University failing to meet the threshold in a prior year. The interest rate swap had an expiration date of July 1, 2018. The interest swap was terminated in November 2013 due to the refunding of the related Series B bonds. Upon termination, the University paid to the counterparty a termination fee of $1,342 which was the fair value of the swap; collateral of $1,314 was refunded to the University.

In November 2013, the University issued CHEFA Series C bonds in the amount of $10,800. The proceeds were used to (a) refund a portion of the CHEFA Series B bonds; (b) purchase a vacant lot adjacent to the University campus; (c) fund the interest rate swap termination fee associated with the CHEFA Series B bonds; and (d) pay cost of issuance fees with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University.

On October 11, 2013, the University entered into an interest rate swap in the amount of $10,800 with an effective date of November 1, 2013 to November 1, 2023 for the CHEFA Series C bonds. The interest rate swap agreement was not entered into for trading or speculative purposes. The purpose of the swap was to effectively fix the variable rate, 68% of 30 day LIBOR plus 1.19%, to an interest rate of 3.25%. The fair value of the swap at June 30, 2014 was $413. This amount was recorded in accounts payable and accrued expenses in the 2014 statement of financial position.

In November 2013, the University issued CHEFA Series D bonds in the amount of $10,800. The proceeds were used to (a) refund the outstanding principal of the CHEFA Series B bonds; (b) purchase a vacant lot adjacent to the University campus; (c) partially fund the construction of the Center for Applied Research and Education (CARE) facility; and (d) pay cost of issuance fees with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University.

Under the bond agreement with CHEFA and a line of credit agreement with a bank, the University has agreed to certain financial covenants. The University has met its financial covenants as of June 30, 2014.

Bond cost amortization expenses charged to operations in fiscal 2014 and 2013 was $21 and $26 respectively.

(Dollars in thousands)

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

Year ending June 30:		
2015	$	538
2016		556
2017		578
2018		598
2019		618
Thereafter		18,458
Total	$	21,346

The University determined that the carrying value of its long-term debt approximated its fair value as of June 30, 2014 and 2013, respectively. The fair value of long-term debt is based on significant observable inputs and is categorized as Level 2 for purposes of valuation disclosure.

(b) Loan Payable

On August 26, 2011, the University closed on a $5,000 tax exempt equipment loan with First Niagara Leasing, Inc. through the CHEFA Easyloan program. The loan is secured by an interest in the equipment and furnishings purchased with the proceeds of the loan. The term of the lease is 7 years and carries a fixed interest rate of 2.81%. Payments of principal and interest are due semiannually. The total principal outstanding as of June 30, 2014 was $2,857.

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

Year ending June 30:		
2015	$	714
2016		714
2017		714
2018		715
Total	$	2,857

Loan origination cost amortization expenses charged to operations was $8 in fiscal 2014.

(c) Short-Term Line of Credit

In November 2013, the University secured a revolving line of credit with Berkshire Bank for $3,500 until November 1, 2014. Borrowings under the line bear interest at Prime or LIBOR plus 1.75% (1.9% at June 30, 2014). Outstanding borrowings against the line were $1,506 at June 30, 2014.

(Dollars in thousands)

Prior to November 2013, the University had a revolving line of credit with Sovereign Bank for $3,500. Borrowings under the line were charged interest at Prime or LIBOR plus 3.00% (3.25% at June 30, 2013). Outstanding borrowings against the line were $1,398 at June 30, 2013.

(9) Capital Lease Obligations

The University has entered into various capital lease agreements to lease academic and administrative computing equipment. At June 30, 2014, the University had committed $182 under these obligations, of which $8 represented interest.

Future minimum lease payments for these lease obligations are as follows:

2015	$	93
2016		76
2017		13
Total minimum lease payments		182
Amount representing interest		8
Present value of net minimum lease payments	$	174

(10) Operating Leases

The University leases various office equipment, vehicles and other equipment under operating leases. Rent expense under operating leases was $81 and $77 in fiscal 2014 and 2013, respectively.

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

Year ending June 30:		
2015	$	86
2016		82
2017		12
Thereafter		2
	$	182

The University has an agreement with the Town of West Hartford to lease a building and certain town property for the operation of the School for Young Children. The lease expires on July 31, 2047 and may be terminated by the University at any time before the end of the lease. Rent is payable in amounts of one dollar per year. The lease is contingent upon the University continuing to operate a comprehensive integrated child development and family support services program within the facility.

(Continued)

(Dollars in thousands)

(11) Pension Plan

The University maintains a defined contribution retirement program with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF). The University generally contributes 11% of salaries, as defined, for both nonexempt participating employees and for exempt participating employees, as defined. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. Pension expense for the years ended June 30, 2014 and 2013 was $2,297 and $2,166, respectively.

(12) Temporarily and Permanently Restricted Net Assets

Restricted net assets as of June 30 consist of:

		2014	2013
Temporarily restricted net assets:			
Time restricted	$	3,124	2,216
Use restricted:			
Library and lectures		1,022	769
Scholarships		2,912	2,014
Capital		682	354
Other		1,940	1,482
Total	$	9,680	6,835
Permanently restricted net assets:			
Scholarships	$	10,284	9,731
General university support		3,158	3,089
Total	$	13,442	12,820

(13) Net Assets Released from Restrictions

Temporarily restricted assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. For the years ended June 30, 2014 and 2013, temporarily restricted net assets were released as follows:

		2014	2013
Expiration of time restrictions	$	—	501
Student aid, support and services		943	958
Capital		200	424
Total	$	1,143	1,883

(Continued)

(14) Commitments and Contingencies

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

In the ordinary course of business, the University is involved in various claims and litigation. Adequate provision has been made in the financial statements for these matters. The ultimate outcome is not expected to have a material effect on the University's financial position. Legal counsel currently expresses no opinion on the outcome of these matters.

(15) Subsequent Events

The University considers events or transactions that occur after the balance sheet date, but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 23, 2014 and subsequent events have been evaluated through that date.