UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES

Consolidated Financial Statements

June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Trustees
University of Rochester

We have audited the accompanying consolidated financial statements of the University of Rochester and its related entities (the "University"), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statement of activities, and cash flows for the years then ended.

Management's Responsibility for the Consolidated 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 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Rochester and its related entities as of June 30, 2015 and 2014, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Rochester, New York
October 26, 2015

PricewaterhouseCoopers LLP, 1100 Bausch & Lomb Place, Rochester, NY 14604-2705
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UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Consolidated Balance Sheet
As of June 30
(dollars in thousands)

Assets	**2015**	**2014**
Cash and cash equivalents	$ 450,595	$ 467,619
Operating investments, at market	317,703	308,741
Accounts receivable, net	311,114	333,036
Inventories, prepaid expenses, and deferred charges	71,200	64,216
Contributions receivable, net	100,827	92,498
Notes receivable, net	49,994	48,730
Other assets	25,317	16,207
Investments held for long-term purposes	2,445,777	2,315,847
Property, plant and equipment, net	1,899,849	1,814,641
Interest in net assets of foundations	17,567	17,749
Investments in perpetual trusts held by others	56,233	57,526
Total assets	$ 5,746,176	$ 5,536,810
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 425,413	$ 399,286
Advanced receipt of sponsored research revenues	12,390	24,927
Deferred revenue	62,323	62,136
Third-party settlements payable, net	138,116	122,623
Accrued pension, post-retirement, and post-employment	445,645	402,166
Long-term debt	1,216,632	1,126,265
Asset retirement obligation	27,680	27,241
Refundable U.S. Government grants for student loans	16,321	16,187
Total liabilities	2,344,520	2,180,831
Net Assets:		
Unrestricted	2,191,594	2,188,658
Temporarily restricted	705,512	703,531
Permanently restricted	504,550	463,790
Total net assets	3,401,656	3,355,979
Total liabilities and net assets	$ 5,746,176	$ 5,536,810

See accompanying notes to consolidated financial statements.

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Consolidated Statement of Activities
Year Ended June 30, 2015
(dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	$ 437,659	$ -	$ -	$ 437,659
Less: scholarships and fellowships	(177,804)	-	-	(177,804)
Net tuition and fees	259,855	-	-	259,855
Grants and contracts	342,867	-	-	342,867
Gifts and pledges	34,638	30,579	35,986	101,203
Hospital and faculty practice patient care activities	2,419,776	-	-	2,419,776
Auxiliary enterprises	118,667	-	-	118,667
Interest income and appreciation of operating investments	5,326	-	-	5,326
Educational activities	15,602	-	-	15,602
Royalty income	23,634	-	-	23,634
Other sources	40,203	-	-	40,203
Long-term investment income and gains allocated to operations	87,946	-	-	87,946
Net assets released from restriction	57,553	(61,654)	4,101	-
Total operating revenues	3,406,067	(31,075)	40,087	3,415,079
Operating expenses:				
Salaries and wages	1,639,551	-	-	1,639,551
Fringe benefits	484,804	-	-	484,804
Total compensation	2,124,355	-	-	2,124,355
Supplies	505,039	-	-	505,039
Business and professional	212,834	-	-	212,834
Utilities	57,036	-	-	57,036
Maintenance and facilities costs	131,836	-	-	131,836
Depreciation	196,698	-	-	196,698
Interest	35,041	-	-	35,041
Other	65,923	-	-	65,923
Total operating expenses	3,328,762	-	-	3,328,762
Change in net assets from operating activities	77,305	(31,075)	40,087	86,317
Non-operating activities:				
Long-term investment activities:				
Investment income	10,496	3,212	(1,200)	12,508
Net appreciation	43,714	31,024	2,141	76,879
Total long-term investment activities	54,210	34,236	941	89,387
Long-term investment income and gains allocated for operations	(87,946)	-	-	(87,946)
Loss on extinguishment of debt	(10,880)	-	-	(10,880)
Other changes, net	(29,753)	(609)	(325)	(30,687)
Change in valuation of annuities	-	(571)	57	(514)
Change in net assets from non-operating activities	(74,369)	33,056	673	(40,640)
Change in net assets	2,936	1,981	40,760	45,677
Beginning net assets	2,188,658	703,531	463,790	3,355,979
Ending net assets	$ 2,191,594	$ 705,512	$ 504,550	$ 3,401,656

See accompanying notes to consolidated financial statements.

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Consolidated Statement of Activities
Year Ended June 30, 2014
(dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	$ 421,397	$ -	$ -	$ 421,397
Less: scholarships and fellowships	(177,904)	-	-	(177,904)
Net tuition and fees	243,493	-	-	243,493
Grants and contracts	347,768	-	-	347,768
Gifts and pledges	41,314	24,871	40,467	106,652
Hospital and faculty practice patient care activities	2,249,400	-	-	2,249,400
Auxiliary enterprises	96,828	-	-	96,828
Interest income and appreciation of operating investments	15,539	-	-	15,539
Educational activities	22,365	-	-	22,365
Royalty income	26,025	-	-	26,025
Other sources	20,899	55	-	20,954
Long-term investment income and gains allocated to operations	85,729	-	-	85,729
Net assets released from restriction	56,857	(56,857)	-	-
Total operating revenues	3,206,217	(31,931)	40,467	3,214,753
Operating expenses:				
Salaries and wages	1,545,092	-	-	1,545,092
Fringe benefits	444,600	-	-	444,600
Total compensation	1,989,692	-	-	1,989,692
Supplies	411,931	-	-	411,931
Business and professional	188,276	-	-	188,276
Utilities	55,865	-	-	55,865
Maintenance and facilities costs	135,096	-	-	135,096
Depreciation	187,797	-	-	187,797
Interest	37,815	-	-	37,815
Other	74,650	-	-	74,650
Total operating expenses	3,081,122	-	-	3,081,122
Change in net assets from operating activities	125,095	(31,931)	40,467	133,631
Non-operating activities:				
Long-term investment activities:				
Investment income	15,263	6,551	(89)	21,725
Net appreciation	156,237	149,629	10,735	316,601
Total long-term investment activities	171,500	156,180	10,646	338,326
Long-term investment income and gains allocated for operations	(85,729)	-	-	(85,729)
Loss on extinguishment of debt	(2,167)	-	-	(2,167)
Other changes, net	(3,076)	109	(600)	(3,567)
Change in valuation of annuities	30	(5,134)	997	(4,107)
Change in net assets from non-operating activities	80,558	151,155	11,043	242,756
Change in net assets before cumulative effect of acquisition	205,653	119,224	51,510	376,387
Cumulative effect of acquisition	6,431	-	-	6,431
Change in net assets	212,084	119,224	51,510	382,818
Beginning net assets	1,976,574	584,307	412,280	2,973,161
Ending net assets	$ 2,188,658	$ 703,531	$ 463,790	$ 3,355,979

See accompanying notes to consolidated financial statements.

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Consolidated Statement of Cash Flows
Years Ended June 30
(dollars in thousands)

Cash flows from operating activities:	**2015**	**2014**
Change in net assets after cumulative effect of acquisition	$ 45,677	$ 382,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	196,698	187,797
Net (appreciation) on long-term investment activities	(76,879)	(316,601)
Gifts of property, plant, equipment and other	(2,372)	(3,448)
Bond discount amortization	(1,423)	(1,417)
Loss on the extinguishment of debt	(10,880)	2,167
Provision for bad debts	41,497	25,146
Loss on disposals of property, plant, and equipment	1,702	2,240
Cumulative effect of acquisition	-	(6,431)
Contributions for long-term investments	(58,236)	(64,417)
(Increases) / decreases in:		
Operating investments	(8,962)	(132,319)
Accounts receivable, net	(19,575)	(58,499)
Inventories, prepaid expenses, and deferred charges	5,613	(5,694)
Contributions receivable, net	(3,436)	2,539
Other assets	(16,736)	(2,461)
Increases / (decreases) in:		
Accounts payable and accrued expenses	26,358	(10,505)
Advanced receipt of sponsored research revenues	(12,537)	5,487
Deferred revenues	187	(487)
Third-party settlements payable, net	15,493	6,000
Accrued pension, post-retirement, and post-employment	43,479	26,259
Net cash provided by operating activities	165,668	38,174
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(279,099)	(261,469)
Purchases of investments	(1,027,876)	(1,446,052)
Proceeds from the sale of investments	971,517	1,365,112
(Increase) in investments in perpetual trusts held by others	(110)	(3)
(Increase) in notes receivable, net	(1,264)	(205)
Cash received in acquisition	-	5,812
Net cash used in investing activities	(336,832)	(336,805)
Cash flows from financing activities:		
Net borrowings / (repayments) on lines-of-credit	(660)	54
Principal repayments of long-term debt	(69,818)	(33,516)
Proceeds from issuance of long-term debt	168,319	250,964
Deferred financing costs	(2,071)	(2,291)
Increase / (decrease) in refundable U.S. Government grants for student loans	134	(199)
Contributions for long-term investments	58,236	64,417
Net cash provided by financing activities	154,140	279,429
Net (decrease) in cash and cash equivalents	(17,024)	(19,202)
Cash and cash equivalents, beginning of year	467,619	486,821
Cash and cash equivalents, end of year	$ 450,595	$ 467,619
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest on long-term debt	$ 42,436	$ 38,254
Non-cash investing and financing activities:		
Increase in construction related payables	$ 868	$ 9,237
Assets acquired under capital leases	$ -	$ 51

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) General

The University of Rochester (the University) is a private nonprofit institution of higher education based in Rochester, New York. The University provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels. It also performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government; and provides health care services through Strong Memorial Hospital, Strong Home Care Group, and the various entities included in Strong Partners Health System, Inc. (SPHS), and F.F. Thompson Health System, Inc.

(b) Basis of Presentation

The accompanying consolidated financial statements include all of the integrated divisions of the University – Arts, Sciences and Engineering (including the Hajim School of Engineering and Applied Sciences), Margaret Warner Graduate School of Education and Human Development, William E. Simon Graduate School of Business Administration, Eastman School of Music, Memorial Art Gallery, School of Medicine and Dentistry, Strong Memorial Hospital, School of Nursing, Eastman Institute for Oral Health, Health Sciences, University of Rochester Medical Faculty Group (URMFG), eXtensible Catalog Organization, LLC, UR Investment, LLC and Spruce Risk Purchasing Group, LLC. Included also are Strong Partners Health System, Inc. (and its affiliates), Eastman Dental Center Foundation, Inc., Strong Home Care Group (and its subsidiaries), Crittenden Boulevard Housing Company, Inc., Excell Partners, Inc., Rochester BioVenture Center, Inc. (including its subsidiaries), High Tech Rochester, Inc., University of Rochester Real Estate Corporation, UR Equity Holdings, Inc., Meliora Real Estate Corporation, F.F. Thompson Health System, Inc. (including its subsidiaries), and Accountable Health Partners, LLC. All significant interorganizational balances and transactions have been eliminated.

The University is the sole member of SPHS, which is the sole member of Highland Hospital of Rochester (including its subsidiaries The Highland Foundation, Inc., Highland Facilities Development Corp., and the Medical Administrative Associates, Inc.); The Highlands Living Center, Inc.; Highland Community Development Corporation; and The Meadows at Westfall, Inc. Highland Hospital and its subsidiaries have debt outstanding which has been included in the University's consolidated financial statements; however, under the terms of the affiliation agreement with SPHS, the University has no legal obligation for the debt of Highland Hospital and affiliates.

The Eastman Dental Center Foundation, Inc. was formed to hold and manage the investment assets of the former Eastman Dental Center, which was merged into the University during 1998. Income and assets of the Foundation are used to support oral health, education, and research projects at the University.

The University is the sole corporate member of Strong Home Care Group, which is the sole member of Visiting Nurse Service of Rochester and Monroe County, Inc. (VNS) and Community Care of Rochester. On September 30, 2013, VNS became the sole member of Finger Lakes Visiting Nurse Service, Inc. and Finger Lakes Home Care, Inc. The alignment was accounted for as an acquisition under the Merger and Acquisition guidance for not-for-profit entities. As such, the University recorded approximately $6,431 in the cumulative effect of acquisition line in the consolidated statements of activities as of June 30, 2014.

The University, through SPHS, Strong Memorial Hospital and URMFG, formed a Managed Care Organization (MCO) in October 1997 together with two community physician organizations: the Highland Physician Organization and the Rochester Community Physician Organization. The MCO has ceased operations related to member contracting activities and is in the process of finalizing its activities.

The University is the sole corporate member of Crittenden Boulevard Housing Company, Inc., which was formed to provide affordable housing facilities for graduate students and staff of the University.

The University is the sole corporate member of Excell Partners, Inc., which was formed to support early stage commercial development utilizing technologies created at the University of Rochester and other regional colleges and universities.

The University is the sole corporate member of Rochester BioVenture Center, Inc. (including its subsidiary Excell Technology Ventures, Inc.), which was formed to support the development of new businesses utilizing technologies created at the University and other regional colleges and universities, through the operation of incubator/research facilities in Monroe County, New York.

The University is the sole corporate member of High Tech Rochester, Inc., which is a not-for-profit economic development organization that promotes the creation and growth of technology companies through support services and incubation facilities and provides consulting services for manufacturers.

The University is the sole member of University of Rochester Investment, LLC, which was formed for the purpose of holding certain University investments.

The University is the sole member of eXtensible Catalog Organization, LLC, which was formed to support the charitable and educational activities of the University through development of open-source library catalog software.

In December 2009, the University entered into a financing arrangement for the renovation of the Eastman Theatre enhanced by qualified investors in the New Markets Tax Credit (NMTC) program of the United States Treasury. The use of NMTCs is a program of the Community Development Financial Institutions Fund, a bureau of the United States Treasury. This transaction required the formation of a wholly-owned special purpose corporation known as the University of Rochester Real Estate Corporation.

The University is the sole stockholder of UR Equity Holdings, Inc., a for-profit corporation that was formed for the purpose of holding the University's equity interests in startup companies.

The University is the sole corporate member of Meliora Real Estate Corporation, which was formed to support the charitable activities of the University of Rochester by providing financial and operational support to the University through the acquisition, holding and sale of real estate donated to the University and affiliates.

The University is the sole corporate member of Spruce Risk Purchasing Group, LLC, which was formed for the purpose of procuring insurance coverage for physicians and other healthcare providers affiliated with the University of Rochester Medical Center.

In August, 2012, the University became the sole corporate member of F.F. Thompson Health System, Inc. (THS) (including its subsidiaries The Frederick Ferris Thompson Hospital (FFT Hospital), M.M. Ewing Continuing Care Center (CCC), F.F.T. Senior Communities, Inc. (FFTSC), FFTH Properties and Services, Inc. (FFTH Properties), and The F.F. Thompson Foundation, Inc. (FFTF). THS remains the sole member of FFT Hospital, CCC, FFTSC, and FFTF and the sole shareholder of FFTH Properties. The University, THS and THS's affiliates continue as separate and distinct corporations.

Accountable Health Partners, LLC (AHP), a New York State limited liability company, was formed in January 2013, partly in response to the Patient Protection and Affordable Care Act of 2010. Through AHP, the members hope to harness the collective expertise of physicians and hospitals to work with third party payers to provide quality comprehensive and cost-effective patient care to the Greater Rochester New York community. The University has a controlling financial interest through direct and indirect ownership of a majority voting interest in AHP.

(c) Basis of Accounting

The consolidated financial statements of the University are prepared on the accrual basis of accounting and in conformity with generally accepted accounting principles in the United States of America.

Classification of Net Assets

The University reports its net assets and changes therein according to three classifications: permanently restricted, temporarily restricted, and unrestricted, based upon the existence or absence of donor-imposed restrictions.

Permanently restricted – Net assets subject to donor–imposed stipulations that they be maintained permanently by the University. In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (NYPMIFA), the University's Board of Trustees, with consideration of the actions, reports, information, advice and counsel provided by its duly constituted committees and appointed officers of the University, has instructed the University to adopt a methodology designed to avoid spending below the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the University classifies as permanently restricted net assets the original gift value of true endowments plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of true endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Investment income and gains and losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor-imposed stipulations. Under NYPMIFA, the appropriation and spending of such income is subject to a standard of prudence, as more fully discussed under the accounting policy note on investments, note 1(i). When a donor restriction expires, that is, when a stipulated time restriction ends or spending restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Unrestricted – Net assets that are not subject to donor-imposed stipulations and that are generally available for support of the University's activities with certain limitations, as follows:

- Uses of certain unrestricted net assets are committed through contractual agreements. Such amounts primarily consist of required trusteed balances under long-term debt agreements and matching funds under student loan programs of the federal government. In addition, grants and contracts for the performances of certain services or functions are reported in the unrestricted net asset category.

- Many of the funds, which are unrestricted for accounting purposes, carry internal designations to specific divisions of the University, and therefore are not treated operationally as unrestricted funds.

- The Board of Trustees, through voluntary resolutions, has set aside portions of the University's unrestricted net assets to function as endowment, for property, plant and equipment purposes, and for other specific operating purposes.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets, except those contributions whose imposed restrictions are met in the same fiscal year they are received, are included in unrestricted revenues.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(d) Income Taxes

The University and the majority of its affiliates are not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes on related income pursuant to Section 501(a) of the Code.

(e) Operations

The statements of activities present the changes in net assets of the University from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to educational and training programs, research activities and hospital and patient care activities provided by the University and its related entities.

Utilization of investment income and gains on long-term investments held for endowment and similar purposes under the University's total return spending policy, as discussed in note 1(i), is considered operating revenue.

Non-operating activities consist primarily of investment income and appreciation from long-term investments in excess of amounts utilized for operations. Other changes, net consists primarily of adjustments in pension, post-retirement, and post-employment obligations based on actuarially determined liabilities.

(f) Cash and Cash Equivalents and Operating Investments

Cash and cash equivalents include amounts on deposit with financial institutions; short-term investments with maturities of three months or less at the time of purchase and other highly liquid investments, primarily cash management funds, except that such instruments purchased with endowment and annuity and life income assets on deposit with trustees are classified as investments.

Operating investments include all other current investments with original maturities greater than three months and are used to support operations. These current investments include obligations of the U.S. Treasury, U.S. Government and other government agencies, and corporate and foreign bonds. Included also are internal operating funds invested in the University's long term investment pool however, they may be liquidated upon demand at any time.

(g) Inventories

Inventories, primarily medical supplies, are valued at the lower of cost, which is determined by the first-in, first-out method, or market.

(h) Contributions

Contributions, including unconditional promises, or pledges, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted, at a range of 2% to 5%, to their present value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

(i) Investments and Spending Policy

The University's investments are comprised of the assets of the University's endowment and other investments held for general operating purposes. The University reports those investments at fair value as described further in note 12.

The Board of Trustees interprets NYPMIFA to allow for the spending of income and gains on investments of permanently restricted net assets in a manner that is prudent, considering such factors as the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including the potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University's investment policy.

Investment of the University's net assets held for endowment and similar purposes is based upon a total return policy, and the utilization of its endowment resources for current operating and capital needs is related to this policy. Although NYPMIFA does not preclude the University from spending below the original gift value of permanently restricted funds, the University's policy is to spend no more than a stated percentage of fair value of its investment portfolio over time. Accordingly, during fiscal year 2015, the Board of Trustees authorized the use of total return (income and appreciation) from its endowment resources at an aggregate rate of 5.8% (5.9% during fiscal year 2014) of the average fair value of its consolidated investment portfolio for the most recent five years. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment net assets for operating purposes. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the University reinvests the excess in its net assets held for endowment.

The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010, of the new law, and offered these donors the option of requiring the University to maintain historical dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value.

Investment securities are exposed to various risks, such as interest rates, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in value could occur in the near term and such changes could materially affect the amounts reported in the investments and investment activity of the University.

(j) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation and amortization. Buildings used for research activities are componentized as site improvements, buildings, building services, and fixed equipment. Depreciation of research building components is recorded using the straight-line method over the useful lives of the components ranging from 4 to 50 years. Depreciation of non-research buildings, equipment and library books, and amortization of leasehold and land improvements are computed using the straight-line method over the estimated useful lives of the assets. Land and museum collections are not subject to depreciation. Estimated useful lives for non-research assets are as follows:

	Years
Building	40
Building and leasehold improvements	20
Land improvements	20
Equipment	4 to 15
Library books	10

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(k) Museum Collections

The University capitalizes museum collections. If purchased, collection items are capitalized at cost, and if donated, at their appraised or fair value on the accession date (the date on which the item is accepted by the Board of Trustees). There is no depreciation recorded on collection items.

(l) Split Interest Agreements and Perpetual Trusts

The University's split interest agreements with donors consist primarily of gift annuities, unitrusts, charitable remainder annuity trusts, and life income agreements. Assets held under these agreements are included in investments held for long-term purposes and investments in perpetual trusts held by others. For fiscal years 2015 and 2014, the fair values for split interest agreements assets are $95,266 and $98,408, respectively. Generally, contribution revenues are recognized at the dates the agreements are established and liabilities are recorded for the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The University is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts, which are measured by the fair value of the assets contributed to the trust, are recognized as assets and contribution revenues at the dates the trusts are established. The carrying value of the assets is adjusted for changes in the fair value of the trust assets for both split interest agreements and perpetual trusts.

(m) Refundable U.S. Government Grants for Student Loans

Funds provided by the United States Government under the Federal Perkins, Nursing and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after cash collections. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying consolidated balance sheet.

(n) Grants and Contracts

Revenue from grants and contracts, primarily for research and training programs, is generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts received in advance are reported as advance receipt of sponsored research revenues.

Grants and contracts awarded to the University are subject to audit by the various sponsoring agencies. Indirect costs recovered on grants and contracts are recorded at rates established by the University with the federal government, or predetermined by the non-federal sponsor. Indirect cost rates for government grants and contracts are subject to audit, and subsequent final settlements are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the consolidated financial statements.

(o) Benefit Plans

The University provides certain health care and life insurance benefits to retired employees and spouses under a defined benefit plan. Benefits include basic medical and major medical coverage. Certain categories of retirees receive dental coverage and group life insurance. Such post-retirement benefits are accounted for as a form of deferred compensation over the estimated service lives of employees.
Post-employment benefits include benefits provided to former or inactive employees after employment but before retirement. For the University, such benefits include workers' compensation benefits, short-term disability benefits, and benefits provided under various other programs.

(p) Hospital and Faculty Practice Patient Care Activities

Strong Memorial Hospital, Highland Hospital, and FFT Hospital (collectively, the Hospitals) have agreements with third-party payors that provide for payments to the Hospitals at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Under the Medicare program, the Hospitals receive reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. The Hospitals also receive reimbursement under a prospective payment system for certain medical outpatient services, based on service groups, called ambulatory payment classifications (APCs). Other outpatient services are based upon a fee schedule and/or actual costs. The Hospitals' Medicare cost reports are subject to audit by the fiscal intermediary. Such audits have been done through December 31, 2007 for Strong Memorial Hospital; December 31, 2008 for Highland Hospital; and December 31, 2011 for FFT Hospital.

Medicaid and Other Third-Party Payors

The New York Health Care Reform Act of 1996 (HCRA), as amended, governs payments to hospitals in New York State (NYS).
Under HCRA, Medicaid, workers compensation, and no-fault payors payment rates are promulgated by the New York State Department of Health (DOH). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and other managed care plans, negotiate payment rates directly with the hospitals. Such arrangements vary from DRG-based payment systems, to per diems, case rates and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Hospitals' established charges. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate payment rates utilizing All Patient Refined DRGs (APR-DRGs). APR-DRGs used revised service intensity weights (SIWs) to adjust each APR-DRG for patient acuity. Similar type outpatient reforms were implemented effective December 1, 2008 by connecting outpatient payments to Ambulatory Payment Groups (APGs) which use outpatient SIWs based on types of service and resource consumption.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amounts of the surcharge vary by payor and apply to a broader array of health care services. Also, certain payors are required to provide additional funds through surcharges on payments to hospitals for inpatient services or through voluntary election to pay a covered lives assessment directly to the DOH.

Revenue from Excellus Blue Cross and MVP accounted for approximately 31% and 6%, respectively, of the Hospitals' net patient service revenue for the year ended June 30, 2015, and 30% and 5%, respectively, for the year ended June 30, 2014.

Revenue from Medicare and Medicaid programs, including Medicare Advantage and Medicaid Managed Care plans, accounted for approximately 39% and 19%, respectively, of the Hospitals' net patient revenue for the fiscal year ended June 30, 2015, and 36% and 17%, respectively, for the year ended June 30, 2014. Laws and regulation governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. The Hospitals believe that they are in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Non-compliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties and exclusion from the Medicare and Medicaid programs.

Both federal and NYS regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Hospitals have established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers compensation, and no-fault payors and amounts due from the indigent care pool for such adjustments. Those adjustments, which can be reasonably estimated, have been provided for in the accompanying financial statements. The Hospitals have estimated the potential impact of such adjustments based on the most recent information available. However, those which are either (a) without current specific regulations to implement such adjustments, or (b) are dependent upon certain future events and cannot be reasonably estimated, have not been provided for in the accompanying financial statements. Management believes the amounts recorded in the accompanying financial statements will not be materially affected upon the implementation of such adjustments. During fiscal years 2015 and 2014, the Hospitals recognized approximately $6,703 and $4,704 of net patient service revenue as a result of changes in estimates related to third party settlements. In addition, the Hospitals recognized additional third party payables of approximately $11,761 and $7,891 related to fiscal years 2015 and 2014, respectively.

There are various other proposals at the federal and NYS levels relating to Medicare and Medicaid, that could, among other things, reduce reimbursement rates, modify reimbursement methods or increase managed care penetration. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The University of Rochester Medical Faculty Group (URMFG) is an operating division of the University. In the year ending June 30, 2015, over 1,193 full-time faculty in 18 clinical departments and two clinical centers participated in patient care at the University of Rochester Medical Center. These full-time faculty physicians handled 834,980 outpatient visits in their offices, mostly on University-owned or leased premises; and covered 34,744 hospital admissions, as well as participated in the coverage of the emergency department handling over 118,254 visits (including 12,502 new ED visits at Strong West). Payments for these services are derived primarily from third-party insurers including Managed Care companies (14.86%), Medicare (20.10%), Blue Shield (25.27%), Medicaid (14.25%), commercial (11.11%), other (4.48%), and self-pay (9.92%).

In addition to providing clinical outpatient care, the faculty group's mission is met by providing education and teaching. The faculty supervise and instruct 436 University medical students and 814 residents and fellows.

(q) Charity Care and Provision for Bad Debts

As further described in Note 17, the University provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospitals do not pursue collection of amounts determined to qualify as charity care, these are not reported as revenue or patient accounts receivable. The University grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and State governmental healthcare coverage and other collection indicators.

(r) 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, liabilities, revenues, and expenses during the reporting period. Management's assumptions are primarily related to the appropriate discount rate for the purposes of fair value calculations, allowances for doubtful accounts, self-insured risks, and third-party payor contractual adjustments and allowances. Actual results may differ from those estimates.

(s) Investment in Net Assets of Foundations

The University accounts for its interest in the net assets of the James P. Wilmot Foundation, Inc. and the Pluta Cancer Center Foundation, Inc. in accordance with not-for-profit guidance. The guidance establishes standards for transactions in which a donor transfers assets to a not-for-profit organization or charitable trust, which then agrees to transfer those assets, the return on investment of those assets, or both to a beneficiary specified by the donor. Under the accounting guidance, the University is required to recognize the net assets and its share of the change in the net assets of the Foundations. The Foundations support cancer research and various medical services provided to the community.

(t) Asset Retirement Obligations

The University accounts for asset retirement obligations in accordance with asset retirement and environmental obligations guidance. This guidance primarily affects the way the University accounts for asbestos-related removal costs. The University accrues for asset retirement obligations in the period 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.

(u) Derivative Instruments and Hedging Activities

Derivative instruments related to the University's long-term debt are included in accounts payable and accrued expenses or in accounts receivable, net on the consolidated balance sheet. The change in the fair value of the derivative instruments is included in the net depreciation/appreciation in the statements of activities. The University selected the combination of variable rate bond issues and interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transactions. The University is exposed to credit loss in the event of nonperformance by the counterparty to its long-term rate swaps. The interest rate swaps do not qualify for cash flow hedge accounting.

(v) Reclassification

Certain amounts in previously issued financial statements have been reclassified to conform to the current year presentation.

(w) New Authoritative Pronouncements

In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. 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, 2017. The University is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2019.

In March 2015, the FASB issued a standard on Simplifying Disclosures for Investments at Net Asset Value (NAV). The standard no longer requires that a reporting entity that measures investments using the NAV practical expedient categorize them in the fair value hierarchy. Instead, entities would be required to disclose the amount of such investments as a reconciling item between the balance sheet and amounts the amounts in the fair value hierarchy table. 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 beginning in Fiscal Year 2016.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard 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, 2016. The University is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2018.

(dollars in thousands)

(2) Net Assets

Unrestricted net assets consist of the following at June 30:

	2015	2014
Designated:		
University divisions	$ 1,362,559	$ 1,343,299
Highland Hospital and affiliates	46,743	46,670
Eastman Dental Center Foundation	29,454	27,747
Total designated	1,438,756	1,417,716
Net investment in property, plant, and equipment	655,576	662,061
Undesignated	97,262	108,881
Total unrestricted net assets	$ 2,191,594	$ 2,188,658

Temporarily restricted net assets consist of the following at June 30:

	2015	2014
Accumulated appreciation on permanently restricted net assets subject to board appropriation and/or purpose restrictions	$ 534,420	$ 538,825
Interest in net assets of foundations	17,567	17,749
Other gifts and income subject to:		
Purpose restrictions	50,775	40,787
Time restrictions:		
Contributions receivable	56,136	61,983
Split-interest agreements	46,614	44,187
Total temporarily restricted net assets	$ 705,512	$ 703,531

Permanently restricted net assets consist of the following at June 30:

	2015	2014
Perpetual endowment funds	$ 405,992	$ 369,033
Interests in perpetual trusts held by others	56,233	57,526
Split-interest agreements	1,297	3,086
Perpetual loan funds	3,633	3,630
Contributions receivable	37,395	30,515
Total permanently restricted net assets	$ 504,550	$ 463,790

(dollars in thousands)

Endowment net assets consist of the following at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds:				
True endowments	$ -	$ 532,696	$ 405,992	$ 938,688
Term endowments	-	1,724	-	1,724
	-	534,420	405,992	940,412
Funds functioning as endowment (quasi)	1,040,729	-	-	1,040,729
Total endowment funds	$ 1,040,729	$ 534,420	$ 405,992	$ 1,981,141

Rollforward of endowment net assets from July 1, 2014 to June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	$ 1,033,785	$ 538,825	$ 369,033	$ 1,941,643
Investment return:				
Investment income, net of fees	8,019	7,031	44	15,094
Net appreciation	36,088	30,767	4,008	70,863
Total investment return	44,107	37,798	4,052	85,957
New gifts and additions	13,882	150	32,933	46,965
Amounts appropriated for expenditure	(46,515)	(40,938)	-	(87,453)
Other changes and reclassifications	(4,530)	(1,415)	(26)	(5,971)
Endowment net assets, June 30, 2015	$ 1,040,729	$ 534,420	$ 405,992	$ 1,981,141

(dollars in thousands)

Endowment net assets consist of the following at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds:				
True endowments	$ -	$ 537,027	$ 369,033	$ 906,060
Term endowments	-	1,798	-	1,798
	-	538,825	369,033	907,858
Funds functioning as endowment (quasi)	1,033,785	-	-	1,033,785
Total endowment funds	$ 1,033,785	$ 538,825	$ 369,033	$ 1,941,643

Rollforward of endowment net assets from July 1, 2013 to June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	$ 904,105	$ 435,309	$ 325,508	$ 1,664,922
Investment return:				
Investment income, net of fees	11,203	9,546	-	20,749
Net appreciation	153,844	132,431	3,207	289,482
Total investment return	165,047	141,977	3,207	310,231
New gifts and additions	16,049	223	40,197	56,469
Amounts appropriated for expenditure	(46,937)	(38,792)	-	(85,729)
Other changes and reclassifications	(4,479)	108	121	(4,250)
Endowment net assets, June 30, 2014	$ 1,033,785	$ 538,825	$ 369,033	$ 1,941,643

(dollars in thousands)

(3) Accounts Receivable

Accounts receivable at June 30 consist of the following:

	2015	2014
Patient care and related activities, net of allowances for doubtful accounts of $25,537 and $31,389	$ 173,339	$ 186,907
Federal, state and local governments, foundations and companies, net of allowances for doubtful accounts of $1,000 and $1,000	68,744	53,649
Student receivables, net of allowances for doubtful accounts of $4,196 and $3,542	8,503	7,210
Reinsurance recoveries and other	60,528	85,270
Total accounts receivable	$ 311,114	$ 333,036

(4) Contributions

Contributions receivable, net, are summarized as follows at June 30:

	2015	2014
Unconditional promises expected to be collected in:		
Less than one year	$ 16,962	$ 13,937
One year to five years	58,618	62,914
More than five years	65,886	53,969
Subtotal	141,466	130,820
Less unamortized discount and allowance for uncollectible amounts	(40,639)	(38,322)
Total contributions receivable, net	$ 100,827	$ 92,498

At June 30, 2015, the University had also received $204,177 in bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not recognized as assets. If they are received, they generally will be restricted for specific purposes stipulated by the donor, primarily endowments for faculty support, scholarships or general operating support of a particular department or division of the University.

The University expended $37,493 and $40,045 for University relations and development for the years ended June 30, 2015 and 2014, respectively.

(dollars in thousands)

(5) Notes Receivable

Notes receivable, net, are summarized as follows at June 30:

	2015		
	Gross Receivable	**Allowance**	**Net Receivable**
Federal student loans	$ 17,976	$ 904	$ 17,072
Institutional student loans	5,046	606	4,440
Other note receivable	28,482	-	28,482
Total	$ 51,504	$ 1,510	$ 49,994

	2014		
	Gross Receivable	**Allowance**	**Net Receivable**
Federal student loans	**$** 17,477	$ 904	$ 16,573
Institutional student loans	4,281	606	3,675
Other note receivable	28,482	-	28,482
Total	**$** 50,240	$ 1,510	$ 48,730

Student loan programs are funded by donor contributions, other institutional sources and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government's portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University's consolidated balance sheet as refundable U.S. Government grants for student loans.

Credit worthiness is not a factor when granting a student a loan from institutional or federal resources; it is based on financial need. However, once the loan is in repayment status, the University monitors the aging of the student loans receivable.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values. The allowance is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers are still in school or in the grace period following graduation), that may not be collected.

The other note receivable represents a $28,482 note receivable of the University of Rochester Real Estate Corporation (wholly-owned by the University) for a loan to the Chase NMTC Eastman Theatre Investment Fund LLC (a non-consolidated entity), which matures in December 2049. The University receives interest only, at 1.0% during the first ninety months of the term. For the remainder of the term, the note shall bear interest at 1.7%, compounding annually, with a minimum of 1.0% principal payable annually, with all principal and any unpaid interest due on the maturity date. Refer to Note 8 (n) for further information.

(6) Investments Held for Long-Term Purposes

Investments were held for the following long-term purposes at June 30:

	2015	**2014**
Endowment and similar purposes	$ 2,071,665	$ 2,038,416
Property, plant and equipment purposes:		
Debt service reserve held by trustees under debt agreements	20,128	24,162
Bond proceeds not yet expended	190,567	106,173
Other	948	1,009
Total property, plant, and equipment purposes	211,643	131,344
Other purposes	162,469	146,087
Total investments held for long-term purposes	$ 2,445,777	$ 2,315,847

For investment purposes, substantially all investments held for endowment and similar purposes participate in one of several pools, each with its own investment policy and objectives. The investment pool assets are owned by the separate endowment and similar funds within each pool based on the percent ownership of each fund to the pool. Income, realized and unrealized gains and losses are distributed based on the percent ownership of the pooled assets measured at fair value.

(dollars in thousands)

The University permits several of its investment managers to utilize forward contracts, currency options and futures with the specific authorization of the investment committee of the Board of Trustees. However, the University was not directly engaged in any of the above mentioned derivative transactions as of June 30, 2015 and 2014.

Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the consolidated financial position of the University.

Investment fees were $66,309 and $52,675 for the years ended June 30, 2015 and 2014, respectively.

(7) Property, Plant, and Equipment

As of June 30, 2015 and 2014, the University's investment in property, plant, and equipment is as follows:

	2015	2014
Buildings and improvements	$ 2,525,546	$ 2,377,147
Land improvements	63,927	59,391
Completed projects under leasehold agreements	33,458	24,256
Equipment owned	1,131,865	1,088,726
Library books	180,323	170,608
Subtotal	3,935,119	3,720,128
Less accumulated depreciation	2,303,421	2,152,641
Subtotal	1,631,698	1,567,487
Land	11,655	10,792
Museum collections	34,981	33,552
Construction in progress	221,515	202,810
Total property, plant, and equipment, net	$ 1,899,849	$ 1,814,641

(dollars in thousands)

(8) Long-term Debt

The following is a summary of the University's long-term indebtedness at June 30:

	2015	2014
Obligations under capital leases, 0.00% to 7.00%	4,557	6,363
Urban Development Corporation loan (a)	1,000	1,167
Note payable - Key Bank, 3.55% (b)	945	1,128
Mortgage payables, 4.75% to 5.04% (c)	4,710	4,997
Bond payable - DASNY Series 1994B, 5.50% (d)	7,095	7,665
Bond payable - DASNY Series 2003, 3.97% (e)	85,180	92,530
Bond payable - OCIDA Series 2003, 3.05% (f)	10,200	10,600
Bond payable - DASNY Series 2004, 3.00% to 5.25% (net of unamortized premium of $203 in 2014) (g)	-	16,793
Bond payable - COMIDA, 3.13% to 5.45% (net of unamortized premium of $262 in 2015 and $362 in 2014) (h)	20,702	23,072
Bond payable - DASNY Series 2006, 3.92% (i)	86,540	104,325
Bond payable - DASNY Series 2007, 4.00% to 5.00% (net of unamortized discount of $365 in 2015 and premium of $6,387 in 2014) (j)	74,646	230,951
Bond payable - DASNY Series 2009, 2.50% to 5.00% (net of unamortized premium of $1,193 in 2015 and $1,323 in 2014) (k)	83,231	84,396
Bond payable - DASNY Series 2010, 2.00% to 5.20% (net of unamortized discount of $53 in 2015 and $55 in 2014) (l)	9,872	10,239
Bond payable - OCLDC Series 2010, 4.64% (m)	27,695	28,400
Notes payable, Eastman Theatre Renovation, 0.74% to 2.73% (n)	38,300	52,882
Bond payable - MCIDC Series 2011, 2.00% to 5.00% (net of unamortized premium of $11,514 in 2015 and $12,163 in 2014) (o)	155,875	161,718
Notes payable - Manufacturers and Traders Trust Bank, 3.28% (p)	6,911	7,554
Bond payable, DASNY Series 2012, 3.00% (q)	13,950	14,320
Bond payable - MCIDC Series 2013, .05% to 5.31% (net of unamortized premium of $4,740 in 2015 and $4,951 in 2014) (r)	263,225	267,165
Bond payable – MCIDC Series 2015, 0.87% to 5.00% (net of unamortized premium of $25,697 in 2015) (s)	321,998	-
Total long-term debt	**1,216,632**	**1,126,265**

The following is a description of the University's long-term debt:

(a) Urban Development Corporation Loan

In March 1992, the New York State Urban Development Corporation (UDC) entered into an agreement with the University to partially fund the construction of the University's Center for Optoelectronics and Imaging (COI) with a loan of $5,000. The agreement requires the University to pay an amount equal to the debt service on the $6,320 tax-exempt bond issued by which UDC financed the loan and the associated reserve funds and costs of issuance. The loan is collateralized by a mortgage on the property.

Pursuant to an agreement authorized by statute, the State of New York leases the COI from the University for the 30 year term of the loan, paying, as rent, an amount sufficient to cover the University's obligations to UDC.

These rents have been assigned to UDC as further collateral for the loan. The University retains possession of the property under a sub-lease from the State at an annual rent equivalent to one-thirtieth of the sum of the loan principal and the cost of issuance of the UDC bonds.

(b) Notes Payable – Key Bank

Pursuant to an agreement with a University-related entity (F. F. Thompson Health System, Inc. and affiliates) and Key Bank N. A., Key Bank, N. A. issued a note payable in the amount of $1,520. The related entity is repaying the indebtedness in monthly installments, which includes interest at 3.55%, for certain construction and renovation activities for the M. M. Ewing Continuing Care Center, Inc. The note matures August 2020.

(c) Mortgage Payables

Pursuant to an agreement with a University-related entity (F. F. Thompson Health System, Inc. and affiliates), F. F. Thompson Health System and Canandaigua National Bank have entered into various mortgage note payables. The mortgages were used to finance certain facilities for F. F. Thompson Heath System, Inc. and have varying maturity dates.

(d) Bonds Payable – DASNY Series 1994B

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and Dormitory Authority State of New York (DASNY), $13,000 of Series 1994B Revenue Bonds were issued and sold by DASNY. The related entity is repaying the indebtedness at a fixed rate of 5.50%, maturing July 2023.

During fiscal year 2009, the Series 1994B bonds were remarketed and converted from a fixed interest rate to a variable interest rate determined by the bond agent. The terms related to principal repayment did not change.

The bond issue is collateralized by an interest in certain buildings and equipment and an irrevocable direct pay letter of credit held by HSBC Bank for $8,357 which expires July 2020.

(e) Bonds Payable – DASNY Series 2003

Pursuant to an agreement with the University and DASNY dated October 29, 2003, DASNY issued and sold $164,425 of bonds known as the University of Rochester Revenue Bonds, Series 2003, consisting of $32,550 Series 2003A bonds, $49,650 Series 2003B bonds and $82,225 Series 2003C bonds.

Series 2003A bonds were issued to finance (1) an expansion of the Laboratory for Laser Energetics building to accommodate the construction of a federally funded laser expansion; (2) renovation of space to house a functional MRI; (3) deferred maintenance remediation in various buildings and (4) renovation and information technology upgrades in various faculty offices, laboratory space and student residential buildings. A portion of the proceeds from Series 2003A also refinanced the remaining portion of the University of Rochester Revenue Bonds, Series 1987.

Series 2003B bonds were issued to finance (1) equipment acquisitions for the Hospital; (2) the expansion of an existing garage and (3) laboratory relocations at the Hospital. Series 2003B bonds also refinanced University of Rochester Series 1993A bonds and a portion of the University of Rochester Series 1994 bonds.

Series 2003C bonds were issued to finance (1) construction of an Adult Intensive Care Unit; (2) renovations of the Cancer Center and (3) deferred maintenance, renovations and improvements to faculty offices, laboratory and clinical spaces for various departments and areas within the Hospital and School of Medicine and Dentistry. Series 2003C also refinanced a portion of the University of Rochester Series 1994 bonds.

On July 31, 2003, the University executed interest rate swaps with third parties. The University entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Generally under this agreement, the counterparty pays the University a variable interest rate equal to 61.50% of one-month LIBOR plus 56 basis points. The University will pay the counterparty a fixed interest rate of 3.97%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 1, 2033.

During fiscal year 2009, the Series 2003A, B and C bonds were restructured and converted from an auction rate to a variable rate as determined by the remarketing agent. The terms related to principal repayment did not change. The bonds have a corresponding letter-of-credit available at varying financial institutions, individually in amounts totaling the outstanding debt service of each bond.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

The University has individual letters of credit in place for DASNY Series 2003A and 2003C that total $66,684 with JP Morgan Chase Bank, N.A, which expire in March 2017. Of this total, no amounts were outstanding at June 30, 2015 and 2014.

The University has a letter of credit in place for DASNY Series 2003B in the amount of $22,777 with HSBC Bank, N.A which expires in September 2018. Of this total, no amounts were outstanding at June 30, 2015 and 2014.

(f) Bonds Payable – OCIDA Series 2003

Pursuant to an agreement with an University related entity (F. F. Thompson Health Systems, Inc. and affiliates) and Ontario County Industrial Development Agency (OCIDA), OCIDA issued and sold $4,000 of Series 2003A Variable Rate Civic Facility Revenue Refunding Bonds and $12,800 of Series 2003B Variable Rate Refunding Bonds.

Series 2003A bonds were used to retire outstanding debt that F. F. Thompson Health System, Inc. and affiliates owed to the Dormitory Authority of the State of New York (DASNY). These bonds matured July 2013.

Series 2003B bonds were used to construct an addition to and renovate portions of the F. F. Thompson Hospital for the new emergency department and expanded diagnostic imaging, surgery, registration and lobby space.

In October 2008, the related entity executed interest rate swaps with third parties. The related entity entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the related entity a variable interest rate equal to 67.00% of the one-month LIBOR. The related entity will pay the counterparty a fixed interest rate of 3.05%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 2018.

The bonds are secured by a direct pay letter of credit for $10,298 with Key Bank, N. A. which expires in July 2018. The related entity entered into a lease agreement with OCIDA, which also acts as collateral for payment of the bonds. Additional collateral is provided by a guaranty agreement under which the related entity is jointly and severally responsible for payment of the bonds.

(g) Bonds Payable – Series 2004

Pursuant to an agreement between the University and DASNY dated August 26, 2004, DASNY issued $45,000 of bonds known as the University of Rochester Revenue Bonds, Series 2004A. The Series 2004A bonds were issued at a premium of $603, resulting in proceeds of $45,603 to finance the construction of a co-generation facility to provide supplementary heat and/or electricity to the University and will also provide an addition to the University's Central Utility plant.

The Series 2004A bonds were partially refinanced as a result of the issuance of Series 2007C during fiscal year 2007 and Series 2013A during fiscal year 2014.

During fiscal year 2015, the remaining Series 2004A bonds were refinanced under Series 2015A. A loss on extinguishment due to bond refinancing of $553 was recognized.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

(h) Bonds Payable – COMIDA

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and the County of Monroe Industrial Agency (COMIDA) dated June 23, 2005, COMIDA issued and sold $20,000 of fixed rate Civic Facility Revenue Refunding Bonds and $14,920 of fixed rate Civic Facility Revenue Project Bonds. The COMIDA Refunding Bonds were issued at a premium of $912 and were used to refund a portion of Series 1997A debt. These Refunding Bonds are collateralized by amounts in a debt service reserve fund. The COMIDA Project Bonds were issued at a premium of $362 and were issued to finance (1) the Park Ridge Oncology Project, (2) the Bariatric Surgery Project, (3) the Orthopedic Operating Room Project and (4) various renovation projects throughout Highland Hospital. These bonds are collateralized by the construction projects noted above. In addition, Highland Hospital issued $6,135 of direct taxable notes on June 23, 2005 to refund the remaining portion of Series 1997A and all of Series 1997B debt. These notes were issued at a discount of $5 and are collateralized by amounts in a debt service reserve fund.

(i) Bonds Payable – DASNY Series 2006

Pursuant to an agreement between the University and DASNY dated March 16, 2006, DASNY issued and sold $111,180 of bonds known as the University of Rochester Revenue Bonds, Series 2006, consisting of $94,130 Series 2006A-1 bonds and $17,050 Series 2006B-1 bonds. The Series 2006A-1 bonds were issued to refinance the University of Rochester Series 1999A bonds and portions of the University of Rochester Series 1997A bonds, the University of Rochester Series 1998A bonds and the University of Rochester Series 2000A bonds. The Series 2006B-1 bonds were issued to refinance portions of the University of Rochester Series 1999B bonds.

On March 16, 2006, the University executed interest rate swaps with a third party. The University entered into an interest rate swap agreement to exchange variable rate debt for the fixed rate obligation without the exchange of the underlying principal amount. Generally under this agreement, the counterparty will pay the University a variable interest rate based on the Bond Market Association (BMA) Municipal Swap Index. The University will pay the counterparty a fixed interest rate of 3.92%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 1, 2027.

During fiscal year 2009, the Series 2006A-1 and B-1 bonds were restructured and converted from an auction rate to a variable rate as determined by the remarketing agent. The terms related to principal repayment did not change. The bonds have a corresponding letter-of-credit available at varying financial institutions, individually in amounts totaling the outstanding debt service of each bond.

The University has individual letters of credit in place for DASNY Series 2006A-1 and 2006B-1 that total $106,486 with Wells Fargo Bank, N.A, which expire in August 2015. The letter of credit has a renewal option that can be exercised every three years. Of this total, no amounts were outstanding as of June 30, 2015 and 2014.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

(j) Bonds Payable – DASNY Series 2007

Pursuant to an agreement between the University and DASNY dated February 21, 2007, DASNY issued and sold $235,869 of bonds known as the University of Rochester Revenue Bonds, Series 2007, consisting of $111,210 Series 2007A-1 bonds, $20,534 Series 2007A-2 bonds, $40,290 Series 2007B bonds and $63,835 Series 2007C bonds. The Series 2007 bonds were issued at a net premium of $8,207 resulting in proceeds of $244,076.

Series 2007A-1 bonds were issued to finance (1) the construction of the University's portion of the James P. Wilmot Cancer Center; (2) the acquisition and renovation of a new University Data Center; (3) an upgrade to the central utilities chilled water capacity and the expansion of its infrastructure; (4) the construction of a new animal facility and the renovation of existing laboratory space at the Aab Cardiovascular Research Institute; (5) the construction or renovation of a University Health Service building; and (6) various deferred maintenance projects and renovations of laboratories, office space and student residential buildings.

During fiscal year 2015, the Series 2007A-1 bonds were refinanced under Series 2015A. A loss on extinguishment due to bond refinancing of $6,072 was recognized.

Series 2007A-2 bonds were issued to finance (1) the renovation of the University Advancement and Alumni Center; and (2) the construction of the Robert B. Goergen Hall for Biomedical Engineering and Optics. During fiscal year 2015, a portion of the Series 2007A-2 bonds were refinanced under Series 2015A. A loss on extinguishment due to bond refinancing of $1,935 was recognized.

Series 2007B bonds were issued to finance (1) the construction of Hospital's portion of the James P. Wilmot Cancer Center; (2) the renovation of the Hospital's surgical adult intensive care and intermediate care units; (3) the renovation of the Hospital's medical behavioral inpatient unit; and (4) the purchase of equipment for the Hospital.

During fiscal year 2015, a portion of the Series 2007B bonds were refinanced under Series 2015B. A loss on extinguishment due to bond refinancing of $2,317 was recognized.

Series 2007C bonds were issued to refinance (1) a portion of the University of Rochester Series 1998A bonds; and (2) a portion of the University of Rochester Series 2004A bonds. A portion of the Series 2007C bonds were refinanced under Series 2013C during fiscal year 2014.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

(k) Bonds Payable – DASNY Series 2009

Pursuant to an agreement between the University and DASNY dated July 22, 2009, DASNY issued and sold $117,279 of bonds known as the University of Rochester Revenue Bonds, Series 2009, consisting of $54,469 Series 2009A bonds, $34,460 Series 2009B bonds, $11,135 Series 2009C bonds, $3,625 Series 2009D bonds and $13,590 Series 2009E bonds. The Series 2009 bonds were issued at a net premium of $3,463 resulting in proceeds of $120,742.

Series 2009A bonds were issued to finance (1) fire alarm replacements, sprinkler installations, and renovations in undergraduate halls; (2) renovations to laboratories and offices throughout the River Campus and Medical Center ; (3) renovation of Wilson Commons dining hall; (4) central utilities infrastructure improvements for the River Campus and Medical Center; (5) various deferred maintenance and renovation projects at the Eastman School of Music and Medical Center; (6) a portion of the construction of the Saunders Research Building.

Series 2009B bonds were issued to refinance the remaining outstanding bonds for Series 1997A, Series 1998A, and Series 2000A. A portion of the Series 2009B bonds were refinanced under Series 2013C during fiscal year 2014.

Series 2009C bonds were issued to finance the relocation of certain electrical switchgear within the Medical Center.

Series 2009D bonds were issued to refinance the outstanding bonds for Series 1999B. The bondholders received final payment in July 2013 for the Series 2009D bonds.

Series 2009E bonds were issued to finance a portion of the construction of the Saunders Research Building. A portion of the Series 2009E bonds were refinanced under Series 2013C during fiscal year 2014.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

(l) Bonds Payable - DASNY Series 2010

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and DASNY dated June 25, 2010; DASNY issued and sold $11,000 of bonds known as Highland Hospital Revenue Bonds, Series 2010. The Series 2010 bonds were issued at a net discount of $68 resulting in proceeds of $10,932.

Series 2010 bonds were issued to finance the following: (1) the creation of a twenty-two bed Neuromedicine Inpatient Unit; and (2) the enhancement and expansion of the space, equipment, and technology used for Perioperative Services.

(m) Bonds Payable – OCLDC Series 2010

Pursuant to an agreement with a University related entity (F. F. Thompson Health Systems, Inc. and Ontario County Local Development Corp. (OCLDC)), OCLDC issued and sold $29,700 of bonds known as Series 2010 Revenue Bonds.

Series 2010 bonds were issued to finance the Frederick Ferris Thompson Hospital expansion and renovation project. Key Bank and First Niagara Bank have agreed to purchase $19,700 and $10,000 of the bonds, respectively.

The bond issue is collateralized by an interest in certain buildings and a guaranty agreement where the related entity is jointly and severally responsible for payment of the bonds.

(n) Notes Payable – Eastman Theatre Renovation

In December 2009, the University entered into a financing arrangement for the renovation of the Eastman Theatre enhanced by qualified investors in the New Markets Tax Credit (NMTC) program. This transaction resulted in $53,782 in new external consolidated debt and $28,482 in new external notes receivable to the University.

Several loans were created through the NMTC financing structure. The first is an ordinary bank loan from JPMorgan Chase for $15,482 at a cost of LIBOR plus 2.5% for a seven-year term. After seven years, this loan is expected to be refinanced by tax-exempt bonds and amortized in equal payments over thirty years. The remaining loans are specialized NMTC notes payable totaling $38,300 at a cost of 0.74% for forty years, maturing on December 18, 2049. The University is required to pay interest only on these promissory notes for the first seven years. The lenders of the notes payable are a group of Community Development Entities that will receive significant tax credits as a result of this loan.

The University loaned $28,482 to an investment fund as a part of the setup of the community development entities. The external note receivable matures on December 18, 2049. Refer to Note 5 for further information on the external notes receivable.

During fiscal year 2015, the ordinary bank loan was paid in full, which will be reimbursed under Series 2015C. A loss on extinguishment of debt of $2 was recognized.

(o) Bonds Payable – MCIDC Series 2011

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated September 1, 2011, MCIDC issued and sold $161,660 of bonds known as the University of Rochester Tax-Exempt Revenue Bonds, Series 2011, consisting of $122,340 Series 2011A bonds and $39,320 Series 2011B bonds. The Series 2011 bonds were issued at a premium of $14,088 resulting in proceeds of $175,748.

Series 2011A bonds were issued to finance (1) the renovation of Danforth Dining Center; (2) the construction of the Ronald Rettner Hall for Media Arts and Innovation to house the University’s digital media center and fabrication lab ; (3) renovations to laboratories and offices throughout the River Campus and Medical Center campuses; (4) various renovations for Fauver Stadium; (5) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls; (6) the construction of

O'Brien Hall to house undergraduate students; (7) the renovation of various undergraduate and graduate residential facilities; (8) construction of the Raymond F. LeChase Hall to house the University's Warner School of Education; (9) improvements and expansion of the central utilities plant; (10) renovation and modernization of the Medical Center storm sewer infrastructure, and (11) a portion of the James P. Wilmot Cancer Center Vertical Expansion improvements. A portion of Series 2011A was also used to refinance all of the outstanding bonds for Series 2001A. A portion of the Series 2011A bonds were refinanced under Series 2013C during fiscal year 2014.

Series 2011B bonds were issued to finance (1) a portion of the James P. Wilmot Cancer Center Vertical Expansion improvements; (2) the relocation of the Bone Marrow Transplant Unit; (3) the replacement of the air handler equipment within Strong Memorial Hospital, and (4) replacement of certain existing angiographic equipment.

The loan agreement and the obligation of the University to make payments under the loan agreement are general obligations of the University.

(p) Notes Payable – Manufacturers and Traders Trust Bank

Pursuant to an agreement between the University and the Manufacturers and Traders (M & T) Bank dated June 5, 2012, M & T Bank issued $9,000 of term notes. The note was issued to partially finance the purchase of the Lac de Ville facility. The University is repaying the indebtedness at a fixed rate of 3.28%, maturing April 2026.

The M & T Bank term notes are general, unsecured obligations of the University.

(q) Bonds Payable – DASNY Series 2012

Pursuant to a loan agreement between a University related entity (F. F. Thompson Health System, Inc. and affiliates) and DASNY dated September 12, 2012; DASNY issued and sold $14,680 of bonds known as F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2012. Series 2012 bonds were issued to refinance the remaining outstanding bonds for Series 2000B.

In September 2012, the related entity executed interest rate swaps with third parties. The related entity entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the related entity a variable interest rate equal to 67% of the one-month LIBOR. The related entity will pay the counterparty a fixed interest rate of .05%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until September 2015.

The related entity has a letter of credit in place in the amount of $14,111 with HSBC Bank USA, which expires in September 2016 and is subject to annual renewal.

The proceeds from the Series 2012 bonds and all funds and accounts established, including the mortgage, gross receipts security agreement and the assignment of rents and leases are pledged as security for the payment of the principal, sinking fund installments and interest on the bonds. The obligations of the related entity under the loan agreement are secured by a mortgage on the property and a security interest in the fixtures, furnishings and equipment of the related entity.

(r) Bonds Payable – MCIDC Series 2013

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated September 19, 2013, MCIDC issued and sold $264,490 of bonds known as the University of Rochester Revenue Bonds, Series 2013, consisting of $118,855 Series 2013A bonds, $74,905 Series 2013B bonds, and $70,730 Series 2013C bonds. The Series 2013 bonds were issued at a premium of $5,125 resulting in proceeds of $269,615.

Series 2013A bonds were issued to finance (1) renovations and waterproofing of Rush Rhees Library; (2) improvements to the Data Center B-Side electrical system; (3) renovations to laboratories and offices throughout the River Campus and Medical Center campuses; (4) various renovations for Fauver Stadium; (5) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls; (6) modernization of the Laboratory for Laser Energetics consisting of the acquisition of new chillers and necessary infrastructure upgrades; (7) the renovation of various undergraduate and graduate residential facilities; (8) construction of the College Town parking garage; (9) improvements to the central utilities plant and infrastructure; (10) renovation and modernization of the Hospital electrical transformers; (11) renovations to the Security Building; (12) renovations to the Middle Campus chiller plant and necessary infrastructure upgrades; (13) construction of the Southside parking lot; and (14) modernization of the Eastman Institute of Oral Health Prosthodontics Program. A portion of Series 2013A was also used to refinance a portion of the outstanding bonds for Series 2004A.

Series 2013B bonds were issued to finance (1) construction of the Golisano Children's Hospital at Strong; (2) the relocation of the Hospital Pharmacy; and (3) the acquisition of the former Lakeside Health System (Strong West) campus.

Series 2013C bonds were issued to finance (1) the purchase of the Women's Health Center building; (2) renovations and expansion of the Second Data Center; (3) construction of the new Barnes & Noble bookstore located at College Town; (4) construction of office space located at College Town; (5) the replacement of the University's current financial records system; and (6) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls. A portion of Series 2013C was used to refinance (1) all of the outstanding 2003 Direct Note Obligation notes; (2) all of the outstanding 2004 COMIDA bonds; (3) a portion of the outstanding bonds for Series 2007C; (4) a portion of the outstanding bonds for Series 2009B; (5) a portion of the outstanding bonds for Series 2009E; and (6) a portion of the outstanding bonds for Series 2011A. A portion of Series 2013C was used to reimburse the University for all or a portion of the amounts paid to bondholders on July 1, 2013 for amounts owed under Series 2007C, 2009B, 2009A, and 2011A.

(s) Bonds Payable – MCIDC Series 2015

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated June 24, 2015, MCIDC issued and sold $296,320 of bonds known as the University of Rochester Revenue Bonds, Series 2015, consisting of $174,665 Series 2015A bonds, $48,120 Series 2015B bonds, and $73,535 Series 2015C bonds. The Series 2015 bonds were issued at a premium of $25,773 resulting in proceeds of $322,093.

Series 2015A bonds were issued to finance (1) renovation and modernization of the Engineering Quadrangle; (2) renovation and relocation of the engineering departments throughout the River Campus and the replacement of the Hopeman Engineering building emergency generator; (3) renovations to Frederick Douglass Dining and Student Center; (4) modernization of the Digital Humanities Center within Rush Rhees Library; (5) improvements to the central utilities plant and infrastructure; (6) renovation of various offices, classrooms, and laboratories throughout the River Campus, Memorial Art Gallery and the Eastman School of Music; (7) replacement of the University Public Safety dispatch system; (8) construction of research space for the Aab Cardiovascular Research Institute; and (9) modernization of the Eastman Dental Center and office space at the Eastman Institute for Oral Health. A portion of Series 2015A was also used to refinance (1) all of the outstanding bonds for Series 2004A; (2) all of the outstanding bonds for Series 2007A-1; and (3) a portion of the outstanding bonds for Series 2007A-2.

Series 2015B bonds were issued to finance (1) construction of the Imaging Sciences Building on the South Campus; (2) renovation and modernization of the sterile processing department; and (3) construction for the neonatal intensive care unit within Strong Memorial Hospital. A portion of Series 2015B was used to refinance a portion of the outstanding bonds for Series 2007B.

Series 2015C bonds were issued to finance (1) the renovation and modernization of various off-site leasehold improvements; (2) construction of Wegmans

(dollars in thousands)

Hall, which will house the Goergen Institute for Data Science; (3) renovation of the boat storage facility and student space facilities at Brooks Crossing; (4) installation and acquisition of telephones and security cameras within College Town; and (5) various unit renovation projects within Strong Memorial Hospital. A portion of Series 2015C was used to reimburse the University for amounts owed under the ordinary bank loan to JP Morgan Chase, which was a component of the New Market Tax Credit financing structure.

(t) Required Principal Payments

Required composite principal payments for long-term debt, net of unamortized discount or premium, for each of the years in the five-year period ending June 30, 2020 and thereafter are as follows:

	Principal portions of lease payments	Principal portions of debt	Total
2016	1,646	44,469	46,115
2017	1,169	42,096	43,265
2018	935	39,923	40,858
2019	669	40,810	41,479
2020	96	42,025	42,121
Thereafter	42	1,002,752	1,002,794
Total	**$ 4,557**	**$ 1,212,075**	**$ 1,216,632**

	Principal portions of lease payments	Principal portions of debt	Total
2015	2,068	43,965	46,033
2016	1,606	58,975	60,581
2017	1,126	42,320	43,446
2018	888	48,045	48,933
2019	619	49,824	50,443
Thereafter	56	876,773	876,829
Total	**$ 6,363**	**$ 1,119,902**	**$ 1,126,265**

The University incurred $35,041 and $37,815 of interest expense for the years ended June 30, 2015 and 2014, respectively, net of interest capitalization of $7,656 and $6,250 for the years ended June 30, 2015 and 2014, respectively.

The University has letter of credit agreements with various financial institutions to purchase the University's variable rate demand bonds in the event they cannot be remarketed. In the event that the bonds covered by these agreements are not remarketable and the agreements are not otherwise renewed, the principal amounts (including variable rate demand bonds not subject to a liquidity facility) would be $137,729, $76,165, $39,415, $37,394, $38,012, and $887,917 for the five year period ending June 30, 2020 and thereafter.

(u) Fair Value of Long-Term Debt

The fair value of the University's long-term debt is estimated based upon the amount of future cash flows, discounted using the University's current borrowing rate for similar debt instruments of comparable maturities. The fair value of total long term debt, excluding capital leases, was $1,266,397 and $1,150,473 at June 30, 2015 and 2014, respectively. The University's debt is classified as Level 2 in the fair-value hierarchy.

(9) Benefits Plans

(a) Self-insurance Plans – University

The University is self-insured for workers' compensation. Based on estimates provided by actuaries, liabilities for asserted and unasserted claims under the workers' compensation program at June 30, 2015 were discounted by 2.35% and amounted to $49,133 (2.50% and $45,665 in 2014). These liabilities are offset by receivables for the expected insurance direct payments against these claims of $12,377 at June 30, 2015 ($11,449 at June 30, 2014). The liabilities are included in accrued pension, post-retirement, and post-employment liabilities, and the receivables are included in other assets on the consolidated balance sheet. The University has a surety bond with Liberty Mutual Insurance Company to cover potential liabilities under the University's self-insured workers' compensation program.

The University is self-insured for health care benefits. Based on estimates provided by actuaries, the University's obligation for incurred but not reported claims was $11,837 and $12,996 as of June 30, 2015 and 2014, respectively. These amounts are included in accounts payable and accrued expenses on the consolidated balance sheet and have not been discounted.

(b) Retirement Plan – University

The University provides a defined contribution retirement plans to its employees. The University of Rochester's Retirement Program is administered and recordkept by TIAA-CREF. Under this plan, the University made contributions of $84,382 and $80,493 in 2015 and 2014, respectively, which were vested for the benefit of the participants.

(c) Post-retirement Benefit Plan – University

The University's post-retirement benefit plan includes basic medical, major medical, dental coverage, and life insurance. Benefit levels differ for current retirees, current employees eligible to retire, and current employees not eligible to retire.

The University incurred post-retirement plan expense of $10,760 and $11,245 for the years ended June 30, 2015 and 2014, respectively, which is recorded in fringe benefits expense on the consolidated statement of activities.

(dollars in thousands)

Benefit expense for this plan for the years ended June 30, 2015 and 2014 includes the following components:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 153,478	$ 148,483
Service cost	3,506	3,079
Interest cost	5,922	6,844
Plan participants' contributions	3,153	2,802
Amendments/curtailments/special termination	(995)	-
Actuarial (gain)/loss	6,122	3,863
Benefits paid	(12,566)	(12,216)
Medicare Part D prescription drug federal subsidy	593	623
Benefit obligation at end of year	$ 159,213	$ 153,478
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	8,820	8,791
Plan participants' contributions	3,153	2,802
Medicare Part D prescription drug federal subsidy	593	623
Benefits paid	(12,566)	(12,216)
Fair value of plan assets at end of year	$ -	$ -
Components of accrued benefit:		
Funded status	$ (159,213)	$ (153,478)
Net actuarial loss	28,366	22,780
Prior service cost	2,932	4,723
Accrued benefits	$ (127,915)	$ (125,975)
Amounts recognized in the consolidated balance sheets consist of:		
Accrued post-retirement benefit cost	$ (125,975)	$ (123,521)
Net post-retirement benefit expense	(10,760)	(11,245)
Employer contributions	8,820	8,791
Accrued benefits	$ (127,915)	$ (125,975)
Amount recorded in unrestricted net assets	(31,298)	(27,503)
Net amount recognized in the consolidated balance sheet	$ (159,213)	$ (153,478)
Components of net periodic benefit cost:		
Service cost	$ 3,506	$ 3,079
Interest cost	5,922	6,844
Amortization of prior service cost	796	1,009
Amortization of net actuarial loss	536	313
Net periodic benefit cost	$ 10,760	$ 11,245
Amounts recorded in unrestricted net assets:		
Net (gain)/loss during period	$ 6,122	$ 3,863
Amortization recognition	(1,332)	(1,322)
Prior service cost/(credit)	(995)	-
Total OCI recognized	$ 3,795	$ 2,541

(dollars in thousands)

The estimated net actuarial loss and prior service cost for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit (income)/cost in fiscal 2016 are $0.9 and $0.7 million, respectively.

Estimated future contributions, benefit payments, and prescription subsidy payments are as follows:

		Estimated Contributions / Benefit Payments		Estimated Rx Subsidy Payments
2016	$	10,530	$	699
2017		11,024		787
2018		11,398		806
2019		11,626		879
2020		11,924		645
2021 to 2025		59,721		3,223

Benefits are valued based upon the projected unit cost method. The weighted average assumptions used at the measurement date, July 1, are as follows:

	2015	2014
Discount rate for obligation	4.00%	4.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate -		
Initial pre age 65	7.75%	8.00%
Initial post age 65	6.00%	6.50%
Initial prescription drug	8.50%	6.50%
Health care cost trend rate - Final	3.89%	4.50%
Year final trend rate is reached	2075	2021

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in the health care cost trend rate would have the following effects:

		One Percentage Point Increase		One Percentage Point Decrease
Effect on total of service and interest cost components	$	305	$	(303)
Effect on post-retirement benefit obligation	$	968	$	(1,354)

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent in the government plan. The University qualified for the Medicare Part D prescription drug federal subsidy.

Employers are required to recognize the over-funded or under-funded status of defined benefit pension and post-retirement plans as assets or liabilities in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. In addition, employers are required to measure the funded status of the plan as of the consolidated balance sheet date.

(d) Post-employment Benefits – University

Accrued post-employment benefits of the University amounted to $66,104 and $59,962 at June 30, 2015 and 2014, respectively.

(e) Self-insurance Plans – Highland Hospital and Affiliates

Highland Hospital is self-insured for workers' compensation claim losses and expenses. A letter of credit in the amount of $8,884 is maintained as security for workers compensation claims. Included in accrued pension, post-retirement, and post-employment at June 30, 2015 and 2014 are accruals of approximately $17,374 and $16,100, respectively, for specific incidents to the extent that they have been asserted or are probable of assertion and can be reasonably estimated. These liabilities are offset by a receivable for the expected insurance direct payments against these claims of $4,802 and $4,164 at June 30, 2015 and 2014, respectively. This liability has been discounted by 2.00% and 2.25% at June 30, 2015 and 2014, respectively.

(dollars in thousands)

(f) Retirement Plan – Highland Hospital and Affiliates

The retirement plan of Highland Hospital covers all employees who have completed two years of continuous employment. The benefits for this plan are based primarily on years of service and employees' pay near retirement. The funding policy is to contribute, annually, an amount consistent with the requirement of the Employee Retirement Income Security Act.

Retirement plan expense of $6,632 and $11,745 was incurred for the years ended December 31, 2014 and 2013, respectively, and is recorded in fringe benefits in the consolidated statements of activities. In addition, a pension related benefit (charges) other than net periodic pension cost of $(41,624) and $28,848 for the years ending December 31, 2014 and 2013, respectively, was recorded in other changes on the consolidated statement of activities.

Pension expense for this plan for the years ended December 31, 2014 and 2013 includes the following components:

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 167,103	$ 176,117
Service cost	5,021	5,926
Interest cost	8,159	7,067
Actuarial loss	35,741	(17,063)
Benefits paid	(5,484)	(4,944)
Benefit obligation at end of year	$ 210,540	$ 167,103

	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 116,762	$ 102,294
Actual return on plan assets	1,281	13,576
Employer contribution	10,760	6,380
Benefits and expenses paid	(6,100)	(5,487)
Fair value of plan assets at end of year	$ 122,703	$ 116,763

	2014	2013
Amounts recognized in the balance sheets consist of:		
Accrued benefits	$ (6,090)	$ (10,217)
Amount recognized in unrestricted net assets	(81,746)	(40,123)
Funded Status	$ (87,836)	$ (50,340)

	2014	2013
Components of net periodic benefit cost:		
Service cost	$ 5,021	$ 5,926
Interest cost	8,159	7,067
Expected return on plan assets	(9,690)	(8,226)
Amortization loss	3,142	6,978
Net periodic benefit cost	$ 6,632	$ 11,745

	2014	2013
The assumptions used for the plan at the measurement date are as follows:		
Discount rate for obligation	3.94%	4.95%
Discount rate for pension expense	4.95%	4.07%
Investment return assumption (regular)	8.00%	8.00%
Future compensation increase rate	3.60%	3.60%

The pension plan funds are allocated to two money managers, each with a balanced portfolio. These money managers monitor financial market funds and adjust inconsistent strategy accordingly.

The weighted-average asset allocation for the pension plan as of December 31, by manager categories is as follows:

(dollars in thousands)

	2014	2013
Asset category:		
Equity securities	51%	55%
Fixed income securities	34%	39%
Cash and other investments	15%	6%
Total	100%	100%

Estimated future benefit payments for the years ending December 31:

2015	$ 5,464
2016	6,225
2017	6,984
2018	7,741
2019	8,501
2020 to 2024	52,863
Total estimated future payments	$ 87,778

Highland Hospital expects to contribute $8,450 to the plan in 2015 and contributed $10,760 to the plan in 2014.

The plan's asset allocation policy states the assets should be allocated as follows:

	2014	2013
Asset Category:		
Equity securities	57%	57%
Fixed income securities	38%	38%
Cash and other investments	5%	5%
Total	100%	100%

In addition, the total equity commitment should not exceed 75% of assets. The asset allocation ranges established by this investment policy represent a long-term perspective, and as such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature.

Inflows and disbursements should be allocated such that the assets are rebalanced toward the target allocation. The plan assets are invested with an outside trustee for the sole benefit of the plan participants. Investments are managed to maximize total return while maintaining a prudent level of risk.

The following assets were recorded at fair value within the plan assets of Highland Hospital as of December 31, 2014 and 2013, respectively. Fair value for Level 1 is based upon quoted market prices. Level 2 may be based on quoted prices for similar assets and/or inputs other than quoted prices that are observable for the asset or liability.

(dollars in thousands)

The following assets were recorded at fair value within the plan assets of Highland Hospital as of December 31:

Description	**Level 1**	**Level 2**	**Level 3**	**2014 Total Fair Value**
Cash	$ 1,658	$ -	$ -	$ 1,658
Mutual fund – global balanced asset	59,913	-	-	59,913
Mutual fund – multi asset	-	61,132	-	61,132
Total	$ 61,571	$ 61,132	$ -	$ 122,703

Description	**Level 1**	**Level 2**	**Level 3**	**2013 Total Fair Value**
Cash	$ 988	$ -	$ -	$ 988
Mutual fund – global balanced asset	57,204	-	-	57,204
Mutual fund – multi asset	-	58,571	-	58,571
Total	$ 58,192	$ 58,571	$ -	$ 116,763

(g) Retirement Plan – F.F. Thompson Health System, Inc.

F.F. Thompson Health System, Inc. sponsors a noncontributory defined benefit pension plan, the Thompson Health Pension Plan (the Plan), covering all eligible employees. Benefits under the Plan are based on each participant's years of service and compensation, as defined by the Plan document. The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2014 and 2013 was $(17,387) and $(10,686), respectively.

(h) Retirement Plan – Visiting Nurse Service of Rochester and Monroe County, Inc.

VNS has a noncontributory defined benefit cash balance pension plan covering many of its employees, past and present. This plan was frozen in December 2002. There will be no new participants and no new annual contributions for existing participants. Accounts for existing participants will continue to be credited annually for interest earned. VNS will have an ongoing requirement for funding of the plan.

The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2014 and 2013 was $(3,130) and $(2,016), respectively.

(dollars in thousands)

(10) Investment in Captive Insurance Company

The Hospital, together with other universities and teaching hospitals, has formed a captive insurance company (captive) to insure the professional liability risks of the shareholders. The Hospital's investment in the captive represents 20% of the voting rights; however, the dissolution provisions of the captive agreement indicate that the Hospital's financial participation (based on percentage of premiums paid) is approximately 7% of the financial results of the captive. Due to the Hospital's significant influence in the captive, the investment in the captive has been recorded under the equity method.

The Hospital's premiums are based on its professional liability experience and a shared risk factor with the other participants. Premiums are subject to retrospective adjustment based on, among other things, actual loss experience of the Hospital.

The most recent financial information for the captive for years ended December 31 is summarized below:

Results of operations		2014 Unaudited		2013 Unaudited
Net earned premiums	$	218,548	$	91,903
Expenses		(265,892)		(155,229)
Investment income and realized gains on sales of marketable securities		69,125		84,124
Net income		21,781		20,798
Other comprehensive income / (loss)		560		43,107
Comprehensive income / (loss)		22,341		63,905
Net capital additions from shareholders		30,949		56,944
Change in shareholders' equity	$	53,290	$	120,849
Financial position				
Total assets	$	1,878,793	$	1,895,157
Total liabilities		1,302,451		1,372,105
Shareholders' equity	$	576,342	$	523,052

(11) Professional Liability Claims

The University's coverage for professional liability insurance is provided under insurance policies obtained jointly with other universities and teaching hospitals. The primary layer of coverage, as well as the buffer and self-insured layers of excess insurance, were written by MCIC Vermont, Inc. (a Risk Retention Group) formed and directed by the participating insured institutions. Multiple layers of excess insurance were purchased from several different insurance companies. The maximum coverage for the Medical Center is $221,000 per claim. The per claim coverage amount at each of the five participating institutions has been tailored to their own experience and exposures.

The insurance claims receivable, as calculated by the actuaries, was approximately $44,255 and $40,791 as of June 30, 2015 and 2014, respectively, and has been included in other accounts receivable as shown in note 3. A corresponding increase to the accrued professional liability cost has been included in accounts payable and accrued expenses.

Based on estimates provided by the actuaries retained by MCIC Vermont, Inc., the University's obligations for incurred but not reported claims were $29,657 and $29,842 as of June 30, 2015 and 2014, respectively. These amounts have not been discounted and are included in accounts payable and accrued expenses on the consolidated balance sheet.

(dollars in thousands)

(12) Fair Value of Financial Instruments

The following tables present the fair value of the financial instruments recorded on the consolidated balance sheet as of June 30:

	Quoted Market Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2015 Total Fair Value
Assets				
Total Cash and cash equivalents	$ -	$ 106,699	$ -	$ 106,699
Operating and long term investments:				
Cash and cash equivalents	279,469	87,379	-	366,848
Debt securities				
Asset backed securities	-	29,088	-	29,088
Bank loans	-	-	-	-
Bond funds	140,039	2,035	-	142,074
Corporate bonds	-	60,211	-	60,211
Government bonds & securities	804	32,908	-	33,712
Mortgage backed bonds	-	-	-	-
Other	6,607	6,274	-	12,881
Common, mutual fund & preferred stock				
Common stock	335,616	-	200	335,816
Equity exchange traded funds	2,473	-	-	2,473
Mutual funds (domestic)	13,031	60,418	-	73,449
Mutual funds (international)	88,556	342,252	-	430,808
Real assets	323	-	215,306	215,629
Private equity	-	-	408,749	408,749
Hedge funds	-	49,400	531,256	580,656
Other	22,624	6,484	41,978	71,086
Total operating and long term investments	889,542	676,449	1,197,489	2,763,480
Interest in net assets of foundations	-	-	17,567	17,567
Trusts held by others	-	-	56,233	56,233
Total assets at fair value	$ 889,542	$ 783,148	$ 1,271,289	$ 2,943,979
Liabilities				
Interest rate swap payable	$ -	$ 22,154	$ -	$ 22,154
Total liabilities at fair value	$ -	$ 22,154	$ -	$ 22,154

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014
(dollars in thousands)

	Quoted Market Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2014 Total Fair Value
Assets				
Total Cash and cash equivalents	$ -	$ 85,327	$ -	$ 85,327
Operating and long term investments:				
Cash and cash equivalents	188,928	78,620	-	267,548
Debt securities				
Asset backed securities	-	24,942	-	24,942
Bank loans	-	-	-	-
Bond funds	147,721	-	2,213	149,934
Corporate bonds	-	38,695	-	38,695
Government bonds & securities	-	122,694	-	122,694
Mortgage backed bonds	-	-	-	-
Other	5,905	6,864	-	12,769
Common, mutual fund & preferred stock				
Common stock	324,880	-	200	325,080
Equity exchange traded funds	191	-	-	191
Mutual funds (domestic)	11,822	56,059	-	67,881
Mutual funds (international)	88,207	358,090	-	446,297
Real assets	323	-	266,976	267,299
Private equity	-	-	408,615	408,615
Hedge funds	-	68,727	362,825	431,552
Other	20,568	1,973	38,550	61,091
Total operating and long term investments	788,545	756,664	1,079,379	2,624,588
Interest in net assets of foundations	-	-	17,749	17,749
Trusts held by others	-	-	57,526	57,526
Total assets at fair value	$ 788,545	$ 841,991	$ 1,154,654	$ 2,785,190
Liabilities				
Interest rate swap payable	$ -	$ 24,639	$ -	$ 24,639
Total liabilities at fair value	$ -	$ 24,639	$ -	$ 24,639

The valuation methodologies for assets and liabilities measured at fair value described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The University believes its valuation methods are appropriate and consistent with other market participants. However, 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.

Fair value for Level 1 is based upon quoted market prices in active markets. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. Level 3 consists primarily of the University's alternative investments (primarily limited partnership interests in absolute return, hedge funds, private equity, real estate, and natural resource funds) and represents the ownership interest in the net asset value (NAV) of the respective partnerships. Investments held by the partnerships consist of marketable securities as well as securities that do not have readily determined fair values. The fair values of the securities held by limited partnerships that do not have readily observable fair values are determined by the general partner and are based on historical cost, appraisals, and/or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration the costs of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

Interest in net assets of foundations are considered Level 3 assets as they represent the University's share of net assets as reported by the foundations.

Investments in perpetual trusts held by others are valued at the fair value of the assets contributed to the trusts and are considered Level 3 assets. The primary unobservable inputs used in the fair value measurement of the foundation and perpetual trust assets are the underlying securities held by the foundations and trusts. Significant fluctuation in the market value of these underlying securities could result in a material change in fair value.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The University's interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within level 2.

Fair value of interest rate swaps in the consolidated balance sheets:

	Notional Amount	2015 Level 2 Fair Value	2014 Level 2 Fair Value
Accounts payable	$ 192,910	$ 22,154	$ 24,639

Effect of interest swaps on statements of activities:

	2015 Unrealized Gains/(Losses)	2014 Unrealized Gains/(Losses)
Non-operating net appreciation / (depreciation)	$ 2,113	$ 3,368

Activity related to interest rate swaps affect unrestricted net assets and, in the consolidated statement of cash flows, are included in changes in accounts payable and accrued expenses in the operating activities section.

(dollars in thousands)

The following tables are rollforwards of the consolidated balance sheet amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above.

	Balance June 30, 2014	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Purchases	Sales	Settlements	Transfers In/(Out) of Level 3	Balance June 30, 2015
Investments:								
Debt securities	$ 2,213	$ -	$ (2,213)	$ -	$ -	$ -	$ -	$ -
Common, mutual fund & preferred stock	200	-	-	-	-	-		200
Private equity	408,615	232	(19,479)	59,328	-	(39,947)	-	408,749
Hedge funds	362,824	191	28,299	142,010	(254)	(1,814)	-	531,256
Real assets and other	305,527	(155)	(39,054)	33,805	-	(42,839)	-	257,284
Interest in net assets of foundations	17,749	(1)	75	11,367	(11,623)	-	-	17,567
Investments in perpetual trusts held by others	57,526	12	(1,415)	497	(387)	-	-	56,233
Total fair value	$ 1,154,654	$ 279	$ (33,787)	$ 247,007	$ (12,264)	$ (84,600)	$ -	$ 1,271,289

	Balance June 30, 2013	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Purchases	Sales	Settlements	Transfers In/(Out) of Level 3	Balance June 30, 2014
Investments:								
Debt securities	$ 1,990	$ -	$ 223	$ -	$ -	$ -	$ -	$ 2,213
Common, mutual fund & preferred stock	200	-	-	-	-	-		200
Private equity	341,182	(9,144)	61,733	55,043	-	(40,199)	-	408,615
Hedge funds	297,439	11,968	23,620	93,558	(31,737)	(32,024)	-	362,824
Real assets and other	309,883	35	(1,049)	35,756	-	(39,098)	-	305,527
Interest in net assets of foundations	14,647	88	2,610	6,508	(6,104)	-	-	17,749
Investments in perpetual trusts held by others	51,260	205	6,058	559	(556)	-	-	57,526
Total fair value	$ 1,016,601	$ 3,152	$ 93,195	$ 191,424	$ (38,397)	$ (111,321)	$ -	$ 1,154,654

All net realized and unrealized gains/(losses) in the tables above are reflected in net appreciation/(depreciation) of long-term investment activities in the accompanying statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2015 and 2014.

The University is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported 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 recorded at fair value 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 and valuation procedures in place, the ability to redeem 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 within 90 days are classified as Level 3.

(dollars in thousands)

Strategy	2015 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Hedge funds:				
Long/short	$ 251,542	$ -	Quarterly, annually, 1 & 3 year rolling lock-ups	45 - 90 days
Multi-strategy	222,682	23,000	Quarterly, annually, 1 & 2 year rolling lock-ups	45 - 90 days
			Remaining Fund Life	**Drawdown Period**
Private equity:				
Buyouts	208,852	158,081	1 to 10 years	1 to 7 years
Venture capital	162,657	24,540	1 to 12 years	1 to 6 years
Distressed	35,398	29,873	1 to 5 years	1 to 3 years
Real assets:				
Real estate	140,082	93,192	1 to 10 years	1 to 5 years
Natural resources	75,225	178,223	1 to 12 years	1 to 5 years
Total alternative partnerships	1,096,438	506,909		
Other Alternative Investments:				
Commingled funds of public equities	482,219	-	Monthly	15 - 60 days
Commingled funds of fixed income	1,841	-	NA – held to maturity	NA
Total other alternative investments	484,060	-		
Total alternative investments	$ 1,580,498	$ 506,909		

Strategy	2014 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Hedge funds:				
Long/short	$ 251,250	$ -	Quarterly, annually, 1 & 3 year rolling lock-ups	45 - 90 days
Multi-strategy	135,229	-	Quarterly, annually, 1 & 2 year rolling lock-ups	45 - 90 days
			Remaining Fund Life	**Drawdown Period**
Private equity:				
Buyouts	232,671	65,632	1 to 10 years	1 to 7 years
Venture capital	153,140	30,078	1 to 12 years	1 to 6 years
Distressed	22,265	8,502	1 to 5 years	1 to 3 years
Real assets:				
Real estate	159,286	45,676	1 to 10 years	1 to 5 years
Natural resources	107,690	70,830	1 to 12 years	1 to 5 years
Total alternative partnerships	1,061,531	220,718		
Other Alternative Investments:				
Commingled funds of public equities	427,039	-	Monthly	15 - 60 days
Commingled funds of fixed income	2,307	-	NA – held to maturity	NA
Total other alternative investments	429,346	-		
Total alternative investments	$ 1,490,877	$ 220,718		

(dollars in thousands)

(13) Lines of Credit

The University has a $50,000 committed line of credit agreement with Northern Trust Company that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2015 and 2014, respectively.

The University has a $75,000 committed line of credit agreement with JPMorgan Chase Bank, N.A. that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2015 and 2014, respectively.

The University has a $50,000 committed line of credit agreement with U.S. Bank, N.A. that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2015 and 2014, respectively.

The University has $534 in standby letters of credit with JPMorgan Chase Bank, N.A. to cover potential liabilities of other financial obligations.

(14) Commitments and Contingencies

In the ordinary course of operations, the University is named as a defendant in various lawsuits, or events occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the consolidated financial position.

At June 30, 2015, the University has entered into construction contracts and commitments aggregating $852,409 ($820,431 at June 30, 2014) of which $701,543 ($668,676 at June 30, 2014) had been fulfilled.

(15) Leases

The University leases research laboratories, office space, and equipment under operating leases expiring through August 2029. Rental expense for the years ended June 30, 2015 and 2014 totaling $44,430 and $38,048, respectively, is included in the accompanying consolidated statements of activities.

Future minimum payments by year and in the aggregate, under non-cancelable operating leases, with initial or remaining terms of one year or more are as follows:

	University	Related Entities
2016	$ 37,183	$ 1,905
2017	30,371	1,761
2018	27,662	1,484
2019	20,573	1,747
2020	11,529	80
Thereafter	37,225	-
Total minimum lease Payments	$ 164,543	$ 6,977

(16) Scholarships, Grants, and Fellowships

The University awarded a total of $177,804 and $177,904 in scholarships, grants, and fellowships during fiscal years 2015 and 2014, respectively. In addition, the University awarded $35,853 and $27,902, respectively, of scholarships, grants, and fellowships as compensation to the recipients. Of this amount, $8,036 and $12,157, respectively, of the total scholarships, grants, and fellowships awarded were specifically funded by federal, state, or private gifts or grants, or by investment income and gains earned on investments held for endowment and similar purposes and utilized under the University's total return spending policy.

(dollars in thousands)

(17) Uncompensated Care

The University's policy is to treat patients in need of medical services without regard to their ability to pay for such services. The University maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. In addition to charity care, the University also provides services at rates significantly below the cost of rendering those services. The estimated difference between the cost of services provided to Medicaid patients and the reimbursement from NYS for this patient care is also monitored.

Effective January 1, 2007, the New York State Public Health Law required all hospitals to implement financial aid policies and procedures. The law also required hospitals to develop a summary of its financial aid policies and procedures that must be made publicly available. All standards set forth in the law are minimum standards.

In order to qualify for charity care, patients are expected to submit financial information demonstrating need. In many cases, patients may be unable or unwilling to provide that data. In those cases, the uncompensated care is classified as bad debt expense unless the University is able to obtain information that would indicate the patient appears to be eligible for charity care assistance. In those cases, the uncompensated care is recorded as charity care.

The estimated costs of providing charity services is based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The University received funding from NYS to help defray some of the costs of indigent care in the amount of $20,439 and $19,590 in 2015 and 2014, respectively.

During the years ended June 30, 2015 and 2014, the following levels of uncompensated care were provided:

	2015	2014
Charity care at cost	$ 26,644	$ 30,899
Excess of cost over reimbursement for services provided to Medicaid patients	71,824	57,494
Bad debts expense	34,963	29,863
	$ 106,787	$ 87,357

(18) Functional Expenses

The University also records expenses according to major classes of programs or functions. Functional expenses for the years ended June 30 consisted of the following:

	2015	2014
Instruction	$ 341,290	$ 321,019
Research	299,826	284,560
Public service	16,288	9,442
Libraries and other academic support	61,850	62,359
Student services	60,580	58,448
Institutional support	98,170	105,462
Hospital and faculty practice patient care	2,336,849	2,143,206
Auxiliary enterprises	113,909	96,626
Total functional expenses	$ 3,328,762	$ 3,081,122

(19) Subsequent Events

(a) DASNY Series 2006 Letter of Credit Replacement

Pursuant to an agreement between the University and DASNY dated August 6, 2015, DASNY remarketed $86,540 of bonds known as the University of Rochester Revenue Bonds, Series 2006, consisting of $72,010 Series 2006A-1 bonds and $14,530 Series 2006B-1 bonds. These bonds were remarketed as the existing direct-pay letter of creditor (Wells Fargo, N.A.) was replaced with Barclays Bank, PLC. This letter of credit expires in August 2019, with an option to renew. The terms related to the repayment of principal on these bonds remains unchanged.

Additionally, the letter of credit available totals the outstanding debt service for the Series 2006 bonds.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

(b) The University has performed an evaluation of subsequent events through October 26, 2015, the date which the consolidated financial statements were issued.