



**BRYANT UNIVERSITY**

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

# BRYANT UNIVERSITY

## Table of Contents

	<b>Page(s)</b>
Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3-4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-23



**KPMG LLP**  
6th Floor, Suite A  
100 Westminster Street  
Providence, RI 02903-2321

## **Independent Auditors' Report**

The Board of Trustees  
Bryant University:

We have audited the accompanying consolidated financial statements of Bryant University, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bryant University as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

November 4, 2016

**BRYANT UNIVERSITY**

## Consolidated Statements of Financial Position

June 30, 2016 and 2015

(Dollars in thousands)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 12,917	18,450
Short-term investments (note 3)	26,959	36,985
Accounts receivable, net of allowance of \$1,458 and \$1,588 at June 30, 2016 and 2015, respectively	2,307	3,193
Contributions receivable, net (note 5)	6,604	6,655
Prepaid expenses and other assets	3,893	3,986
Notes receivable, net of allowance of \$211 and \$213 at June 30, 2016 and 2015, respectively (note 6)	5,959	6,069
Long-term investments (notes 3 and 4)	182,414	176,962
Deposits held by trustees (note 3)	14,645	42,011
Land, buildings, and equipment, net (note 7)	210,412	173,251
Total assets	<u>\$ 466,110</u>	<u>467,562</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 27,959	22,795
Deferred revenues and advance payments	8,938	11,941
Asset retirement obligation	2,047	2,082
Interest rate swaps (note 9)	14,223	10,154
Notes and bonds payable, net (note 8)	118,152	121,576
Refundable advances – U.S. government grants (note 6)	6,581	6,478
Total liabilities	<u>177,900</u>	<u>175,026</u>
Net assets:		
Unrestricted:		
Available for operations	27,913	28,328
Designated for long-term investment	136,192	146,576
Net investment in plant	90,400	81,143
Total unrestricted net assets	<u>254,505</u>	<u>256,047</u>
Temporarily restricted (notes 4 and 10):		
Designated for long-term investment	6,491	8,362
Other temporarily restricted programs	10,556	12,090
Total temporarily restricted	<u>17,047</u>	<u>20,452</u>
Permanently restricted (notes 4 and 11)	16,658	16,037
Total net assets	<u>288,210</u>	<u>292,536</u>
Total liabilities and net assets	<u>\$ 466,110</u>	<u>467,562</u>

See accompanying notes to consolidated financial statements.

**BRYANT UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2016

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total 2016</u>
Operating:				
Revenues:				
Tuition and fees	\$ 144,260	—	—	144,260
Residence and dining	39,382	—	—	39,382
Less scholarships and grants	<u>(54,163)</u>	<u>—</u>	<u>—</u>	<u>(54,163)</u>
Net student revenue	129,479	—	—	129,479
Contributions	1,645	—	—	1,645
Net assets released from restrictions (note 12)	2,606	—	—	2,606
Government grants	1,447	—	—	1,447
Long-term investment income used in operations (note 3)	7,854	—	—	7,854
Short-term investment income	355	—	—	355
Public service	228	—	—	228
Auxiliary and other sources	<u>6,408</u>	<u>—</u>	<u>—</u>	<u>6,408</u>
Total operating revenues	<u>150,022</u>	<u>—</u>	<u>—</u>	<u>150,022</u>
Expenses (note 14):				
Instruction	35,099	—	—	35,099
Academic support	13,833	—	—	13,833
Research	6,530	—	—	6,530
Student services	30,143	—	—	30,143
Institutional support	22,785	—	—	22,785
Public service	2,591	—	—	2,591
Auxiliary services	<u>26,278</u>	<u>—</u>	<u>—</u>	<u>26,278</u>
Total operating expenses	<u>137,259</u>	<u>—</u>	<u>—</u>	<u>137,259</u>
Increase in net assets from operating activities	<u>12,763</u>	<u>—</u>	<u>—</u>	<u>12,763</u>
Nonoperating:				
Capital contributions	—	3,926	646	4,572
Net assets released from restrictions (note 12)	3,813	(6,419)	—	(2,606)
Net unrealized and realized loss on long-term investments, less amount used in operations (note 3)	(13,504)	(804)	—	(14,308)
Change in fair value of interest rate swaps (note 9)	(4,069)	—	—	(4,069)
Other	185	(108)	(25)	52
Capital campaign expenses	<u>(730)</u>	<u>—</u>	<u>—</u>	<u>(730)</u>
Change in net assets from nonoperating activities	<u>(14,305)</u>	<u>(3,405)</u>	<u>621</u>	<u>(17,089)</u>
Change in net assets	(1,542)	(3,405)	621	(4,326)
Net assets:				
Beginning of year	<u>256,047</u>	<u>20,452</u>	<u>16,037</u>	<u>292,536</u>
End of year	<u>\$ 254,505</u>	<u>17,047</u>	<u>16,658</u>	<u>288,210</u>

See accompanying notes to consolidated financial statements.

**BRYANT UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2015

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total 2015</u>
Operating:				
Revenues:				
Tuition and fees	\$ 132,427	—	—	132,427
Residence and dining	36,941	—	—	36,941
Less scholarships and grants	<u>(47,940)</u>	<u>—</u>	<u>—</u>	<u>(47,940)</u>
Net student revenue	121,428	—	—	121,428
Contributions	1,545	—	—	1,545
Net assets released from restrictions (note 12)	2,153	—	—	2,153
Government grants	1,387	—	—	1,387
Long-term investment income used in operations (note 3)	7,432	—	—	7,432
Short-term investment income	225	—	—	225
Public service	244	—	—	244
Auxiliary and other sources	<u>7,278</u>	<u>—</u>	<u>—</u>	<u>7,278</u>
Total operating revenues	<u>141,692</u>	<u>—</u>	<u>—</u>	<u>141,692</u>
Expenses (note 14):				
Instruction	33,048	—	—	33,048
Academic support	13,221	—	—	13,221
Research	6,465	—	—	6,465
Student services	27,188	—	—	27,188
Institutional support	21,677	—	—	21,677
Public service	2,275	—	—	2,275
Auxiliary services	<u>26,803</u>	<u>—</u>	<u>—</u>	<u>26,803</u>
Total operating expenses	<u>130,677</u>	<u>—</u>	<u>—</u>	<u>130,677</u>
Increase in net assets from operating activities	<u>11,015</u>	<u>—</u>	<u>—</u>	<u>11,015</u>
Nonoperating:				
Capital contributions	—	3,249	1,251	4,500
Net assets released from restrictions (note 12)	3,161	(5,318)	4	(2,153)
Net unrealized and realized loss on long-term investments, less amount used in operations (note 3)	<u>(4,676)</u>	<u>(693)</u>	<u>—</u>	<u>(5,369)</u>
Change in fair value of interest rate swaps (note 9)	<u>(744)</u>	<u>—</u>	<u>—</u>	<u>(744)</u>
Other	259	(131)	(6)	122
Capital campaign expenses	<u>(718)</u>	<u>—</u>	<u>—</u>	<u>(718)</u>
Change in net assets from nonoperating activities	<u>(2,718)</u>	<u>(2,893)</u>	<u>1,249</u>	<u>(4,362)</u>
Change in net assets	8,297	(2,893)	1,249	6,653
Net assets:				
Beginning of year	<u>247,750</u>	<u>23,345</u>	<u>14,788</u>	<u>285,883</u>
End of year	<u>\$ 256,047</u>	<u>20,452</u>	<u>16,037</u>	<u>292,536</u>

See accompanying notes to consolidated financial statements.

**BRYANT UNIVERSITY**  
Consolidated Statements of Cash Flows  
Years ended June 30, 2016 and 2015  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,326)	6,653
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation	16,062	15,492
Amortization of bond issuance cost and premium	(198)	(196)
Gift of asset	(11)	—
Net unrealized and realized loss (gain) on long-term investments	7,324	(1,114)
Net loss (gain) on disposal of assets	20	(12)
Contributions for property, plant, and equipment investing activities	(293)	(264)
Contributions for property, plant, and equipment financing activities	(621)	(61)
Contributions received for long-term investment	(753)	(1,104)
Increase in value of interest rate swaps	4,069	744
Decrease in asset remediation obligation	(35)	(164)
Change in working capital	7,168	4,891
Net cash provided by operating activities	<u>28,406</u>	<u>24,865</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(55,845)	(29,635)
Contributions for property, plant, and equipment	293	264
Sale of land, buildings, and equipment	229	261
Capitalization of interest	(1,594)	(1,959)
Proceeds from maturities and sales of investments	70,043	58,023
Cost of purchases of investments	(72,793)	(55,516)
Change in deposits held by bond trustees	27,366	7,144
Change in notes receivable, net	110	51
Net cash used in investing activities	<u>(32,191)</u>	<u>(21,367)</u>
Cash flows from financing activities:		
Contributions received for long-term investment	753	1,104
Contributions for property, plant, and equipment	621	61
Repayment of principal on notes and bonds payable	(3,225)	(3,175)
Payment of bond issuance costs	—	(25)
Increase in refundable advances – U.S. government grants	103	120
Net cash used in financing activities	<u>(1,748)</u>	<u>(1,915)</u>
Change in cash	(5,533)	1,583
Cash, beginning of year	<u>18,450</u>	<u>16,867</u>
Cash, end of year	<u>\$ 12,917</u>	<u>18,450</u>
Supplemental disclosure:		
Change in accounts payable from property, plant, and equipment	\$ 3,977	51

See accompanying notes to consolidated financial statements.

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

#### (1) Description of the University

Bryant University (the University) is a private, nonsectarian, co-educational institution of higher education chartered under the laws of the State of Rhode Island, composed of a College of Business and a College of Arts and Sciences. The University was founded in 1863 and is located in Smithfield, Rhode Island, on approximately 435 acres. The University offers programs leading to bachelor's degrees in business administration, information technology and international business, each with various concentrations and minors, as well as a bachelor's of arts degree and a bachelor's of science degree, each with various majors and minors. Additionally, the University offers graduate programs leading to master's degrees in accounting, business administration, taxation, communications, global environmental studies, physician assistant studies, and sustainability practices.

The University has a wholly owned consolidated single-member LLC, BRU LLC. The purpose of the single-member LLC is to own and manage real estate and to conduct or engage in any lawful business or purpose related thereto. All significant intercompany transactions and balances have been eliminated in consolidation.

The University has a Wholly Foreign Owned Enterprise, Bryant China (H.K.) Limited, which is a consolidated, private LLC incorporated in Hong Kong, China. The purpose of the entity is to be the investment vehicle for the Bryant Zhuhai academic program, located in Guangdong Province, China. This program has a unique collaboration with the Beijing Institute of Technology Zhuhai to provide a four-year joint undergraduate degree program which mirrors Bryant's nationally recognized curriculum vigor, quality of faculty and is taught in English. All significant intercompany transactions and balances have been eliminated in consolidation.

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

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

##### (a) Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income and gains, if any, on related investments for general or specific purposes.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.
- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations which the University may use at its discretion.



## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

Dividends, interest, and net gains (losses) on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the University's interpretation of relevant state law requires that they be added to the principal of a permanently restricted fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the contributions impose restrictions on the current use of the income and/or net gains; and
- as increases (decreases) in unrestricted net assets in all other cases.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenues. Promises to give that are scheduled to be received after the consolidated statements of financial position dates are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and/or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The University reports contributions of land, buildings, or equipment as unrestricted revenues unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as unrestricted revenues provided the long-lived assets are placed in service in the same reporting period. Otherwise, the contributions are reported as temporarily restricted support until the assets are acquired and placed in service.

Unconditional promises to give that are receivable as of the end of the fiscal year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The University adheres to the American Institute of Certified Public Accountants (AICPA), *Not for Profit Organizations Audit and Accounting Guide*, in reporting expenses by their functional classification. Accordingly, depreciation, interest, and operations and maintenance expenses have been allocated to functional classifications based on building square footage. In addition, total fundraising expenses were \$3,015 and \$2,926 for the years ended June 30, 2016 and 2015, respectively.

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(b) *Short-Term Investments***

Short-term investments include cash equivalents having daily liquidity and a bond fund with an average duration of four months or less.

**(c) *Investments***

Investments are reported at fair value. If an investment is held directly by the University and an active market with quoted prices exists, the University reports the fair value as the market price of the security. The University also holds shares or units in nonmarketable securities including alternative investments such as private partnership, venture capital, hedge funds, and real assets strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The three levels of the fair value hierarchy are:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment in determining the fair value assigned to such assets or liabilities.

Investments in funds that are valued at net asset value (NAV) as a practical expedient or its equivalent are not included in the three levels described above.

**(d) *Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment increases the uncertainty in those estimates.

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(e) Land, Buildings, and Equipment**

Land, constructed and purchased property, and equipment are carried at historical cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from two to forty years.

**(f) Deferred Revenues**

Students' reservation deposits, along with advance payments for tuition, room, board, and certain expenditures that relate to the University's summer or fall sessions, have been deferred and will be recorded as unrestricted revenues and expenses, respectively, in the year in which they are earned or incurred.

**(g) Tax Status**

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. BRU LLC and Bryant China (H.K.) Limited, wholly owned single-member LLC's, are disregarded entities for tax purposes. Accordingly, any tax liability of BRU LLC or Bryant China (H.K.) Limited would be reported by the University. The University believes it has taken no significant uncertain tax positions.

**(h) Operations**

The consolidated statements of activities report the changes in unrestricted, temporarily restricted, and permanently restricted assets from operating and nonoperating activities. Unrestricted operating revenues consist of those items attributable to the University's primary mission of providing education. It includes investment earnings on the University's operating funds. Investment earnings on the University's unrestricted long-term investments and all realized and unrealized gains and losses, net of the amount appropriated for operations, are classified as nonoperating. Net assets released from restrictions for capital purposes are also classified as nonoperating. Additionally, unrestricted operating revenues include contributions received related to annual fund support, while all other contributions and related capital campaign fundraising expenses are classified as nonoperating. Changes in the fair values of the University's interest rate swaps are classified as nonoperating.

**(i) Asset Retirement Obligations**

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligations is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University had an asset retirement obligation of \$2,047 and \$2,082 as of June 30, 2016 and 2015, respectively.

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(j) Fair Value of Financial Instruments**

The University discloses fair value information about all financial instruments for which it is practicable to estimate fair value. The University's financial instruments not carried at fair value are carried at net realizable value, which approximates fair value. Such financial instruments consist of cash and short-term investments, accounts receivable, other assets, accounts payable and accrued liabilities, deferred revenues and advance payments, which would be classified in Level 1 of the fair value hierarchy. The University further determined that the differences between the carrying values and estimated fair values of its other financial assets and liabilities at June 30, 2016 and 2015 were not material.

**(k) Reclassifications**

Certain reclassifications were made to the fiscal year 2015 financial statements to conform to the fiscal year 2016 presentation.

**(3) Investments**

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the University's Trustees Investment Committee that oversees the University's investments.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged, private partnership, and natural resource strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private partnership and natural resource funds generally employ buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold by an amount different from NAV. As of June 30, 2016 and June 30, 2015, the University had no specific plans or intentions to sell investments at amounts different than NAV.

**BRYANT UNIVERSITY**  
Notes to Consolidated Financial Statements  
June 30, 2016 and 2015  
(Dollars in thousands)

The University's assets at June 30, 2016 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	<u>6/30/2016</u>	<u>Level 1</u>
Short-term investments		
Investments at fair value:		
Cash equivalents	\$ 19,256	19,256
Fixed income	<u>7,703</u>	<u>7,703</u>
Total short-term investments at fair value	26,959	26,959
Deposits held by trustees:		
Cash and cash equivalents	10,574	10,574
Certificates of deposit	470	470
Fixed Income	<u>3,601</u>	<u>3,601</u>
Total deposits held by trustees at fair value	14,645	14,645
Long-term investments		
Investments at fair value:		
U.S. equities	19,144	19,144
Non-U.S. equities	33,216	33,216
Fixed income	35,746	35,746
Inflation hedging	9,234	9,234
Hedge Funds	3,817	3,817
Cash and cash equivalents	<u>2,979</u>	<u>2,979</u>
Total long-term investments at fair value	104,136	104,136
Investments measured at NAV as a practical expedient	<u>78,278</u>	
Total investments	<u>\$ 224,018</u>	<u>145,740</u>

*ASU 2015-10, Technical Corrections and Improvements*, clarified one aspect of the definition of readily determinable fair value (RDFV) thereby affecting the measurement of and disclosure about certain equity investments. During 2016, based on this technical correction, the University re-evaluated its investments historically measured using NAV as a practical expedient in structures with characteristics similar to a mutual fund as to whether they have a RDFV. Based on that re-evaluation, NAV disclosures have been amended, and certain investments aggregating \$47,572 previously accounted for using NAV as a practical expedient as of June 30, 2015 and previously excluded from the fair value hierarchy were determined to have a RDFV and have been included as Level 1 investments at that date.

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Investments valued at NAV at June 30, 2016 include: equity funds valued at \$7,906 with monthly redemption frequencies and notice periods of 30 days; an equity fund holdback valued at \$194 from a full redemption request that will be available in 10 months; a hedge fund holdback for possible litigation valued at \$9 with no determinable redemption date; hedge funds valued at \$38,341 with quarterly redemption frequencies and notice periods of 60 to 65 days; hedge funds valued at \$12,072 with annual redemption frequencies and notice periods of 44 to 95 days; and private equity, venture, distressed, real estate and natural resource funds valued at \$19,756 that are illiquid.

The University's assets at June 30, 2015 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	<u>6/30/2015</u>	<u>Level 1</u>
Short-term investments		
Investments at fair value:		
Cash equivalents	\$ 29,330	29,330
U.S. equities	5	5
Fixed income	<u>7,650</u>	<u>7,650</u>
Total short-term investments at fair value	36,985	36,985
Deposits held by trustees:		
Cash and cash equivalents	4,548	4,548
Certificates of deposit	10,030	10,030
Fixed Income	<u>27,433</u>	<u>27,433</u>
Total deposits held by trustees at fair value	42,011	42,011
Long-term investments		
Investments at fair value:		
U.S. equities	20,101	20,101
Non-U.S. equities	33,674	33,674
Fixed income	20,126	20,126
Inflation hedging	9,919	9,919
Cash and cash equivalents	<u>5,955</u>	<u>5,955</u>
Total long-term investments at fair value	89,775	89,775
Investments measured at NAV as a practical expedient	<u>87,187</u>	
Total investments	<u>\$ 255,958</u>	<u>168,771</u>

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Investments valued at NAV at June 30, 2015 include: equity funds valued at \$8,270 with monthly redemption frequencies and notice periods of 30 days; an equity fund valued at \$2,239 and hedge funds valued at \$39,301 with quarterly redemption frequencies and notice periods of 60 to 65 days; hedge funds valued at \$12,851 with annual redemption frequencies and notice periods of 45 to 95 days; and private equity, venture, distressed, real estate and natural resource funds valued at \$24,526 that are illiquid.

Under the terms of certain limited partnership agreements, the University is obligated to remit additional funding periodically as capital or liquidity calls are exercised by investment managers. The University had outstanding commitments to such limited partnerships of \$8,381 as of June 30, 2016.

The limited partnerships with redemption lock-up periods have various terms and may provide for extensions of one to three years. Some of the partnership agreements allow for multiple extensions.

The expirations of the private partnerships' and natural resource funds' redemption lock-up periods are summarized in the table below:

	<u>Amount</u>
Fiscal year:	
2017	\$ 7,977
2018	444
2019	4,262
2020	1,045
2021	3,946
Thereafter	<u>2,082</u>
Total	\$ <u><u>19,756</u></u>

Long-term investment activity consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Long-term investments at beginning of year	\$ 176,962	179,499
Interest and dividends	3,147	3,826
Net realized and unrealized (loss) gain	(7,324)	1,114
Management fees	<u>(2,277)</u>	<u>(2,877)</u>
Total investment (loss) gain	(6,454)	2,063
Contributions	753	1,004
Amount appropriated for operating activities	(7,854)	(7,432)
Interfund transfers, additions and payments	<u>19,007</u>	<u>1,828</u>
Long-term investments at end of year	\$ <u><u>182,414</u></u>	<u><u>176,962</u></u>

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Management fees have been calculated based on actual costs charged by investment managers and, in the case of mutual funds, based on an approximation of expense ratios on assets under management.

**(4) Endowment**

The University's endowment consists of approximately 53 individual funds established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**(a) Relevant Law**

The Uniform Prudent Management of Institutional Funds Act enacted by the State of Rhode Island (the Act) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) The duration and preservation of the fund; 2) The purpose of the University and the donor-restricted endowment fund; 3) General economic conditions; 4) The possible effect of inflation and deflation; 5) The expected total return from income and the appreciation of investments; 6) Other resources of the University; 7) The investment policies of the University.

Endowment net asset composition by type of fund consists of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (50)	6,491	15,916	22,357
Board-designated endowment funds	<u>136,242</u>	<u>—</u>	<u>—</u>	<u>136,242</u>
Total endowed net assets	<u>\$ 136,192</u>	<u>6,491</u>	<u>15,916</u>	<u>158,599</u>



**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 146,576	8,362	15,163	170,101
Investment return:				
Investment income, net	674	111	—	785
Net (losses)	<u>(6,229)</u>	<u>(957)</u>	<u>—</u>	<u>(7,186)</u>
Total investment return	(5,555)	(846)	—	(6,401)
Contributions	—	—	753	753
Transfers from operations	2,000	—	—	2,000
Other changes	(47)	47	—	—
Appropriation of endowment assets for expenditure	<u>(6,782)</u>	<u>(1,072)</u>	<u>—</u>	<u>(7,854)</u>
Endowment net assets, June 30, 2016	\$ <u>136,192</u>	<u>6,491</u>	<u>15,916</u>	<u>158,599</u>

Endowment net asset composition by type of fund consists of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2)	8,362	15,163	23,523
Board-designated endowment funds	<u>146,578</u>	<u>—</u>	<u>—</u>	<u>146,578</u>
Total endowed net assets	\$ <u>146,576</u>	<u>8,362</u>	<u>15,163</u>	<u>170,101</u>

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ 149,576	9,074	14,159	172,809
Investment return:				
Investment income, net	731	115	—	846
Net gains	<u>720</u>	<u>154</u>	<u>—</u>	<u>874</u>
Total investment return	1,451	269	—	1,720
Contributions	—	—	1,004	1,004
Transfers from operations	2,000	—	—	2,000
Other changes	(2)	2	—	—
Appropriation of endowment assets for expenditure	<u>(6,449)</u>	<u>(983)</u>	<u>—</u>	<u>(7,432)</u>
Endowment net assets, June 30, 2015	\$ <u>146,576</u>	<u>8,362</u>	<u>15,163</u>	<u>170,101</u>

Long-term investments as of June 30, 2016 and 2015 include \$23,815 and \$6,861, respectively, of operating investments, which are not part of the endowment investment pool.

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in unrestricted net assets and were \$50 as of June 30, 2016 and \$2 as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

**(c) Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to support the educational mission of the University by providing a reliable source of funds for current and future use. The financial objective is to provide a level of support consistent with the endowment's purchasing power being maintained or enhanced over time. It is expected that professional management and portfolio diversification will reduce volatility and assure a reasonably consistent level of return. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees, and administrative costs. Consistent with this goal, the Board of Trustees

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

and the Investment Committee intend that the endowment fund be managed to maximize total returns consistent with prudent levels of risk, reduce portfolio risk through asset allocation and diversification, and outperform each of the capital markets in which assets are invested.

**(d) *Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerances.

The University targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, hedge funds and alternative investments such as private equity, venture capital, natural resource, and real estate, as well as cash equivalents, to achieve its long-term return objectives within prudent risk constraints. The Investment Committee periodically reviews the policy portfolio's asset allocation for possible rebalancing.

Under the University's endowment investment spending policy, up to 5% of the endowment investments' trailing twelve-quarter average market value is appropriated for expenditure.

**(5) Contributions Receivable**

Contributions receivable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 3,599	2,820
One to five years	4,721	5,573
Over five years	254	454
Less discount and allowance for uncollectible contributions	<u>(1,970)</u>	<u>(2,192)</u>
Contributions receivable, net	<u>\$ 6,604</u>	<u>6,655</u>

The risk adjusted discount rate, which ranged from 0.72% to 2.50%, is utilized in determining the fair value of such contributions receivable.

**(6) Notes Receivable**

Notes receivable include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Such funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

U.S. government. Notes receivable are principally amounts under the Program and are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

**(7) Land, Buildings, and Equipment**

The University's land, buildings, and equipment are composed of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 294,758	266,834
Furniture, equipment, and other assets	61,127	57,789
Land and improvements	25,764	23,387
Construction in progress	31,169	14,110
	<u>412,818</u>	<u>362,120</u>
Less accumulated depreciation	<u>(202,406)</u>	<u>(188,869)</u>
Land, buildings, and equipment, net	<u>\$ 210,412</u>	<u>173,251</u>

Depreciation expense was \$16,062 and \$15,492 for the years ended June 30, 2016 and 2015, respectively.

**(8) Notes and Bonds Payable**

Notes and bonds payable outstanding as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Variable rate, RIHEBC, 2008 Series, due in varying amounts to 2035	\$ 47,600	48,065
2.000%-5.000%, RIHEBC, 2011 Series, due in varying amounts to 2032	19,965	20,825
1.6125%, RIHEBC, 2013 Series, due in varying amounts to 2019	3,465	4,585
3.000%-5.000%, RIHEBC, 2014 Series, due in varying amounts to 2044	45,540	46,320
Add unamortized bond premium	2,110	2,437
Less bond issuance costs	<u>(528)</u>	<u>(656)</u>
Notes and bonds payable, net	<u>\$ 118,152</u>	<u>121,576</u>

Cash paid for interest was \$5,125 and \$5,173 for the years ended June 30, 2016 and 2015, respectively.

The amount of interest capitalized was \$1,594 and \$1,959 for the years ended June 30, 2016 and 2015, respectively.

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Scheduled annual principal repayments of bonds payable are as follows:

Fiscal year:		
2017	\$	3,295
2018		3,375
2019		3,525
2020		3,785
2021		3,930
Thereafter		<u>98,660</u>
Total principal payments	\$	<u><u>116,570</u></u>

In June 2008, the University entered into an agreement with RIHEBC, which provided for the issuance of \$50,420 variable rate, Higher Education Facility Revenue Refunding Bonds, due in varying principal payments or sinking fund payments to June 1, 2035. They are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. This bond series is backed by a \$48,336 direct-pay Letter of Credit agreement with a bank, which expires on December 21, 2018. The purpose of issuing the 2008 debt was to refund the 2005 and 2007 variable rate bonds including certain expenses incurred in connection with the issuance. The interest rate was 0.39% and 0.07% for the years ended June 30, 2016 and 2015, respectively.

In November 2011, the University entered into an agreement with RIHEBC, which provided for the issuance of \$23,255 Higher Education Facility Revenue Refunding Bonds, Series 2011 Bonds, due in varying principal payments or sinking fund payments to December 1, 2031. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The purpose of issuing the 2011 debt was to refund the 2001 bonds.

In February 2013, the University entered into an agreement with RIHEBC, which provided for the issuance of \$7,825 Higher Education Facility Revenue Refunding Bonds, Series 2013 Bonds, due in varying principal payments or sinking fund payments to June 30, 2019. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The bond is a private placement bond with TD Bank. The purpose of issuing the 2014 debt was to refund the 2002 bonds.

In June 2014, the University entered into an agreement with RIHEBC, which provided for the issuance of \$47,095 Higher Education Facility Revenue Bonds, Series 2014 Bonds, due in varying principal payments or sinking fund payments to June 1, 2044. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The proceeds are being utilized to finance several construction projects.

The University has obtained an uncommitted/unsecured line of credit with a bank for a maximum of \$10,000. There is no balance outstanding under the line of credit at June 30, 2016 or June 30, 2015.

The University's bond and letter of credit agreements contain certain covenants, which the University was in compliance with as of June 30, 2016.

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(9) Interest Rate Swaps**

The University has three interest rate swaps, the purpose of which is to swap the variable rate on the underlying \$50,420 debt issued in June 2008 for fixed rates. One interest rate swap was entered into for \$30,000 to obtain a fixed rate of 3.793%. Another two interest rate swaps were entered into for \$10,000 each to obtain fixed rates of 3.856% and 3.790%, respectively. Counterparty payments will continue through June 1, 2035. The liability, representing a negative fair value of all three swap agreements, has been recorded as an unrestricted net liability on the consolidated statements of financial position for the years ended June 30, 2016 and 2015 in the amount of \$14,223 and \$10,154, respectively.

The University entered into these agreements to hedge cash flows attributable to interest payments on the debt issues and does not use such instruments for speculative purposes. The instruments' fair values and changes therein must be measured in the University's net assets. The values of the swap instruments represent the estimated benefit or cost to the University to cancel the agreements at the reporting date, and are based on option pricing models that consider risks and market factors.

Counterparty	Issue date	Effective date	Expiration/ termination date	Remaining notional amount	Swap fixed rate	Fair value at June 30 asset (liability)		
						2016	2015	
Wells Fargo Bank, N.A.	11/24/08	11/24/08	06/01/35	\$ 29,250	3.793%	\$ (8,944)	(6,340)	
Barclays Bank, PLC	11/24/08	11/24/08	06/01/35	10,000	3.790	(3,087)	(2,181)	
Barclays Bank, PLC	11/24/08	11/24/08	06/01/35	8,050	3.856	(2,192)	(1,633)	
Totals						\$	<u>(14,223)</u>	<u>(10,154)</u>

Since the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are categorized as Level 2 for purposes of valuation disclosure.

**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(10) Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions receivable, net	\$ 5,921	5,864
Purpose restrictions:		
Scholarships	1,128	1,021
Instruction	1,228	872
Academic support	18	36
Student services	219	224
Public service	217	245
Buildings and facilities	694	2,497
Other capital campaign	1,131	1,331
Cumulative endowment appreciation (note 4)	6,491	8,362
Total purpose restrictions	<u>11,126</u>	<u>14,588</u>
Total temporarily restricted net assets	<u>\$ 17,047</u>	<u>20,452</u>

**(11) Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions receivable, net	\$ 683	791
Other receivables	59	83
Assets for which income is restricted for the following purposes:		
Scholarships	14,297	13,544
Instruction and other programs	1,619	1,619
Total income restricted as to purpose	<u>15,916</u>	<u>15,163</u>
Total permanently restricted net assets	<u>\$ 16,658</u>	<u>16,037</u>

## BRYANT UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

#### (12) Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2016</u>	<u>2015</u>
Buildings, facilities and other	\$ 3,813	3,161
Scholarships and other programs	<u>2,606</u>	<u>2,157</u>
Total net assets released from restrictions	<u>\$ 6,419</u>	<u>5,318</u>

#### (13) Retirement Plan

The University has a defined contribution retirement plan (the Plan) for eligible full-time academic, administrative and service personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. Contributions are made by the University and the participants to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and the Fidelity Service Company, the Plan's investment custodians, based on participant elections. The University's expense under the Plan was \$4,539 and \$4,409 for the years ended June 30, 2016 and 2015, respectively.

#### (14) Natural Classification of Operating Expenses

Operating expenses by their natural classification were as follows for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 59,743	57,383
Depreciation and amortization of bond issuance cost	16,191	15,624
Fringe benefits	19,101	17,235
Purchased services	8,552	7,914
Food service	7,175	7,191
Interest	3,151	2,940
Utilities and communications	3,403	3,294
Advertising and publications	2,280	2,130
Supplies and postage	1,909	1,951
Facility renovations	1,614	1,683
Other	<u>14,140</u>	<u>13,332</u>
Total operating expenses	<u>\$ 137,259</u>	<u>130,677</u>



**BRYANT UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

**(15) Subsequent Events**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2016 and through November 4, 2016, the date on which the consolidated financial statements were issued. The University concluded that no material subsequent events have occurred.