Financial Statements and Report of
Independent Certified Public Accountants

Duquesne University of the Holy Spirit

June 30, 2017 and 2016

Contents

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Report of Independent Certified Public Accountants

To the Board of Directors of
Duquesne University of the Holy Spirit:

Report on the financial statements

We have audited the accompanying financial statements of Duquesne University of the Holy Spirit (the "University"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duquesne University of the Holy Spirit as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 5, 2017

Statements of Financial Position

June 30, 2017 and 2016

(in thousands)

	2017	2016
Assets		
Cash and cash equivalents	$ 16,192	$ 18,937
Accounts receivable - net	8,452	8,250
Pledges receivable - net	7,548	6,822
Deferred charges and other assets	5,887	4,728
Loans receivable - net	13,478	13,960
Investments	320,511	292,477
Property, plant, and equipment - net	306,728	311,009
Assets in escrow related to debt service	3,731	4,724
Total assets	**$ 682,527**	**$ 660,907**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 8,901	$ 14,532
Accrued expenses	16,739	16,789
Annuities payable	349	394
Deferred revenues and deposits	14,050	13,407
Accumulated postretirement benefits	8,341	8,675
Agency funds	932	731
Debt and lease obligations	157,180	165,605
Liabilities associated with investments	5,132	6,255
Conditional asset retirement obligations	4,489	4,998
Federal loan funds	12,452	12,521
Total liabilities	228,565	243,907
Net Assets		
Unrestricted net assets	284,417	266,401
Temporarily restricted net assets	61,968	48,780
Permanently restricted net assets	107,577	101,819
Total net assets	453,962	417,000
Total liabilities and net assets	$ **682,527**	**$ 660,907**

The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year ended June 30, 2017

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees - net of financial aid of $109,424	$ 207,410	$ -	$ -	$ 207,410
Auxiliary enterprises - net of financial aid of $5,988	42,263	-	-	42,263
Grants and contracts	3,264	8,536	-	11,800
Gifts and pledges	174	6,935	-	7,109
Endowment earnings distributed for operations	5,225	6,013	-	11,238
Working capital earnings distributed for operations	1,870	-	-	1,870
Investment income	387	-	-	387
Other	5,383	-	-	5,383
Net assets released from restrictions	20,135	(20,135)	-	-
Total operating revenues	286,111	1,349	-	287,460
Operating expenses				
Instructional	118,428	-	-	118,428
Institutional support	48,377	-	-	48,377
Auxiliary enterprises	39,415	-	-	39,415
Academic support	40,619	-	-	40,619
Student services	16,786	-	-	16,786
Public service	5,956	-	-	5,956
Research	8,834	-	-	8,834
Total operating expenses	278,415	-	-	278,415
Excess of operating revenues over operating expenses	7,696	1,349	-	9,045
Nonoperating revenues and expenses				
Gifts and pledges	64	875	5,765	6,704
Return on investments	18,413	16,827	127	35,367
Endowment earnings distributed for operations	(5,225)	(6,013)	-	(11,238)
Working capital earnings distributed for operations	(1,870)	-	-	(1,870)
Costs associated with separation agreements	(1,062)	-	-	(1,062)
Net assets released from restrictions	-	150	(150)	-
Other	-	-	16	16
Net nonoperating revenues and expenses	10,320	11,839	5,758	27,917
Change in net assets	18,016	13,188	5,758	36,962
Net assets - beginning of year	266,401	48,780	101,819	417,000
Net assets - end of year	**$ 284,417**	**$ 61,968**	**$ 107,577**	**$ 453,962**

The accompanying notes are an integral part of this financial statement.

Statement of Activities

Year ended June 30, 2016

(in thousands)

		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Operating revenues								
Tuition and fees - net of financial aid of $104,458	$	201,466	$	-	$	-	$	201,466
Auxiliary enterprises - net of financial aid of $733		45,021		-		-		45,021
Grants and contracts		3,385		11,193		-		14,578
Gifts and pledges		1,158		5,501		-		6,659
Endowment earnings distributed for operations		3,605		5,650		-		9,255
Working capital earnings distributed for operations		1,757		-		-		1,757
Investment income (loss)		316		(8)		-		308
Other		6,503		-		-		6,503
Net assets released from restrictions		20,777		(20,777)		-		-
Total operating revenues		283,988		1,559		-		285,547
Operating expenses								
Instructional		116,599		-		-		116,599
Institutional support		44,641		-		-		44,641
Auxiliary enterprises		39,033		-		-		39,033
Academic support		39,278		-		-		39,278
Student services		16,551		-		-		16,551
Public service		7,619		-		-		7,619
Research		9,212		-		-		9,212
Total operating expenses		272,933		-		-		272,933
Excess of operating revenues over operating expenses		11,055		1,559		-		12,614
Nonoperating revenues and expenses								
Gifts and pledges		489		150		4,524		5,163
Return on investments		(6,221)		(5,338)		-		(11,559)
Endowment earnings distributed for operations		(3,605)		(5,650)		-		(9,255)
Working capital earnings distributed for operations		(1,757)		-		-		(1,757)
Costs associated with separation agreements		(3,292)		-		-		(3,292)
Loss on defeasance of debt		(10,190)		-		-		(10,190)
Net assets released from restrictions		210		(171)		(39)		-
Other		(19)		-		24		5
Net nonoperating revenues and expenses		(24,385)		(11,009)		4,509		(30,885)
Change in net assets		(13,330)		(9,450)		4,509		(18,271)
Net assets - beginning of year		279,731		58,230		97,310		435,271
Net assets - end of year	**$**	**266,401**	**$**	**48,780**	**$**	**101,819**	**$**	**417,000**

The accompanying notes are an integral part of this financial statement.

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(in thousands)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 36,962	$ (18,271)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,375	22,415
Realized and unrealized (gain) loss on investments	(31,880)	16,802
Gifts restricted for long-term purposes	(10,720)	(6,322)
Provision for doubtful accounts	398	294
(Gain) loss on disposal of property, plant, and equipment	(20)	18
Loss on defeasance of debt	-	10,190
Changes in operating assets and liabilities:		
Decrease in receivables	191	328
Increase in deferred charges and other assets	(1,159)	(89)
(Decrease) increase in accounts payable and accrued liabilities	(3,931)	3,584
Increase in annuities payable	37	47
Increase (decrease) in deferred revenues and deposits	643	(684)
Increase (decrease) in agency funds	201	(98)
Decrease in conditional asset retirement obligations	(509)	(506)
Net cash provided by operating activities	**12,588**	**27,708**
Cash flows from investing activities		
Purchases of investments	(196,021)	(37,669)
Proceeds from the sale/redemption of investments	199,867	38,387
Change in liability associated with investments	(1,123)	(28)
Deposits of funds held in escrow related to debt service	(556)	(336)
Withdrawals of funds held in escrow related to debt service	1,549	1,173
Receipt of federal loan funds	432	508
Payments of federal loan funds and annuities payable	(583)	(663)
Purchases of property, plant, and equipment	(21,108)	(23,015)
Net cash used in investing activities	**(17,543)**	**(21,643)**
Cash flows from financing activities:		
Proceeds from the issuance of new debt	-	67,599
Repayments of long-term borrowings	(7,475)	(74,700)
Collection of gifts restricted for long-term purposes	9,685	5,770
Net cash provided by (used in) financing activities	**2,210**	**(1,331)**
(Decrease) increase in cash and cash equivalents	(2,745)	4,734
Cash and cash equivalents - beginning of year	18,937	14,203
Cash and cash equivalents - end of year	**$ 16,192**	**$ 18,937**
Supplemental disclosures		
In-kind gifts consisting of contributed services	$ 658	$ 432
Interest paid	$ 6,711	$ 6,825
Capital lease obligations incurred	$ -	$ 114
Accounts payable related to construction in process	$ 2,246	$ 4,330

The accompanying notes are an integral part of these financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Duquesne University of the Holy Spirit (the "University") is a private, Catholic university, organized as a tax-exempt, nonprofit corporation. The University's principal sources of revenue include student tuition and fees, auxiliary revenues, grants, and gifts.

2. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - 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.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations or by law 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 earned on related investments for general or specific purposes.

3. Taxes

The University has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. As a result, no provision for taxes has been made in the accompanying financial statements.

The University adopted guidance for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The University files U.S. federal, state, and local income tax returns, and no returns are currently under examination. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2014, through the present. The University continues to evaluate its tax positions pursuant to the principles of such guidance and has determined that there is no material impact on the University's financial statements.

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

6. Concentration of Credit Risk

The University maintains cash and cash equivalent balances with banking institutions and brokerage companies. At June 30, 2017, the amounts on deposit at the banking institutions and the amounts on deposit at the brokerage companies exceeded the amounts that would be covered by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"), respectively. In management's opinion, the amounts in excess of FDIC and SIPC limits do not pose significant risk to the University.

7. Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

8. Pledges Receivable

Pledges receivable from fund-raising campaigns are recorded by the University when the unconditional promise to give (pledge) is made and are recorded at fair value using a discount rate commensurate with the risks associated with the pledge.

The allowance for doubtful accounts on pledges receivable is based upon management's judgement, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The following table shows the estimated useful lives of property, plant, and equipment:

Land improvements	10 years
Buildings	40 years
Building improvements	10 - 40 years
Furniture and equipment	5 - 10 years

The University reviews its property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No impairment charges were recorded by the University in 2017 or 2016.

10. Deferred Revenues and Deposits

Deferred revenues and deposits represent revenues currently received for programs or activities to be conducted primarily in the next fiscal year, such as summer and fall tuition and fees and room and board. Also included in deposits are commitment deposits received from certain vendors to be recognized as income over the lives of the related agreements.

11. Liabilities Associated with Investments

The University also invests capital on behalf of a religious entity that shares the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the statements of financial position representing the fair value of investments managed on behalf of the entity.

12. Gifts and Grants

The University reports gifts and grants of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The University reports gifts of land, buildings, 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 donated assets are placed in service or long-lived assets are constructed.

(Continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Investments and Investment Income

In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value.

Interest income, unrealized gains and losses on investments, and realized gains and losses from the sale of investments are accounted for in the statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

Investments in marketable securities, including mutual funds, are recorded at their fair values, which are based primarily on quoted market prices as of the last business day of the fiscal year. The University holds certain investments in other funds for which the underlying assets are investments in publicly traded securities for which fair values are readily determinable. The University also holds other investments without readily determinable fair values, such as hedge funds and private equity funds. Hedge funds are actively managed funds that tend to employ more aggressive investing strategies than traditional mutual funds. Most hedge funds are established as private limited partnerships whose offering memorandum allows the fund to take risks using speculative investment strategies, including short selling, options, and the use of leverage. Private equity funds have underlying assets that are nonmarketable equities or equity-like securities. Investments without readily determinable fair values are carried at fair value as of June 30, 2017 and 2016, based on estimates developed by the management of the investment entities investing the funds. These valuations include assumptions and methods that are reviewed by University management. The University believes that the carrying amount of its investments without a readily determinable fair value is a reasonable estimate of fair value as of June 30, 2017 and 2016. As the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

14. Federal Student Loan Program

The University administers and contributes a portion of the total funds available for various student loan programs, including Perkins, Nursing, Health Profession, and Nursing Faculty Loans. The loan programs are financed primarily by the U.S. government. Loans are made to qualified students and are reported as loans receivable - net in the statements of financial position. Upon termination of the programs, the amounts representing net government advances (federal loan funds), which are reflected as a liability of approximately $12.5 million at both June 30, 2017 and 2016, will be returned to the government.

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Fair Value

The estimated fair value of all financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in developing fair value estimates. Accordingly, the estimates included herein are not necessarily indicative of amounts the University could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts. The fair value of annuities payable and long-term debt (excluding lease obligations) as of June 30, 2017 and 2016, was approximately $0.4 million and $159.2 million and $0.4 million and $175.2 million, respectively, and is classified as Level 2 in the fair value hierarchy. All other financial instruments, other than investments as discussed above, are recorded at historical cost, which approximates fair value.

16. Guarantees and Commitments

In the ordinary course of business, the University enters into contracts with third parties pursuant to which the third parties provide services on behalf of the University. In many of the contracts, the University agrees to indemnify the third-party service provider under certain circumstances. The terms of the indemnity vary from contract to contract, and the amount of the indemnification liability, if any, cannot be determined. The University also has minimum purchase requirements related to certain utility contracts that have been met annually through June 30, 2017. The University anticipates meeting these minimum purchase requirements in future years.

Pursuant to its bylaws, the University provides indemnification to directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of the University and also advance on behalf of covered individual costs incurred in defending against certain claims, if any, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification.

The University provides indemnification in connection with bond offerings in which it is involved. The indemnifications relate to losses, claims, damages, liabilities, and other expenses incurred by underwriters that would arise as a result of any untrue statements or material omissions made by the University. Due to the nature of these indemnification provisions, it is not possible to quantify the aggregate exposure to the University resulting from them, if any.

17. Insurance Liabilities

The University is self-insured through an agreement with third-party providers to provide medical coverage for all full-time University employees. A liability for estimated incurred but unreported claims has been recorded at June 30, 2017 and 2016, based upon a third-party evaluation of claims and management's analysis of past claims history. The third-party evaluation of claims includes assumptions and methods that were reviewed by University management.

The University is also self-insured for certain other activities, principally workers' compensation. Liabilities have been established based on third-party estimates using the University's historical loss experience. The self-insurance accrual is subject to periodic adjustment by the University based on actual loss experience factors.

(Continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

18. Nonoperating Activities

Nonoperating activities include gifts and pledges related to endowments and funds functioning as endowments, bequests, annuity and permanently restricted loan activity, and return on investments less amounts distributed. They also include nonrecurring items such as the University's voluntary retirement program, loss on defeasance of debt, and costs associated with separation agreements.

19. Reclassifications

Certain accounts in the prior year statement of financial position have been reclassified to conform to the current year presentation. These reclassifications had no impact on total assets, total liabilities or total net assets.

20. Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The University adopted ASU 2015-03 as of June 30, 2017, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of $0.7 million and $0.8 million of unamortized debt issuance costs related to the University's bonds (see Note F) from deferred charges and other assets to debt and lease obligations within its statement of financial position as of June 30, 2017 and 2016, respectively. Other than this reclassification, the adoption of ASU 2015-03 did not have an impact on the University's financial statements.

In May 2015, the FASB issued accounting guidance removing the requirement to categorize investments measured at fair value using net asset value ("NAV") as a practical expedient, from the fair value hierarchy. The guidance was adopted by the University effective July 1, 2015 using the retrospective approach, which required restatement of the prior period disclosure. Adoption of this guidance resulted in the removal of NAV investments from Level 3 in the fair value hierarchy of $168 million and $56 million at June 30, 2017 and 2016, respectively.

21. Recently Issued Accounting Pronouncements

ASU No. 2014-09, *Revenue (Topic 606): Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts, whether or not written, with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying five steps listed in the guidance. ASU 2014-09 also requires disclosure of both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customers. The new guidance is effective for fiscal years beginning after December 15, 2017. Entities have the option of using either a full retrospective or a modified retrospective approach. Early adoption is permitted. The University has not yet determined the effect the adoption of ASU 2014-09 may have on the financial statements.

(Continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. The University has not determined the impact of the new standard at this time.

NOTE B - INVESTMENTS

A summary of the University's investments measured at fair value at June 30, 2017 and 2016, based on level within the fair value hierarchy, is as follows (in thousands):

	2017	2016
Level 1 - Quoted Prices in Active Markets		
Equity securities - all cap	$ 1,633	$ 11,913
Exchange-traded notes	-	7,501
Mutual funds:		
Money market	11,247	10,244
Large cap	58,229	38,900
Mid cap	-	17,227
Small cap	10,020	14,963
Global and international	32,459	73,393
Fixed income and bond	19,992	26,033
Real estate	-	11,932
Long - short	-	1,258
Other	4,155	2,612
	137,735	215,976
Level 2 - Significant Observable Inputs		
Debt securities issued by U.S. Treasury and other U.S. agencies	6,071	2,498
Debt issued by foreign governments	14	21
Corporate debt securities	8,376	6,852
Asset-backed securities	315	1,762
Real estate high-income fund	-	9,255
	14,776	20,388
Total investments measured at fair value	152,511	236,364
Investments measured at net asset value	168,000	56,113
Total investment assets	$ 320,511	$ 292,477

(Continued)

NOTE B - INVESTMENTS - Continued

Investments reflected in the statements of financial position as of June 30, 2017 and 2016, are summarized as follows (in thousands):

	2017	2016
Endowment and funds functioning as endowment	$ 269,716	$ 243,322
Long-term working capital	39,362	36,700
Investments managed for others	5,132	6,255
Annuities	3,840	3,588
Deferred compensation and other	2,461	2,612
Total	$ 320,511	$ 292,477

As of June 30, 2017 and 2016, there were no significant concentrations of investments as no individual investment exceeded 10% of total assets.

In determining fair value, the University uses various approaches, including FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, which establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset based on market data obtained from sources independent of the organization. Unobservable inputs reflect an organization's estimates about the assumptions market participants would use in pricing an asset and are developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. As valuations are based on quoted market prices that are readily available in an active market, valuations of these products do not entail a significant degree of judgment.

Level 2 Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The University also reports under the FASB update for *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)*, which permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the update on the basis of the NAV per share of the investment or its equivalent determined as of the University's fiscal year end. Under this approach, certain attributes for the investment, such as restrictions and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

(Continued)

NOTE B - INVESTMENTS - Continued

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that a valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The University uses prices and inputs that are current as of the measurement date, which are obtained through multiple third-party custodians from independent pricing services.

Descriptions of the valuation techniques applied to the major categories of investments measured at fair value are outlined below.

The fair value of common, preferred, and foreign stocks and exchange-traded notes is valued using quoted market prices in active markets. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

Mutual funds are open-ended Securities and Exchange Commission ("SEC") registered funds with daily quoted market prices. The mutual funds allow investors to sell their interests to the fund at the published daily quoted market prices, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities and commercial mortgage-backed securities, are categorized in Level 2 of the fair value hierarchy as the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

The real estate high-income fund invests the fund's assets primarily in real estate instruments, with an emphasis on lower-quality debt securities, including commercial and residential mortgage-backed securities of real estate entities, equity securities of entities whose primary assets are mortgage loans or commercial or residential mortgage-backed securities, and preferred stock of real estate investment trusts. These securities are categorized in Level 2 of the fair value hierarchy as the fund values approximately 87.0% of the assets of the fund as Level 2 as of 2016. The fund primarily values its securities on evaluated prices received from independent pricing services or from dealers who make markets. The University liquidated its position in this fund during the fiscal year ended June 30, 2017.

(Continued)

NOTE B - INVESTMENTS - Continued

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in so called "fund of funds." The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short-term interest in common stock, and convertible bonds. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest. As such, these partnerships are measured at fair value.

There has been no significant change in valuation techniques of investments during the year.

Interest, dividends, and realized and unrealized gains - net, are included as a component of both operating and nonoperating items.

Investment income (loss) at June 30, 2017 and 2016, exclusive of earnings on idle receipts, escrow funds, and other deposits with trustees, consisted of the following (in thousands):

	2017	2016
Interest and dividends	$ 3,487	$ 5,235
Realized gains on marketable securities - net	17,593	3,590
Unrealized gains (losses) on marketable securities - net	14,287	(20,392)
Total	$ 35,367	$ (11,567)

(Continued)

NOTE B - INVESTMENTS - Continued

Description	Fair Value at June 30, 2017	Fair Value at June 30, 2016	Unfunded Commitment at June 30, 2017	Redemption Terms	Redemption Restrictions
Hedge funds:					
Absolute return	$ 8,542	$ 8,009	$ -	Anniversary - annually with 90-day notice	None
Absolute return	5,668	6,661	-	Quarterly with 90-day notice	None
Diversified	704	2,470	-	Quarterly with 45-day notice	None
Diversified	11,292	-	-	Monthly with 10-day written notice	None
Global equity	3,662	-	-	Quarterly with 90-day written notice	Two-year lock-up
Global equity	15,824	-	-	Monthly with six-day notice	None
Global equity	4,314	-	-	Anniversary - annually with 60-day written notice	None
Global ex U.S. equity	16,285	-	-	Semi-monthly with 20-day written notice	None
Global ex U.S. equity	16,810	-	-	Monthly with 30-day written notice	None
Global ex U.S. equity	17,420	-	-	Semi-monthly with 15-day notice	None
Managed futures	4,274	4,415	-	Monthly with three-day notice	None
Managed futures	-	5,521	-	Monthly with 60-day notice	None
Multi-strategy	6,720	8,803	-	Quarterly with 60-day notice	25% quarterly with remainder on anniversary date
Multi-strategy	5,063	-	-	Anniversary - semi-annually with 60-day written notice	Two-year soft lock with a 5% redemption fee during lock-up
Multi-strategy	4,235	-	-	Quarterly with 90-day written notice	One-year soft lock with a 6% redemption fee in the first year
High yield - fixed income	13,915	12,636	-	Quarterly with 120-day notice	None
Private debt - mezzanine	1,982	1,882	903	Ineligible	Eight years remaining of ten-year lock-up
U.S. equity ex small-cap	25,909	-	-	Daily with 15-day notice	None
Private equity:					
Distressed	785	1,068	90	Ineligible	Termination approximately December 31, 2018
Diversified	3,673	4,405	315	Ineligible	Termination approximately first quarter of 2023
Diversified	756	-	3,200	N/A	Partnership life until January 2029, subject to 2 (1-year) extensions
Venture capital	167	243	243	Ineligible	Partial withdrawals not permitted; termination approximately March 2019, unless partners vote to extend to 2023
Total	$ 168,000	$ 56,113	$ 4,751		

NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

Endowment and funds functioning as endowment related activity (including permanently restricted pledge amounts) during the years ended June 30, 2017 and 2016, is as follows (in thousands):

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 108,876	$ 37,273	$ 100,389	$ 246,538
Investment return:				
Investment income	1,320	1,638	7	2,965
Net realized and unrealized gain	12,217	15,189	120	27,526
Total investment return	13,537	16,827	127	30,491
Contributions	-	476	5,765	6,241
Appropriation of endowment assets for expenditure	(5,225)	(6,013)	-	(11,238)
Additional authorized amounts	807	-	-	807
Net assets released from restrictions	-	150	(150)	-
Change in endowment net assets	9,119	11,440	5,742	26,301
Endowment net assets - end of year	$ 117,995	$ 48,713	$ 106,131	$ 272,839

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 115,975	$ 48,286	$ 95,885	$ 260,146
Investment return:				
Investment income	2,032	2,485	-	4,517
Net realized and unrealized loss	(6,499)	(7,823)	-	(14,322)
Total investment return	(4,467)	(5,338)	-	(9,805)
Contributions	-	146	4,524	4,670
Appropriation of endowment assets for expenditure	(3,605)	(5,650)	-	(9,255)
Additional authorized amounts	973	-	-	973
Net assets released from restrictions	-	(171)	(39)	(210)
Other changes	-	-	19	19
Change in endowment net assets	(7,099)	(11,013)	4,504	(13,608)
Endowment net assets - end of year	$ 108,876	$ 37,273	$ 100,389	$ 246,538

(Continued)

NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT - Continued

The endowment and funds functioning as endowment net asset composition by type of fund at June 30, 2017 and 2016, is composed of the following (in thousands):

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarship	$ 37,411	$ 23,692	$ 55,059	$ 116,162
Operational purposes	80,584	25,021	50,822	156,427
Total	$ 117,995	$ 48,713	$ 105,881	$ 272,589

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarship	$ 33,931	$ 18,137	$ 50,563	$ 102,631
Operational purposes	74,945	19,136	49,614	143,695
Total	$ 108,876	$ 37,273	$ 100,177	$ 246,326

The University maintains a total return spending policy, which was 5% for both years ended June 30, 2017 and 2016. The University has adopted PA Trust Law Act 141, which requires a release of between 2% and 7%. Separating spending policy from investment policy permits asset allocation decisions to be made independently of the need for current income. The University's investment policy has a primary objective to achieve annualized total return, through appreciation and income, equal to or greater than the rate of inflation plus any spending and administrative expenses. This allows the University to maintain purchasing power of the investment pool. The assets are managed in a manner that will meet the primary investment objective, while attempting to limit volatility in the portfolio's market value, thereby limiting volatility in the year-to-year spending. The policy allows for a range of asset classes, including global equity and debt securities, real assets and alternative investments. The University includes its interest in perpetual trusts in endowment and funds functioning as endowment. Changes in the value of the endowment and funds functioning as endowment are included in the nonoperating section of the statements of activities along with the changes in long-term working capital, value of annuities and permanently restricted loan funds.

The University is one of 15 designated institutions of higher learning and other charitable organizations named as beneficiaries of The Dietrich Foundation (the "Foundation") created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation came into existence as a Pennsylvania charitable trust on October 6, 2011 and was granted exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, specifically as a Type I charitable supporting organization under Section 509(a)(3). The Foundation's primary mission is to provide ongoing and increasing financial support to a number of educational institutions, largely in the greater Pittsburgh area, including the University. The Foundation is governed by a board of nine (9) trustees. Five (5) of the trustees are Educational Institutions Trustees.

(Continued)

NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT - Continued

The Foundation is expected to make annual distributions that will be allocated among the pre-specified supporting organizations, which are divided into two primary groups: (a) six (6) educational institutions, which collectively shall receive 90% of the annual distribution amount, and (b) nine (9) other charitable organizations or component funds of such charitable organizations, which collectively shall receive 10% of the annual distribution amount. The University is included in the 90% group. As of June 30, 2017, the University's distribution share was 2.5%.

The distributions to the University have been recorded as permanently restricted contributions revenue as received and held in a permanently restricted endowment fund designated by Dietrich Foundation Endowment Fund. The endowed fund will be managed in accordance with the University's generally applicable investment and disbursement policies in effect for its other permanently restricted endowments. Distributions made from the endowed fund will be used for the purpose authorized by the Foundation's trustees. Distributions of approximately $577,000 and $534,000 were received in fiscal years 2017 and 2016, respectively.

NOTE D - RECEIVABLES

Accounts receivable at June 30, 2017 and 2016, consist of the following (in thousands):

	2017	2016
Student accounts receivable - net of allowance for doubtful accounts of $1,755 and $1,852 in 2017 and 2016, respectively	$ 5,590	$ 4,788
Grants and contracts receivable	1,260	1,323
Other accounts receivable - net of allowance for doubtful accounts of $1,488 and $908 in 2017 and 2016, respectively.	1,602	2,139
Net accounts receivable	$ 8,452	$ 8,250

After unsuccessful collection of past-due accounts by two collections agencies for a 24-month period, the University will write the balance off.

(Continued)

NOTE D - RECEIVABLES - Continued

Pledges receivable at June 30, 2017 and 2016, are due as follows (in thousands):

	2017	2016
Less than one year	$ 2,519	$ 3,186
One to five years	4,589	4,418
More than five years	1,513	30
Total pledges receivable	8,621	7,634
Less present value adjustment	(468)	(306)
Present value of pledges receivable	8,153	7,328
Less allowance for doubtful pledges	(605)	(506)
Net pledges receivable	$ 7,548	$ 6,822

Contributions receivable over more than one year are discounted using an appropriate discount rate ranging from 1.2% to 2.8% applicable to the year in which the pledge was received.

Fund-raising costs were $4.2 million and $3.4 million for the years ended June 30, 2017 and 2016, respectively.

Loans Receivable

The University makes uncollateralized loans to students based on financial need. Loans are funded through federal government loan programs or institutional resources. At June 30, 2017 and 2016, student loans represented 2.0% and 2.1% of total assets, respectively.

(Continued)

NOTE D - RECEIVABLES - Continued

At June 30, 2017 and 2016, student loans consisted of the following (in thousands):

	2017	2016
Federal government programs	$ 13,946	$ 14,297
Institutional programs	658	725
	14,604	15,022
Less allowance for doubtful loans:		
Beginning of year	(1,062)	(1,024)
Increase	(64)	(38)
End of year	(1,126)	(1,062)
Loans receivable - net	$ 13,478	$ 13,960

The University participates in the following federal revolving loan programs: Perkins, Nursing, Health Profession, Nurse Faculty Loan Program, and Nurse Faculty Loan Program ARRA. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Outstanding loans canceled under the programs result in a reduction of the funds available for loans and a decrease in the liability to the government.

The past-due principal amounts under the student loan programs at June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
1 - 60 days past due	$ 57	$ 39
60 - 90 days past due	2	2
90+ days past due	1,199	948
Total past due	$ 1,258	$ 989

NOTE E - PROPERTY, PLANT, AND EQUIPMENT

The University's investment in property, plant, and equipment at June 30, 2017 and 2016, consists of the following (in thousands):

	2017	2016
Land and land improvements	$ 40,738	$ 39,971
Building and building improvements	455,927	432,934
Furniture and equipment	81,999	79,065
Construction in progress	6,303	15,147
	584,967	567,117
Less accumulated depreciation	(278,239)	(256,108)
Property, plant, and equipment - net	$ 306,728	$ 311,009

Depreciation expense was $23.3 million and $22.8 million for the years ended June 30, 2017 and 2016, respectively.

Substantially, all property, plant, and equipment are pledged under the University's debt agreements. The net book value of equipment under capital leases is $0.1 million and $0.5 million at June 30, 2017 and 2016, respectively.

The University leases automobiles and other equipment under noncancelable operating leases. Rental expense under such lease agreements was approximately $0.4 million at both June 30, 2017 and 2016. Future minimum lease commitments for all noncancelable operating leases at June 30, 2017, are as follows (in thousands):

Year ending June 30,	
2018	$ 388
2019	348
2020	279
Total	$ 1,015

The University follows guidance on accounting for conditional asset retirement obligations, which states that a conditional asset retirement obligation must meet the definition of a liability, even though uncertainty may exist about the timing or method of settlement. Under the provisions of such guidance, the University is obligated to record a liability for conditional asset retirement obligations. The University performed an analysis of such obligations and determined that asbestos remediation costs represented the University's primary source of such liabilities. The University reviewed facilities on all campus locations and determined the timing, method, and cost of asbestos remediation using a variety of assumptions and estimates.

(Continued)

NOTE E - PROPERTY, PLANT, AND EQUIPMENT - Continued

The analysis included an estimated inflation factor and discount rate, which were used to determine the present value of the obligation. The reconciliation of the liability related to conditional asset retirement obligations at June 30, 2017 and 2016, is presented below (in thousands):

	2017	2016
Beginning liability balance	$ 4,998	$ 5,504
Liabilities settled	(592)	(402)
Accretion expense	312	344
Revisions in estimated cash flows	(229)	(448)
Ending liability balance	$ 4,489	$ 4,998

NOTE F - DEBT AND LEASE OBLIGATIONS

Long-term debt at June 30, 2017 and 2016, consists of the following bond issues and capitalized lease obligations (in thousands):

	Rate	2017	2016
University Revenue and Refunding Bonds:			
1998 Series Bonds due through 2020	4.25 - 5.50%	$ 2,695	$ 3,320
2001 Series A Bonds due through 2019	4.40 - 5.25	1,990	2,920
2008 Series Bonds due through 2033	4.00 - 5.00	1,275	2,500
2011 Series A Bonds due through 2031	3.00 - 5.50	11,070	11,755
2013 Series A Bonds due through 2034	2.50 - 5.00	32,815	34,865
2014 Series A Bonds due through 2033	2.00 - 5.00	34,110	35,710
2016 Series Bonds due through 2033	2.25 - 5.00	58,040	58,040
		141,995	149,110
Capital lease obligations		175	535
Gross debt and capital lease obligations		142,170	149,645
Plus net unaccreted bond premium		15,740	16,740
Less deferred bond costs		(730)	(780)
Debt and capital lease obligations		157,180	165,605
Less debt service reserves and accounts		(1,728)	(1,776)
Less escrow deposits for 2001 A Series Bonds debt service		(2,003)	(2,948)
Net debt and capital lease obligations		$ 153,449	$ 160,881

(Continued)

NOTE F - DEBT AND LEASE OBLIGATIONS - Continued

Principal payments for the year ended June 30, 2017, are as follows (in thousands):

Year ending June 30,		
2018	$	7,596
2019		7,739
2020		7,030
2021		7,380
2022		7,790
Thereafter		104,635
Total	$	142,170

University Revenue and Refunding Bonds ("1998 Series") - In March 1998, the Allegheny County Higher Education Building Authority (the "Authority") issued $18.6 million of revenue refunding bonds to provide for the advance refunding of the remaining principal amount outstanding of the University's Revenue Bonds 1991 Series B, 1991 Series C, and the 1992 Series and to provide for bond issuance costs. These bonds are insured by Ambac.

The bonds mature annually in principal amounts ranging from $0.7 million to $0.9 million beginning in fiscal year 1999 and ended in fiscal year 2011, with original payments of $1.9 million, $3.4 million, and $3.3 million in fiscal 2013, 2016, and 2020, respectively. The fiscal 2013, 2016, and 2020 maturities are subject to mandatory debt service payments beginning in fiscal year 2012 and ending in fiscal year 2020 in amounts ranging from $0.6 million to $1.3 million.

Approximately $0.4 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $0.3 million of the original issue premium is being accreted over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that (1) the University cannot incur additional debt in excess of 2% of unrestricted gross revenues, unless the maximum annual debt service requirements on all outstanding long-term debt and the long-term debt to be incurred does not exceed 12% of the unrestricted gross revenues, and (2) the debt service coverage ratio on additional long-term debt is not less than 1.15 for the preceding fiscal year. Additionally, these bond covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) the sum of the total debt service payments made during the preceding fiscal year and the maximum annual debt service requirements on the new long-term debt is less than 10% of the University's unrestricted operating revenues for the preceding fiscal year, and (2) the balance of the University's endowment is greater than 50% of all outstanding and proposed long-term debt.

University Revenue Bonds ("Series A of 2001") - In January 2001, the Authority issued $12.1 million of revenue refunding bonds to provide for the current refunding of the remaining principal amount outstanding of the University's Revenue Bonds, 1991 Series A and provide for bond issuance costs. These bonds are insured by Ambac.

(Continued)

NOTE F - DEBT AND LEASE OBLIGATIONS - Continued

The bonds mature annually in principal amounts ranging from $0.3 million to $1.0 million beginning in fiscal year 2003 and ending in fiscal year 2019.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $0.1 million of original issue discount is being amortized over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

In March 2004, the Authority issued $7.3 million of Taxable University Refunding Bonds to be used together with other funds of the University to provide for the advance refunding of the University Revenue Refunding Bonds Series A of 2001 (the "Refunded Bonds"). These bonds (2004) were redeemed in the fiscal year ended June 30, 2008. As of June 30, 2005, the covenants related to the Refunded Bonds are no longer applicable under the provisions of the prior indenture for the Refunded Bonds.

Under guidance for accounting for transfers and servicing of financial assets and extinguishments of liabilities, the funds held in escrow for the refunding of these Series A of 2001 bonds have been presented separately as an asset in the statements of financial position, rather than net against debt obligations. At June 30, 2017 and 2016, the amounts held in escrow were $2.0 million and $2.9 million, respectively.

University Revenue Bonds ("Series of 2008") - In June 2008, the Authority issued $30.5 million of University Revenue Bonds to provide for a portion of (a) the costs of various capital projects in the University's capital budget for the fiscal years ended June 30, 2008 and 2009; (b) the refunding of the Authority's outstanding University Refunding Revenue Bonds, Series of 2003, University Revenue Bonds, Series C of 2005, and University Revenue Bonds, Series B of 2007; and (c) to provide for bond issuance costs.

These bonds mature annually in principal amounts ranging from $1.1 million to $4.1 million beginning in fiscal 2009 and ending in fiscal 2033.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $0.2 million of original issue premium is being accreted over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt is less than 10% of the University's unrestricted operating revenues during the previous fiscal year, and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt and the maximum annual debt service requirements on the proposed long-term debt are less than or equal to the maximum annual debt service requirements on the existing long-term debt. In May 2016, the outstanding bonds were partially defeased in connection with the Series of 2016 bonds described below.

(Continued)

NOTE F - DEBT AND LEASE OBLIGATIONS - Continued

University Revenue Bonds ("Series A of 2011") - In February 2011, the Authority issued $53.5 million of revenue bonds to provide for a portion of (a) constructing, equipping, and furnishing an approximately 400-bed student housing facility on the University's main campus; (b) projects comprising the first phase of the University's 10-year housing renewal plan, including the renovation and improvement of the Duquesne Towers student housing facility; (c) miscellaneous capital expenditures now being incurred and expected to be incurred at the University's main campus over the next two years; (d) funding any interest during construction; and (e) to provide for bond issuance costs.

These bonds mature annually in principal amounts ranging from $15,000 to $14.5 million beginning in fiscal 2013 and ending in fiscal 2031.

Approximately $0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $0.5 million of original issue discount is being amortized over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2008 bonds. In May 2016, the outstanding bonds were partially defeased in connection with the Series of 2016 bonds described below.

University Revenue Bonds ("Series A of 2013") - In March 2013, the Authority issued $39.4 million of revenue bonds to provide for a portion of (a) renovations to the University's Duquesne Towers, St. Ann's Hall, and Libermann Hall; (b) other miscellaneous capital expenditures from the University's capital program; (c) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2004; and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $0.6 million to $2.5 million beginning in fiscal 2014 and ending in fiscal 2034.

Approximately $0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $3.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2008 bonds.

University Revenue Bonds ("Series A of 2014") - In December 2014, the Authority issued $39.2 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2005; (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series B of 2005; (c) the advance refunding of the Authority's outstanding Revenue Bonds Series A of 2007; and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $1.0 million to $3.8 million beginning in fiscal 2015 and ending in fiscal 2033.

(Continued)

NOTE F - DEBT AND LEASE OBLIGATIONS - Continued

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $4.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2008 bonds.

University Revenue Bonds ("Series of 2016") - In May 2016, the Authority issued $58.0 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series of 2008; (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2011; and (c) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $0.1 million to $7.8 million beginning in fiscal 2019 and ending in fiscal 2033.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $9.8 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in deferred charges and others assets on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2008 bonds.

NOTE G - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION

The University participates in single-employer contributory retirement plans, which provide for the purchase of annuities and various mutual funds for academic, administrative, salaried, and other hourly employees. The employee is responsible for a 5% pretax contribution, while the University contributes 8% on behalf of the employee. The University also participates in a multi-employer noncontributory retirement plan for certain union employees, which is funded at the rate of 87 cents per hour worked up to a maximum of 40 hours per week. The University annually funds the retirement costs under both plans, which amounted to $8.1 million and $7.9 million for the years ended June 30, 2017 and 2016, respectively.

The University provides certain health care benefits to certain retired employees. These postretirement benefits are unfunded and generally are based on employees' years of service and compensation levels. The University is required to make an accrual of the expected costs of these benefits over the period in which the employees render the service.

(Continued)

NOTE G - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION - Continued

Net periodic benefit costs for the years ended June 30, 2017 and 2016, include the following components (in thousands):

	2017	2016
Service cost for fiscal year	$ 209	$ 184
Interest cost for fiscal year	288	334
Census and claims gain during fiscal year	(264)	(184)
(Gain) loss due to assumption changes	(424)	412
Change in liability due to plan experience	156	21
Net periodic costs	$ (35)	$ 767
Actual postretirement benefit payments (funded on a pay-as-you-go basis)	$ 299	$ 304

Using a measurement date of June 30, the following assumptions at June 30, 2017 and 2016, were used to determine the periodic benefit costs:

	2017	2016
Discount rate	3.70%	3.45%
Health care trend rate (post-65)	7.00%	7.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2025	2024

A one-percentage-point increase in the assumed medical cost trend rates for each future year increases annual postretirement benefit expense by $500 and the accumulated postretirement benefit obligation by $17,000. A one-percentage-point decrease in the assumed medical cost trend rates for each future year decreases annual postretirement benefit expense by $500 and the accumulated postretirement benefit obligation by $17,000.

(Continued)

NOTE G - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION - Continued

For the years ended June 30, 2017 and 2016, the following is a reconciliation of beginning and ending balances of the benefit obligation (in thousands):

	2017	2016
Accumulated postretirement benefit obligation - beginning of year	$ 8,675	$ 8,212
Service cost for fiscal year	209	184
Interest cost for fiscal year	288	334
Benefit payments for fiscal year	(299)	(304)
Expected accumulated postretirement benefit obligation - end of year	8,873	8,426
Census and claims gain during fiscal year	(264)	(184)
(Gain) loss due to assumption changes	(424)	412
Change in liability due to plan experience	156	21
Actual accumulated postretirement benefit obligation - end of year	$ 8,341	$ 8,675

Using a measurement date of June 30, the following assumptions at June 30, 2017 and 2016, were used to determine the end-of-year benefit obligation:

	2017	2016
Discount rate	3.70%	3.45%
Health care trend rate	7.00%	7.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2025	2024

Expected benefits to be paid in future years are as follows (in thousands):

Year ending June 30,	
2018	$ 552
2019	521
2020	507
2021	474
2022	453
2023 - 2026	2,354
Total	$ 4,861

NOTE H - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2017 and 2016, consist of the following (in thousands):

	2017	2016
Board-designated funds (quasi-endowment)	$ 118,043	$ 108,876
Undesignated funds	166,374	157,525
Total unrestricted net assets	$ 284,417	$ 266,401

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016, consist of the following (in thousands):

	2017	2016
Endowment gains	$ 48,713	$ 37,273
Restricted gifts and pledges:		
Operational purposes	8,579	8,403
Capital projects	3,824	2,275
Scholarships	837	795
Total restricted gifts and pledges	13,240	11,473
Restricted grants and contracts:		
Private	15	33
Local	-	1
Total restricted grants and contracts	15	34
Total temporarily restricted net assets	$ 61,968	$ 48,780

NOTE J - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2017 and 2016, consist of the following (in thousands):

	2017	2016
Endowment and funds functioning as endowment	$ 103,519	$ 97,185
Pledges	2,362	2,992
	105,881	100,177
Annuity investments	250	212
	106,131	100,389
Loan funds	1,446	1,430
Total permanently restricted net assets	$ 107,577	$ 101,819

NOTE K - CONTINGENCIES

The University is a defendant in certain legal proceedings arising out of the normal conduct of its business. In the opinion of management, based upon discussion with counsel, the ultimate outcome of these matters will not have a material adverse effect on the financial position or activities of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a material effect on the University's financial position.

NOTE L - SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 5, 2017, the date the financial statements were issued. The University is not aware of any subsequent events that require recognition or disclosure in the financial statements.