St. Mary's University

Financial Report

May 31, 2016

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Report of Independent Auditors

Management and The Board of Trustees
St. Mary's University

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Mary's University, which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, and the related consolidated 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 consolidated financial statements in conformity 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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 St. Mary's University as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 8, 2016 on our consideration of the St. Mary's University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Mary's University's internal control over financial reporting and compliance.

Ernst & Young LLP

September 8, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2016 and 2015 *(in thousands)*

	2016	2015
ASSETS:		
Cash and cash equivalents	$ 15,602	$ 25,568
Restricted cash	249	321
Receivables		
Student accounts, net	3,518	3,446
Other accounts, net	1,978	1,059
Contributions, net	3,113	2,919
Student loans, net	6,290	6,637
Inventories	-	405
Prepaid expenses	723	855
Notes receivable	9,314	9,255
Investments	164,945	175,085
Funds held in trust by others	4,362	4,538
Construction in progress	756	4,076
Land, buildings and equipment, net	103,967	99,408
Other assets	574	544
Total Assets	**$ 315,391**	**$ 334,116**
LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,521	$ 2,755
Accrued salaries and benefits	2,991	2,828
Student deposits	349	437
Other deposits	722	764
Deferred revenue	4,403	4,715
Capital lease obligations	159	267
Indebtedness	31,582	34,375
U.S. government advances for student loans	5,849	5,971
Total Liabilities	**48,576**	**52,112**
NET ASSETS:		
Unrestricted	140,130	149,060
Temporarily restricted	54,780	61,263
Permanently restricted	71,905	71,681
Total Net Assets	**266,815**	**282,004**
Total Liabilities and Net Assets	**$ 315,391**	**$ 334,116**

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended May 31, 2016 *(in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES:				
REVENUES, GAINS AND OTHER SUPPORT:				
Tuition and fees	$ 93,350	$ -	$ -	$ 93,350
Less scholarship allowance	(36,643)	-	-	(36,643)
Net tuition and fees	56,707	-	-	56,707
Contributions	724	5,473	399	6,596
Government grants and contracts	9,455	-	-	9,455
Investment return designated for current operations	3,157	5,659	-	8,816
Other income	3,921	79	-	4,000
Auxiliary enterprises	14,907	-	-	14,907
Net assets released from restrictions	7,386	(7,386)	-	-
Total revenues, gains and other support	**96,257**	**3,825**	**399**	**100,481**
EXPENSES:				
Education and general expenses:				
Academic programs:				
Instruction	36,971	-	-	36,971
Academic support	11,223	-	-	11,223
Research	794	-	-	794
Public service	2,409	-	-	2,409
Total academic programs	51,397	-	-	51,397
Management and general:				
Student services	15,051	-	-	15,051
Institutional support	15,185	-	-	15,185
Total management and general	30,236	-	-	30,236
Fundraising	3,494	-	-	3,494
Total education and general	85,127	-	-	85,127
Auxiliary enterprises	13,935	-	-	13,935
Total expenses	**99,062**	**-**	**-**	**99,062**
Change in net assets from operating activities	**(2,805)**	**3,825**	**399**	**1,419**
NON-OPERATING ACTIVITIES:				
Investment income, net of expenses of $1,068	981	906	-	1,887
Net capital gain (loss) on investments	(3,949)	(5,555)	(175)	(9,679)
Investment return designated for current operations	(3,157)	(5,659)	-	(8,816)
Change in net assets	**(8,930)**	**(6,483)**	**224**	**(15,189)**
Net assets at beginning of year	**149,060**	**61,263**	**71,681**	**282,004**
Net assets at end of year	**$ 140,130**	**$ 54,780**	**$ 71,905**	**$ 266,815**

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended May 31, 2015 *(in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES:				
REVENUES, GAINS AND OTHER SUPPORT:				
Tuition and fees	$ 90,950	$ -	$ -	$ 90,950
Less scholarship allowance	(35,110)	-	-	(35,110)
Net tuition and fees	55,840	-	-	55,840
Contributions	792	4,713	3,885	9,390
Government grants and contracts	8,305	-	-	8,305
Investment return designated for current operations	3,171	4,501	-	7,672
Other income	3,551	126	-	3,677
Auxiliary enterprises	15,144	-	-	15,144
Net assets released from restrictions	6,718	(6,718)	-	-
Total revenues, gains and other support	**93,521**	**2,622**	**3,885**	**100,028**
EXPENSES:				
Education and general expenses:				
Academic programs:				
Instruction	36,148	-	-	36,148
Academic support	10,649	-	-	10,649
Research	715	-	-	715
Public service	2,441	-	-	2,441
Total academic programs	49,953	-	-	49,953
Management and general:				
Student services	13,911	-	-	13,911
Institutional support	14,370	-	-	14,370
Total management and general	28,281	-	-	28,281
Fundraising	3,316	-	-	3,316
Total education and general	81,550	-	-	81,550
Auxiliary enterprises	13,557	-	-	13,557
Total expenses	**95,107**	**-**	**-**	**95,107**
Change in net assets from operating activities	**(1,586)**	**2,622**	**3,885**	**4,921**
NON-OPERATING ACTIVITIES:				
Investment income, net of expenses of $1,100	1,323	983	-	2,306
Net capital gain on investments	2,478	6,086	267	8,831
Investment return designated for current operations	(3,171)	(4,501)	-	(7,672)
Net assets released from restriction	1,391	(1,391)	-	-
Change in net assets	**435**	**3,799**	**4,152**	**8,386**
Net assets at beginning of year	**148,625**	**57,464**	**67,529**	**273,618**
Net assets at end of year	**$ 149,060**	**$ 61,263**	**$ 71,681**	**$ 282,004**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended May 31, 2016 and 2015 *(in thousands)*

	2016	2015
OPERATING ACTIVITIES:		
Change in net assets	$ (15,189)	$ 8,386
Adjustments to reconcile change in net assets to		
net cash (used in) provided by operating activities:		
Bad debt expense and amounts written off	571	225
Loss on disposal of land, building and equipment	65	97
Amortization of bond discount and issuance costs	8	40
Net realized and unrealized loss (gain) on investments	9,679	(8,831)
Loan assignments and cancellations	56	66
Depreciation	6,207	5,947
Contributions and income restricted for long-term investment	(1,728)	(4,546)
Changes in operating assets and liabilities (used in) provided by cash:		
Accounts and student receivables	(1,499)	1,470
Contributions receivable	(194)	(1,844)
Inventories, prepaid expenses, and other assets	498	(60)
Accounts payable and accrued expenses	(546)	171
Deposits and deferred revenues	(431)	(1,056)
Agency transactions – cash received	44,876	46,812
Agency transactions – cash disbursed	(44,888)	(46,714)
Net cash (used in) provided by operating activities	**(2,515)**	**163**
INVESTING ACTIVITIES:		
Additions to buildings and equipment	(7,036)	(7,527)
Issuance of student loans	(796)	(1,317)
Collection of student loans	1,024	1,223
Proceeds from sales of investments	98,053	85,440
Purchases of investments	(97,416)	(83,805)
Net cash used in investing activities	**(6,171)**	**(5,986)**
FINANCING ACTIVITIES:		
Proceeds from contributions and income restricted for long-term investment	1,728	4,546
Issuance of notes receivable	(58)	(57)
Unexpended bond revenue proceeds and restricted funds	72	71
Payments on indebtedness	(2,793)	(2,712)
Payments on capital lease obligations	(108)	(92)
Net decreases in advances from federal government	(121)	59
Net cash (used in) provided by financing activities	**(1,280)**	**1,815**
Net decrease in cash and cash equivalents	(9,966)	(4,008)
Cash and cash equivalents at beginning of year	25,568	29,576
Cash and cash equivalents at end of year	**$ 15,602**	**$ 25,568**
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	**$ 888**	**$ 960**

See accompanying notes.

Notes to Consolidated Financial Statements *(in thousands)*

1. Summary of Significant Accounting Policies

General

St. Mary's University (the University) is an independent, not-for-profit Marianist Catholic institution in San Antonio, Texas, founded in 1852 by the Society of Mary. The University is organized into five schools and offers classes that lead to Bachelors, Masters, Ph.D. and Juris Doctor degrees. Revenues are derived primarily from tuition, fees, and auxiliary services.

The University controls St. Mary's Holdings Inc. (SMHI), which is consolidated in the accompanying financial statements. SMHI was formed in June 2012 to improve, construct and own property leased to the University for educational, athletic and administrative functions. SMHI was funded using the federal New Market Tax Credit (NMTC) program resulting in Restricted Cash, Notes Receivable and Indebtedness.

Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles. The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the University classifies net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets	Use is not subject to donor-imposed stipulations; may be designated for specific purposes by action of the Board of Trustees.
Temporarily Restricted Net Assets	Use is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
Permanently Restricted Net Assets	Use is subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University.

The University follows the policy of reporting restricted contributions and restricted endowment income in the consolidated statements of activities as increases in restricted net assets in the period received.

Cash donations to acquire long-lived assets are recorded as temporarily restricted until the asset is acquired and expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reclassified to the unrestricted category and reported as "net assets released from restrictions." Temporarily restricted contributions received and expended in the same period are classified as unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and generally have original maturities of three months or less.

Restricted Cash

Restricted cash is reserved for administrative and compliance expenses related to the NMTC transaction and for unexpended construction and management expenses.

Allowances for Doubtful Accounts

Allowances for doubtful student accounts receivable and student loans ($1,918 and $2,793, respectively, at May 31, 2016 and $2,310 and $1,855, respectively, at May 31, 2015) are determined annually based upon historical experience, aging of receivables, loans in default and an analysis of collections.

Revenue Recognition

Tuition, fees and income from auxiliary enterprises are recognized on an accrual basis in the period earned.

Contributions

Contributions, including unconditional promises to give made to the University, are recognized as revenues in the period received. Additionally, conditional promises to give are not recognized until the conditions on which they depend are substantially met. In relation to contributions of assets other than cash, they are recorded at their estimated fair value as of the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's estimate, including such factors as prior collection history, type of contribution and nature of fundraising activity.

1. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in securities traded on a national exchange are valued at the last reported bid price. Over-the-counter securities and government obligations are valued at the bid price or the average bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. The University's marketable securities do not represent significant concentrations of market risk, as the portfolio is diversified across strategies, managers and geography. The fair values of real estate investments are based on the most current quarterly financial information for the real estate trusts. The fair value of mineral rights is estimated based on the income stream those assets generate. Investments received by gift or bequest are carried at fair value at the date of the gift. If fair value is not determinable at the date of the gift, the asset received by gift or bequest is recorded at a nominal value.

The University's investments in certain institutional commingled funds or alternative investments are not publicly traded. These funds comprise 26% and 25% of total investment securities at May 31, 2016 and 2015, respectively. These investments contain underlying funds, which may include marketable securities, limited partnerships, limited liability companies, or non-U.S. corporations and are valued at redemption values that represent the net asset value of the units held at year-end. These investments entail liquidity risks to the extent that they may be difficult to sell or may not be converted to cash quickly at favorable prices. All of the funds are diversified across strategies, managers and geography.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis, and dividend income is recognized on the ex-dividend date. Investment securities are exposed to various risks such as interest rate, liquidity, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position.

In accordance with the Texas Uniform Prudent Management of Institutional Funds Act of 2007, dividends, interest, gains, losses and other investment income are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. In the absence of donor stipulations or law to the contrary, gains and losses on the investments of a donor-restricted endowment fund increase and reduce temporarily restricted net assets. If losses reduce the fair value of a donor-restricted endowment fund below the level required by the donor stipulations of law, these losses are reported as reductions in the unrestricted net assets when the losses incurred at year-end. Any gains that restore the fair value of the donor-restricted endowment fund are reported as increases in unrestricted net assets in the subsequent year when gains were incurred.

Fair Value Measurements

Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (ASC 820), provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access. The types of investments included as Level 1 include listed equities, U.S. government and agency obligations and frequently traded corporate bonds.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted market prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of investments included as Level 3 include funds held in trust by others (see Note 4), real estate trusts, mineral rights, venture capital funds, and privately held hedge funds.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described herein may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at

1. Summary of Significant Accounting Policies (continued)

the reporting date. The methodologies used to determine fair value have been consistent for the years ended May 31, 2016 and 2015.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if donated, at fair value at date of gift. Depreciation on buildings, parking lots, walks and drives, equipment and library books is calculated on the straight-line method over the estimated useful lives of the assets. Net interest incurred during the construction phase of major plant additions is capitalized. No capitalized interests was recorded in the years ended May 31, 2016 and 2015.

Deferred Revenue and Student Deposits

Receivables for tuition and fees are recorded upon registration for classes, whereas the related revenues are not recognized until classes begin. Student deposits include tuition and fee prepayments and credits, which may be applied against related student receivables for summer and fall classes.

Scholarship Allowances

A scholarship allowance (or tuition discount) is the difference between the stated charge for goods and services provided by the University and the amount billed to students and/or third parties making payments on behalf of students for tuition and fees. Scholarships for books, room and board are included in auxiliary expense. The scholarship allowance includes amounts directly funded by the University from unrestricted revenue of approximately $27,217 and $25,026 for the years ended May 31, 2016 and 2015, respectively. The allowance also includes scholarships funded by endowment earnings and external sources, including federal and state grants.

Contributed Services

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. The contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. The fair value of contributed services was approximately $682 and $594 for the years ended May 31, 2016 and 2015, respectively.

Tax Status

The University is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code). This exemption does not apply to unrelated business income, as defined by Section 512(a)(1) of the Code, which is subject to federal income tax. The University had no material tax liability resulting from such unrelated business income in 2016 or 2015. Accounting principles generally accepted in the United States require Management to evaluate uncertain tax positions taken by the University. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service or U.S. Department of Treasury. Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2016, there are no uncertain positions taken or expected to be taken. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the University is no longer subject to income tax examinations for years prior to 2012.

Retirement Plans

The University has a defined contribution retirement plan administered by providers of retirement services, which covers substantially all of its employees upon completing one year of service and working at least 1,000 hours. Contributions are made at 7% of participants' base salaries for those who contribute 5% of their base salaries, if the employee doesn't contribute 5% of their salary then they are not eligible for the 7% contribution. The University's contributions for the years ended May 31, 2016 and 2015, approximated $2,299 and $2,235, respectively. The University has a deferred compensation plan administered by providers of retirement services for certain members of the University's management. Contributions are made by the employees, and no amounts are contributed by the University.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using a methodology consistent with prior years.

1. Summary of Significant Accounting Policies (continued)

Federal Student Financial Aid Programs

Funds provided by the U.S. government under the Federal Perkins Student Loan program are loaned to qualified students and may be re-loaned as collections are made. These funds are ultimately refundable to the government and are, therefore, recorded as a long-term liability. Such funds require the University to provide a matching amount which varies according to current regulations.

Activities of Federal Pell Grants (Pell) and the Veterans Affairs (VA) Yellow Ribbon Program are not reflected in the consolidated statements of activities as the transactions are considered to be agency transactions. Students received approximately $4,978 and $5,333 from Pell for the years ended May 31, 2016 and 2015, respectively.

Agency Transactions

The University maintains accounts for the Federal Direct Lending, Pell, and VA Yellow Ribbon programs, as well as Texas Be-On-Time loans, student organizations, local not-for-profit organizations, fundraising events, and the Society of Mary (see Note 11). These transactions are excluded from the consolidated statements of activities as they are not University activities but are reflected in the accompanying consolidated statements of cash flows.

New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent), (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Early application is permitted. Management has elected to adopt ASU 2015-07 early.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)* (ASU 2016-02) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard affects an entity's decisions about whether to buy or lease assets. ASU 2016-02 is effective for the University in fiscal year 2020.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The new standard also requires qualitative disclosure on how a not-for-profit entity manages its liquid available resources and liquidity risks and quantitative disclosure regarding the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures. ASU 2016-14 also requires expanded reporting and disclosure of expenses. ASU 2016-14 will be effective for the University in 2019 and early adoption is permitted.

Subsequent Events

Subsequent events were evaluated through September 8, 2016, which is also the date the financial statements were available to be issued.

2. Contributions Receivable

Contributions receivable consist of unconditional promises to give, which the University received and are outstanding at May 31, 2016 and 2015. Receivables with maturities of more than one year are reflected at present value of estimated future cash flows using a discount rate appropriate to the term of the receivable. The fair value of the gross contributions at May 31, 2016 and 2015, approximates the carrying value. Most of the contributions are temporarily restricted and were received primarily for future building acquisitions or scholarships.

2. Contributions Receivable (continued)

Maturities of contributions receivable at May 31 are as follows:

	2016	2015
Less than one year	$1,888	$1,914
One to four years	1,789	1,649
More than five years	-	-
Total contributions	**3,677**	**3,563**
Less allowance for uncollectible pledges	(321)	(405)
Discount	(243)	(239)
Net contributions receivable	**$3,113**	**$2,919**

3. Notes Receivable

On June 27, 2012, the University made a loan of $9,091 to Chase NMTC St. Mary's University Investment Fund, LLC (the borrower) to fund capital improvements and construction. Beginning June 27, 2012 through June 2019 (the NMTC Compliance Period), the outstanding principal of the loan accrues interest at 1.945% per annum and the Borrower makes annual interest only payments of 1.3395% per annum on the outstanding balance. The difference in accrued and paid interest of $59 was added to the Notes Receivable as of May 31, 2016.

Interest income totaled $180 and $179 for the years ended May 31, 2016 and 2015, respectively.

4. Investments and Funds Held in Trust by Others

Investments and funds held in trust have the following positions based on the ASC 820 fair value hierarchy levels. The table does not include cash and cash equivalents of $4,166 and $7,090 at May 31, 2016 and 2015, respectively, which are included in the cash and cash equivalents caption on the accompanying consolidated statements of financial position.

	Assets at Fair Value as of May 31, 2016			
	Level 1	Level 2	Level 3	Total
U.S. corporate bonds and notes	$13,009	-	-	$13,009
U.S. real estate trusts	385	-	-	385
U.S. intermediate government/credit bond fund	-	10,577	-	10,577
U.S. equities	56,095	-	-	56,095
U.S. mineral rights	-	-	910	910
International Intermediate Bond	-	1,166	-	1,166
International equities	32,719	-	-	32,719
Emerging Markets – mutual fund	6,465	-	-	6,465
Funds held in trust by others	-	-	4,362	4,362
Total	**$108,673**	**$11,743**	**$5,272**	**$125,688**

Investments measured at net asset value:	
U.S. equities	$8,163
U.S. real estate trusts	11,584
International Hedge Fund	7,508
International Hedge Fund	1,117
Multi-strategy private equities	15,247
Total Assets at Fair Value	**$169,307**

	Assets at Fair Value as of May 31, 2015			
	Level 1	Level 2	Level 3	Total
U.S. corporate bonds and notes	$12,744	-	-	$12,744
U.S. real estate trusts	424	-	-	424
U.S. intermediate government/credit bond fund	-	9,433	-	9,433
U.S. equities	49,366	-	-	49,366
U.S. mineral rights	-	-	1,749	1,749
International Intermediate Bond	-	1,589	-	1,589
International equities	47,366	-	-	47,366
Emerging Markets – mutual fund	7,311	-	-	7,311
Funds held in trust by others	-	-	4,538	4,538
Total	**$117,211**	**$11,022**	**$6,287**	**$134,520**

4. Investments and Funds Held in Trust by Others (continued)

Investments measured at net asset value:	
U.S. equities	$8,237
U.S. real estate trusts	9,462
International Hedge Fund	8,704
International Hedge Fund	979
Multi-strategy private equities	17,721
Total Assets at Fair Value	**$179,623**

The following table includes additional disclosures for the fair value measurements of investments in certain entities that calculate fair value net asset value per share.

Assets at Fair Value as of May 31, 2016

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities (a)	$8,163	-	Monthly	6-15 days
U.S. real estate trusts (b)	11,584	-	Subject to approval	45 days before the quarter ends
International Hedge Fund (c)	7,508	-	Quarterly	Quarterly after first 12 month lock up
International Hedge Fund (c)	1,117	-	Subject to approval	
Multi-strategy private equities (d)	15,247	$4,579	Subject to approval	
Total	**$43,619**	**$4,579**		

Assets at Fair Value as of May 31, 2015

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities (a)	$8,237	-	Monthly	6-15 days
U.S. real estate trusts (b)	9,462	-	Subject to approval	45 days before the quarter ends
International Hedge Fund (c)	8,704	-	Quarterly	Quarterly after first 12 month lock up
International Hedge Fund (c)	979	-	Subject to approval	
Multi-strategy private equities (d)	17,721	$6,939	Subject to approval	
Total	**$45,103**	**$6,939**		

(a) U.S. intermediate bond funds and equities include investments that are traded securities in the United States; however, the value of the trust itself can only be derived based on those holdings. The fair values of the investments are estimated using the net asset value (NAV) per share of the investments.

(b) U.S. real estate trusts include investments in a trust and a limited partnership that invest in real estate. Management of the trust and partnership manage their respective investment portfolios. The fair values of the investments in this category have been estimated using the NAV per share based on the best information available to the management of the trust.

(c) International hedge funds include investments in international securities outside the United States. Management of the trust and partnership manages their respective investment portfolios. The fair values of the investments are estimated using the NAV per share of the investments. A redemption request to liquidate total holdings is pending on fund manager approval.

(d) Multi-strategy private equities include investments that pursue multiple strategies that invest approximately 26% buyout, 26% venture, 33% special situations, 12% real estate and 3% international. The fair value is estimated using the NAV per share as calculated to the last actual reported capital account value plus subsequent capital calls less subsequent distributions. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

4. Investments and Funds Held in Trust by Others (continued)

The fair value measurement Level 3 reconciliation is as follows:

	Mineral Rights	Funds Held by Others	Total
Balance at May 31, 2014	**$2,165**	**$4,271**	**$6,436**
Net purchases and sales	-	-	-
Net gain realized and unrealized	(416)	267	(149)
Balance at May 31, 2015	**$1,749**	**$4,538**	**$6,287**
Net purchases and sales	-	-	-
Net gain realized and unrealized	(839)	(176)	(1,015)
Balance at May 31, 2016	**$910**	**$4,362**	**$5,272**

At May 31, investments included the Myra Stafford Pryor Free Enterprises Trust, a perpetual trust fund held by the University for a "Chair in Free Enterprise" and scholarships. Fair value does not include cash and cash equivalents.

	2016	2015
Fair value	$1,429	$1,478
Income distributed	87	85

At May 31, funds held in trust by others consisted of the Emil C.E. Jurica Endowment Trust, an irrevocable trust formed for the sole benefit of the University. Assets are held and managed by the Emil C.E. Jurica Endowment Trust trustees, and income is to be used for the Bill Greehey School of Business. The fair value of the funds held in trust by others is based on the University's portion of the fair value of the underlying investments held by the trust.

	2016	2015
Fair value	$4,362	$4,538
Income distributed	125	120

5. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of May 31:

	Estimated Useful Lives	2016	2015
Land		$601	$601
Buildings	45 years	113,381	107,993
Building improvements, parking lots and drives	20 years	34,632	31,696
Equipment	5 to 25 years	22,579	21,427
Library books	5 years	30,988	29,931
Land, buildings and equipment		**$202,181**	**$191,648**
Less accumulated depreciation		(98,214)	(92,240)
Land, buildings and equipment, net		**$103,967**	**$99,408**

6. Leases

Included in property and equipment at May 31, 2016, is equipment under capital leases of approximately $485, with accumulated depreciation of $339. The remaining lease payments as of May 31, 2016, are as follows:

2017	$98
2018	53
2019	15
2020	13
2021	-
Less interest	(20)
Total	**$159**

7. Indebtedness

Indebtedness at May 31 consisted of the following:

	Interest Rate	Final Maturity	2016 Principal Payments	Unpaid Principal 2016	Unpaid Principal 2015
$15,055 Revenue and Refunding Bonds of 1999 For extinguishment of 1990 Student Center Bonds, construction of a convocation center and new residence hall, and renovations to existing residence halls; issued through the City of San Antonio, Texas, Higher Education Authority, Inc.; refinanced in July 2010; payable semiannually	3.05%	May 2019	$1,016	$3,387	$4,403
$8,500 Revenue Bonds of 2007 For residence hall construction; issued through the City of Olmos Park, San Antonio, Texas, Higher Education Authority, Inc.; payable semiannually	3.43% to 4.35%	May 2032	280	5,345	5,625
$10,000 Revenue Bonds of 2008 For residence hall construction; issued through the City of Olmos Park, San Antonio, Texas Higher Education Authority, Inc.; payable semiannually	3.92%	May 2032	330	7,590	7,920
$9,091 SMHI to TPDC Note Payable 2012 From SMHI to TransPecos Development Corporation (TPDC); for capital improvements and construction; interest only payable annually through 2019; thereafter, principal and interest payable annually	1.036%	June 2042	-	9,091	9,091
$2,669 SMHI to TPDC Note Payable 2012 From SMHI to TPDC; for capital improvements and construction; Interest only payable annually through 2019; thereafter, Principal and interest payable annually	1.036%	June 2042	-	2,669	2,669
$7,000 Note Payable 2012 For facility renovations and other capital improvements; principal payable annually; Interest resets and payable monthly	LIBOR + 1.15%	March 2020	1,167	3,500	4,667

Combined aggregate amount of principal maturities and interest for indebtedness are as follows:

	Principal	Interest
2017	$2,868	$792
2018	2,954	717
2019	3,040	639
2020	830	452
2021	12,385	413
Thereafter	9,505	2,286
Total	**$31,582**	**$5,299**

8. Net Assets Released From Restrictions

Sources of net assets released from temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows during the years ended May 31:

	2016	2015
Academic programs	$3,023	$2,069
Community service	317	265
Operational support	477	796
Scholarships	3,569	3,588
Total operating activities	**$7,386**	**$6,718**
Non-operating activities, building improvement	**$ -**	**$1,391**

9. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of gifts, other unexpended revenues and gains restricted for the following as of May 31:

	2016	2015
Academic programs	$21,310	$27,146
Community service	1,342	667
Operational support and construction	4,815	2,340
Scholarships	27,563	31,110
Total	**$55,030**	**$61,263**

Permanently restricted net assets consist of endowment gifts and funds held in trust by others. The income from these invested net assets is primarily dedicated for academic programs, scholarships, operational support and construction, and is recorded as temporarily restricted income.

10. Endowment Net Asset Classifications

The University endowment consists of 353 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds 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.

The Board of Trustees of the University has interpreted the Texas Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as requiring 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. As a result of this interpretation, the University classifies as permanently net restricted assets (a) the original value of gifts donated to the University 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: duration and preservation of the fund; purposes of the University and the donor-restricted endowment fund; general economic conditions; possible effect of inflation and deflation; expected total return from income and the appreciation of the investments; other sources of the University; and investment policies of the University.

The University has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets.

Endowment investments are diversified to achieve a reasonable defense against loss of corpus or future purchasing power while stabilizing the amount available for current spending. Taking these factors into consideration, the University's spending policy is to distribute up to 4.75% of the three-year moving average of the total endowment market value.

The endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2015	**$57,067**	**$54,249**	**$71,681**	**$182,997**
Investment return				
Investment income	473	902	-	1,375
Net depreciation	(2,766)	(5,634)	(175)	(8,575)
Total investment loss	**(2,293)**	**(4,732)**	**(175)**	**(7,200)**
Contributions	-	-	399	399
Appropriated for expenditure	(2,558)	(5,658)	-	(8,216)
Unexpended	-	785	-	785
Endowment net assets, May 31, 2016	**$52,216**	**$44,644**	**$71,905**	**$168,765**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, were $158 and $0 as of May 31, 2016 and 2015, respectively. These deficiencies resulted from

10. Endowment Net Asset Classifications (continued)

unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

11. Related-Party Transactions

The Society of Mary is represented on the University Board of Trustees and the Corporation. The Members of the Corporation (Provincial Superior and three other Provincial Council members of the Society of Mary, Province of the United States, President of the University, and the Chairperson of the Board of Trustees), upon recommendation of the Board of Trustees, approve the Bylaws of the University, the nomination of the individuals to serve on the Board of Trustees, the sale and transfer of properties and the distribution of assets in the event of dissolution. The Society of Mary of the Marianist Province of the United States (Marianists) and the Marianists Trusts combined contributed amounts to the University of $498 and $402 for the years ended May 31, 2016 and 2015, respectively. These contributions are reported as temporarily restricted private gifts.

The University entered into an agreement to lease certain real property to the Marianists during fiscal year 2004. The lease is for a term of 50 years with two 10-year renewal options. The University recorded a contribution payable of approximately $124 at May 31, 2004, to reflect the fair market value, discounted at 5.5% of the lease. The contribution payable is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position. The Marianists own and operate certain properties within the University's campus boundaries. The University pays certain bills on behalf of the Marianists and then is reimbursed on a periodic basis. At May 31, 2016 and 2015, receivables of approximately $9 and $18, respectively, are included in accounts receivable.

The University receives endowment gifts from the University Alumni Association, a separate nonprofit organization that is not consolidated into the accompanying consolidated financial statements of the University. Gifts from the Association totaled $355 and $621 for the years ended May 31, 2016 and 2015, respectively. These gifts are recorded as permanently or temporarily restricted private gifts.

The University received $296 and $97 in contributions from various Board members for the years ended May 31, 2016 and 2015, respectively.