KPMG

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
The University of the Sciences in Philadelphia:

We have audited the accompanying financial statements of the University of the Sciences in Philadelphia, which comprise the statements of financial position as of June 30, 2015 and 2014, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of the Sciences in Philadelphia as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
November 13, 2015

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statements of Financial Position

June 30, 2015 and 2014

Assets		**2015**	**2014**
Cash and cash equivalents	$	22,309,886	24,277,957
Receivables, net:			
Student accounts		2,065,182	1,908,981
Student loans		5,528,446	5,842,637
Government		3,459,492	3,839,760
Contributions		1,772,865	2,157,257
Other		258,394	277,727
Prepaid expenses and other assets		1,403,326	1,229,984
Debt service reserve fund		—	5,525,630
Investments		188,538,551	191,579,811
Unexpended bond proceeds held by trustee		984,086	1,853,263
Beneficial interest in trusts		534,558	566,804
Land, buildings, and equipment, net		132,742,303	133,334,607
Total assets	$	359,597,089	372,394,418
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	9,757,945	11,069,882
Tuition deposits and deferred revenue		10,903,848	10,678,264
Annuity liabilities		240,857	251,771
Other liabilities		206,384	204,357
Refundable government grants and loans		5,331,109	5,321,679
Bonds payable, net		126,028,101	130,589,348
Total liabilities		152,468,244	158,115,301
Unrestricted		145,697,705	151,176,898
Temporarily restricted		17,298,826	19,775,786
Permanently restricted		44,132,314	43,326,433
Total net assets		207,128,845	214,279,117
Total liabilities and net assets	$	359,597,089	372,394,418

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statement of Activities

Year ended June 30, 2015
(with comparative total for year ended June 30, 2014)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	June 30, 2014 Total
Operating revenue:					
Tuition and fees, gross	$ 102,822,107	—	—	102,822,107	101,481,734
Less direct grants and allowances	(33,894,420)	—	—	(33,894,420)	(32,588,682)
Tuition and fees, net	68,927,687	—	—	68,927,687	68,893,052
Government grants	2,059,135	—	—	2,059,135	4,373,644
Investment Income, including endowment payout of $6,600,000	9,880,488	—	—	9,880,488	9,190,412
Educational departments	76,542	—	—	76,542	81,864
Private gifts and grants	3,325,509	—	—	3,325,509	3,092,829
Auxiliary services	9,017,034	—	—	9,017,034	9,318,216
Investment income, including endowment Other	606,420	—	—	606,420	382,152
Total operating revenue	93,892,815	—	—	93,892,815	95,332,169
Operating expenses:					
Instruction	38,726,763	—	—	38,726,763	38,452,152
Research	4,617,061	—	—	4,617,061	4,290,195
Academic support	9,164,230	—	—	9,164,230	9,516,268
Student services	18,159,653	—	—	18,159,653	17,586,946
Institutional support	13,939,441	—	—	13,939,441	13,827,484
Scholarships	426,946	—	—	426,946	372,503
Auxiliary enterprises	7,185,653	—	—	7,185,653	7,011,373
Total operating expenses	92,219,747	—	—	92,219,747	91,056,921
Change in net assets from operating activities	1,673,068	—	—	1,673,068	4,275,248
Nonoperating:					
Contributions restricted for long-term investments	—	—	539,666	539,666	754,567
Net loss on long-term investments after endowment payout of $6,600,000	(4,742,932)	(1,986,911)	—	(6,729,843)	15,985,153
Investment income	—	—	266,215	266,215	7,904
Annuity adjustments	—	(9,596)	(12,445)	(22,041)	(9,987)
Postretirement benefit related changes other than net periodic postretirement cost	18,500	—	—	18,500	(53,331)
Deficiencies in historical values	(74,495)	62,050	12,445	—	—
Loss on refinance of bonds	(2,173,924)	—	—	(2,173,924)	—
Other	(721,913)	—	—	(721,913)	(814,446)
Net assets released from restrictions	542,503	(542,503)	—	—	—
Change in net assets from nonoperating activities	(7,152,261)	(2,476,960)	805,881	(8,823,340)	15,869,860
Total change in net assets	(5,479,193)	(2,476,960)	805,881	(7,150,272)	20,145,108
Net assets – beginning of year	151,176,898	19,775,786	43,326,433	214,279,117	194,134,009
Net assets – end of year	$ 145,697,705	17,298,826	44,132,314	207,128,845	214,279,117

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statement of Activities

Year ended June 30, 2014
(with comparative total for year ended June 30, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	June 30, 2013 Total
Operating revenue:					
Tuition and fees, gross	$ 101,481,734	—	—	101,481,734	97,070,717
Less direct grants and allowances	(32,588,682)	—	—	(32,588,682)	(29,505,847)
Tuition and fees, net	68,893,052	—	—	68,893,052	67,564,870
Government grants	4,373,644	—	—	4,373,644	2,317,236
Investment income, including endowment payout of $6,300,000	9,190,412	—	—	9,190,412	9,101,486
Educational departments	81,864	—	—	81,864	108,537
Private gifts and grants	3,092,829	—	—	3,092,829	3,519,870
Auxiliary services	9,318,216	—	—	9,318,216	8,863,539
Investment income, including endowment					
Other	382,152	—	—	382,152	336,097
Total operating revenue	95,332,169	—	—	95,332,169	91,811,635
Operating expenses:					
Instruction	38,452,152	—	—	38,452,152	37,648,117
Research	4,290,195	—	—	4,290,195	4,348,226
Academic support	9,516,268	—	—	9,516,268	9,133,908
Student services	17,586,946	—	—	17,586,946	15,867,299
Institutional support	13,827,484	—	—	13,827,484	14,192,505
Scholarships	372,503	—	—	372,503	453,236
Auxiliary enterprises	7,011,373	—	—	7,011,373	7,259,245
Total operating expenses	91,056,921	—	—	91,056,921	88,902,536
Change in net assets from operating activities	4,275,248	—	—	4,275,248	2,909,099
Nonoperating:					
Contributions restricted for long-term investments	—	213,622	540,945	754,567	2,050,357
Net gain on long-term investments after endowment payout of $6,300,000	10,699,475	5,285,678	—	15,985,153	9,362,669
Investment income		—	7,904	7,904	31,254
Annuity adjustments	—	466	(10,453)	(9,987)	769
Postretirement benefit related changes other than net periodic postretirement cost	(53,331)	—	—	(53,331)	(251,563)
Recoveries in deficiencies in historical values	1,180,243	(1,190,696)	10,453	—	—
Other	(814,446)	—	—	(814,446)	—
Net assets released from restrictions	162,168	(162,168)	—	—	—
Change in net assets from nonoperating activities	11,174,109	4,146,902	548,849	15,869,860	11,193,486
Total change in net assets	15,449,357	4,146,902	548,849	20,145,108	14,102,585
Net assets – beginning of year	135,727,541	15,628,884	42,777,584	194,134,009	180,031,424
Net assets – end of year	$ 151,176,898	19,775,786	43,326,433	214,279,117	194,134,009

See accompanying notes to financial statements.

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	(7,150,272)	20,145,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		7,749,242	7,273,286
Contributions and Grants restricted for long-term investments		(539,666)	(754,567)
Net loss (gain) on long-term investments		97,597	(22,230,832)
Cancellations and allowance for student loans		156,733	225,000
Loss on bond refinancing		2,173,924	—
Change in capital grants receivable		—	(2,500,000)
Changes in operating assets and liabilities:			
Change in fair value of beneficial interest in trust		32,246	(54,321)
Student accounts receivable		(156,201)	137,019
Government receivables		380,268	(552,959)
Contributions receivable		384,392	268,413
Other receivables		19,333	1,989
Accounts payable and accrued liabilities		(909,139)	(762,866)
Refundable government grants and loans		9,430	47,801
Tuition deposits and deferred revenue		225,584	40,693
Prepaid expenses and other current assets		(173,342)	(267,712)
Annuity liabilities		(10,914)	(17,805)
Other liabilities		2,027	34,020
Net cash provided by operating activities		2,291,242	1,032,267
Cash flows from investing activities:			
Proceeds from sale of investments		25,758,744	16,395,205
Purchase of investments		(23,245,178)	(11,963,654)
Change in cash held in investment portfolio		430,097	(32,020)
Disposal of property and equipment		231,248	—
Disbursements for loans to students		(688,637)	(744,375)
Accrued interest from loans to students		(38,295)	(43,744)
Repayment of loans by students		884,390	961,996
Purchase of property and equipment		(7,900,596)	(25,465,573)
Net cash used in investing activities		(4,568,227)	(20,892,165)
Cash flows from financing activities:			
Contributions and grants restricted for long-term investments		539,666	754,567
Proceeds from bond issuance		94,984,781	—
Use of unexpended bond proceeds		6,394,807	23,303,335
Payment for debt issuance costs		(859,240)	(4,482)
Repayment of bonds		(100,751,100)	(2,255,000)
Net cash provided by financing activities		308,914	21,798,420
Net (decrease) increase in cash and cash equivalents		(1,968,071)	1,938,522
Cash and cash equivalents – beginning of year		24,277,957	22,339,435
Cash and cash equivalents – end of year	$	22,309,886	24,277,957
Supplemental disclosures of cash flow information – noncash investing activities:			
Accrued purchases of property and equipment	$	466,698	869,496
Cash paid for interest		5,124,524	4,615,614

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The University of the Sciences in Philadelphia (the University) is a nonprofit independent institution of higher education with a commitment to excellence in teaching, research, and service. The institution consists of the following four colleges:

Philadelphia College of Pharmacy
Misher College of Arts and Sciences
Samson College of Health Sciences
Mayes College of Healthcare Business and Policy

The mission of the University is to provide undergraduate, professional, and graduate education in the health professions and natural sciences. The University is committed to the principles of equal employment and equal access to education for all persons, regardless of gender, age, disability, race, creed, color, sexual orientation, or national origin.

During the year ended June 30, 2015, the University enrolled 2,748 students, which is equivalent to 2,594 full-time students, or 2,324 undergraduate and first degree students plus 270 graduates and other program majors. The undergraduate classes' primary areas of study are doctor of pharmacy at 48% and physical therapy at 14%.

(a) Basis of Presentation

The financial statements of the University, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions in three separate classes of net assets.

The three net assets categories reflected in the accompanying financial statements are as follows:

- *Unrestricted* – Net assets that are free of donor-imposed restrictions. This category includes realized and unrealized gains on quasi-endowment investments.
- *Temporarily Restricted* – Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations. This category includes realized and unrealized gains on permanently restricted endowment that are in excess of the Board of Trustees' approved spending rule. Temporarily restricted net assets, which are received and used within the same year, are reported as unrestricted.
- *Permanently Restricted* – Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University.

(b) Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with a maturity date not exceeding 90 days at the date of purchase.

(c) Concentration of Credit Risk

The University's financial instruments, which are exposed to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and deposits with bond trustees. These funds are held in various high-quality financial institutions managed by the University's personnel and outside advisors. The University maintains its cash and cash equivalents in financial institutions, which at times exceed federally insured limits. The University believes that the concentrations of credit risk are limited to its cash and cash equivalents, investments, and deposits with bond trustees. The University has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk in cash accounts.

(d) Deposits with Trustees

Unexpended bond proceeds held by trustees and debt reserve funds represent funds held in trust in accordance with the University's outstanding debt agreements. These funds are reported at fair value and are considered Level 1 inputs within the fair value hierarchy as described in note 10.

(e) Investments

The fair value of investments is based upon quoted market values provided by external investment custodians, when available.

The estimated fair value of certain alternative investments, such as hedge fund, private equity, real estate, and other investments, are based on the reported net asset value per share as reported by the investment manager, as a practical expedient as of June 30, 2015 and 2014. Investments in such funds do carry certain risks including lack of regulatory oversight, interest rate risk and market risk. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in risk factors in the near term might materially affect the amounts reported in the statements of financial position. Certain investments that are measured at fair value using the net asset value per share practical expedient (NAV) have not been recognized in the fair value hierarchy (see note 10). Investment sales and purchases are recorded on a trade-date basis.

(f) Beneficial Interest in Trusts

These funds represent resources neither in the possession of nor under the control of the University, but are paid and administered by outside trustees, with the University deriving income or a residual interest from the assets of such funds. They are recorded using Level 3 inputs as described in note 10 at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence.

(g) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment has been received. Unconditional promises are recognized at the estimated present value of the future cash flows, which are considered Level 3 inputs to fair value as described in note 10, net of allowances. Conditional promises are recorded when donor stipulations are substantially met. Promises of noncash assets are recorded at their fair value. Contributions restricted for capital purposes are released from restriction when the asset is placed into use.

(h) Allowances for Doubtful Accounts

The allowances for doubtful accounts on student accounts, student loans, government, contribution and other receivables are provided based upon management's judgment 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. At June 30, 2015 and 2014, the allowance for doubtful accounts was $4,297,855 and $4,157,855, respectively. Allowance for doubtful accounts consists of the following:

		2015	2014
Student accounts	$	1,654,000	1,655,000
Student loans:			
Federal government programs		843,000	812,000
Institutional programs		1,800,855	1,690,855
Net student loans		2,643,855	2,502,855
Total allowance for doubtful accounts	$	4,297,855	4,157,855

(i) Land, Buildings, and Equipment

Plant assets are stated at cost. Contributed assets, which are used for operations, are stated at fair value as of the date donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings (40-60 years) and equipment (5-25 years).

Maintenance repairs and minor replacements are charged to expense as incurred.

(j) Tuition and Fees

The University maintains a policy of offering qualified applicants admission without regard to financial circumstances. This policy provides for financial aid to those admitted in the form of direct grants, loans, and employment during the academic year. Tuition and fees have been reduced by these direct grants.

(k) Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt and on an allocation based on square footage.

(l) Fair Value of Other Financial Instruments

The fair value of cash and cash equivalents, student and other accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses and other liabilities approximate their respective carrying amounts, and are valued using Level 3 inputs to fair value as described in note 10. The fair value of long-term debt is estimated based primarily on quoted market prices of similar bonds, which are considered Level 2 inputs to fair value as described in note 10.

(m) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates and assumptions relate to the determination of the allowances for receivables, alternative investment values, useful lives of fixed assets, assumptions related to postretirement benefits, and allocation of certain expenses.

(n) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment, capital or unusual and nonrecurring nature including contributions to be invested by the University to generate a return that will support future operations, contributions to be used for facilities and equipment, annuity adjustments and pension related changes other than net periodic pension cost. Realized and unrealized gains and losses in excess of the University’s spending policy for operations are recorded as nonoperating revenue or expense.

(o) Tax Status

The University has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the University is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provisions for income taxes have been made in the accompanying financial statements for 2015 or 2014.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The University uses a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2015 and 2014, the University does not have any uncertain tax position or any unrelated business income tax liability which would have a material impact on its financial statements.

(p) Conditional Asset Retirement Obligation

The University considers a conditional asset retirement an obligation that includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and/or method of settling the obligation is conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The University records the fair value of a liability for a legal obligation associated with an asset retirement in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized. At June 30, 2015 and 2014, the conditional asset retirement obligation was $679,980 and $672,263, respectively. The liability is recorded as a component of accounts payable and accrued liabilities in the statements of financial position.

(q) Fundraising

Institutional support expenses included fundraising costs of $1,498,000 and $1,954,854 for the years ended June 30, 2015 and 2014, respectively. Fundraising costs include the salaries and employee benefits of staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising costs are expensed as incurred.

(r) Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). 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 early-adopted ASU 2015-03 as of June 30, 2015, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of $1,260,819 and $2,713,712 of unamortized debt issuance costs related to the University's long-term debt (note 6) from other assets to long-term debt within its consolidated balance sheets as of June 30, 2015 and June 30, 2014, 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per share (or its equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value (NAV) per share as a practical expedient. It also removes the requirement to make certain disclosures for all investments valued using NAV as a practical expedient. The University has elected to early adopt ASU 2015-07 as permitted, and the presentation in note 10 has been applied retrospectively. Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2015 and 2014, student loans represented 1.5% and 1.6% of total assets, respectively.

At June 30, student loans consisted of the following:

		2015	2014
Federal government programs, net of cancellations	$	5,475,170	5,701,635
Institutional programs		2,697,131	2,643,857
Total programs		8,172,301	8,345,492
Less allowance for doubtful accounts:			
Beginning of year		(2,502,855)	(2,277,835)
Increases		(141,000)	(225,020)
End of year		(2,643,855)	(2,502,855)
Student loans receivable, net	$	5,528,446	5,842,637

The University participates in various federal revolving loan programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loans.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

For substantially all institutional loans, it is not anticipated that repayment will be made and the loans have been fully reserved.

At June 30, 2015 and 2014, the following amounts were past due under federal student loan programs:

June 30		1-60 days past due	60-90 days past due	90+ days past due	Total past due
2015	$	3,075	859	780,945	784,879
2014		4,665	127	717,626	722,418

(3) Contributions Receivable

Contributions receivable consisted of the following at June 30:

		2015	2014
Contributions receivable in:			
Less than one year	$	347,000	393,350
Greater than one year and thereafter		1,980,000	2,339,285
		2,327,000	2,732,635
Less discount to present value		(554,135)	(575,378)
	$	1,772,865	2,157,257

For the years ended June 30, 2015 and 2014, the University's discount rate was 3%. There was no allowance related to contributions receivable at June 30, 2015 and 2014.

(4) Investments

The fair values of the University's investments by type of investment were as follows at June 30:

		2015	2014
Money market accounts	$	2,223	432,320
Asset class:			
Fixed income		33,472,170	33,048,119
Asset allocation		57,397,862	58,284,461
Domestic equity		29,063,009	33,134,918
International equity		23,437,418	23,737,151
Alternative and limited partnerships		45,165,869	42,942,842
	$	188,538,551	191,579,811

Investment return is summarized as follows for the years ended June 30, 2015 and 2014:

		2015	2014
Dividend and interest income	$	5,284,227	5,083,318
Realized and unrealized gains (losses)		(410,253)	21,517,637
Investment management fees		(1,457,114)	(1,417,486)
	$	3,416,860	25,183,469

Investment return is classified in the statement of activities as follows for the years ended June 30, 2015 and 2014:

		2015	2014
Operating	$	9,880,488	9,190,412
Nonoperating		(6,463,628)	15,993,057
	$	3,416,860	25,183,469

(5) Land, Buildings, and Equipment

Land, buildings, and equipment at June 30 consisted of the following:

		2015	2014
Land and improvements	$	8,517,744	8,517,744
Buildings and improvements		192,170,020	187,275,719
Equipment		24,028,346	22,573,333
Construction in progress		637,058	102,080
		225,353,168	218,468,876
Less accumulated depreciation		(92,610,865)	(85,134,269)
	$	132,742,303	133,334,607

The University recorded depreciation expense of $7,858,854 and $7,274,673 for the years ended June 30, 2015 and 2014, respectively.

(6) Bonds Payable

Bonds payable is comprised of the following at June 30:

		2015	2014
Series 2005A – 3.0% to 5.0%; maturing 11/1/2033			
and 11/1/2036 (a)	$	—	32,895,000
Series of 2005A net premium		—	490,716
Series of 2005A net issuance cost		—	(645,107)
Series of 2008 – 3.5% to 5.0%; maturing 11/1/2032			
and 11/1/2037 (b)		—	66,235,000
Series of 2008 net premium		—	1,211,127
Series of 2008 net issuance cost		—	(1,637,240)
Series of 2012 – 4.0% to 5.0%; maturing 11/1/2039			
and 11/1/2042 (c)		31,000,000	31,000,000
Series of 2012 net premium		1,409,914	1,471,217
Series of 2012 net issuance cost		(413,773)	(431,365)
Series of 2015 – 4.0% to 5.0%; maturing 11/1/2033			
and 11/1/2036 (d)		90,300,000	—
Series of 2015 net premium		4,570,319	—
Series of 2015 net issuance cost		(838,359)	—
Total bonds payable, net	$	126,028,101	130,589,348

(a) On January 15, 2005, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued 2005A tax-exempt bonds totaling $40,545,000. Proceeds were used to establish refunding escrows for the 1995 and 1998 PHEFA bonds, to redeem the 2002 PHEFA bonds, for the construction and equipping of a new science and technology center, the expansion of the central utility plant, and other capital projects, plus the payment of capital interest expense and certain debt issuance expenses. These bonds are insured and are secured by a mortgage on the McNeil Science and Technology Center. The 2005A PHEFA bonds are fixed-rate instruments.

(b) On May 17, 2008, the PHEFA issued 2008 tax-exempt bonds totaling $67,400,000 on behalf of the University. Proceeds were used to redeem the 2005B and the 2006 PHEFA bonds and certain debt issuance costs as well as to establish a debt service reserve fund. The 2008 PHEFA bonds are fixed-rate instruments.

(c) On September 12, 2012, the PHEFA issued 2012 tax-exempt bonds totaling $31,000,000 on behalf of the University. Debt proceeds were used to fund project expenditures for the construction of a new academic facility in addition to payments for issuance costs and capitalized interest.

(d) On February 25, 2015 the PHEFA issued 2015 tax-exempt bonds totaling $90,300,000 on behalf of the University. Debt proceeds were used to redeem the 2005A and the 2008 PHEFA bonds and certain debt issuance costs. As a result, the 2005A and 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed.

All bonds of the University have been issued by PHEFA. The University is obligated to the PHEFA under a loan instrument providing for payments equal to the amount of the debt service on the revenue bonds. The University is also required to meet certain liquidity and net revenue covenants. The University was in compliance with its debt covenants at June 30, 2015 and 2014.

The estimated fair value of long-term debt is based on quoted market prices for the same or similar issues. At June 30, 2015 and 2014, the estimated fair value was $130,021,620 and $136,579,889, respectively. The June 30, 2015 estimated fair value is $8,721,620 more than its face value of $121,300,000.

The maturities of all bonds for the next five years and thereafter ending June 30 are as follows:

		Maturing
2016	$	965,000
2017		2,290,000
2018		2,315,000
2019		2,375,000
2020		2,480,000
Thereafter		110,875,000
Total	$	121,300,000

(7) Line of Credit

As of June 30, 2015 and 2014, the University had an available line of credit in the amount of $2,000,000 with interest charged at the bank's prime rate which is renewable annually that expires on April 10, 2016. There is no specific amount required for compensating balance and no outstanding liability as of June 30, 2015 or 2014.

(8) Net Assets

The components of the major classifications of net assets at June 30 are as follows:

		2015	2014
Unrestricted net assets:			
Unallocated	$	1,919,871	1,919,825
Designated for:			
Specific purposes, University's and department's		2,572,768	2,234,618
Student loans		3,325,201	3,181,181
Funds functioning as endowment		112,710,354	117,527,781
Future investment in facilities		18,749,514	15,729,994
Net investment in plant		6,419,997	10,583,499
	$	145,697,705	151,176,898

		2015	2014
Temporarily restricted net assets:			
Purpose restrictions for instruction, scholarships and capital expenditures	$	5,418,300	5,960,806
Endowment earnings in excess of spending policy		11,749,791	13,666,923
Annuities		130,735	148,057
	$	17,298,826	19,775,786
Permanently restricted net assets:			
Student loans	$	109,105	172,764
Endowment for:			
General operations		8,854,043	11,289,528
Research		7,916,752	7,517,698
Student/Academic support		1,500,219	1,311,167
Instruction		4,823,218	4,710,523
Scholarships		20,927,002	18,322,778
Annuities (endowment)		1,975	1,975
	$	44,132,314	43,326,433

(9) Postretirement Benefits Other than Pensions

The University provides certain health care and life insurance benefits for retired employees who reach retirement age while working for the University. The University accrues for expected medical and other postretirement benefits over the years that the employees render the necessary service. The University has recognized its benefit obligation of $127,579 and $146,079 at June 30, 2015 and 2014 for its postretirement benefit plans in the statements of financial position.

(10) Fair Value Measurements

The University has valued its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Financial assets and liabilities whose values are based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in nonactive markets;

3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or assets that have near-term liquidity (within 90 days of June 30);

4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

NAV Financial assets and liabilities whose values are based on using the net asset value per share as a practical expedient are excluded from the fair value hierarchy and are reported to permit reconciliation of the fair value hierarchy to the amounts in the statement of financial position.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications are reported as transfers as of the beginning of the year in which reclassifications occur.

The following provides a brief description of the types of financial instruments the University holds, the methodology for estimating fair value, and the level within the hierarchy of the estimate for recurring financial instruments.

(a) Beneficial Interest in Trusts

Donors have established and funded trusts that are controlled by outside organizations. These funds are valued based on the estimated fair value of the underlying assets or the present value of future cash flows, which are Level 3 inputs to fair value.

(b) Investments

Money market accounts: Funds designed to earn competitive yields on short-term investments. These are valued using Level 1 inputs.

Fixed income: Funds designed to add value above the return of the broad U.S. bond market over a full market cycle and reduce the risk in comparison to that of investing in the index. Funds valued at closing prices reported on an active market, are categorized in the fair value hierarchy as using Level 1 inputs. Funds valued at Net Asset Value as a practical expedient to fair value are excluded from the fair value hierarchy. They are included in the tables below to reconcile fair value hierarchy to total investments.

Asset allocation: Funds designed to improve the net investment returns by making available a series of investment vehicles, each with its own investment objective and thus attaining a growth stream of current income and appreciation of principal to at least offset inflation. Publicly traded funds are valued at the closing price reported on active markets which are Level 1 inputs. Funds valued at Net Asset Value as a practical expedient to fair value are excluded from the fair value hierarchy. They are included in the tables below to reconcile fair value hierarchy to total investments.

Domestic equity: Funds designed to provide net investment returns that correspond to the total return of publicly traded common stocks in the aggregate, as represented by the S&P 500 Composite Stock Price index. These funds are valued at the closing prices reported on an active market, which are Level 1 inputs.

International equity: Funds designed to provide long-term returns by investing primarily in a diversified portfolio that corresponds to the performance of securities held in the Morgan Stanley Country Index – Europe, Asia, Far East (MSCI EAFE) and Morgan Stanley Country Index – All Country World Index (MSCI – ACWIEX US). These investments are valued at closing prices reported on an active market, which are Level 1 inputs.

Alternative and limited partnerships: Alternative and hedge funds are funds designed to outperform the S&P index over a full market cycle, while also providing some protection during down markets. Limited partnerships are funds used to protect against inflation and have a primary objective of creating income and capital preservation over the long term. Funds valued at Net Asset Value as a practical expedient to fair value are excluded from the fair value hierarchy. They are included in the tables below to reconcile fair value hierarchy to total investments.

(Continued)

The following tables' present information about the University's assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the University to determine such fair value.

June 30, 2015		Level 1	Level 2	Level 3	NAV	Total
Beneficial interest in trusts	$	—	—	534,558	—	534,558
Investments:						
Money market accounts		2,223	—	—	—	2,223
Asset class:						
Fixed income		29,301,782	—	—	4,170,388	33,472,170
Asset allocation		—	—	—	57,397,862	57,397,862
Domestic equity		29,063,009	—	—	—	29,063,009
International equity		23,437,418	—	—	—	23,437,418
Alternative and limited partnerships:						
Private equity		—	—	—	12,562,901	12,562,901
Hedge		—	—	—	17,956,298	17,956,298
Inflation hedge		—	—	—	5,374,821	5,374,821
Absolute		—			9,271,849	9,271,849
Total investments		81,804,432	—	—	106,734,119	188,538,551
Total assets	$	81,804,432	—	534,558	106,734,119	189,073,109

June 30, 2014		Level 1	Level 2	Level 3	NAV	Total
Beneficial interest in trusts	$	—	—	566,804	—	566,804
Investments:						
Money market accounts		432,320	—	—	—	432,320
Asset class:						
Fixed income		28,963,377	—	—	4,084,742	33,048,119
Asset allocation		—	—	—	58,284,461	58,284,461
Domestic equity		33,134,918	—	—	—	33,134,918
International equity		23,737,151	—	—	—	23,737,151
Alternative and limited partnerships:						
Private equity		—	—	—	9,574,553	9,574,553
Hedge		—	—	—	17,523,007	17,523,007
Inflation hedge		—	—	—	6,831,153	6,831,153
Absolute		—	—	—	9,014,129	9,014,129
Total investments		86,267,766	—	—	105,312,045	191,579,811
Total assets	$	86,267,766	—	566,804	105,312,045	192,146,615

In the fiscal year ended June 30, 2015 and 2014 respectively, there were no transfers among Levels 1, 2 and 3 assets.

The following table represents the fair value measurements of investments in certain entities that calculate net asset value (NAV) per share (or its equivalent) as of June 30, 2015 and the University's ability to redeem out of these investment funds as follows:

		NAV	Unfunded commitments	Redemption frequency	Redemption notice period
Asset allocation (a)	$	49,316,658	—	daily	1 day
Asset allocation (b)		8,081,204	—	annually	14 days
Alternative private equity (c)		12,562,901	7,946,270	n/a	n/a
Alternative hedge (d)		8,709,383	—	quarterly	70 days
Alternative hedge (e)		9,246,915	—	annually	90 days
Alternative inflation hedge (f)		5,374,821	—	monthly	8 – 10 days
Alternative absolute (g)		9,271,849	—	semi- annually	100 days before March 31 or September 30
Fixed Income (h)	$	4,170,388	—	daily	1 day
	$	106,734,119	7,946,270		

(a) Investments in various global multi-asset funds that invest in diversified portfolios of bonds, stocks and cash equivalents.

(b) Invests in a diversified global asset class with active security selection focusing on long-term preservation of purchasing power rather than a focus on short-term returns. These funds provide distributions.

(c) Comprised of various private equity funds that invest primarily in U.S. media and communications industry and/or life science and health care industries.

(d) Seeks to generate an attractive level of absolute and risk adjusted returns, with a low volatility and low correlation to global fixed income and equity markets.

(e) Primarily invests in a diversified portfolio of hedge fund managers with an objective to provide returns that exhibit moderate volatility and a low correlation to overall stock and bond markets. As of June 30, 2015, this investment is subject to a one-year lock-up period.

(f) Primarily invests in markets that perform the strongest in inflationary environments, and in U.S. equity and diversifying global equity and fixed income. The funds provide distributions upon liquidation of the underlying assets.

(g) Pooled fund that invests primarily in limited partnerships, limited liability companies, or non-U.S. corporations. Valuation of interests in underlying investment funds is based on an amount equal to the pool's pro-rata interest in net assets, which are calculated at the close of business on each offering date (last business day of the month) by dividing the assets of each series less its liabilities by the number of outstanding shares of each series.

(Continued)

(h) Primarily invests in a portfolio of senior secured loans which may include: subordinated high yield loans, high yield bonds, noninvestment grade fixed income or debt securities and any other instruments determined to be consistent with investment objectives to be consistent with investment objectives.

(11) 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 University's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds, annuities, and funds designated by the Board of Trustees to function as quasi-endowments.

(a) Interpretation of Relevant Law

The Board of Trustees of the University has interpreted relevant law 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 restricted net assets (a) original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the University's spending policy.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. Approximately $325,000 and $250,000 were underwater as of June 30, 2015 and 2014, respectively. In the year ended June 30, 2014, $1,180,243 of the previous charge to unrestricted net assets due to unfavorable market conditions was recovered. In the year ended June 30, 2015 an additional $74,495 in deficiencies were recorded.

(c) Endowment Investment Policy

The endowment's assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. Under this approach, as approved by the Investment Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to achieve a positive rate of return over the long term that would contribute to the cash flow needs of the organization for ongoing operations, special initiatives and capital projects in support of the University; plus, the endowment assets are to provide for asset growth at a rate in excess of the rate of inflation using the Higher Education Price Index (HEPI index) net of expenses to achieve investment results over the long term that compare favorably with those of other similar-sized endowments and foundations, professionally managed portfolios and appropriate market indexes.

(d) Endowment Spending Policy

The University has a spending rule policy for the majority of the endowment fund's asset pool, whereby each participating fund earns investment income on the basis of subscribed units. These units are acquired and disposed at fair market value as determined on a quarterly basis.

In order to balance current needs with preserving the spending power of the endowment, the Board of Trustees set a spending rate of the fair value of the endowment to be available for operations. This rate was 6.0% and 5.9%, respectively, for the years ended June 30, 2014 and 2015. The University applies the spending rate to an average of the pooled endowment fair value for the 12 trailing quarterly periods ending as of December 31 of the prior fiscal year. The Board expects a 5.8% draw for the upcoming June 30, 2016 fiscal year.

(e) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The rationale for including alternative strategy managers in the University's portfolio is to reduce overall volatility while providing equity-like returns. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had low correlations to traditional asset classes, thus providing diversification benefits at the total fund level.

(f) Endowment and Similar Fund Activity

	June 30, 2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, beginning of year	$ 117,527,781	13,814,982	43,153,667	174,496,430
Net loss on long-term investments	(69,115)	(60,728)	—	(129,843)
Appropriation of endowment assets for operations (draw)	(4,673,817)	(1,926,183)	—	(6,600,000)
Contributions	—	—	539,666	539,666
Transfer of net assets released from restrictions – income purpose satisfied	—	—	—	—
Other changes:				
Other adjustments	—	(9,595)	317,431	307,836
Deficiencies in historical values	(74,495)	62,050	12,445	—
Total other changes	(74,495)	52,455	329,876	307,836
Net assets, end of year	$ 112,710,354	11,880,526	44,023,209	168,614,089
June 30, 2015:				
Donor-restricted endowment funds	$ (330,857)	11,880,526	44,023,209	55,572,878
Board-designated funds	113,041,211	—	—	113,041,211
	$ 112,710,354	11,880,526	44,023,209	168,614,089

	June 30, 2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, beginning of year	$ 105,647,936	9,730,448	42,586,110	157,964,494
Net gain on long-term investments	14,842,993	7,442,158	—	22,285,151
Appropriation of endowment assets for operations (draw)	(4,143,391)	(2,156,609)	—	(6,300,000)
Contributions	—	—	540,945	540,945
Transfer of net assets released from restrictions – income purpose satisfied	—	(9,970)	—	(9,970)
Other changes:				
Other adjustments	—	(349)	16,159	15,810
Recoveries of deficiencies in historical values	1,180,243	(1,190,696)	10,453	—
Total other changes	1,180,243	(1,191,045)	26,612	15,810
Net assets, end of year	$ 117,527,781	13,814,982	43,153,667	174,496,430
June 30, 2014:				
Donor-restricted endowment funds	$ (256,363)	13,814,982	43,153,667	56,712,286
Board-designated funds	117,784,144	—	—	117,784,144
	$ 117,527,781	13,814,982	43,153,667	174,496,430

(12) Operating Expenses

Expenses by natural classifications for the years ended June 30 were as follows:

	2015	2014
Compensation:		
Salaries	$ 42,260,809	43,543,258
Employee benefits	10,957,589	11,367,556
Total compensation	53,218,398	54,910,814
Other expenses:		
Advertising and marketing	2,301,721	1,461,349
Clinical fees	878,953	848,204
Computer equipment and software	215,367	419,189
Consulting	2,044,443	1,524,501
Depreciation of buildings and equipment	7,858,854	7,274,673
Interest on indebtedness	5,687,140	4,613,915
Management contracts	344,631	362,960
Office expenses	1,949,658	1,644,284
Printing	272,541	357,084
Reference materials	857,346	730,973
Rental property and equipment lease	1,630,193	1,822,279
Scholarships	426,946	372,503
Service contracts	3,910,279	3,585,319
Utilities	2,162,022	2,436,388
Other supplies and expenses	8,461,255	8,692,486
Total other expenses	39,001,349	36,146,107
Total operating expenses	$ 92,219,747	91,056,921

(13) Defined Contribution Plan

The University of the Sciences in Philadelphia Basic Retirement Plan is a defined contribution pension plan covering substantially all employees. The plan is designed to provide for investments in annuities and in shares of regulated investment companies (mutual funds). The University contributed 8% of each participant’s annual compensation for the years ended June 30, 2015 and 2014. Pension expense was \$2,631,046 and \$2,723,799 in 2015 and 2014, respectively.

(14) Related Party Transactions

During the year ended June 30, 2015, the University had several business relationships with related parties. Certain members of the Board of Trustees are senior members for the related parties referenced. Gifts from various members of the University’s Board of Trustees totaled \$393,724 and \$413,901 including pledge payments for the years ended June 30, 2015 and 2014, respectively.

(15) Commitments and Contingencies

The University has non-cancelable operating leases ending in 2015 through 2029 for certain facilities and equipment. Rental expense under these agreements equaled $1,658,580 in 2015 and $1,948,762 in 2014. Future minimum lease payments are as follows:

2016	$ 1,656,918
2017	1,662,335
2018	1,117,486
2019	873,793
2020	552,109
Thereafter	1,269,183

In the ordinary course of the University's educational activities, various lawsuits, claims and other contingencies arise. While the ultimate disposition of the aforementioned contingencies is not determinable at this time, management believes that any liability resulting there from will not materially affect the financial position of the University as of June 30, 2015.

(16) Subsequent Events

The University evaluated its June 30, 2015 financial statements for subsequent events through November 13, 2015, the date the financial statements were issued. The University is not aware of any subsequent event that would require recognition or disclosure in the financial statements.