The University of Tulsa

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

The University of Tulsa
June 30, 2018 and 2017

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

We have audited the accompanying consolidated financial statements of The University of Tulsa (the University), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 The University of Tulsa as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Tulsa, Oklahoma
October 30, 2018

The University of Tulsa
Consolidated Statements of Financial Position
June 30, 2018 and 2017
(In Thousands)

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	$ 22,458	$ 30,349
Accounts receivable, net	13,956	16,217
Deposits with trustee – current	3,590	3,324
Inventories	462	432
Prepaid expenses and deferred charges	3,948	2,987
Contributions receivable, net – current	8,452	22,195
Total current assets	52,866	75,504
Contributions receivable, net	22,163	18,469
Student loans receivable, net	7,842	8,727
Investments	518,038	469,783
Deposits with trustee	12,372	12,452
Educational plant, net	384,252	397,807
Beneficial interest in funds held by others	570,081	547,141
Total assets	$ 1,567,614	$ 1,529,883

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Accounts payable	$ 5,775	$ 5,974
Accrued expenses	8,293	9,804
Notes and mortgages payable – current	2,836	5,211
Deposits payable	2,604	2,506
Deferred revenue	7,611	9,175
Advances under grants and contracts	6,296	5,687
Bonds payable – current	6,662	6,339
Postretirement benefit obligation – current	467	442
Total current liabilities	40,544	45,138
Notes and mortgages payable, net	10,821	16,024
Advances under federal loan programs	6,589	6,623
Bonds payable, net	121,868	128,558
Postretirement benefit obligation	7,086	7,626
Other noncurrent liabilities	1,817	1,849
Total liabilities	188,725	205,818
Net Assets		
Unrestricted	209,049	213,859
Temporarily restricted	249,993	232,702
Permanently restricted	919,847	877,504
Total net assets	1,378,889	1,324,065
Total liabilities and net assets	$ 1,567,614	$ 1,529,883

The University of Tulsa
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017
(In Thousands)

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Student tuition and fees	$ 157,971	$ -	$ -	$ 157,971
Less				
University-funded scholarships	64,173	-	-	64,173
University-funded athletic scholarships	15,547	-	-	15,547
Scholarships funded by other sources	14,339	-	-	14,339
Net student tuition and fees	63,912	-	-	63,912
Sales and services of educational departments and public services	11,041	-	-	11,041
Sales and services of auxiliary enterprises, net	25,944	-	-	25,944
Research services and sponsored projects	16,438	1,354	-	17,792
Gifts, grants and pledges	10,292	10,988	-	21,280
Endowment income	10,425	17,151	-	27,576
Nonendowment investment income	854	31	-	885
Distributions from beneficial interest in funds held by others	20,367	7,547	-	27,914
Other	3,105	-	-	3,105
Net assets released from restrictions	35,348	(35,348)	-	-
Total revenues, gains and other support	197,726	1,723	-	199,449
Expenses				
Instruction	71,161	-	-	71,161
Research	19,845	-	-	19,845
Public services	7,725	-	-	7,725
Academic support	30,582	-	-	30,582
Student services	14,288	-	-	14,288
Institutional support and other	25,055	-	-	25,055
Auxiliary enterprises	35,863	-	-	35,863
Total expenses	204,519	-	-	204,519
Operating Income (Loss)	(6,793)	1,723	-	(5,070)
Other Income (Expense)				
Net endowment gain in excess of income designated for operations	(10)	16,446	8	16,444
Gifts for capital acquisitions and endowments	2,820	2,244	16,986	22,050
Other permanently restricted income, net	-	-	199	199
Change in donor restrictions	(88)	(3,122)	3,210	-
Adjustment of unrecognized postretirement costs	(739)	-	-	(739)
Increase in fair value of beneficial interest in funds held by others	-	-	21,940	21,940
Total other income (expense)	1,983	15,568	42,343	59,894
Increase (Decrease) in Net Assets	(4,810)	17,291	42,343	54,824
Net Assets, Beginning of Year	213,859	232,702	877,504	1,324,065
Net Assets, End of Year	$ 209,049	$ 249,993	$ 919,847	$ 1,378,889

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Student tuition and fees	$ 165,165	$ -	$ -	$ 165,165
Less				
University-funded scholarships	66,969	-	-	66,969
University-funded athletic scholarships	15,964	-	-	15,964
Scholarships funded by other sources	10,027	-	-	10,027
Net student tuition and fees	72,205	-	-	72,205
Sales and services of educational departments and public services	10,959	-	-	10,959
Sales and services of auxiliary enterprises, net	27,535	-	-	27,535
Research services and sponsored projects	18,034	649	-	18,683
Gifts, grants and pledges	7,635	11,606	-	19,241
Endowment income	11,196	19,922	-	31,118
Nonendowment investment income	549	16	-	565
Distributions from beneficial interest in funds held by others	20,806	6,308	-	27,114
Other	3,044	-	-	3,044
Net assets released from restrictions	33,007	(33,007)	-	-
Total revenues, gains and other support	204,970	5,494	-	210,464
Expenses				
Instruction	67,839	-	-	67,839
Research	20,090	-	-	20,090
Public services	7,814	-	-	7,814
Academic support	32,500	-	-	32,500
Student services	13,442	-	-	13,442
Institutional support and other	28,945	-	-	28,945
Auxiliary enterprises	37,049	-	-	37,049
Total expenses	207,679	-	-	207,679
Operating Income (Loss)	(2,709)	5,494	-	2,785
Other Income (Expense)				
Net endowment gain in excess of income designated for operations	2,634	27,425	14	30,073
Gifts for capital acquisitions and endowments	-	1,816	26,804	28,620
Other permanently restricted income, net	-	-	287	287
Change in donor restrictions	-	(195)	195	-
Adjustment of unrecognized postretirement costs	3,033	-	-	3,033
Increase in fair value of beneficial interest in funds held by others	-	-	35,117	35,117
Total other income (expense)	5,667	29,046	62,417	97,130
Increase in Net Assets	2,958	34,540	62,417	99,915
Net Assets, Beginning of Year	210,901	198,162	815,087	1,224,150
Net Assets, End of Year	$ 213,859	$ 232,702	$ 877,504	$ 1,324,065

The University of Tulsa
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(In Thousands)

	2018	2017
Operating Activities		
Increase in net assets	$ 54,824	$ 99,915
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	15,342	15,658
Provision for uncollectible accounts	299	600
Loss on disposal of educational plant	1,329	690
Amortization of bond issuance costs	247	226
Amortization of bond discount and premium, net	(320)	(168)
Net realized and unrealized gains on investments	(44,204)	(61,548)
Contributions received for endowment	(18,788)	(27,056)
Contributions received for purchases of educational plant	(3,262)	(1,457)
Change in fair value of beneficial interest in funds held by others	(21,940)	(35,117)
Changes in operating assets and liabilities		
Accounts receivable	1,962	(334)
Inventories	(30)	(17)
Prepaid expenses and deferred charges	(961)	953
Contributions receivable	8,129	1,637
Student loans receivable	1,334	237
Accounts payable	(199)	(1,347)
Accrued expenses	(1,511)	67
Deposits payable	98	254
Deferred revenue	(1,564)	584
Advances under grants and contracts	609	(1,093)
Postretirement benefit obligation	(515)	(2,370)
Other noncurrent liabilities	(66)	(7)
Net cash used in operating activities	(9,187)	(9,693)
Investing Activities		
Changes in deposits with trustee	(186)	193
Proceeds from sale of investments	97,559	107,259
Purchases of investments	(101,610)	(68,016)
Student loans advanced	(1,386)	(1,759)
Student loans collected	937	1,079
Purchases of educational plant	(3,116)	(6,347)
Net cash provided by (used in) investing activities	(7,802)	32,409

See Notes to Consolidated Financial Statements

	2018	2017
Financing Activities		
Principal payments on notes and mortgages payable	$ (120,915)	$ (130,027)
Proceeds from issuance of notes and mortgages payable	113,326	115,367
Principal payments on bonds payable	(27,210)	(6,970)
Proceeds from issuance of bonds payable	21,336	-
Contributions received for endowment	19,473	18,005
Contributions received for purchases of educational plant	3,497	1,457
Bond issuance costs	(409)	-
Net cash provided by (used in) financing activities	9,098	(2,168)
Increase (Decrease) in Cash and Cash Equivalents	(7,891)	20,548
Cash and Cash Equivalents, Beginning of Year	30,349	9,801
Cash and Cash Equivalents, End of Year	$ 22,458	$ 30,349
Supplemental Cash Flows Information		
Interest paid	$ 6,529	$ 7,700

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Tulsa is an independent comprehensive institution providing undergraduate, graduate and professional education in a variety of multicultural programs. The University of Tulsa has an undergraduate enrollment of approximately 3,300 students and a graduate and law enrollment of approximately 1,100 students.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The University of Tulsa, The Gilcrease Museum Management Trust (the Trust) and The Oak Company (collectively, the University). The Oak Company is currently inactive, *i.e.*, no activity in 2018 and 2017, but has been used in the past to purchase property. Effective July 1, 2008, The University of Tulsa formed the Trust and entered into a Management Agreement with The City of Tulsa and The Board of Trustees of the Thomas Gilcrease Institute of American History and Art to manage and operate the Gilcrease Museum. The University has agreed that it will incorporate fundraising for the endowment and operations of the Gilcrease Museum into its fundraising efforts and will separately account for such funds and manage the investment of such funds within the University's policies. The Trust is consolidated due to The University of Tulsa's control and economic interest in it. All material intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Basis of Financial Statements

The accompanying consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University or by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes. Such net assets also include the University's beneficial interests in irrevocable agreements held by others.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Operating Income (Loss)

The operating income (loss) reflected in the accompanying consolidated statements of activities excludes endowment income (loss) in excess of the University's spending policy, changes in the fair value of beneficial interest in funds held by others, gifts for capital acquisitions and endowments, other permanently restricted income, changes in donor restrictions and other reclassifications and unusual or nonrecurring items.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Funds held in investments are not considered cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

Accounts receivable include student accounts, grants and other receivables. Student accounts receivable represent amounts due for tuition, fees and room and board from currently enrolled and former students. Credit is extended to students and collateral is not required. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts outstanding beyond the beginning of the semester are considered past due. Students whose accounts are not current are not allowed to enroll in classes for the following semester.

Student Loans Receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at estimated net realizable value. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes, if deemed necessary, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. For the Federal Perkins Loan program, the federal government bears the risk of loss of uncollectible loans provided the

University performs required collection due diligence procedures. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Deposits with Trustee

Deposits with trustee consist of the unexpended bond proceeds, debt service funds for bonds payable and proceeds from promissory notes. These funds are invested in cash equivalents and will be used for required bond reserves or payment of debt service.

Inventories

Inventories are stated at the lower of cost or net realizable value on the first-in, first-out basis.

Contributions

Contributions are initially recorded at fair value. Unconditional promises to give are recorded net of an allowance for doubtful receivables estimated based on such factors as prior collections history, types of contributions and the nature of the fundraising activity. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings and equipment and other long-lived assets are recorded at their estimated fair value on the date of gift and are reported as unrestricted support unless explicit donor stipulations specify how or how long the donated assets must be used, in which case the gift is reported as restricted support.

Conditional promises to give are recorded when conditions are substantially met or the likelihood of not meeting the condition is remote.

Investments

The University's investments in common stocks and mutual funds with readily determinable fair values and investments in debt securities, including corporate obligations, commercial paper and U.S. Treasury obligations, are reported at fair value in the accompanying consolidated statements of financial position. Nonmarketable investments in hedge funds and private equities are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Other investments are reported at amounts that are not materially different from their fair value.

The University's investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying consolidated statements of activities. Significant fluctuations in fair values could occur from year to year, and the amounts the University will ultimately realize could differ materially.

Income and gains or losses on investments are generally reported as follows:

- Increases in permanently restricted net assets if the terms of the gift that gave rise to the investment or applicable law require income and gains or losses be added to the principal of a permanent endowment
- Increases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income. For this purpose, restrictions on funds for scholarships are not considered met until the specific scholarship funds have been expended
- Increases in unrestricted net assets in all other cases

Generally, losses on the investments of restricted endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets but can be restored through subsequent investment gains.

Educational Plant

Plant facilities, including library books, are stated at cost less accumulated depreciation or, if received as a gift, at fair value or appraised value at the date received less accumulated depreciation. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Generally, improvements, renovations and equipment purchases in excess of $5 are capitalized.

Depreciation is recognized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Improvements	10–20 years
Furniture, fixtures, equipment and library books	5–20 years

The University records impairments to its educational plant when, and if, it becomes probable that the carrying value of these assets will not be fully recovered over the estimated lives of the assets. Impairments, if any, are recorded to reduce the carrying value of the asset to the net realizable value determined by management based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions and other information. No impairments were required during the years ended June 30, 2018 or 2017.

Beneficial Interest in Funds Held by Others

Beneficial interest in funds held by others represents amounts held for the beneficial interest of the University under irrevocable perpetual agreements between donors and third-party trustees or agents. The University's interest is recorded at the fair value of the net assets of the funds held by others, with net increases or decreases in net assets being reported as changes to permanently restricted net assets. The amounts the University will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Advances Under Grants and Contracts

Grants and contracts consist primarily of contractual agreements with governmental and private entities for the performance of research services and other sponsored programs. Revenues are generally recognized as expenses are incurred. Advances are generally considered refundable in the unlikely event specified services are not performed.

Advances Under Federal Loan Programs

Funds provided by the U.S. government primarily under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned upon collection. These funds are ultimately refundable to the government.

Tuition Discounts, Financial Aid and Deferred Revenue

Tuition discounts and financial aid awarded to nonemployees in the form of scholarships, grants and fellowships, including amounts awarded to students from grants and contributions to the University for this purpose, have been reported as a reduction of tuition revenues. Tuition discounts granted to employees and their dependents are recorded as compensation expense in the appropriate functional expense classification. Deferred revenue, primarily tuition, includes those payments received before services or products are provided by the University.

Collections and Works of Art and Historical Treasures

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the accompanying consolidated statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the accompanying consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Certain collection items are subject to requirements that proceeds from their sales are to be used to acquire other items for collections.

Expenses and Other Activity

Expenses are reported as decreases in unrestricted net assets. Temporarily restricted net assets for which donor-imposed conditions are met are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets released from restrictions represent satisfaction of purpose restrictions or passage of the stipulated time period on expenditures made pursuant to donor specifications. Investment income, contributions and distributions restricted for scholarships and financial aid are released from restrictions as awards are made by the University in accordance with its policies governing the administration of financial aid and the requirements of donors.

The costs of providing the various programs and supporting activities of the University have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated based on total personnel costs or other systematic bases. Fundraising expense incurred was $6,350 and $5,207 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

The University is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, as long as the University maintains its tax exemption, it will not be subject to income tax.

Transfer Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on changes in net assets.

Subsequent Events

Subsequent events have been evaluated through October 30, 2018, which is the date the consolidated financial statements were issued.

(In Thousands)

Note 2: Receivables

Accounts receivable at June 30 consisted of the following:

	2018	2017
Current		
Student tuition and fees, net of allowance for doubtful accounts; 2018 – $2,424, 2017 – $3,203	$ 5,920	$ 8,448
Student loans, net of allowance for doubtful accounts; 2018 – $132, 2017 – $71	1,289	1,112
Government receivables	272	313
Accrued interest	186	75
Federal and nonfederal research receivables	5,220	5,030
Other receivables	1,069	1,239
	$ 13,956	$ 16,217
Noncurrent		
Student loans, net of allowance for doubtful accounts; 2018 – $729, 2017 – $491	$ 7,842	$ 8,727

Contributions receivable at June 30 consisted of the following:

	2018			2017		
	Less than 1 Year	1–5 Years	More than 5 Years	Less than 1 Year	1–5 Years	More than 5 Years
Unconditional promises	$ 9,117	$ 24,512	$ 2,771	$ 23,638	$ 19,993	$ 2,625
Less unamortized discount and allowance for doubtful accounts	(665)	(4,199)	(921)	(1,443)	(3,275)	(874)
	$ 8,452	$ 20,313	$ 1,850	$ 22,195	$ 16,718	$ 1,751

Contributions that are expected to be received in more than one year have been discounted to present value using a rate of 5%.

(In Thousands)

Note 3: Endowment Investments, Investments and Investments Held by Others

The fair value of investments at June 30 consisted of the following:

	2018	2017
Beneficial interest in funds held by others	$ 570,081	$ 547,141
Endowment investments	509,340	462,576
Nonendowment investments	8,698	7,207
	$ 1,088,119	$ 1,016,924

Investments are classified in the accompanying consolidated statements of financial position as follows:

	2018	2017
Investments	$ 518,038	$ 469,783
Beneficial interest in funds held by others	570,081	547,141
	$ 1,088,119	$ 1,016,924

At June 30, the fair value of endowment assets, including beneficial interest in funds held by others for the University's benefit, consisted of the following:

	2018	2017
Beneficial interest in funds held by others		
J.A. and Leta M. Chapman 1949 Trust	$ 42,594	$ 40,909
J.A. and Leta M. Chapman Charitable Trust	316,638	304,224
Leta McFarlin Chapman Memorial Trust	159,782	153,872
Pauline McFarlin Walter Memorial Trust	40,574	39,035
Jay P. Walker Charitable Trust	3,951	2,961
Virginia Mayo Ownby Memorial Trust	3,100	2,854
Doris K. Catlett Trust	1,786	1,695
Other	1,656	1,591
	570,081	547,141
Other endowment assets		
Cash and cash equivalents	13,621	16,758
Contributions receivable	21,579	26,970
Investments	509,340	462,576
Total endowment assets	$ 1,114,621	$ 1,053,445

Endowment investments include perpetual endowments included in permanently restricted net assets; gifts, gains and term endowments included in temporarily restricted net assets; and designated endowments and related gains included in unrestricted net assets.

The University's endowments consist of 796 individual funds established for a variety of purposes, as well as the beneficial interest in 15 funds managed by outside trustees or agents to function as endowments. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), 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.

Interpretation of Relevant Laws

The University interprets the *Uniform Prudent Management of Institutional Funds Act of 2006* (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 restricted net assets (a) the 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the University and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) The investment policies of the University

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $114 and $233 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of several restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair value of the original amount of the gift. Subsequent gains above that amount are recorded as temporarily restricted net assets.

Strategies Employed for Achieving Objectives

Certain of the University’s external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Trustees. From time to time, the managers may enter into forward currency contracts to hedge currency exchange risk on investments in foreign securities and other future contracts to adjust asset allocation for a more efficient portfolio. The managers settle these contracts on a net basis and, accordingly, the cash requirements are substantially less than the contract amounts. Changes in the fair value of the derivative contracts are included in investment income and are not significant for the years ended June 30, 2018 or 2017.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University’s spending policy has two components. The first component uses the previous year’s spending rate and adjusts it for inflation, which is defined as the previous calendar year’s Consumer Price Index increase plus 1%. This component is 70% of the calculation. The second component uses the average endowment market value as of September 30 and December 31 of the preceding year and multiplies the result by a fixed percentage. This percentage was 5% for the years ended June 30, 2018 and 2017. On December 13, 2016, the Board of Trustees authorized an additional 2% spending rate distribution from the endowment to be disbursed in quarterly installments beginning December 31, 2016, and ending September 30, 2017. The second component is the remaining 30% of the calculation.

In establishing this policy, the University considered the long-term expected return on its endowments. Accordingly, over the long term, the University expects the current spending policy to allow its endowments to grow at or near the inflation rate, as represented by the Consumer Price Index, before the effect of new gifts. This is consistent with the University’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

(In Thousands)

The annual withdrawal includes amounts for operations and amounts utilized in accordance with the terms of donor-restricted and board-designated endowments.

Endowment net asset composition by type of fund as of June 30 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2018				
Pure endowment funds	$ (114)	$ 142,024	$ 346,881	$ 488,791
Quasi-endowment funds	10,459	43,369	-	53,828
Term endowment funds	-	1,921	-	1,921
Beneficial interest in funds held by others	-	-	570,081	570,081
	$ 10,345	$ 187,314	$ 916,962	$ 1,114,621
2017				
Pure endowment funds	$ (233)	$ 127,242	$ 327,955	$ 454,964
Quasi-endowment funds	9,137	40,341	-	49,478
Term endowment funds	-	1,862	-	1,862
Beneficial interest in funds held by others	-	-	547,141	547,141
	$ 8,904	$ 169,445	$ 875,096	$ 1,053,445

Temporarily restricted quasi-endowment funds include donor-restricted contributions that have been designated by the Board of Trustees as endowment net assets.

(In Thousands)

Changes in endowment net assets for the years ended June 30 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 21,051	$ 141,600	$ 812,950	$ 975,601
Investment return				
Investment loss, net of fees	(19)	(795)	-	(814)
Net realized and unrealized appreciation	12,257	49,737	35,005	96,999
Reclassification for funds with deficiencies	1,595	(1,595)	-	-
Change in donor restrictions	(14,783)	350	337	(14,096)
Total investment return	(950)	47,697	35,342	82,089
Contributions	-	70	26,804	26,874
Distributions from beneficial interest in funds held by others	20,806	6,308	-	27,114
Use of endowment assets for expenditures				
Annual transfer for operations	(32,003)	(26,230)	-	(58,233)
Endowment net assets, June 30, 2017	8,904	169,445	875,096	1,053,445
Investment return				
Investment loss, net of fees	(14)	(657)	-	(671)
Net realized and unrealized appreciation	10,310	34,375	21,948	66,633
Reclassification for funds with deficiencies	119	(119)	-	-
Change in donor restrictions	(84)	1,157	3,210	4,283
Total investment return	10,331	34,756	25,158	70,245
Contributions	1,535	264	16,708	18,507
Distributions from beneficial interest in funds held by others	20,367	7,547	-	27,914
Use of endowment assets for expenditures				
Annual transfer for operations	(30,792)	(24,698)	-	(55,490)
Endowment net assets, June 30, 2018	$ 10,345	$ 187,314	$ 916,962	$ 1,114,621

(In Thousands)

Beneficial interest in funds held by others is a resource that is neither in the possession of, nor under the control of, the University. It is held and administered by external fiscal agents with the income distributed to the University according to the terms of the gift instruments. Only the distributions from these funds are expendable.

Investment return on beneficial interest in funds held by others is as follows:

	2018		2017	
Beneficial interest in funds held by others				
Distributions of income	$ 27,914	5.1%	$ 27,114	5.3%
Increase in fair value	21,940	4.0%	35,117	6.9%
Total investment return on beneficial interest in funds held by others	$ 49,854	9.1%	$ 62,231	12.2%

Note 4: Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

(In Thousands)

Recurring Measurements

The following table presents the University's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of June 30:

		Fair Value Measurements			Unfunded	Redemption	Days'
	Total	Level 1	Level 2	Level 3	Commitments	or Liquidation	Notice
2018							
Cash and cash equivalents	$ 16,309	$ 16,309	$ -	$ -	N/A	N/A	N/A
Fixed income	15,906	15,906	-	-	N/A	N/A	N/A
Equities	9,439	9,439	-	-	N/A	N/A	N/A
Mutual funds	2,020	2,020	-	-	N/A	N/A	N/A
Real estate measured at NAV (A)	2,446	-	-	-	None	Illiquid	Illiquid
Private equities measured at NAV (A)	150,864	-	-	-	$ 124,871	Illiquid	Illiquid
Hedge funds							
Equity long/short measured at NAV (A)	180,724	-	-	-	None	Daily/Monthly	10 to 120
Fixed-income strategies measured at NAV (A)	12,665	-	-	-	None	Subject to lockup	60 to 90
Multistrategy measured at NAV (A)	139,702	-	-	-	None	Monthly	90
Life income	3,230	-	3,230	-	N/A	N/A	N/A
Life insurance	695	-	695	-	N/A	N/A	N/A
Beneficial interest in funds held by others	570,081	-	-	570,081	N/A	N/A	N/A
	$ 1,104,081	$ 43,674	$ 3,925	$ 570,081			
2017							
Cash and cash equivalents	$ 16,056	$ 16,056	$ -	$ -	N/A	N/A	N/A
Fixed income	14,469	14,469	-	-	N/A	N/A	N/A
Equities	8,067	8,067	-	-	N/A	N/A	N/A
Mutual funds	4,681	4,681	-	-	N/A	N/A	N/A
Real estate measured at NAV (A)	1,589	-	-	-	None	Illiquid	Illiquid
Private equities measured at NAV (A)	132,286	-	-	-	$ 84,789	Illiquid	Illiquid
Hedge funds							
Equity long/short measured at NAV (A)	154,856	-	-	-	None	Daily/Monthly	10 to 120
Fixed-income strategies measured at NAV (A)	12,641	-	-	-	None	Subject to lockup	60 to 90
Multistrategy measured at NAV (A)	136,935	-	-	-	None	Monthly	90
Life income	3,108	-	3,108	-	N/A	N/A	N/A
Life insurance	871	-	871	-	N/A	N/A	N/A
Beneficial interest in funds held by others	547,141	-	-	547,141	N/A	N/A	N/A
	$ 1,032,700	$ 43,273	$ 3,979	$ 547,141			

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

(In Thousands)

Alternative investments measured at NAV per share include:

Real Estate – This category primarily includes producing and nonproducing mineral interests of property in Texas and New Mexico.

Private Equities – This category includes investments made primarily through private investment funds. The private investment funds may invest in real estate, oil and gas, venture capital and private equity, among others. Generally, these investments cannot be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of underlying assets of the funds. This is expected to occur as investments are liquidated or the fund is dissolved.

Hedge Funds – Equity Long/Short – This category includes investments made primarily through private investment funds but also includes investments in securities and derivative contracts. The private investment funds may employ leverage, sell securities short, purchase and sell options and invest in futures contracts. Investors may redeem daily to quarterly with 10 to 120 days' notice.

Hedge Funds – Fixed-Income Strategies – This category includes investments made through private investment funds. The private investment funds primarily invest in fixed income and related markets. Subject to lockup, investors may redeem with 60 to 90 days' notice.

Hedge Funds – Multistrategy – This category includes investments made primarily through private investment funds. The private investment funds invest across multiple sectors including long/short equity, long-biased equity and credit. The private investment funds may employ leverage, sell securities short, purchase and sell options and invest in futures contracts. Investors may redeem monthly with 90 days' notice.

The University's assets measured at fair value are reported in the accompanying consolidated statements of financial position as of June 30:

	2018	2017
Deposits with trustee – current	$ 3,590	$ 3,324
Investments	518,038	469,783
Deposits with trustee	12,372	12,452
Beneficial interest in funds held by others	570,081	547,141
	$ 1,104,081	$ 1,032,700

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

When quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Beneficial Interest in Funds Held by Others

Fair value is estimated at the University's percent of the fair value of the underlying assets held in trust. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of investments are the responsibility of the University. The University contracts with an investment manager to generate fair value estimates on a monthly or quarterly basis. The University challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

(In Thousands)

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

Balance, July 1, 2016	$ 511,149
Acquisitions	1,000
Dispositions	(125)
Net appreciation	35,117
Balance, June 30, 2017	547,141
Acquisitions	1,000
Net appreciation	21,940
Balance, June 30, 2018	$ 570,081
The amount of total net gains for the year ended June 30, 2017, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2017	$ 35,117
The amount of total net gains for the year ended June 30, 2018, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2018	$ 21,940

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30:

	Fair Value at June 30, 2018	Fair Value at June 30, 2017	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Beneficial interest in funds held by others	$ 570,081	$ 547,141	Fair value of underlying investments	Perpetual existence	Not available

(In Thousands)

Note 5: Educational Plant

Net investment in educational plant consisted of the following:

	2018	2017
Land and improvements	$ 80,545	$ 82,046
Buildings and leasehold improvements	432,953	432,191
Furniture, fixtures and equipment	57,501	56,732
Library books	39,860	39,815
	610,859	610,784
Less accumulated depreciation	226,607	212,977
	$ 384,252	$ 397,807

Depreciation expense was $15,342 and $15,658 for the years ended June 30, 2018 and 2017, respectively.

Note 6: Bonds, Notes and Mortgages Payable

Bonds

Bonds payable consisted of the following at June 30:

- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2006 (the 2006 Series Bonds)
- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2009 (the 2009 Series Bonds)
- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2011 (the 2011 Series Bonds)
- TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2013 (the 2013 Series Bonds)
- TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2015 (the 2015 Series Bonds)
- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2017 (the 2017 Series Bonds)

(In Thousands)

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2006 Dated October 12, 2006

The proceeds from these bonds were used to advance refund $26,215 in aggregate principal amount of the 2000A Series Bonds maturing October 1, 2011 through 2017, inclusive of the payments due in each of the years 2020, 2025 and 2031 (the Refunded Series 2000A Bonds), for redemption on October 1, 2010, at a redemption price of par plus interest accrued thereon to the redemption date.

In 2017, proceeds from the 2017 Series Bonds were used to advance refund $20,715 in aggregate principal amount of the 2006 Series Bonds maturing October 1, 2018 through 2031.

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2009 Dated February 12, 2009

The proceeds from these bonds were used to advance refund $33,445 in aggregate principal amount of the 1996B Series bonds maturing October 1, 2022 through 2026 and Series 2000B bonds maturing October 1, 2009 through 2032.

The 2009 Series Bonds maturing October 1 in each of the years 2023 and 2027 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates and outstanding principal amounts at June 30, 2018, are as follows:

Serial Bond, due October 1, 2018	4.00%	$	445
Serial Bond, due October 1, 2019	4.25%		460
Serial Bond, due October 1, 2020	4.50%		485
Serial Bond, due October 1, 2021	5.00%		515
Serial Bond, due October 1, 2022	5.50%		1,000
Term Bond, due October 1, 2023	5.00%		6,430
Term Bond, due October 1, 2027	6.00%		21,950
Unamortized bond issuance costs			(120)
Unamortized net bond discount/premiums			(215)
2009 Series Bonds		$	30,950

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2011 Dated March 3, 2011

The proceeds from these bonds were used to advance refund $19,130 in aggregate principal amount of the 1996A Series bonds maturing October 1, 2022, and to fund capital projects.

The 2011 Series Bonds maturing October 1 in each of the years 2021, 2026 and 2030 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

(In Thousands)

Maturities, interest rates and outstanding principal amounts at June 30, 2018, are as follows:

Serial Bond, due October 1, 2018	3.63%	$	3,270
Term Bond, due October 1, 2021	4.00%		10,670
Serial Bond, due October 1, 2022	5.00%		2,895
Term Bond, due October 1, 2026	5.00%		2,305
Term Bond, due October 1, 2030	5.25%		2,815
Unamortized bond issuance costs			(181)
Unamortized net bond discount/premiums			(93)
2011 Series Bonds		$	21,681

TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2013 Dated November 7, 2013

The proceeds from these bonds were used to build a student dormitory to house approximately 330 students. The bonds were issued in parity with the 2006 Series Bonds and are secured by future housing fee revenues from the new dormitory as well as the existing apartments. The University's obligations to make the loan payments on these bonds are subordinated to its obligations on its 2009 Series Bonds.

The 2013 Series Bonds maturing October 1 in each of the years 2033 and 2038 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates and outstanding principal amounts at June 30, 2018, are as follows:

Serial Bond, due October 1, 2018	3.00%	$	900
Serial Bond, due October 1, 2019	4.00%		925
Serial Bond, due October 1, 2020	4.00%		965
Serial Bond, due October 1, 2021	4.00%		1,005
Serial Bond, due October 1, 2022	3.00%		1,045
Serial Bond, due October 1, 2023	5.00%		1,075
Serial Bond, due October 1, 2024	5.00%		1,130
Serial Bond, due October 1, 2025	5.00%		1,185
Serial Bond, due October 1, 2026	3.75%		1,245
Serial Bond, due October 1, 2027	4.00%		1,290
Term Bond, due October 1, 2033	4.50%		9,010
Term Bond, due October 1, 2038	4.75%		9,615
Unamortized bond issuance costs			(305)
Unamortized net bond discount/premiums			(271)
2013 Series Bonds		$	28,814

(In Thousands)

TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2015 Dated November 5, 2015

The proceeds from these bonds were used to advance refund $27,935 in aggregate principal amount of the 2006 Series Bonds maturing October 1, 2015 through 2037. The bonds are secured by future revenues from the apartments built with the 2006 Series Bond proceeds. The University's obligations to make the loan payments on these bonds are subordinated to its obligations on its 2009 Series Bonds.

The 2015 Series Bonds maturing October 1 in each of the years 2034 and 2037 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates and outstanding principal amounts at June 30, 2018, are as follows:

Serial Bond, due October 1, 2018	3.00%	$ 985
Serial Bond, due October 1, 2019	3.00%	1,010
Serial Bond, due October 1, 2020	3.00%	1,040
Serial Bond, due October 1, 2021	3.00%	1,070
Serial Bond, due October 1, 2022	3.00%	1,100
Serial Bond, due October 1, 2023	3.00%	1,135
Serial Bond, due October 1, 2024	3.00%	1,170
Serial Bond, due October 1, 2025	3.00%	1,210
Serial Bond, due October 1, 2026	3.00%	1,240
Serial Bond, due October 1, 2027	3.13%	1,280
Serial Bond, due October 1, 2028	3.25%	1,320
Serial Bond, due October 1, 2029	3.25%	1,360
Serial Bond, due October 1, 2030	3.38%	1,410
Term Bond, due October 1, 2034	3.75%	6,155
Term Bond, due October 1, 2037	4.00%	5,260
Unamortized bond issuance costs		(342)
Unamortized net bond discount/premiums		(60)
2015 Series Bonds		$ 26,343

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2017 Dated December 14, 2017

The proceeds from these bonds were used to advance refund $20,715 in aggregate principal amount of the 2006 Series Bonds maturing October 1, 2018 through 2031.

The 2017 Series Bonds maturing October 1 in 2031 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their schedule maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

(In Thousands)

Maturities, interest rates and outstanding principal amounts at June 30, 2018, are as follows:

Serial Bond, due October 1, 2018	5.00%	$ 1,250
Serial Bond, due October 1, 2019	5.00%	1,035
Serial Bond, due October 1, 2020	5.00%	1,075
Serial Bond, due October 1, 2021	5.00%	1,110
Serial Bond, due October 1, 2022	5.00%	1,325
Serial Bond, due October 1, 2023	5.00%	1,395
Serial Bond, due October 1, 2024	5.00%	1,460
Serial Bond, due October 1, 2025	5.00%	1,450
Term Bond, due October 1, 2031	5.00%	7,505
Term Bond, due October 1, 2031	3.85%	2,060
Deferred bond issuance costs		(383)
Unamortized net bond discount/premiums		1,460
2017 Series Bonds		$ 20,742

Total bonds outstanding at June 30 are as follows:

	2018	2017
2006 Series Bonds	$ -	$ 21,734
2009 Series Bonds	30,950	31,409
2011 Series Bonds	21,681	24,757
2013 Series Bonds	28,814	29,701
2015 Series Bonds	26,343	27,296
2017 Series Bonds	20,742	-
Total bonds	128,530	134,897
Less current portion	6,662	6,339
Total long-term portion	$ 121,868	$ 128,558

(In Thousands)

The annual sinking fund redemption requirements for the bonds are as follows:

	2009 Series	2011 Series	2013 Series	2015 Series	2017 Series	Total
2019	$ -	$ -	$ -	$ -	$ -	$ -
2020	-	3,405	-	-	-	3,405
2021	-	3,555	-	-	-	3,555
2022	-	3,710	-	-	-	3,710
2023	1,740	-	-	-	-	1,740
2024–2028	26,640	2,955	-	-	2,890	32,485
2029–2033	-	2,165	7,340	2,965	6,675	19,145
2034–2038	-	-	9,180	8,450	-	17,630
2039	-	-	2,105	-	-	2,105
	$ 28,380	$ 15,790	$ 18,625	$ 11,415	$ 9,565	$ 83,775

The University is subject to various financial and related covenants contained in the bond agreements.

The University is in compliance with the alternate calculation of the available funds ratio requirement, as defined in the bond agreements, at June 30, 2018 and 2017.

(In Thousands)

Notes and Mortgages Payable

Notes and mortgages payable consisted of the following at June 30:

	2018	2017
The University has purchased certain properties adjacent to its campus for student apartment housing and other uses. The related notes and mortgages mature at various dates through 2022 and bear interest at 3.09% to 5.97%. The majority of the notes are secured by the various properties	$ 2,610	$ 3,027
Promissory note payable to the George Kaiser Family Foundation at an annual interest rate of 0.00% with two annual payments commencing January 1, 2017	-	2,291
Promissory note payable in monthly installments of $119 to the Bank of Oklahoma with interest due monthly at the One-Month London InterBank Offered Rate (LIBOR) plus 1.45% multiplied by 65% (2.30% and 1.70% at June 30, 2018 and 2017, respectively). The note matures in December 2020. Note proceeds are being used for campus technology infrastructure improvements. The University's obligation to make the loan payments on this note is subordinated to its payment obligations on its 2009 and 2011 Series Bonds	3,571	5,000
Revolving line of credit with the Bank of Oklahoma for up to $75,000; interest is due monthly at One-Month LIBOR plus 2.00% (4.09% and 3.17% at June 30, 2018 and 2017, respectively); the line of credit is unsecured; due June 2021	7,504	10,955
Unamortized debt issuance cost	(28)	(38)
	13,657	21,235
Less current portion	2,836	5,211
	$ 10,821	$ 16,024

Total interest costs incurred on indebtedness during the years ended June 30, 2018 and 2017, were approximately $6,148 and $6,789, respectively.

(In Thousands)

Required maturities of all long-term debt, including bonds payable at June 30, 2018, are as follows:

2019	$ 9,697
2020	8,609
2021	15,696
2022	7,781
2023	7,478
Thereafter	93,464
	142,725
Unamortized debt issuance costs	(1,359)
Unamortized net bond discount/premiums	821
	$ 142,187

Note 7: Net Assets

Temporarily restricted and permanently restricted net assets are restricted for specific purposes, uses or time restrictions at June 30 as follows:

	2018	2017
Temporarily restricted		
Educational programs and scholarships		
Gifts	$ 89,494	$ 88,681
Gains on endowment	152,624	136,417
Term endowment, including investment gains; 2018 – $900, 2017 – $841	1,921	1,862
Assets restricted to investment in plant	5,130	4,964
Other	824	778
Total temporarily restricted	$ 249,993	$ 232,702
Permanently restricted		
Perpetual endowment, including contributions receivable; 2018 – $21,579, 2017 – $26,970	$ 346,881	$ 327,955
Beneficial interest in funds held by others	570,081	547,141
Student loan funds provided by private gifts	293	279
Other	2,592	2,129
Total permanently restricted	$ 919,847	$ 877,504

Included in temporarily restricted net assets are contributions receivable of $9,036 and $13,695 as of June 30, 2018 and 2017, respectively.

(In Thousands)

Note 8: Retirement Plans

Full-time faculty and staff are eligible after specified periods of employment to participate in a contributory retirement and annuity program through the Teachers Insurance and Annuity Association and the College Retirement Equities Funds (TIAA/CREF). The University has no liability other than annual contributions. Annual contributions are based upon a percentage of employee compensation. Individual contracts are issued under the program and there is immediate vesting of both the University's and employees' contributions. For the period October 1, 2016 through June 30, 2017, the University suspended its contributions to the plan. Contributions to the plan were reinstated effective July 1, 2017. University contributions to these programs were approximately $2,911 and $1,806 during the years ended June 30, 2018 and 2017, respectively.

Note 9: Postretirement Benefits

Employees who retire and have met minimum service requirements are eligible to receive postretirement benefits in the form of insurance coverage for themselves and their dependents until they reach the age of 70. The University recognizes postretirement benefits on an accrual basis as employees perform services to earn such benefits. The following table sets forth the funded status of the postretirement benefit plan at June 30:

	2018	2017
Accumulated postretirement benefit obligation		
Retirees	$ 1,271	$ 1,345
Fully eligible plan participants	1,695	1,913
Other active plan participants	4,587	4,810
Accumulated postretirement benefits	7,553	8,068
Plan assets at fair value	-	-
Accumulated postretirement benefit obligation in excess of plan assets	7,553	8,068
Current portion of postretirement benefit accrual	(467)	(442)
Total long-term portion of postretirement benefit accrual	$ 7,086	$ 7,626
Amounts recognized in nonoperating activities		
Prior service cost	$ -	$ (37)
Net actuarial gain (loss)	(739)	3,070
Net gain (loss) recognized in nonoperating activities	$ (739)	$ 3,033

(In Thousands)

Postretirement benefit expense for the year ended June 30, 2018, was $550 and included $491 service cost, $292 interest cost and $233 amortization gains. Postretirement benefit expense for the year ended June 30, 2017, was $940 and included $640 service cost, $337 interest cost and $37 amortization of prior service costs.

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of covered medical care benefits was assumed for the year ended June 30, 2018; the rate was assumed to decrease 0.5% per year to 4.5% for 2023 and remain at that level thereafter. The medical care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed medical care cost trend by 1.0% in each year would increase the accumulated postretirement benefit obligation as of June 30, 2018, by $671 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2019, by $101; decreasing the assumed medical care cost trend by 1.0% in each year would decrease the accumulated postretirement benefit obligation as of June 30, 2018, by $565 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2019, by $83.

The weighted-discount rate used in determining the accumulated postretirement benefit obligation was 4.07% and 3.50% for the years ended June 30, 2018 and 2017, respectively.

Gross benefit payments, which reflect expected future service, are expected to be paid as follows:

	Postretirement Benefits
2019	$ 477
2020	$ 623
2021	$ 658
2022	$ 669
2023	$ 694
2024–2028	$ 3,633

Contributions expected to be paid to the plan are consistent with the benefits above.

Note 10: Commitments and Contingencies

The University is subject to various legal proceedings and claims that arise in the ordinary course of business. Management of the University believes the amount of ultimate liability with respect to these actions will be immaterial.

Certain land included in educational plant may not be sold, assigned, conveyed, leased or transferred without prior approval of the Tulsa Development Authority (TDA). In addition, the land may not be used for any purposes other than those purposes specified in the Urban Renewal Plan agreed to by TDA and the University.

(In Thousands)

The University conducts certain programs pursuant to grants and contracts funded and subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in reimbursements to these governmental agencies. Management of the University believes that amounts questioned, if any, will be immaterial.

The University began participation in the Federal Direct Student Loan Program (the Program) as mandated by the *Health Education Reconciliation Act of 2010* effective July 1, 2010. The total amount loaned under the Program during the years ended June 30, 2018 and 2017, was approximately $20,397 and $19,803, respectively, and is not included in the accompanying consolidated financial statements of the University. The University performs certain administrative functions in accordance with federal regulations. If the University fails to perform these functions, it may be liable to the federal government for a portion of the outstanding loans. Management of the University believes that it has satisfactorily administered this program and that the University's liability, if any, will be immaterial.

The University leases space for academic and administrative purposes under noncancellable operating leases. Minimum future payments under these lease agreements as of June 30, 2018, are summarized by fiscal year as follows:

2019	$ 926
2020	941
2021	957
2022	972
2023	988
2024–2026	2,468
	$ 7,252

Note 11: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized.

Other major provisions include capitalization of certain contract costs and consideration of the time value of money in the transaction price. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for public entities, including the University as a conduit debt obligor, for annual periods beginning after December 15, 2017 (the University's year ending June 30, 2019) and any interim periods within annual reporting periods that begin after December 15, 2018. The University is evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (the University's year ending June 30, 2021), and any interim periods within annual reporting periods that begin after December 15, 2019. The University is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Presentation of Financial Statements of Not-for-Profit Entities

FASB recently issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires material changes to the presentation of not-for-profit financial statements and related note disclosures. The University expects to apply ASU 2016-14 during its fiscal year ending June 30, 2019, through retrospective application to previous years' statements for comparative purposes. The impact of applying ASU 2016-14 has not yet been determined.

Statement of Cash Flows: Restricted Cash

FASB recently issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the presentation and disclosure requirements of restricted cash. ASU 2016-18 requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash to the statement of cash flows. The University expects to apply ASU 2016-18 during its fiscal year ending June 30, 2019, through retrospective application to previous years' statements for comparative purposes. The impact of applying ASU 2016-18 has not yet been determined.

Contributions Received and Made

FASB recently issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires all entities – both donors and recipients – to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. No additional disclosures are required under this standard, although additional disclosures may occur as the result of additional conditional contributions to which there are existing disclosure requirements. The standard is effective for public business entities and not-for-profit conduit debt obligors for annual and interim reporting periods beginning after June 15, 2018. The University expects to first apply ASU 2018-08 during its fiscal year ending June 30, 2019, on a modified prospective basis in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date. The impact of applying ASU 2018-08 has not yet been determined.