UNIVERSITY OF TAMPA, INC.

Consolidated Financial Statements

May 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

UNIVERSITY OF TAMPA, INC.

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Trustees
University of Tampa, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Tampa, Inc., which comprise the consolidated statements of financial position as of May 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Tampa, Inc. as of May 31, 2017 and 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2017, on our consideration of the University of Tampa, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Tampa, Inc.'s internal control over financial reporting and compliance.

KPMG LLP

September 1, 2017
Certified Public Accountants

UNIVERSITY OF TAMPA, INC.

Consolidated Statements of Financial Position

May 31, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	52,618,154	59,420,850
Accounts receivable, net of allowance for uncollectibles of approximately $1,172,000 and $958,000 in 2017 and 2016, respectively		3,774,668	3,205,776
Inventories		114,363	96,649
Prepaid expenses and other assets		3,114,641	2,485,192
Contributions receivable, net		12,105,000	16,015,000
Loans receivable, net		2,129,199	2,170,663
Investments		61,030,623	76,888,199
Investment in plant, net		512,146,833	452,197,592
Total assets	$	647,033,481	612,479,921
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	16,806,088	15,575,931
Agency funds payable		1,677,969	1,453,793
Deferred revenue		7,365,881	6,978,538
Private loan funds payable		1,524,854	1,478,372
Governmental loan funds payable		1,508,598	1,498,264
Accrued postretirement benefits		4,312,920	2,693,615
Obligations under capital leases		1,949,602	3,016,588
Bonds and loans payable		168,028,767	173,717,581
Total liabilities		203,174,679	206,412,682
Net assets:			
Unrestricted		400,974,797	360,939,380
Temporarily restricted		17,450,365	20,585,848
Permanently restricted		25,433,640	24,542,011
Total net assets		443,858,802	406,067,239
Total liabilities and net assets	$	647,033,481	612,479,921

See accompanying notes to consolidated financial statements.

UNIVERSITY OF TAMPA, INC.

Consolidated Statement of Activities and Changes in Net Assets

Year ended May 31, 2017

	Operating	Nonoperating	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:						
Tuition and fees:						
Undergraduate tuition	$ 195,887,202	—	195,887,202	—	—	195,887,202
Other tuition and fees	21,294,705	—	21,294,705	25,290	—	21,319,995
Less scholarships	(59,543,299)	(1,654,284)	(61,197,583)	—	—	(61,197,583)
Net tuition and fees	157,638,608	(1,654,284)	155,984,324	25,290	—	156,009,614
Contributions and grants:						
Annual fund	1,229,268	—	1,229,268	—	—	1,229,268
Sword and Shield	12,632	—	12,632	—	—	12,632
Federal grants and contracts	—	740,303	740,303	—	—	740,303
State grants and contracts	—	1,177,961	1,177,961	—	—	1,177,961
Private gifts and contracts	144,349	1,753,656	1,898,005	3,098,223	763,135	5,759,363
Total contributions and grants	1,386,249	3,671,920	5,058,169	3,098,223	763,135	8,919,527
Other revenues:						
Events	—	—	—	165,666	—	165,666
Auxiliary enterprises:						
Bookstore	462,718	—	462,718	—	—	462,718
Student union	17,131,802	—	17,131,802	—	—	17,131,802
Housing	24,321,403	—	24,321,403	—	—	24,321,403
Athletics	31,183	—	31,183	48,355	—	79,538
Other	463,348	—	463,348	11,491	—	474,839
Total other revenues	42,410,454	—	42,410,454	225,512	—	42,635,966
Investment and other income:						
Investment income	157,363	—	157,363	1,698,409	117,059	1,972,831
Investment gains, net	276,025	338,807	614,832	1,769,521	11,435	2,395,788
Other income, net	2,744,905	20,247	2,765,152	524,159	—	3,289,311
Total investment and other income	3,178,293	359,054	3,537,347	3,992,089	128,494	7,657,930
Total revenues, gains, and other support before reclassifications	204,613,604	2,376,690	206,990,294	7,341,114	891,629	215,223,037

(Continued)

UNIVERSITY OF TAMPA, INC.

Consolidated Statement of Activities and Changes in Net Assets

Year ended May 31, 2017

	Operating	Nonoperating	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Reclassifications:						
Mandatory and nonmandatory transfers	$ (55,555,283)	55,555,283	—	—	—	—
Net assets released from restrictions	—	10,476,597	10,476,597	(10,476,597)	—	—
Total revenues, gains, and other support	149,058,321	68,408,570	217,466,891	(3,135,483)	891,629	215,223,037
Expenses and losses:						
Education and general:						
Instruction	54,936,237	2,220,271	57,156,508	—	—	57,156,508
Academic support	18,596,052	792,056	19,388,108	—	—	19,388,108
Student services	15,145,622	1,643,929	16,789,551	—	—	16,789,551
Institutional support	29,343,602	7,764,055	37,107,657	—	—	37,107,657
Research	—	319,132	319,132	—	—	319,132
Total education and general	118,021,513	12,739,443	130,760,956	—	—	130,760,956
Auxiliary enterprises:						
Athletics	4,946,936	666,184	5,613,120	—	—	5,613,120
Facilities rental	843,662	—	843,662	—	—	843,662
Residence life and housing	13,090,353	14,380,187	27,470,540	—	—	27,470,540
Student meals	12,155,857	321,571	12,477,428	—	—	12,477,428
Total auxiliary enterprises	31,036,808	15,367,942	46,404,750	—	—	46,404,750
Other expenses and losses:						
Loss on disposal of plant assets	—	265,768	265,768	—	—	265,768
Total expenses and losses	149,058,321	28,373,153	177,431,474	—	—	177,431,474
Change in net assets	—	40,035,417	40,035,417	(3,135,483)	891,629	37,791,563
Net assets at beginning of year	—	360,939,380	360,939,380	20,585,848	24,542,011	406,067,239
Net assets at end of year	$ —	400,974,797	400,974,797	17,450,365	25,433,640	443,858,802

See accompanying notes to consolidated financial statements.

UNIVERSITY OF TAMPA, INC.

Consolidated Statement of Activities and Changes in Net Assets

Year ended May 31, 2016

	Operating	Nonoperating	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:						
Tuition and fees:						
Undergraduate tuition	$ 182,311,554	—	182,311,554	—	—	182,311,554
Other tuition and fees	21,489,686	—	21,489,686	23,125	—	21,512,811
Less scholarships	(54,693,355)	(1,676,744)	(56,370,099)	—	—	(56,370,099)
Net tuition and fees	149,107,885	(1,676,744)	147,431,141	23,125	—	147,454,266
Contributions and grants:						
Annual fund	1,364,139	—	1,364,139	—	—	1,364,139
Sword and Shield	13,480	—	13,480	—	—	13,480
Federal grants and contracts	—	866,164	866,164	—	—	866,164
State grants and contracts	—	504,387	504,387	—	—	504,387
Private gifts and contracts	35,711	338,335	374,046	14,354,766	1,747,197	16,476,009
Total contributions and grants	1,413,330	1,708,886	3,122,216	14,354,766	1,747,197	19,224,179
Other revenues:						
Events	—	—	—	274,194	—	274,194
Auxiliary enterprises:						
Bookstore	467,398	—	467,398	—	—	467,398
Student union	17,447,436	—	17,447,436	—	—	17,447,436
Housing	24,906,304	—	24,906,304	—	—	24,906,304
Athletics	31,343	—	31,343	70,227	—	101,570
Other	381,237	—	381,237	20,771	—	402,008
Total other revenues	43,233,718	—	43,233,718	365,192	—	43,598,910
Investment and other income:						
Investment income	120,308	—	120,308	1,346,276	43,294	1,509,878
Investment gains (losses), net	350	(413,885)	(413,535)	(1,901,130)	(6,484)	(2,321,149)
Other income, net	2,496,164	27,396	2,523,560	791,851	—	3,315,411
Total investment and other income	2,616,822	(386,489)	2,230,333	236,997	36,810	2,504,140
Total revenues, gains, and other support before reclassifications	196,371,755	(354,347)	196,017,408	14,980,080	1,784,007	212,781,495

(Continued)

UNIVERSITY OF TAMPA, INC.

Consolidated Statement of Activities and Changes in Net Assets

Year ended May 31, 2016

	Operating	Nonoperating	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Reclassifications:						
Mandatory and nonmandatory transfers	$ (57,189,630)	57,189,630	—	—	—	—
Net assets released from restrictions	—	23,060,664	23,060,664	(23,060,664)	—	—
Total revenues, gains, and other support	139,182,125	79,895,947	219,078,072	(8,080,584)	1,784,007	212,781,495
Expenses and losses:						
Education and general:						
Instruction	49,960,245	1,424,302	51,384,547	—	—	51,384,547
Academic support	15,076,128	831,612	15,907,740	—	—	15,907,740
Student services	14,471,481	1,732,362	16,203,843	—	—	16,203,843
Institutional support	27,735,579	7,453,463	35,189,042	—	—	35,189,042
Research	—	499,645	499,645	—	—	499,645
Total education and general	107,243,433	11,941,384	119,184,817	—	—	119,184,817
Auxiliary enterprises:						
Athletics	4,680,858	629,445	5,310,303	—	—	5,310,303
Facilities rental	817,147	—	817,147	—	—	817,147
Residence life and housing	13,959,585	14,041,434	28,001,019	—	—	28,001,019
Student meals	12,481,102	303,837	12,784,939	—	—	12,784,939
Total auxiliary enterprises	31,938,692	14,974,716	46,913,408	—	—	46,913,408
Other expenses and losses:						
Loss on disposal of plant assets	—	2,341,666	2,341,666	—	—	2,341,666
Total expenses and losses	139,182,125	29,257,766	168,439,891	—	—	168,439,891
Change in net assets	—	50,638,181	50,638,181	(8,080,584)	1,784,007	44,341,604
Net assets at beginning of year	—	310,301,199	310,301,199	28,666,432	22,758,004	361,725,635
Net assets at end of year	$ —	360,939,380	360,939,380	20,585,848	24,542,011	406,067,239

See accompanying notes to consolidated financial statements.

UNIVERSITY OF TAMPA, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 37,791,563	44,341,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,061,586	19,577,471
Uncollectible pledges	3,699,000	296,000
Provision for uncollectible accounts	214,353	141,885
Investment (gains) losses, net	(2,395,788)	2,321,149
Loss on disposal of plant assets	265,768	2,341,666
Amortization of bond premium	(389,845)	(389,844)
Amortization of debt issuance costs	84,204	84,179
Receipt of federal and state financial aid	71,992,157	67,148,456
Disbursement of federal and state financial aid	(71,992,157)	(67,148,456)
Change in operating assets and liabilities:		
Accounts receivable	(783,245)	58,114
Inventories	(17,714)	72,714
Prepaid expenses and other assets	(629,449)	46,163
Contributions receivable, net	211,000	(7,049,000)
Loans receivable, net	41,464	40,593
Accounts payable and accrued expenses	1,298,848	457,565
Agency funds payable	224,176	83,999
Deferred revenue	387,343	(798,067)
Private loan funds payable	46,482	16,953
Governmental loan funds payable	10,334	9,254
Accrued postretirement benefits	1,619,305	85,953
Net cash provided by operating activities	62,739,385	61,738,351
Cash flows from investing activities:		
Capital expenditures	(81,226,757)	(61,810,925)
Purchases of investments	(25,786,382)	(11,955,598)
Sales and maturities of investments	44,039,746	12,223,792
Net cash used in investing activities	(62,973,393)	(61,542,731)
Cash flows from financing activities:		
Proceeds from debt issuance	—	519,364
Principal repayments on bonds and loans payable	(5,383,173)	(5,173,333)
Principal repayments on obligations under capital leases	(1,185,515)	(1,405,474)
Payment of debt issuance costs	—	(2,500)
Net cash used in financing activities	(6,568,688)	(6,061,943)
Net decrease in cash and cash equivalents	(6,802,696)	(5,866,323)
Cash and cash equivalents at beginning of year	59,420,850	65,287,173
Cash and cash equivalents at end of year	$ 52,618,154	59,420,850
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 7,371,171	7,243,098
Assets acquired under capital leases	118,529	2,479,941
Capital asset purchases in accounts payable and accrued expenses	1,219,620	1,288,311

See accompanying notes to consolidated financial statements.

(1) Organization

The University of Tampa, Inc. (the University) was founded in 1931 as a junior college. Presently, the University operates as a privately funded institution offering graduate and undergraduate degrees. The University is accredited by the Southern Association of Colleges and Schools.

Boulevard and Kennedy Holdings, LLC (BKH) was organized in 2014 for the purpose of holding several parcels of real property. BKH is a single-member limited liability company wholly owned by the University.

North Edison Holdings, LLC (NEH) was organized in 2017 for the purpose of holding a parcel of real property. NEH is a single-member limited liability company wholly owned by the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the University, the activity of BKH and, for fiscal year 2017, the activity of NEH. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Basis of Presentation and Accounting

The consolidated financial statements of the University have been prepared on the accrual basis of accounting.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets are reflected in the accompanying consolidated financial statements as follows:

- Unrestricted – Net assets that are free of donor-imposed restrictions: all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets. Unrestricted net assets also include assets required to be reserved under the terms of the University's bond agreements (note 6).
- 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 action of the University pursuant to those stipulations. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.
- Permanently Restricted – Net assets whose use by the University is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University.

Contributions are reported as increases in the appropriate category of net assets except for contributions that impose restrictions met in the same fiscal year they are received, which are reported as unrestricted revenues. Expenses are reported as decreases in unrestricted net assets.

Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications (net assets released from restrictions) from temporarily restricted net assets to unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects or perpetual or term endowment funds and contributions under split-interest agreements or perpetual trusts are reported as temporarily or permanently restricted revenues if restricted by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at fair value rates. Amortization of the discount is recorded as an increase to contribution revenue. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Unrestricted nonoperating activities reflect transactions of a long-term investment or capital nature that are not restricted by donors, including unrestricted contributions, federal, state, and private gifts and contracts, contributions designated by the Board of Trustees (Board) to be used for facilities and equipment, and unrealized gains or losses on such contributions or assets. Unrestricted operating activities reflect ongoing, budgeted revenues, and expenses of the University.

(c) Cash and Cash Equivalents

All highly liquid investments with an original maturity at the date of acquisition of three months or less are considered to be cash equivalents.

(d) Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

(e) Loans Receivable

The University's student loan program is made possible by various loan programs such as the Federal Perkins Student Loan Program and a loan program funded by donors. Default by the student on his or her loan will result in a loss to the University. The loan programs are largely self-sustaining in that collections of principal and interest on prior loans have been sufficient to cover cash requirements for making current student loans.

(f) Investments

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value. In addition, the University utilizes net asset value to estimate the fair value for reporting certain other investments. Income derived from investments, which is restricted by the donor, may be recorded as temporarily or permanently restricted revenues in accordance with explicit donor stipulations or applicable laws. Absent donor restrictions, such amounts are recorded as unrestricted revenues.

(g) Investment in Plant

Investment in plant is recorded at cost on the date of acquisition or at estimated fair value at the date of donation. Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life. Interest expense of $1,205,103 and $2,033,787 was capitalized during the years ended May 31, 2017 and 2016, respectively. The University does not capitalize the purchase of library books. The University has set aside certain funds to provide for the future renewal and replacement of plant and equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization of plant and equipment is recorded using the straight-line method over the estimated useful lives of plant and equipment (or shorter of lease term or useful life for assets financed by capital leases and for leasehold improvements), which range from five to 40 years commencing in the fiscal quarter after the property or equipment is placed in service. Collections of antiques, paintings, and other works of art are not depreciated. Depreciation expense totaled $21,061,586 and $19,577,471 during the years ended May 31, 2017 and 2016, respectively.

(h) Impairment of Long-Lived Assets

The University evaluates the recoverability of its plant and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than its carrying value. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. No indicators of impairment existed at May 31, 2017 and 2016.

(i) Revenue Recognition

Operating revenues of an academic term that extend over more than one fiscal year are recognized on a pro rata basis, allocated based upon the number of days of the term occurring in each fiscal year. Accounts receivable primarily represents outstanding balances on student accounts related to outstanding tuition and fees.

(j) Allowance for Doubtful Accounts

The University has established an allowance for doubtful accounts based on historical collections and industry standards. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to the provision for bad debts when collected. The receivables are reflected at net realizable value.

(k) Deferred Revenue

Payments received for activities or services occurring in future fiscal years are recorded as deferred revenue and are recognized as revenue when the activities or services have been provided.

(l) Income Taxes

The University is exempt from federal and state income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC), as amended. BKH and NEH, as single-member limited liability companies, are treated as disregarded entities for tax purposes. Management does not consider income taxes connected with the University's unrelated business income to be significant.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Subtopic 740-10, *Income Taxes – Overall*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, and disclosure. The University believes that it has appropriate support for its tax positions taken and as such, does not have any uncertain tax positions that could result in a material impact to the consolidated financial statements.

(m) Use of Estimates

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

(n) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 consolidated financial statement presentation.

(3) Contributions Receivable

As of May 31, 2017 and 2016, contributions receivable are expected to be collected in the following periods:

		2017	2016
In one year or less	$	10,360,000	5,872,000
Between one year and five years		2,632,000	12,258,000
More than five years		25,000	337,000
Total		13,017,000	18,467,000
Allowance for uncollectible contributions		(132,000)	(628,000)
Discount on future contributions collectible in future years (5%)		(780,000)	(1,824,000)
Contributions receivable, net	$	12,105,000	16,015,000

Substantially all contributions receivable are classified as temporarily restricted based upon donor restrictions for amounts to be utilized for capital projects or subject to other time restrictions.

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(4) Investments

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities, fund programs and scholarships as required by donors, and increase investment value after inflation. The University diversifies its investments among various asset classes and types of investments, incorporating multiple strategies, and managers. Major investment decisions are authorized by the Board, which oversees the University's investment program in accordance with guidelines established by its investment policy.

A summary of investments, at fair value, at May 31, 2017 and 2016 is as follows:

	2017	2016
Cash equivalents	$ 11,175,987	29,625,472
Stocks	16,772,902	16,918,065
Fixed income securities	11,153,419	11,182,588
Mutual funds	12,087,297	8,547,062
U.S. government securities	101,548	106,591
Interest-bearing deposits	206,000	206,000
Real estate	857,945	857,945
Alternative investments:		
Hedge funds	2,521,056	4,750,664
Real estate investment funds	2,507,699	2,185,111
Private equity funds	2,401,596	—
Timber funds	1,245,174	2,508,701
	$ 61,030,623	76,888,199

Interest, dividends, and other investment income are reported net of investment management fees of $190,184 and $172,755 for the years ended May 31, 2017 and 2016, respectively.

(5) Investment in Plant

Investment in plant consists of the following as of May 31, 2017 and 2016:

		2017	2016
Land and improvements	$	75,689,219	66,415,657
Buildings and improvements		461,094,539	427,282,675
Machinery and equipment		31,923,311	35,028,584
Furniture and fixtures		28,561,587	28,946,138
Construction in progress		58,687,224	26,658,026
Antiques, paintings, and other works of art		433,985	433,985
Transportation equipment		1,079,941	1,059,179
		657,469,806	585,824,244
Less accumulated depreciation		(145,322,973)	(133,626,652)
	$	512,146,833	452,197,592

Construction in progress at May 31, 2017 consists of the construction of the Palm Apartments Dormitory Phase II with a total estimated project cost of $54,930,000 and construction of the Graduate and Health Studies Building with an estimated project cost of $32,535,000. Construction in progress at May 31, 2016 consisted of the construction of the Fitness Center and construction of the Palm Apartments Dormitory Phase II.

(6) Bonds and Loans Payable

The bonds and loans payable of the University are summarized as follows as of May 31, 2017 and 2016:

		2017	2016
Unsecured Note Payable, Kim Logan (Logan) – payable in annual installments of varying amounts through January 2020. Interest at a fixed rate of 5.50% is due annually. This note was used to partially finance a property purchase (discussed herein).	$	389,523	519,364
City of Tampa, Florida Bonds, Series 2015 – payable in annual installments of varying amounts through April 2045 (plus unamortized premiums of $8,333,724 and $8,631,358, less unamortized debt issuance costs of $665,601 and $689,443 at May 31, 2017 and 2016, respectively). Interest at an average coupon rate of 5.00% is due semiannually. Secured by a security interest in the pledged revenues of the University under the Master Trust Indenture.		82,458,123	83,651,915

(Continued)

		2017	2016
Higher Educational Facilities Financing Authority Bonds, Series 2012A – payable in annual installments of varying amounts through April 2042 (plus unamortized premiums of $2,305,277 and $2,397,488, less unamortized debt issuance costs of $1,115,433 and $1,160,050 at May 31, 2017 and 2016, respectively). Interest at an average coupon rate of 4.93% is due semiannually. Secured by a security interest in the pledged revenues of the University under the Master Trust Indenture.	$	66,254,845	68,552,438
PNC Bank Direct Purchase Bank Loan, Series 2012B – payable in annual installments of varying amounts through April 2018 (less unamortized debt issuance costs of $9,807 and $20,506 at May 31, 2017 and 2016, respectively). Interest at a fixed rate of 2.20% is due monthly. Secured by a security interest in the pledged revenues of the University under the Master Trust Indenture.		1,315,193	2,599,494
Specialized Lending LLC Direct Purchase Bank Loan, Series 2012C – payable in monthly installments of varying amounts through May 2032 (less unamortized debt issuance costs of $75,167 and $80,213 at May 31, 2017 and 2016, respectively). Interest at a variable rate of 67% of LIBOR plus 0.87% is due monthly. Loan was modified on August 3, 2015 to reduce the interest rate to 67% of LIBOR plus 0.80%, due monthly. Interest rate at May 31, 2017 and 2016 was 1.47% and 1.09%, respectively. Interest-only payments were made until May 1, 2015. Secured by a security interest in the pledged revenues of the University under the Master Trust Indenture.		17,611,083	18,394,370
	$	168,028,767	173,717,581

The Logan note payable closed on January 6, 2016 for $519,364 to partially finance the acquisition of seven contiguous parcels of land and buildings located near the University. The note calls for four equal payments of principal $129,841, together with interest on the then outstanding balance at 5.50% per annum, through January 6, 2020.

The Series 2015 bonds were issued on April 23, 2015 with a par value of $76,690,000 to finance construction of a new dormitory (Palm Apartments complex) and a new facility (Innovation and Collaboration Building), to advance refund (and legally defease) the Series 2006 bonds, and to repay the Direct Purchase Series 2013 bank loan with The Bank of Tampa. In addition, the Series 2015 bonds had an original issue premium of $8,928,990. This premium is being amortized with the semiannual bond interest payments as a reduction of interest expense. Of the total bond proceeds (par value and premium), $35,000,000 was related to new construction funds, $49,907,919 was used to advance refund the Series 2006 bonds and repay the Direct Purchase Series 2013 bank loan with The Bank of Tampa, and

(Continued)

$711,071 was used to pay costs of issuance. Original debt issue costs totaling $715,273 have been capitalized as a reduction of bonds and loans payable outstanding and are being amortized over the life of the bonds (30 years).

The Series 2012A bonds were issued on April 30, 2012 with a par value of $74,795,000 to finance construction of a new dormitory (Jenkins Hall) and to refund several prior bond issues (Series 1999, 2000, 2002, and 2005A). Of this amount, $16,110,000 related to new construction funds and $58,685,000 related to refunding of prior bond issues. The Series 1999, 2002, and 2005A bonds were refunded on April 30, 2012; and the Series 2000 bonds were refunded on May 1, 2012. In addition, the Series 2012A bonds had an original issue premium of $2,766,332. This premium is being amortized with the semiannual bond interest payments as a reduction of interest expense. Original debt issue costs totaling $1,342,289 have been capitalized as a reduction of bonds and loans payable outstanding and are being amortized over the life of the bonds (30 years).

The Direct Purchase Series 2012B bank loan with PNC Bank was issued on April 30, 2012 for $7,300,000 to permanently finance a PNC Bank short-term bridge loan, which had been issued to refund the Series 1998 bonds on October 3, 2011. Original debt issue costs totaling $64,191 have been capitalized as a reduction of bonds and loans payable outstanding and are being amortized over the life of the loan (6 years).

The Direct Purchase Series 2012C bank loan with Specialized Lending LLC (a wholly owned subsidiary of Bank of America) was issued on April 30, 2012 to finance the construction of Jenkins Hall. The maximum loan amount is $20,000,000. Total loan draws reached the maximum balance during fiscal year 2013. Terms of the loan include interest-only payments for the first three years and monthly payments of principal and interest thereafter. Original debt issue costs totaling $97,814 have been capitalized as a reduction of bonds and loans payable outstanding and are being amortized over the life of the loan (20 years). The lender has a “put” option on May 1, 2022. If the lender exercises the “put” option, the University will be required to repay the outstanding principal and accrued interest on the loan on that date. The loan was modified on August 3, 2015, which reduced the monthly interest rate of 67% of LIBOR plus 0.87% to 67% of LIBOR plus 0.80%. In addition, the “put” option date was extended from May 1, 2022 to May 1, 2025 with an option for the lender, at its sole discretion, to extend the “put” option date to May 1, 2027. Original debt issue costs paid to the lender for the loan modification totaling $2,500 have been capitalized as a reduction of bonds and loans payable outstanding and are being amortized over the remaining life of the loan (17 years).

The bonds and loans include various restrictive covenants including the maintenance of sinking funds and certain liquidity ratios.

The University adopted FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03) as of May 31, 2017. ASU 2015-03 requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability (similar to the presentation of debt discounts or premiums). Prior year reclassifications include the impact of the adoption of ASU 2015-03, which resulted in the reclassification of debt issuance costs from prepaid expenses and other assets to bonds and loans payable in the amount of $1,950,212.

Interest expense on the bonds and loans payable was $6,956,825 and $7,132,196 for the years ended May 31, 2017 and 2016, respectively.

Maturities of bonds and loans payable for the succeeding five fiscal years and thereafter are as follows:

Year ending May 31:		
2018	$	5,613,174
2019		4,438,174
2020		4,649,008
2021		4,738,750
2022		4,982,283
Thereafter		134,834,385
Total principal payments		159,255,774
Unamortized bond premiums		10,639,001
Unamortized debt issuance costs		(1,866,008)
Total bonds and loans payable	$	168,028,767

(7) Retirement Benefits

(a) Defined Contribution Plan

Retirement benefits are provided for certain staff members through Teachers Insurance and Annuity Association (TIAA) and College Retirement Equity Fund (CREF), which are national organizations used to manage pension benefits for educational institutions. Under this arrangement, the University and plan participants make annual contributions based upon a defined percentage of the participant's salary to purchase individual retirement annuities and/or equity units. The University's share of these costs for the years ended May 31, 2017 and 2016 was $2,959,198 and $2,719,022, respectively.

(b) Postretirement Benefits

The University recognizes the funded status of its postretirement benefit plan in the consolidated statements of financial position. Actuarial gains and losses that are not recognized as net periodic pension cost in the same period will be recognized as an institutional support expense.

The funded status of the postretirement benefit plan at May 31, 2017 and 2016 consists of the following:

		2017	2016
Accumulated postretirement benefit obligation	$	(2,781,790)	(2,693,615)
Plan assets at fair value		—	—
Funded status	$	(2,781,790)	(2,693,615)
Accrued postretirement benefit cost recorded in the consolidated financial statements	$	(2,781,790)	(2,693,615)

All participating retirees have reached their maximum benefit level, and medical cost trend rates are therefore not applicable at May 31, 2017 and 2016. The weighted average assumptions used in computing the plan status are as follows:

	2017	2016
Discount rate at year-end	3.85 %	3.90 %

The beginning of year discount rate of 3.90% was used for the purpose of calculating the current year net periodic postretirement benefit cost.

The annual benefit costs for the years May 31, 2017 and 2016 are as follows:

		2017	2016
Service cost	$	112,221	108,009
Interest cost		43,170	68,611
Amortization of net gain		(67,216)	(90,667)
Net periodic postretirement benefit cost	$	88,175	85,953
Employer contribution	$	33,325	45,547
Benefits paid		33,325	45,547

The University's best estimate of employer contributions expected to be paid to the plan during the fiscal year ending May 31, 2018 is $105,000.

Benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are approximately as follows:

Year ending May 31:		
2018	$	105,000
2019		107,000
2020		108,000
2021		107,000
2022		109,000
2023–2027		543,000

In addition to the postretirement benefit plan, the University has recorded an obligation at May 31, 2017 in the amount of $1,531,130 related to postretirement benefits due to an executive under the terms of the associated employment contract.

(8) Leases

The University leases data transmission facilities and data processing equipment that have been capitalized in the accompanying consolidated financial statements as a purchase of assets and incurrence of debt, as if financed.

Future minimum lease payments related to the capitalized data transmission equipment and data processing equipment leased, together with the present value of the minimum lease payments, are as follows:

Year ending May 31:		
2018	$	928,295
2019		717,027
2020		330,230
2021		17,053
Total		1,992,605
Less amounts representing interest		(43,003)
Present value of minimum lease payments	$	1,949,602

Machinery and equipment includes approximately $6,919,000 and $10,314,000 of original cost under the capital leases at May 31, 2017 and 2016, respectively. Accumulated depreciation for such equipment was approximately $4,537,000 and $6,784,000 at May 31, 2017 and 2016, respectively.

(Continued)

The University also leases various facilities and equipment under noncancelable operating leases which expire through fiscal year 2023. Payments for each of the next five years and thereafter related to noncancelable operating leases are as follows:

Year ending May 31:		
2018	$	459,992
2019		409,619
2020		379,547
2021		280,408
2022		280,926
Thereafter		25,711
Total operating lease payments	$	1,836,203

Rent expense under noncancelable operating leases totaled approximately $480,000 and $609,000 for the years ended May 31, 2017 and 2016, respectively.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at May 31, 2017 and 2016:

		2017	2016
Purpose restrictions:			
Construction or acquisition of land, buildings, and equipment	$	—	1,911,804
Donor-supported scholarship aid		4,071,770	3,612,472
Comprehensive capital campaign		7,118,245	9,349,991
Other grants and programs		6,242,261	5,693,492
Time restrictions:			
Annuity contracts		18,089	18,089
Total temporarily restricted net assets	$	17,450,365	20,585,848

Permanently restricted net assets consist of the following at May 31, 2017 and 2016:

		2017	2016
Endowments	$	25,433,640	24,542,011

Investment earnings on permanently restricted contributions are expended per donor-restrictions. When no donor-restriction exists the earnings are used to fund future scholarships.

(10) Net Assets Released From Restrictions

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

		2017	2016
Purpose restrictions accomplished:			
Construction or acquisition of land, buildings, and equipment	$	6,588,465	18,563,320
Special purpose gifts		3,888,132	4,497,344
	$	10,476,597	23,060,664

(11) Commitments and Contingencies

During the normal course of business, the University is engaged in various lawsuits as a defendant. In the opinion of management, after giving consideration to the advice of legal counsel, the ultimate outcome of these various lawsuits should not have a material impact on the University's operations or financial condition.

Certain federal and state funded financial aid programs are routinely subject to special audits. The reports on the audits, which are conducted pursuant to specific regulatory requirements by the auditors for the University, are required to be submitted to the U.S. and Florida Departments of Education. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate federal and state financial aid programs. Other federal and state programs are also subject to audit. Such audits could result in claims against the resources of the University.

No provision has been made for any liabilities, which may arise from such audits since the amounts, if any, cannot be determined at this date. Management does not believe that any disallowed costs from the results of such audits would be material to the consolidated financial statements.

(12) Fair Value Measurements

Fair value accounting guidance defines fair value as the exit price that would be received to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value, fair value is measured using three levels as described below:

- Level 1: Fair value is determined by using observable inputs such as quoted prices for identical assets and liabilities in active markets obtained from independent sources.
- Level 2: Fair value is determined by using other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data.

- Level 3: Fair value is determined by using unobservable inputs for which there is little or no market data and requires an entity to develop its own assumptions, based on the best information available in the circumstances, about the considerations market participants would use in pricing the asset or liability.

Investments in corporations, trusts and limited liability companies represent investments measured at NAV or its equivalent and consist of hedge fund investments, real estate investment funds, a private equity fund, and a timber fund. These investments, which are not exchange traded, do not have readily determinable fair values. These investments are typically redeemable at NAV under the terms of the investment agreements. Estimates of fair value are made using NAV per share or its equivalent as a practical expedient and are not required to be categorized in the fair value hierarchy due to the adoption of FASB ASU 2015-07, *Fair Value Measurements: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07) as of May 31, 2017. The fair value amounts attributed to these investments continue to be presented in the tables below to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. As a result of the retrospective application of ASU 2015-07, the May 31, 2016 investment information below has been restated from prior years to remove the investments measured at NAV or its equivalent from Levels 2 and 3 in the fair value hierarchy.

(Continued)

The following table presents the University's financial instruments that are measured or disclosed at fair value on a recurring and nonrecurring basis at May 31, 2017:

	2017			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Assets:				
Recurring:				
Cash and cash equivalents	$ 52,618,154	—	—	52,618,154
Investments:				
Cash equivalents	11,175,987	—	—	11,175,987
Stocks	16,772,902	—	—	16,772,902
Fixed income securities	—	11,153,419	—	11,153,419
Mutual funds	12,087,297	—	—	12,087,297
U.S. government securities	101,548	—	—	101,548
Interest bearing deposits	206,000	—	—	206,000
Real estate	—	—	857,945	857,945
Investments measured at NAV or its equivalent:				
Hedge fund investments:				
Lighthouse Diversified	—	—	—	1,054,225
Lighthouse Global Long/Short	—	—	—	1,466,831
Real estate investment funds:				
BREP VIII	—	—	—	856,751
Blackstone Real Estate Income Fund II	—	—	—	1,650,948
Private equity funds:				
Partners Group Private Equity (Master Fund)	—	—	—	2,401,596
Timber funds	—	—	—	1,245,174
Total investments	40,343,734	11,153,419	857,945	61,030,623
Total recurring	92,961,888	11,153,419	857,945	113,648,777
Nonrecurring:				
Contributions receivable	—	—	12,105,000	12,105,000
Disclosure:				
Student loans receivable	—	2,129,199	—	2,129,199
Total assets	$ 92,961,888	13,282,618	12,962,945	127,882,976

	2017			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Liabilities:				
Recurring:				
Agency funds payable	$ 1,677,969	—	—	1,677,969
Disclosure:				
Bonds and loans payable	157,304,591	19,400,773	—	176,705,364
Total liabilities	$ 158,982,560	19,400,773	—	178,383,333

The following table presents the University's financial instruments that are measured or disclosed at fair value on a recurring and nonrecurring basis at May 31, 2016:

	2016			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Assets:				
Recurring:				
Cash and cash equivalents	$ 59,420,850	—	—	59,420,850
Investments:				
Cash equivalents	29,625,472	—	—	29,625,472
Stocks	16,918,065	—	—	16,918,065
Fixed income securities	—	11,182,588	—	11,182,588
Mutual funds	8,547,062	—	—	8,547,062
U.S. government securities	106,591	—	—	106,591
Interest bearing deposits	206,000	—	—	206,000
Real estate	—	—	857,945	857,945
Investments measured at NAV or its equivalent:				
Hedge fund investments:				
Lighthouse Diversified	—	—	—	2,004,060
Lighthouse Global Long/ Short	—	—	—	2,746,604

	2016			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Real estate investment funds:				
BREP VIII	$ —	—	—	685,111
Blackstone Real Estate Income Fund II	—	—	—	1,500,000
Timber funds	—	—	—	2,508,701
Total investments	55,403,190	11,182,588	857,945	76,888,199
Total recurring	114,824,040	11,182,588	857,945	136,309,049
Nonrecurring:				
Contributions receivable	—	—	16,015,000	16,015,000
Disclosure:				
Student loans receivable	—	2,170,663	—	2,170,663
Total assets	$ 114,824,040	13,353,251	16,872,945	154,494,712
Liabilities:				
Recurring:				
Agency funds payable	$ 1,453,793	—	—	1,453,793
Disclosure:				
Bonds and loans payable	160,742,858	21,613,947	—	182,356,805
Total liabilities	$ 162,196,651	21,613,947	—	183,810,598

The fair values of the financial instruments shown in the above tables as of May 31, 2017 and 2016 represent the estimated amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the University's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the University based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and cash equivalents, investments, contributions receivable, student loans receivable, and agency funds payable*: The carrying amounts approximate fair value because of the relative terms and/or short maturity of these financial instruments. In addition, contributions receivable to be realized after one year are recorded at the present value of the estimated future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. Cash and cash equivalents, investments, and agency funds payable are reflected in the accompanying consolidated financial statements at fair value.

- *Bonds and loans payable*: The fair value of the University's Bond Series 2012A and Series 2015 is measured using quoted offer-side prices when quoted market prices are available. The fair value of the loans payable approximates the carrying value due to the variable interest rates in effect and the current fixed rates for notes with similar maturities.

Level 1 financial instruments include cash and cash equivalents and investments in publicly traded corporate equities, mutual funds, U.S. government securities (U.S. Treasury notes and federal agency securities traded on the open market), and certificates of deposit. These assets are valued at quoted market prices.

Level 2 financial instruments include investments in fixed income securities traded on the open market which are directly or indirectly observable.

Level 3 financial instruments include investments in real estate. These assets are valued using significant unobservable inputs.

There were no changes to financial instruments measured at fair value using level 3 inputs for the years ended May 31, 2017 or 2016.

The University's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, Level 2, or Level 3 during the years ended May 31, 2017 and 2016.

The fair values of the following investments have been estimated using the net asset value per share of the investments as of May 31, 2017 and 2016. Blackstone Real Estate Partners VIII (BREP VIII) has $1,050,000 in unfunded commitments as of May 31, 2017. There are no unfunded commitments on any of the other funds.

	2017 Fair value	2016 Fair value	Redemption frequency	Redemption notice period
Hedge fund investments:				
Lighthouse Diversified Fund Limited (a)	$ 1,054,225	2,004,060	Monthly	90 days
Lighthouse Global Long/Short Fund Limited (b)	1,466,831	2,746,604	Monthly or Quarterly	90 days 60 days
Real estate investment funds:				
Blackstone Real Estate Partners VIII (BREP VIII) (c)	856,751	685,111	N/A	N/A
Blackstone Real Estate Income Fund II (d)	1,650,948	1,500,000	Quarterly	95 days
Private equity funds:				
Partners Group Private Equity (Master Fund), LLC (e)	2,401,596	—	Quarterly	90 days
Sunbelt Timber Opportunity Fund, LLC (f)	1,245,174	2,508,701	N/A	N/A
Total	$ 8,675,525	9,444,476		

(a) The investment objective of the Lighthouse Diversified Fund Limited is to seek consistent stable returns by allocating the fund's assets to sub-advisers who use a variety of different investment strategies and invest across a wide range of financial instruments. The fund seeks to have a substantial diversification of sub-advisers and investment strategies.

(b) The primary investment objective of the Lighthouse Global Long/Short Fund Limited is to maximize capital appreciation over the long term. The fund is a multi-manager fund that seeks to achieve its objective by deploying its assets primarily among a select group of sub-advisers who invest principally in global equity markets by employing an investing style known as "long/short." This style combines long investments with short sales in the pursuit of opportunities in rising or declining markets. The investment manager seeks to combine long/short managers with the goal of generating capital appreciation while attempting to limit risk through the use of a multi-strategy, multi-manager, and diversified investment philosophy.

(c) The investment objective of Blackstone Real Estate Partners VIII (BREP VIII) is to acquire distressed, out of favor, and/or undermanaged properties at below market prices and execute strategies to fix the issues, creating assets that can be sold to long-term real estate owners at higher values. The fund invests primarily in hotels, single-family rentals, and retail, industrial, multifamily, other residential, and office properties. The University and other investors in the BREP VIII fund do not have a right to redeem any portion of their investment prior to the scheduled fund dissolution in 2025.

(d) The investment objective of Blackstone Real Estate Income Fund II is to seek long-term total return, with an emphasis on current income, by primarily investing in a broad range of real estate-related debt investments. At least 80% of the fund's assets will be invested in liquid investments in public and private real estate debt, including, but not limited to, commercial mortgage-backed securities, mortgages, loans, mezzanine and other forms of debt and equity interests in collateralized debt obligation vehicles, collateralized loan obligation vehicles, real estate investment trusts, listed vehicles and other entities that invest in real estate debt as one of their core businesses.

(e) The investment objective of Partners Group Private Equity (Master Fund), LLC is to seek long-term capital appreciation in a diversified private equity portfolio and attractive risk-adjusted returns through a dynamic, relative value-based strategy. The fund invests both directly into assets (direct) and into funds (secondary and primary). Private equity is a form of equity investment into nonpublic companies through privately negotiated transactions. Private equity investments are made with a pre-defined investment strategy to build returns and are usually realized, or exited, after four to seven years.

(f) The Sunbelt Timber Opportunity Fund, LLC was formed to invest in the equity of the underlying timber properties of Red Mountain Timberlands LLC, an investment fund formed to acquire investment grade timberlands and/or long-term timberland leaseholds in the southern United States. The University and other investors in the timber fund do not have a right to redeem any portion of their investment prior to the scheduled fund dissolution in 2017. A waivable fee may be assessed on any redemption of the timber fund in an amount equal to 20% of the excess of the member's capital account balance over the member's unreturned capital position at the time of redemption.

Estimates of fair value are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

(13) Endowment

On July 1, 2012, the State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the University implemented all requirements of UPMIFA, most notably the requirement that all donor-restricted endowment funds that are not classified as permanently restricted net assets be 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 in UPMIFA.

The University's endowment consists of 203 individual funds established for a variety of purposes. The endowments are classified and reported based on the existence or absence of donor-imposed restrictions. 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 funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets.

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

1. The purpose of the University
2. The intent of the donors of endowment funds
3. The terms of the applicable instrument
4. The long-term and short-term needs of the University carrying out its purpose
5. The general economic conditions
6. The possible effects of inflation or deflation
7. Other resources of the University
8. The investment policies of the University

If the fair value of assets associated with the individual donor restricted endowment funds falls below the level that UPMIFA requires the University to retain as permanently restricted, these deficiencies are reported in unrestricted net assets. These deficiencies can result from unfavorable market conditions and fluctuations. There were no such deficiencies at May 31, 2017 or 2016.

The University has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. In establishing the investment objectives, the Board has taken into account the time horizon available for investment, the nature of cash flow requirements, the endowment's role within long-term financial plan and other factors that affect their risk tolerance. Spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the University's endowment assets.

The endowment currently has a spending policy at a 3.5% annual rate calculated using the average fair value of associated investments during a rolling 12-quarter period.

Changes in endowment funds for the years ended May 31, 2017 and 2016 consisted of the following:

		2017		
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets May 31, 2016	$ 6,039,333	5,078,508	24,542,011	35,659,852
Investment return:				
Investment income	331,917	1,601,227	117,059	2,050,203
Net appreciation (realized and unrealized)	618,412	1,733,600	11,435	2,363,447
Total investment return	950,329	3,334,827	128,494	4,413,650
Contributions	1,259	—	763,135	764,394
Appropriation of endowment assets for expenditures	(331,917)	(1,601,227)	—	(1,933,144)
Endowment net assets, May 31, 2017	$ 6,659,004	6,812,108	25,433,640	38,904,752

		2016		
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets May 31, 2015	$ 6,307,953	6,989,337	22,758,004	36,055,294
Investment return:				
Investment income	258,634	1,207,943	43,294	1,509,871
Net appreciation (realized and unrealized)	(389,730)	(1,910,829)	(6,484)	(2,307,043)
Total investment return	(131,096)	(702,886)	36,810	(797,172)
Contributions	121,110	—	1,747,197	1,868,307
Appropriation of endowment assets for expenditures	(258,634)	(1,207,943)	—	(1,466,577)
Endowment net assets, May 31, 2016	$ 6,039,333	5,078,508	24,542,011	35,659,852

(Continued)

(14) Related Parties

Contributions receivable include amounts pledged by various Trustees. At May 31, 2017 and 2016, net pledges outstanding from such Trustees approximated $3,244,000 and $1,646,000, respectively. Approximately 91% and 87% of the 2017 and 2016 pledges outstanding from Trustees amounts, respectively, is due from one Trustee.

(15) Plant Museum

Within the organization and financial records of the University are amounts for the operation of the Henry B. Plant Museum (the Museum). Under the terms of the lease with the City of Tampa (the City) for Historic Plant Hall, a portion of one floor of the main academic and administrative building of the campus is designated to serve as the home for the Museum. The management and staff employees of the Museum are University employees, and the operation of the Museum is recorded within the University's accounts. The collection of the Museum is owned and recorded by the City. No value for the collection is recorded in the University's consolidated statements of financial position. The following represents the assets of the Museum that are recorded in the University's accompanying consolidated statements of financial position at May 31, 2017 and 2016.

		2017	2016
Cash	$	736,514	701,051
Investments		659,145	607,866
Inventories		75,883	43,251
Other		12,051	11,401
	$	1,483,593	1,363,569

(16) Campus Store Management Agreement

The University has an agreement with Barnes & Noble College Bookstore, Inc. to manage the Campus Store. The agreement calls for a guaranteed payment or a percentage of gross sales to be paid to the University at the end of each contract year. The initial term of the contract was modified in March 2010 to extend 7 additional years through February 28, 2017. The contract was modified again in March 2017 to extend 7 additional years through February 28, 2024. The guaranteed payment for 2017 and 2016 was either $250,000 or the combined total of 9.5% of gross sales up to $1,750,000 and 10.5% of sales over $1,750,000, whichever is greater. The March 2017 contract modification, which takes effect in fiscal year 2018, has no guaranteed payment. It calls for 10.5% of gross sales up to $1,750,000 and 11.5% of sales over $1,750,000. Actual payments on the contract totaled $462,718 and $467,398 for the years ended May 31, 2017 and 2016, respectively.

(17) Subsequent Events

The University reviewed and evaluated events from May 31, 2017 through September 1, 2017, the date the consolidated financial statements were issued, and concluded that no subsequent events have occurred that require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.