



# LIBERTY UNIVERSITY

## Annual Disclosure Report

*Fiscal Year Ended June 30, 2015*

**October 28, 2015**



Liberty University

Annual Disclosure Report  
for the Fiscal Year Ended  
June 30, 2015

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10/28/2015

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## I. INTRODUCTION

Pursuant to the Continuing Disclosure Agreements dated December 21, 2010 and January 19, 2012 (collectively, the "Disclosure Agreement") executed and delivered in connection with the issuance by the Virginia College Building Authority of Educational Facilities Revenue Bonds (Liberty University Projects) Series 2010 (the "Series 2010 Bonds") and the \$100,000,000 Liberty University 5.1000% Taxable Bonds Series 2012 (the "Series 2012 Bonds"), Liberty University (the "University") hereby provides its annual disclosure report for the fiscal year ended June 30, 2015 (the "Annual Disclosure Report").

### A. CUSIP Numbers

Each maturity of the Series 2010 Bonds is identified by the corresponding CUSIP Number set forth below:

<u>Maturity Date</u>	<u>Series</u>	<u>CUSIP</u>
03-01-2012	Series 2010	927781WR1
03-01-2013	Series 2010	927781WS9
03-01-2014	Series 2010	927781WT7
03-01-2015	Series 2010	927781WU4
03-01-2016	Series 2010	927781WV2
03-01-2017	Series 2010	927781WW0
03-01-2018	Series 2010	927781WX8
03-01-2019	Series 2010	927781WY6
03-01-2019	Series 2010	927781XG4
03-01-2020	Series 2010	927781WZ3
03-01-2021	Series 2010	927781XA7
03-01-2021	Series 2010	927781XH2
03-01-2022	Series 2010	927781XB5
03-01-2023	Series 2010	927781XC3
03-01-2024	Series 2010	927781XD1
03-01-2024	Series 2010	927781XJ8
03-01-2025	Series 2010	927781XE9
03-01-2029	Series 2010	927781XL3
03-01-2029	Series 2010	927781XM1
03-01-2034	Series 2010	927781XK5
03-01-2041	Series 2010	927781XE9

The CUSIP Number set forth for the Series 2012 Bonds is 531543AC0 with a maturity date on March 1, 2042.

Note: The CUSIP Numbers above are provided for the convenience of the Bondholders. The University is not responsible for the accuracy of such numbers.

### B. Annual Disclosure Report

The University's Annual Disclosure Report includes this Introduction, the information required by section 4 of the Disclosure Agreement as set forth in Appendix D to the Official Statement dated December 8, 2010 ("Series 2010 Bonds"), the information required by section 4 of the Continuing Disclosure Agreement set forth in the Official Statement dated January 11, 2012 ("Series 2012 Bonds") and the University's consolidated financial statements for the fiscal years ended June 30, 2015 and 2014 (the "University's Fiscal Year 2015 Audited Financial Statements"). A copy of the University's Fiscal Year 2015 Audited Financial Statements is available in Appendix A of this document and has been posted on

the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>. Please note that this Annual Disclosure Report is intended to be read in conjunction with the University's Fiscal Year 2015 Audited Financial Statements.

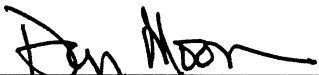
**C. Other Matters**

This Annual Disclosure Report is provided solely pursuant to the Disclosure Agreement. The filing of the Annual Disclosure Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the University or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Disclosure Report relates (other than as contained in this Annual Disclosure Report), or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. The information contained in this Annual Disclosure Report has been obtained from sources which are believed to be reliable. No statement in this Annual Disclosure Report should be construed as a prediction or representation about future financial performance of the University.

This Annual Disclosure Report, which includes the University's Fiscal Year 2014 Audited Financial Statements, contains certain forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as "will result," "expect to," "will continue," "anticipates," "plans," "intends," "estimated," "projects," and "outlook") are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the University believes that the expectations reflected in the forward-looking statements are reasonable, the University cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the University nor any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Annual Disclosure Report. The University undertakes no obligation to publicly update or revise any forward-looking statements in this Annual Disclosure Report, whether as a result of new information, future events or otherwise.

Dated: 10/28/2015

THE BOARD OF TRUSTEES OF LIBERTY UNIVERSITY

By:  \_\_\_\_\_  
Chief Financial Officer

## **II. MANAGEMENT'S DISCUSSION OF CONSOLIDATED OPERATIONS**

### **A. Fiscal Year Ended June 30, 2015**

Fiscal year 2015 was a milestone year for Liberty that was highlighted with the inaugural class of the Liberty University College of Osteopathic Medicine, new program specific accreditations, as well as significant new facilities being placed into service. The Liberty University College of Osteopathic Medicine surpassed its goal for 150 students to enroll 162 students, admitting 19% of the applications received for the class. With the additional of the medical college, Liberty University becomes one of five institutions in the U.S. to have an ABA accredited law school, an engineering and computational sciences school with ABET accreditation, an AOA-COCA/LCME accredited medical college, and an FAA-certified aviation program. The Liberty University College of Osteopathic Medicine is provisionally accredited by the American Osteopathic Association's Commission on Osteopathic College Accreditation (AOA-COC). Liberty University has also received accreditations for its resident Clinical Mental Health Counseling (M.A.) program from the Council for Accreditation of Counseling & Related Educational Programs (CACREP), its residential and online business programs from the Accreditation Council for Business Schools & Programs (ACBSP), and specialized accreditation for its sport management programs through the Commission on Sport Management Education (COSMA).

In addition to the new facility for the medical college, Liberty University placed into service a 1,200 bed residence hall tower, a 1,400 space parking garage, a full renovation and expansion of its 225,000 square foot recreation and student union, and a complete renovation of its 2,200 seat dining hall. Fiscal year 2015 marked the first full fiscal year where the new Jerry Falwell Library was used during the entirety of the year. Significant facilities under construction during the year but not yet completed include the Science Hall, School of Music & Concert Hall, expansion to DeMoss Hall, a 1,000 bed residence hall tower, Softball Stadium, and the Academic & Performance Center.

Residential enrollment increased 7.1% from 12,932 in fiscal year 2014 to 13,850 in fiscal year 2015. Together with continued growth in LU Online enrollment, total enrollment increased by 3.6% from 109,085 students in fiscal year 2014 to 112,984 students in fiscal year 2015. Total revenues decreased 8.2% from \$860.6 million in fiscal year 2014 to \$790.3 million in fiscal year 2015. Realized and unrealized gains and losses decreased by 128% from 56.7 million in fiscal year 2014 to -16.0 million in fiscal year 2015. The institutional discount rate was 21.5% during fiscal year 2014 and 23.3% during fiscal year 2015. Total expenditures increased 9.7% from \$539.2 million in fiscal year 2014 to \$591.3 million in fiscal year 2015. Long term debt decreased from \$217.9 million in fiscal year 2014 to \$214.9 million in fiscal year 2015. Expendable Financial Resources improved from \$973.9 million in fiscal year 2014 to \$998.5 million in fiscal year 2015. Total net assets increased by 13.9% from \$1.4 billion in fiscal year 2014 to \$1.6 billion in fiscal year 2015. Net assets continue to become increasingly unrestricted. Unrestricted net assets comprise 99.0% of total net assets in fiscal year 2015. During fiscal year 2014, unrestricted net assets comprised 98.9% of total net assets.

### III. ACADEMICS

#### A. Residential Academic Schools and Programs

The University offers 163 undergraduate programs and specializations, 110 graduate programs and specializations and three doctoral programs of study. Listed below is a short description of the various schools and colleges of the University:

*College of General Studies.* The College of General Studies oversees the general education curriculum and introductory courses across all of the University's undergraduate programs. The College of General Studies provides undergraduate students, particularly during their first two years of study, with the academic preparation to help them succeed when pursuing a degree from one of the University's schools and colleges listed below.

*College of Applied Studies & Student Success.* The College of Applied Studies & Student Success offers a Bachelor of Science in Interdisciplinary Studies, a Bachelor of Science and Bachelor of Arts in Individualized Programs of Study, and an Associate of Applied Science in the trades of Welding, Electrical, Plumbing, HVAC, and Carpentry. The Associate of Applied Science programs are certified by the National Center for Construction Education and Research. The College of Applied Studies & Student Success was formerly known as the College of Academic Support & Advising Services.

*English Language Institute.* The English Language Institute provides 16-week English and Second Language programs for international students needing to improve their English Language proficiency in order to enter other Liberty University undergraduate and graduate programs.

*College of Arts and Sciences.* The College of Arts and Sciences is comprised of the Departments of the Center for Creation Studies, English and Modern Languages, Family and Consumer Sciences, History, Mathematics, Philosophy, and Army ROTC. The Department of English and Modern Languages offers the Bachelor of Arts in American Sign Language and Interpreting, English, Spanish, and Teaching English as a Second Language; and a Master of Arts in English. The Department of Family and Consumer Sciences offers the Bachelor of Science in Family & Child Development, Family & Consumer Sciences, Teachers Licensure, and Fashion & Interiors with concentrations in Fashion Merchandising, Interior Design, and Fashion Design. The Department of History offers a Bachelor Arts and Sciences degree in History, a Bachelor of Science in Social Sciences, and a Master of Arts in History. The Department of Mathematics offers the Bachelor of Science in Mathematics. The Department of Philosophy offers the Bachelor of Arts in Philosophy and the Master of Arts in Philosophical Studies. The Army ROTC Department offers minors in Army ROTC and Military Leadership.

*Helms School of Government.* The Helms School of Government offers the Associate of Arts in Government, Associate of Arts in Criminal Justice. The Bachelor of Arts is offered in International Relations and Government with specializations in International Relations, Politics & Policy, and Western Legal Traditions. The school also offers the Bachelor of Science in Government with specializations International Relations and Pre-Law as well as the Bachelor of Science in Criminal Justice with specializations in Business Administration & Management, Criminal Psychology, Forensics, Homeland Security, Public Administration, Strategic Intelligence, and Youth Corrections.

*Liberty University College of Osteopathic Medicine.* The Liberty University College of Osteopathic Medicine offers a Doctor of Osteopathic Medicine and is provisionally accredited by the

American Osteopathic Association's Commission on Osteopathic College Accreditation (AOA-COCA). The inaugural class began July 2014.

*Liberty University School of Law.* The Liberty University School of Law offers the Juris Doctor degree and is fully accredited by the American Bar Association. Certificates are available in the concentrations of Advocacy, Trial Advocacy, Appellate Advocacy, Business Law, Constitutional Law, Criminal Justice, Family and Juvenile Justice, International Law, Planning, Property, and Taxation. An Associate of Arts and Bachelor of Science in Paralegal Studies are also offered. Dual Juris Doctorate degree programs are offered on conjunction with other graduate programs such as the Master of Arts in Human Services Counseling, Master of Arts in History, Master of Business Administration, Master of Education in Teaching and Learning, Education Specialist, Doctor of Education, Master of Arts in Public Policy, Master of Public Health, Master of Divinity, and Master of Religion.

*School of Aeronautics.* The School of Aeronautics is an accredited, FAA-certified program offering a Bachelor of Science in Aeronautics with specializations in Aviation Maintenance Technician, Commercial/Corporate Aviation, Missions Aviation, Military Aviation, and Unmanned Aerial Systems. The School of Aeronautics also offers an Associate of Arts in Aviation Maintenance Technician and Aviation Flight Attendant. A Certificate program is also available for Aviation Maintenance Technician.

*School of Behavioral Sciences.* The School of Behavioral Sciences was formerly part of the School of Health Sciences. The School of Behavioral Sciences is comprised of the Departments of Community Care & Counseling, Counselor Education & Family Studies, and Psychology. The Department of Community Care & Counseling offers the Master of Arts in Addiction Counseling, Master of Arts in Human Services Counseling with specializations in Business, Christian Ministry, Executive Leadership, Health & Wellness, and Marriage & Family; Master of Arts in Pastoral Counseling with specializations in Crisis Response & Trauma, Discipleship & Church Ministry, Leadership, Marriage & Family, Military Resilience, Pastoral Counseling, and Theology. The Department of Counselor Education & Family Studies offers the Master of Arts in Clinical Mental Health Counseling with specializations in Clinical Mental Health Counseling and Marriage & Family Counseling. The Master of Arts in Clinical Mental Health Counseling is accredited by the Council for Accreditation of Counseling and Related Educational Programs (CACREP). The Department of Psychology offers the Associate of Arts in Psychology and Christian Thought, Bachelor of Science in Psychology with specializations in Counseling, Criminal Psychology, Developmental Psychology, Industrial Organizational Psychology, Sport Psychology, and Substance Abuse Counseling; Bachelor of Science in Social Work, and the Bachelor of Science in Human Services.

*School of Business.* The School of Business offers the Bachelor of Science in Business Administration with concentrations in Communications, Economics, Finance, Financial Planning, Human Resource Management, International Business, Marketing, and Project Management. The Bachelor of Science in Business Management Information Systems is offered with concentrations in Accounting Information Systems, Application Development, Data Networking, Database, Gaming Technologies, Global Studies, Information Assurance, Intelligence, and Web Development. The Master of Business Administration is offered with concentrations in Accounting, Criminal Justice, Healthcare Management, Human Resources, International Business, Leadership, Marketing, Project Management, Public Administration, and Public Relations. The School of Business is accredited by the Accreditation Council for Business Schools and Programs (ACBSP).



*School of Communication and Creative Arts.* The School of Communication and Creative Arts is comprised of the Department of Digital Media & Communication Arts, Department of Studio & Digital Arts, Department of Theatre Arts, and the Zaki Gordon Center for Cinematic Arts. The Department of Digital Media & Communication Arts offers the Bachelors of Science degrees in Journalism, Digital Media with specializations in Audio, Performance, Social Networking & Interactive Media, Transmedia Writing, and Video; Speech Communication with specializations in Professional Communication and Speech Communication; and Strategic Communications with specializations in Social Media Management and Strategic Communications. A Master of Arts in Strategic Communication is also offered. The Department of Studio & Digital Arts offers the Bachelor of Science in Studio & Digital Arts with specializations in Graphic Design, Studio Art, and Teacher Licensure. A Bachelor of Fine Arts and a Master of Fine Arts in Studio and Digital Arts is also offered. The Zaki Gordon Center for Cinematic Arts offers a Bachelor of Science in Cinematic Arts. The Department of Theatre Arts offers the Bachelor of Arts in Theater Arts with specializations in Performance, Production, and Education.

*School of Education.* The School of Education provides programs designed to produce teachers and administrative educators to work at the pre-school through high school level. The School of Education is comprised of the Departments of Teacher Education and Sport Management. The School of Education's Teacher Licensure Program is accredited by the National Council for Accreditation of Teacher Education and approved by the Virginia Department of Education. The Department of Teacher Education offers the Bachelor of Science in Elementary Education Integrated Studies with specializations in English, Mathematics, Science, Social Science, and Spanish. A Bachelor of Science in Special Education Integrated Studies is also available. The Department of Sport Management offers the Bachelor of Science in Sport Management and the Master of Science in Sport Management with specializations in Outdoor Adventure Sports, Sports Administration, and Tourism.

*School of Divinity.* The Liberty University Baptist Theological Seminary and the School of Religion were combined to form the School of Divinity. Undergraduate programs include the Bachelor of Arts in Biblical Studies, and Bachelor of Science degrees in Global Studies, Pastoral Leadership, Church Ministries with specializations in Adventure Leadership and Outdoor Ministry, Women's Ministries, Worship, and Youth Ministries; and Religious Studies with specializations in Biblical Languages, Global Studies, Jewish Studies, New Testament, Old Testament, and Theology & Apologetics. Graduate programs include the Master of Arts in Global Studies, Master of Arts in Pastoral Counseling, Master of Arts in Theological Studies with specializations in Biblical Studies, Church History, and Theology, and the Master of Arts in Christian Ministry with specializations in Discipleship & Church Ministry, Evangelism & Church Planting, Global Studies, Homiletics, Leadership, Marketplace Chaplaincy, Pastoral Counseling, Pastoral Ministries, and Worship. Other master level degree programs include the Master of Arts of Religion, Master of Religious Education, and Master of Divinity. A Master of Theological Studies is also offered as a post-master degree. Doctorate programs include the Doctor of Ministry and the Doctor of Philosophy in Theology and Apologetics.

*School of Engineering and Computational Sciences.* The School of Engineering and Computational Sciences offers the Bachelor of Science in Applied Internet Technologies, Computer Engineering, Computer Science, Electrical Engineering, Industrial Engineering, and Mechanical Engineering. The Accrediting Board of Engineering and Technology (ABET) accredits the Electrical Engineering, Computer Science, Computer Engineering, and Industrial Engineering programs.

*School of Health Sciences.* The School of Health Sciences is comprised of the Department of Biology & Chemistry, the Center for Counseling & Family Studies, Department of Health Professions.

The Department of Biology & Chemistry offers the Bachelor of Science degrees in Biochemistry & Molecular Biology, Biomedical Sciences, Cell & Molecular Biology, Chemistry, Environmental Biology, Forensic Science, General Biology, Zoo & Wildlife Biology, and Zoology. A Master of Science in Biomedical Sciences is also offered. The Center for Counseling & Family Studies offers the Master of Arts in Clinical Mental Health Counseling, Marriage & Family Therapy, and Human Services Counseling with specializations in Addiction & Recovery, Business, Christian Ministries, Crisis Response & Trauma, Executive Leadership, Health & Wellness, Life Coaching, and Marriage & Family. The Department of Health Professions offers the Bachelor of Science in Athletic Training, Exercise Sciences with specializations in Fitness and Pre-Professional, Health Promotion with specializations in CHES and Clinical, and Kinesiology. The Master of Public Health is offered with specializations in Health Promotion, Global Nutrition, and Health. The Department of Psychology offers the Bachelor of Science in Psychology with specializations in Counseling & Human Development, Counseling & Clinical Research, and Human Services. The School of Health Sciences also has accreditations from the Commission on Accreditation on Allied Health Education Programs (CAAHEP) and the Commission on Accreditation of Athletic Training Education (CAATE).

*School of Music.* The School of Music is comprised of the Center for Music and the Performing Arts and the Center for Music and Worship. The School of Music offers a Bachelor of Music in the areas of Artist Development, Guitar Performance, Instrument Music, Leadership Communication, Music Vocal, Music in World Cultures, Piano Performance, Songwriting, String Performance, Vocal Music, Vocal Performance, Woodwind, Brass, and Percussion Performance, and Worship Studies. The School of Music and Worship Studies also offers as a Bachelor of Arts or a Bachelor of Sciences in the areas of Music Instrumental, Music Vocal, Music and Worship Studies with concentrations in Biblical Studies, Business, Cinematic Arts, Pastoral Leadership, Theatre Ministries, Women’s Ministries, Worship Technology, and Youth Ministry. The School of Music and Worship Studies also offers the Master of Arts in Music and Worship, Master of Arts in Music Education, and the Master of Arts in Worship Studies.

*School of Nursing.* The School of Nursing was formerly part of the School of Health Sciences. The School of Nursing offers the Bachelor of Science in Nursing and the Doctor of Nursing Practice. The School of Nursing is accredited by the Commission on Collegiate Nursing Education (CCNE).

The following table provides information on the distribution of resident undergraduate, graduate and doctoral students among the schools & colleges for fiscal year 2015:

<b>Schools and Colleges:</b>	<b>Number of Students</b>	<b>Percent<sup>1</sup></b>
<b>College of Applied Studies &amp; Student Success</b>	709	4.9%
<b>College of Arts &amp; Sciences</b>	1,168	8.1%
<b>English Language Institute</b>	53	0.4%
<b>Helms School of Government</b>	960	6.6%
<b>Liberty University College of Osteopathic Medicine</b>	162	1.1%
<b>Liberty University School of Law</b>	201	1.4%
<b>School of Aeronautics</b>	435	3.0%
<b>School of Behavioral Sciences</b>	1,225	8.5%
<b>School of Business</b>	1,804	12.5%
<b>School of Communication &amp; Creative Arts</b>	1,525	10.5%
<b>School of Divinity</b>	1,078	7.4%
<b>School of Education</b>	1,075	7.4%
<b>School of Engineering &amp; Computational Sciences</b>	577	4.0%

School of Health Sciences	1,937	13.4%
School of Music	557	3.8%
School of Nursing	1,005	6.9%
<b>Grand Total</b>	<b>14,471</b>	<b>100%</b>

Notes:

1. The numbers in each column may not equal 100% due to rounding.

## **B. Liberty University Online Academic Schools and Programs**

In 1985, the University established its off-campus distance learning program to provide educational course offerings to students around the world. Prior to the Internet, all distance learning courses used videotaped lectures and other accompanying course materials.

The University's on-line distance learning program has grown to be a significant part of the University's operations. In June 2007, the program became known as Liberty University Online; and in January 2008, LU Online was ranked third nationally by the Online Education Database based on quality factors such as retention, graduation rate, student-faculty ratio and the number of years accredited and in operation. On August 2, 2013 and continued in 2014, Liberty University was ranked first nationally by TheBestSchools.org among online Christian schools based on Christian character, academic prestige, and extent and quality of online degree programs. Liberty University was ranked No. 1 in the nation for its online degrees in counseling in the OnlineU's 2015 Best Value in Online College Rankings. In 2014, according to a BBC report, Google has revealed that Liberty University was the 17<sup>th</sup> highest searched for university in the world. The number of full-time and part-time students participating in LU Online undergraduate and graduate programs at the University grew from 64,871 in fiscal year 2011 to 98,513 in fiscal year 2015.

Although LU Online courses differ from residential course offerings due to methodologies of instruction, LU Online courses are comparable to residential courses in content. LU Online utilizes the online software platform Blackboard so that students can have Internet access to reading materials, other online resources and interaction with professors and other students. The focus of courses offered by LU Online is primarily business, education, psychology, religion, counseling and nursing. LU Online offers 73 undergraduate programs and specializations, 142 masters and post masters programs and specializations, and 18 doctorate programs and specializations.

The following summarizes the online programs that are offered through each of the schools and colleges:

*College of Applied Studies & Student Success.* Undergraduate programs are offered in General Studies, Interdisciplinary Studies, and Multidisciplinary Studies.

*College of Arts & Sciences.* The Department of History offers the Master of Arts in History.

*Helms School of Government.* Undergraduate certificate programs are offered in Criminal Justice and Public Administration. Undergraduate programs are offered in Criminal Justice and Government. Graduate certificate programs are offered in Criminal Justice, Public Administration, and Public Policy. Graduate programs are offered in Criminal Justice and Masters of Arts in Public Policy.

*Liberty University School of Law.* Undergraduate certificate program is offered in Paralegal Studies. Undergraduate program is offered in Paralegal Studies.

*School of Aeronautics.* Undergraduate programs are offered in Aeronautics and Aviation Maintenance Management.

*School of Behavioral Sciences.* Undergraduate certificate program is offered in Military Resilience. Undergraduate program is offered in Psychology. Graduate certificate program is offered in Military Resilience. Graduate programs are offered in the Master of Human Services & Counseling, Master of Human Services, Marriage & Family Therapy, and Professional Counseling. Doctorate programs are offered in the PhD of Counseling and Philosophy.

*School of Business.* Undergraduate certificate programs are offered in Accounting, Advanced Business Certificate, Application Development, Business Administration, Data Networking, Database, Information Assurance, International Business, and Web Development. Undergraduate programs are offered in Accounting, Business Administration, Business Management, Business, Informatics, Information Technology, and Management Information Systems. Graduate certificate programs are offered in Accounting, Management & Leadership, and Marketing. Graduate programs are offered in Executive Leadership, Marketing, Master of Business Administration, Master of Science in Management, and the Master of Science in Information Systems. Doctorate program offered is the Doctor of Business Administration.

*School of Communication & Creative Arts.* The Department of Digital & Media Communication Arts offers the Master of Arts in Strategic Communications and the Master of Arts in Communications. The Department of Studio & Digital Arts offers Bachelor and Master of Fine Arts.

*School of Divinity.* Undergraduate certificate programs are offered in Advanced Certificate in Biblical Studies, Biblical Studies, Christian Ministry and Global Studies. Undergraduate programs are offered in Biblical Education Studies, Christian Leadership & Management, Religion, and Religion Evangelism. Graduate certificate programs are offered in Biblical Studies, Christian Ministry, Executive Leadership, Global Studies, Pastoral Counseling, and Theological Studies. Graduate programs are offered in Homiletics, Inter-Cultural Studies, Master of Divinity, Master of Arts, Master of Arts in Religion, Master of Arts in Theological Studies, Master of Arts in Religious Education, Master of Theology, Master of Christian Ministry, Master of Global Studies, and Pastoral Counseling. Doctorate programs are offered in Doctor of Ministry and Theology & Apologetics.

*School of Education.* Undergraduate certificate program is offered in Preschool. Undergraduate programs are offered in Early Childhood Education, Education, and Elementary Education. Graduate certificate programs are offered in Autism Education, Education Technology, Gifted Education, Middle Grades, Outdoor Adventure Sports, Preschool, School Leadership, and Sport Management. Graduate programs are offered in Master of Education, Master of Advanced Teaching, Sport Management and Teaching & Learning. Doctorate programs are offered in Doctor of Education and Education Specialist.

*School of Engineering & Computational Sciences.* Undergraduate program is offered in Applied Web Technologies. Graduate program is offered in Master of Science in Cyber Security.

*School of Health Sciences.* Undergraduate certificate programs are offered in Health Sciences and Healthcare Management. Undergraduate program is offered in Medical Office Assistant. Graduate

certificate program is offered in Healthcare Management. Graduate programs are offered in Master of Public Health and Master of Science in Biomedical Sciences.

*School of Music.* Graduate certificate programs are offered in Music World Cultures and Worship Studies. Graduate programs are offered in Ethnomusicology, Master of Arts in Worship Studies, Master of Arts in Music Education, and Music & Worship.

*School of Nursing.* Undergraduate program is offered in Nursing. Graduate program is offered in the Master of Science in Nursing. Doctorate program is offered in Doctor of Nursing Practice.

The LU Online curriculum is structured to encourage undergraduate and graduate degree completion and approximately 95% of the students are working toward a degree. The University believes that LU Online enhances student matriculation and retention by fostering academic and spiritual commitment and a sense of community unique to online and distance education. The University has operated its online and distance education programs for much of its existence, and its internal culture has been long geared to meet the needs of students who desire a Christian-based education but who are unable to attend classes in Lynchburg, Virginia.

The University's commitment to academic excellence through accreditation by the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC") has created rigorous course development and administration standards that require both online and residential courses to have the same outcome-oriented curriculum. While the online programs afford the flexibility of studying at one's own pace and shorter 8-week classes, academic progress of each student is closely monitored by a staff dedicated to ensuring that students are progressing through each course satisfactorily and to ensure the academic or administrative issues that may be impeding the students' progress are identified and resolved as quickly as possible. All student course work is available 24 hours a day, seven days a week online and a significant amount of the course work is being made available through mobile devices. A 360-degree support network of academic, administrative and spiritual services—from application to graduation—is available online and includes academic advisors, IT helpdesk, career center, library services and writing center, and an online ministry network offering counseling and prayer.

In addition, the University believes that the vibrant residential campus provides LU Online with the academic credibility usually afforded to "bricks and mortar" academic programs. As the largest Christian evangelical university in the United States and with a NCAA Division I athletics program, the University further allows LU Online students to establish a connection and affinity with the University that may be difficult to re-create solely with an online academic program, as many of the University's athletic and spiritual activities are available online. Finally, the University encourages degree completion by addressing student cost concerns by providing the lowest undergraduate tuition rate of any leading online university in the country with a large student headcount.

The following table provides information on the distribution of LU Online undergraduate, graduate and doctoral students among the colleges and schools for fiscal year 2015:

<u>Schools and Colleges:</u>	<u>Number of Students</u>	<u>Percent<sup>1</sup></u>
College of Applied Studies & Student Success	6,200	6.3%
College of Arts & Sciences	277	0.3%
Helms School of Government	5,456	5.5%
Liberty University School of Law	1,116	1.1%
School of Aeronautics	550	0.6%
School of Behavioral Sciences	23,669	24.0%
School of Business	21,679	22.0%
School of Communication & Creative Arts	220	0.2%
School of Divinity	19,727	20.0%
School of Education	14,683	14.9%
School of Engineering & Computational Sciences	203	0.2%
School of Health Sciences	2,104	2.1%
School of Music	358	0.4%
School of Nursing	2,269	2.3%
<b>Grand Total</b>	<b>98,513</b>	<b>100.0%</b>

Notes:

1. The numbers in each column may not equal 100% due to rounding.

**C. Student Enrollment and Retention**

The following table provides resident program headcount information reflecting the total number of full-time and part-time students in resident undergraduate and graduate degree programs for Fall semesters of fiscal years 2011-2015:

**Resident Program Fall Headcount<sup>1</sup>**

<u>Fall Semester:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Undergraduate	11,141	11,548	11,581	11,930	12,648
Graduate <sup>2</sup>	<u>1,104</u>	<u>1,024</u>	<u>1,063</u>	<u>1,002</u>	<u>1,202</u>
Total	12,155	12,572	12,644	12,932	13,850

Notes:

1. Resident Program reporting has been updated to reflect the fall-semester full-time and part-time students. Previous year continuing disclosure documents contained the annualized resident program headcount. Management believes that enrollment for full-time and part-time students for the fall semester better represents the Resident Program.
2. Includes all students enrolled in the Liberty University School of Law and the Liberty University Baptist Theological Seminary.

The following table provides LU Online annual student headcount information reflecting the total number of full-time and part-time students enrolled in LU Online programs during each of the past five fiscal years:

### LU Online Annual Headcount

<u>Fiscal Year:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Undergraduate	35,137	45,620	51,040	51,598	52,962
Graduate	<u>29,734</u>	<u>36,989</u>	<u>41,497</u>	<u>43,881</u>	<u>45,551</u>
Total	64,871	82,609	92,537	95,479	98,513

Approximately 44% of the University's resident student enrollment by headcount for the 2014-2015 academic year were Virginia residents; however, the University has resident students from all 50 states, the District of Columbia and numerous foreign countries.

The University maintains an active student retention program designed to assist the student body in adjusting to life at the University. Although the University believes its efforts are generally successful, students decide to leave the University for many different reasons. For the Fall periods 2010-2011 to 2014-2015, resident student retention rates for undergraduate students, graduate students and freshman to sophomore only were as follows:

#### Resident Undergraduate, Graduate and Freshman Fall-Fall Retention Rates

<u>Fall to Fall Periods</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Freshmen</u>
Fall 2014 to Fall 2015 (FY15)	85.3%	82.9%	84.3%
Fall 2013 to Fall 2014 (FY14)	81.7%	81.3%	79.7%
Fall 2012 to Fall 2013 (FY13)	81.3%	77.8%	81.5%
Fall 2011 to Fall 2012 (FY12)	78.9%	78.0%	81.0%
Fall 2010 to Fall 2011 (FY11)	82.1%	82.5%	80.6%

The six-year graduation rate for full-time, first-time undergraduate students who entered the University in Fall 2008 seeking an undergraduate degree was 50%.

#### D. Student Application and Academic Quality

Data on the number of residential applications, acceptances, and matriculants at the University for the Fall Semesters of fiscal years 2011-2015 are set forth in the following table:

#### Applicants, Acceptances, and Matriculants<sup>1</sup>

<u>Fall Term</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Freshmen</b>					
Total Applications Received	22,415	25,769	25,652	28,872	31,180
Accepted	5,507	5,762	5,032	6,143	6,499
Matriculated	2,636	2,784	2,369	2,717	3,088
% of students accepted from applications	24.6%	22.4%	19.6%	21.3%	20.8%
% of students matriculated from students accepted	47.9%	48.3%	47.1%	44.2%	47.5%

**Transfer**

Total Applications Received	3,003	3,248	3,175	4,849	5,702
Accepted	1,388	1,368	1,576	2,391	2,704
Matriculated	745	844	1,107	1,476	1,545
% of students accepted from applications	46%	42%	50%	49%	47%
% of students matriculated from students accepted	54%	62%	70%	62%	57%

**Graduate<sup>2</sup>**

Total Applications Received	322	559	562	1,042	1,065
Accepted	220	386	294	556	547
Matriculated	158	248	190	275	291
% of students accepted from applications	68%	69%	52%	53%	51%
% of students matriculated from students accepted	72%	64%	65%	49%	53%

**Law<sup>3</sup>**

Applications Received	414	414	355	313	241
Accepted	200	200	178	200	117
Matriculated	99	85	71	85	51
% of students accepted from applications	48%	48%	50%	64%	49%
% of students matriculated from students accepted	50%	43%	40%	43%	44%

**Seminary<sup>4</sup>**

Total Applications Received	249	225	164	349	315
Accepted	159	167	103	236	199
Matriculated	143	129	78	115	113
% of students accepted from applications	64%	74%	63%	68%	63%
% of students matriculated from students accepted	90%	77%	76%	49%	57%

**Medical**

Total Applications Received				1,974	4,104
Accepted				366	369
Matriculated				162	160
% of students accepted from applications				19%	9%
% of students matriculated from students accepted				44%	43%

Notes:

1. An applicant is an individual who has fulfilled the institution's requirements to be considered for admission (including payment or waiving of application fee, if any) and who has been notified of one of the following actions: admission, non-admission, placement on waiting list, or application withdrawn by applicant or institution. The University began enforcing the payment of a \$40 application fee for students applying for admission for Fall 2010 which management believes contributed to the decline in applications from 2010 to 2011. In 2011, the University modified its criteria for determining when an individual has fulfilled the necessary requirements to be considered for admission. The purpose of the change was to more closely align the University's definition of an "applicant" with the definition provided by the U.S. Department of Education and with current practices of other colleges and universities. The applications reported in years 2008 through 2010 were not restated and are reported only for comparison purposes.



2. Excludes the Liberty University School of Law, Liberty University Baptist Theological Seminary, and the Liberty University College of Osteopathic Medicine.
3. Includes J.D graduate law program in the Liberty University School of Law.
4. Includes all professional and graduate programs in the Liberty University Baptist Theological Seminary.

The University continues to enroll students of increasingly high academic quality. The Educational Testing Service Scholastic Aptitude Test (SAT) scores, the American College Testing Program (ACT) scores, and the high school grade point averages for first-time incoming resident freshman students for the fall semesters of the past five fiscal years is set forth in the following table:

**College Entrance Examinations**

<b>Fiscal Year</b>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
SAT Average	1,040	1,040	1,030	1,040	1,063
ACT Average	23	23	23	23	24
HS GPA	3.34	3.34	3.35	3.37	3.46

**E. Tuition and Fees**

Undergraduate tuition and fees for full-time study for the past four academic years and the current academic year are set forth in the following table:

**Undergraduate Student Tuition, Fees, and Charges**

<u>Academic Year</u>	<u>Tuition<sup>1</sup></u>	<u>Fees<sup>2</sup></u>	<u>Room and Board<sup>3</sup></u>	<u>Total Cost</u>	<u>% Change</u>
2010-2011	16,792	1,271	6,296	24,359	5.00%
2011-2012	17,806	1,348	6,680	25,834	6.06%
2012-2013	18,562	1,406	7,050	27,018	4.58%
2013-2014	19,486	1,282	7,050	27,818	2.96%
2014-2015	20,300	700	7,000	28,000	0.65%

Notes:

1. Tuition is based on 18 credit hours maximum per semester. The charge for enrollment in more than 18 credit hours is \$700 per credit hour for the 2013-2014 academic year.
2. Reflects annual activity, technology and transportation fees. The transportation fee was discontinued in 2013-2014. The technology fee was discontinued beginning in 2014-2015.
3. Reflects base room and board. Room and board rates can vary depending on the housing selection made by the student.

Professional school tuition for full-time resident students for the past four academic years and the current year is shown in the following table:

### Tuition for Full-time Study at Professional Schools

<u>Academic Year</u>	<u>Law</u>	<u>Seminary</u>
2009-2010	26,637	3,400
2010-2011	27,839	3,600
2011-2012	29,088	3,800
2012-2013	30,396	4,100
2013-2014	30,396	4,400
2014-2015	29,994	5,100

Undergraduate students enrolled full-time or part-time in programs offered through LU Online pay tuition on a credit hour basis plus applicable fees. For Fall 2014 (Fiscal Year 2015), the rate for full-time and part-time students was \$360 and \$415 per credit hour, respectively. Students in the University's graduate programs (full-time or part-time, resident or online) also pay tuition on a credit hour basis plus applicable fees based on the degree program. For example, the tuition for Fall 2014 (Fiscal Year 2015) for non-seminary master's and doctorate programs ranged from \$540 to \$570 per credit hour. Full-time students enrolled in certain master's programs at the seminary pay tuition at a block rate, plus applicable fees. The block rate for Fall 2014 (Fiscal Year 2015) was \$2,550 for resident students and \$2,550 for online students.

The University expects that tuition, fees and room and board charges will increase on an annual basis to keep pace with rising costs.

#### **F. Financial Aid**

The University participates in certain federal and state student financial aid programs and offers certain scholarships funded principally through institutional resources. The various types of aid available to students of the University are summarized as follows:

*Federal Student Aid.* The federal student aid programs available to students of the University include Pell Grants, Supplemental Educational Opportunity Grants, Academic Competitiveness Grants, National SMART Grants, TEACH Grants, Perkins Loans, Direct Stafford Loans, PLUS Loans, and the Work-Study Program. Effective Fall 2010, the University is using the William D. Ford Federal Direct Loan Program for all loans made directly from the U.S. Department of Education as lender.

*State Student Aid.* Students of the University who are domiciliary residents of the Commonwealth of Virginia may be eligible for state student aid made available through the Virginia Guaranteed Assistance Program, the Tuition Assistance Grant Program, and the College Scholarship Assistance Program.

*Institutional Student Aid.* The scholarship programs offered by the university are made available to students with financial need or with abilities in athletics, music and academics, to students whom the University believes are compatible with the general philosophy of the

University and to employees of the University and their dependents. A goal of such programs is to attract and retain a student body that will enhance the philosophical purpose of the University.

For the year ended June 30, 2015, financial aid was awarded and paid to approximately 89% of all students totaling approximately \$1.0 billion. Financial aid awards are typically packaged as a combination of federal, state and university-funded loans, grants and scholarships. Awards from institutional sources (non-federal and non-state) equated to approximately 23.3% of the University's gross tuition and fees revenue for fiscal year 2015. These awards were approximately 21% of the total amount of financial aid distributed in fiscal year 2015.

The total amount of financial aid awarded and paid by the University to students during a fiscal year may exceed the University's total revenues for that fiscal year. This occurs when a portion of the financial aid award is distributed or refunded to students, parents and third parties after the students' direct expenses (such as tuition, fees and on campus room and board) are fully paid. A large portion of these refunds is then used by the students to pay for other educationally related expenses such as travel, books, supplies, rent (for off-campus students) and miscellaneous purchases. For fiscal year 2015, approximately \$385 million was refunded to students, parents or third parties by the University.

The financial assistance provided to the University's students from University and non-University sources for the five financial aid award years ended June 30, 2014 is described in the following table:

<b>Financial Aid to Students</b>					
<b>(in thousands)<sup>1,2</sup></b>					
<u>Award Year</u>	2011	2012	2013	2014	2015
<b><u>University Sources:</u></b>					
Unrestricted Funds	\$124,682	\$148,519	\$169,768	\$193,079	\$215,637
Restricted Funds	89	118	76	67	548
Total Scholarships	\$124,771	\$148,637	\$169,844	\$193,146	\$216,184
<b><u>Loans to Students:</u></b>					
Federal Loan Funds	\$486,648	\$613,622	\$663,387	\$677,479	\$606,346
Private Loan Funds	\$13,254	\$16,499	\$19,085	\$20,422	\$19,300
Total Student Loans	\$499,901	\$630,121	\$682,462	\$697,901	\$625,646
<b><u>Other Funds:</u></b>					
VA Tuition Asst. Grant	\$11,389	\$12,264	\$12,478	\$14,549	\$14,483
PELL Grant	\$82,499	\$98,692	\$107,086	\$107,687	\$107,758
Other	\$29,915	\$38,799	\$51,767	\$62,551	\$67,983
Total Other Funds	\$123,803	\$149,756	\$171,321	\$184,787	\$190,224
<b><u>Total Financial Aid</u></b>	<b><u>\$748,476</u></b>	<b><u>\$928,514</u></b>	<b><u>\$1,023,627</u></b>	<b><u>\$1,075,834</u></b>	<b><u>\$1,032,054</u></b>

Notes:

1. The numbers in each column may not equal totals due to rounding.
2. Amounts for financial aid award years include adjustments that may have been made after the end of the applicable fiscal year and therefore are not necessarily the same as amounts recorded for financial statement purposes at June 30 of each year.

The University and its students rely on a substantial amount of support from the federal and state student financial aid assistance programs. If a significant reduction on the level of federal and state assistance were to occur, such reduction could have a material adverse effect on the University and its operations. Amounts received and expended by the University under various federal and state financial aid assistance programs are subject to audit by various federal and state agencies and therefore subject to adjustment. Non-compliance with federal or state requirements relating to student assistance programs could result in the University's loss of eligibility to participate in those programs.

## **IV. FINANCES**

### **A. Financial Condition**

#### ***1. Accounting and Financial Statements***

The table below provides information from the University's consolidated statements of financial position and statements of activities for the four years ended June 30, 2011-2015, derived from the audited consolidated financial statements of the University, and for the fiscal year ending June 30, 2015, derived from the consolidated financial statements of the University. The financial information below for fiscal years 2015 and 2014 should be read in conjunction with the University's consolidated financial statements as of June 30, 2015 set forth in Appendix A. For a description of the University's significant accounting policies, see Note 2 of the Notes to the Consolidated Financial Statements. Except as disclosed herein, since June 30, 2015, there has been no material adverse change in the consolidated financial condition or consolidated changes in net assets of the University.

The University will post on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>.

## 2. Summary of Consolidated Financial Statements

### Consolidated Statements of Financial Position

(in thousands)<sup>1</sup>

For Fiscal Years Ended June 30,

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 403,620	\$ 384,417	\$ 297,031	\$ 202,733	\$ 195,075
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable, less allowances for doubtful accounts	95,234	27,097	25,326	88,063	80,286
Accounts receivable from related organizations	1,344	1,580	1,941	2,471	3,283
Notes receivable	604	825	2,420	3,420	2,774
Contributions receivable, net	560	428	419	148	34
Prepaid lease payments	-	-	-	-	-
Other prepaid expenses and other assets	9,425	9,739	10,405	14,601	20,807
Investments, at fair value	120,840	492,352	725,159	877,627	941,308
Property, plant, and equipment, net	<u>310,559</u>	<u>361,214</u>	<u>502,492</u>	<u>659,956</u>	<u>830,307</u>
<b>Total assets</b>	<u>\$ 942,186</u>	<u>\$ 1,277,653</u>	<u>\$ 1,565,194</u>	<u>\$ 1,849,060</u>	<u>\$ 2,073,845</u>
<b>Liabilities:</b>					
Accounts Payable:					
Vendors	\$ 8,194	\$ 17,971	\$ 23,860	\$ 36,027	\$ 38,544
Other	6,367	7,452	8,409	9,128	8,325
Accrued liabilities	7,337	12,933	12,962	11,295	12,933
Accrued interest payable	3,049	3,818	3,592	3,568	3,549
Deferred revenue and deposits	131,135	136,189	161,469	116,579	138,534
Gift annuity payable	15,650	17,696	24,465	24,730	28,264
Liability under split interest agreements	2,265	2,285	2,869	2,285	2,556
Obligations under capital leases	2,385	1,667	951	195	-
Long-term debt	128,337	226,344	220,679	217,919	214,911
<b>Total liabilities</b>	<u>\$ 304,719</u>	<u>\$ 426,356</u>	<u>\$ 459,257</u>	<u>\$ 421,717</u>	<u>\$ 447,615</u>
<b>Net Assets:</b>					
Unrestricted	\$ 627,798	\$ 837,925	\$ 1,090,894	\$ 1,411,694	\$ 1,609,667
Temporarily restricted	2,442	4,839	5,001	4,298	4,223
Permanently restricted	7,227	8,532	10,042	11,340	12,340
<b>Total net assets</b>	<u>\$ 637,467</u>	<u>\$ 851,297</u>	<u>\$ 1,105,937</u>	<u>\$ 1,427,332</u>	<u>\$ 1,626,230</u>
<b>Total liabilities and net assets</b>	<u>\$ 942,186</u>	<u>\$ 1,277,653</u>	<u>\$ 1,565,192</u>	<u>\$ 1,849,058</u>	<u>\$ 2,073,845</u>

#### Notes:

1. The numbers in each column may not equal totals due to rounding

**Consolidated Statements of Activities**

(in thousands)<sup>1</sup>

For Fiscal Years Ended June 30,

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Tuition and fees:					
Gross tuition and fees	\$ 535,484	\$ 660,220	\$ 748,777	\$ 829,231	\$ 862,437
Institutional scholarships	<u>(111,035)</u>	<u>(136,787)</u>	<u>(156,956)</u>	<u>(178,218)</u>	<u>(201,046)</u>
<b>Tuition and fees, net</b>	\$ 424,449	\$ 523,433	\$ 591,821	\$ 651,013	\$ 661,392
Contributions	\$ 12,904	\$ 14,160	\$ 15,361	\$ 9,056	\$ 8,809
Grants and contracts	1,578	2,080	2,129	17,756	4,115
Investment income, net	7,581	6,974	28,509	21,632	20,776
Realized and unrealized gains (losses), net	(4,750)	(3,894)	(1,867)	56,672	(15,982)
Auxiliary services	53,146	56,896	58,008	60,809	69,155
Athletic association	-	-	-	-	-
Proceeds from life insurance	-	-	-	-	-
Other sources	31,301	30,491	38,715	43,239	46,409
Change in split interest agreements	(874)	746	(8,531)	449	(4,395)
Net assets released from restrictions	-	-	-	-	-
<b>Total revenues</b>	<u>\$ 525,335</u>	<u>\$ 630,885</u>	<u>\$ 724,144</u>	<u>\$ 860,627</u>	<u>\$ 790,280</u>
<b>Expenses:</b>					
Program services:					
Instruction	\$ 94,712	\$ 114,973	\$ 134,072	\$ 151,281	\$ 161,590
Academic support	22,365	24,126	28,424	34,607	40,544
Student services	64,758	80,068	96,972	147,272	163,654
Auxiliary services	44,675	45,787	51,628	57,063	61,673
Public services	<u>4,545</u>	<u>5,538</u>	<u>6,245</u>	<u>9,518</u>	<u>9,290</u>
<b>Total program services</b>	\$ 231,056	\$ 270,493	\$ 317,342	\$ 399,741	\$ 436,751
Supporting services:					
Institutional support	\$ 92,096	\$ 146,538	\$ 152,159	139,446	154,367
Development and external relations	-	-	-	-	-
Research	<u>19</u>	<u>25</u>	<u>7</u>	<u>46</u>	<u>264</u>
<b>Total supporting services</b>	92,115	146,563	152,166	139,492	154,631
<b>Total expenses</b>	\$ 323,171	\$ 417,056	\$ 469,508	\$ 539,232	\$ 591,382
<b>Change in net assets</b>	\$ 202,164	\$ 213,829	\$ 254,636	\$ 321,398	\$ 198,898
<b>Net Assets - beginning of year, as previously reported</b>	435,304	637,467	851,297	1,105,937	1,427,332
<b>Reclassification of net assets</b>	-	-	-	-	-
<b>Net Assets - beginning of year, as restated</b>	435,304	637,467	851,297	1,105,937	1,427,332
<b>Net assets at end of year</b>	<u>\$ 637,467</u>	<u>\$ 851,297</u>	<u>\$ 1,105,937</u>	<u>\$ 1,427,332</u>	<u>\$ 1,626,230</u>

Notes:

1. The numbers in each column may not equal totals due to rounding.

### 3. *Indebtedness*

At June 30, 2015, the University had outstanding long-term indebtedness of approximately \$214.9 million consisting of various term notes, tax-exempt revenue bonds issued in December 2010 by the Virginia College Building Authority for the benefit of the University ("Series 2010 Bonds"), and taxable bonds issued in December 2012 by Liberty University ("Series 2012 Bonds"). In fiscal year 2011, the University refinanced approximately \$47.8 million of its long-term debt and repaid \$8.1 million in loans under its remaining term notes using a portion of the \$119.7 million in proceeds from the issuance of the Series 2010 Bonds. As part of the debt refinancing, the University closed its \$50.0 million bank credit line. Liens on University property associated with retired debt were released.

The outstanding long-term indebtedness and capital leases of the University as of June 30, 2014 and June 30, 2015 were as follows:

	<b>June 30, 2014</b>	<b>June 30, 2015</b>
	<i>(in thousands)</i>	
Term notes payable, collateralized by property	\$ -	\$ -
Series 2009 bonds	-	-
Capital lease obligations	195	-
Equipment loans	858	652
Other notes payable	2,123	1,514
Series 2010 bonds	115,807	113,582
Series 2012 bonds	99,131	99,162
<b>Total</b>	<b>\$ 218,114</b>	<b>\$ 214,911</b>

Interest on long-term debt amounted to approximately \$10.8 million and \$10.9 million for the years ended June 30, 2015 and 2014, respectively. The first interest payment on the Series 2010 Bonds was due September 1, 2011. The annual debt service (principal repayment and interest) on the Series 2010 Bonds is approximately \$7.8 million. The first interest payment on the Series 2012 Bonds was not due until September 1, 2012. The annual interest payment on the Series 2012 Bonds is \$5.1 million.

Since June 30, 2015, the University was approved to issue \$150,000,000 in commercial paper in July 2015 and subsequently issued \$85,000,000.



#### 4. Net Assets

The following table shows the net assets available to the University, classified as unrestricted, temporarily restricted or permanently restricted, for the five fiscal years ended June 30, 2011-2015.

	<b>Net Assets</b>				
	<i>(in thousands)</i> <sup>1</sup>				
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<b>Unrestricted:</b>					
Board designated for long-term investment	46,934	50,014	91,678	114,802	1,041,996
Board designated for investment in plant	-	-	-	-	-
Invested in plant facilities	310,559	361,214	502,492	659,956	830,307
Undesignated	270,305	426,696	496,724	636,936	(262,635)
<b>Total</b>	<b>627,798</b>	<b>837,925</b>	<b>1,090,894</b>	<b>1,411,694</b>	<b>1,609,667</b>
<b>Temporarily Restricted:</b>					
Scholarships	259	96	493	2,448	2,771
Split interest agreement funds	1,607	3,318	1,204	1,368	839
Flames Club	-	-	-	467	599
Construction & improvements	576	1,425	3,305	14	14
<b>Total</b>	<b>2,442</b>	<b>4,839</b>	<b>5,001</b>	<b>4,298</b>	<b>4,223</b>
<b>Permanently Restricted<sup>2</sup></b>	<b>7,227</b>	<b>8,532</b>	<b>10,042</b>	<b>11,340</b>	<b>12,340</b>

**Notes:**

1. The numbers in each column may not equal totals due to rounding.
2. The amounts included as permanently restricted net assets consist of endowment funds to be held in perpetuity. The related income, based on donor-imposed restrictions, is to be used for certain purposes. As of June 30, 2015, the amount of permanently restricted net assets designated for specified purposes (in thousands) was as follows:

Scholarships	\$	9,433
Business/government department		-
Religion department		-
Chairs		-
Grounds improvements		137
Endowments		2,715
Split Interest Agreements		50
Permanently restricted net assets	\$	12,340

## B. Contributions and Gifts

Net contributions and gifts to the university for the five fiscal years ended June 30, 2011-2015 are set forth in the following table:

**Contributions, Net, and Donated Gifts in Kind  
(in thousands)<sup>1</sup>**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Unrestricted	\$ 11,535	\$ 11,511	\$ 10,852	\$ 5,504	\$ 7,011
Temporarily restricted	1,178	1,337	2,734	2,299	819
Permanently restricted	<u>192</u>	<u>1,312</u>	<u>1,775</u>	<u>1,253</u>	<u>979</u>
<b>Total Contributions, Net, and Donated Gifts in Kind</b>	<b>\$ 12,904</b>	<b>\$ 14,159</b>	<b>\$ 15,361</b>	<b>\$ 9,056</b>	<b>\$ 8,809</b>

Notes:

1. The numbers in each column may not equal totals due to rounding.

For the year ended June 30, 2015, approximately 11% and 0% of contributions were made by one major donations and related organizations, respectively. For the year ended June 30, 2014, approximately 9% and 0% of contributions were made by two major donations of the same amount and related organizations, respectively.

## C. Investments

On June 30, 2011, the Board of Trustees of Liberty University and the Chancellor/President's Office adopted an Investment Policy Statement (IPS) declaring that the fundamental objective of the Board and the Chancellor is to strengthen Liberty's financial position in order to fulfill its primary function as an educational institution. Specifically, the ultimate goal is to provide a framework for the continuation of core University operations in the event of a major downturn while maintaining essential planned capital projects. The IPS will provide a structure that will allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, while setting reasonable parameters to provide prudence and care in the execution of the investment program. The Executive Committee will direct any drawdown of Endowment funds.

As of June 30, 2015, the University's investment plus cash and cash equivalents totaled approximately \$1.14 billion and investments were diversified among a variety of asset classes as set forth in the table below:

**Asset Allocation**  
(in thousands)

<u>Investment</u>	<u>Market Value at June 30, 2014</u>	<u>Market Value at June 30, 2015</u>
Investment Portfolio: <sup>1</sup>		
Cash Equivalents <sup>2</sup>	\$ 65,233	\$ 45,557
Real Estate	547	656
Certificates of deposit	7,770	68,500
Corporate bonds & term loans	329,508	328,521
Municipal bonds	40	-
Mutual funds	185,496	163,303
Common stocks	57,215	58,003
Hedge funds	231,818	276,749
<b>Total</b>	<b>\$ 877,627</b>	<b>\$ 941,308</b>
Cash and cash equivalents	<u>\$ 202,773</u>	<u>\$ 195,075</u>
<b>Total</b>	<b>\$ 1,080,400</b>	<b>\$ 1,136,384</b>

Notes:

1. Investments are recorded at fair value based on quoted market prices or estimated fair value pursuant to ASC 820.
2. Cash equivalents utilized within a managed portfolio are accounted for as investments.

The University maintains cash balances at several financial institutions. Total cash balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest bearing accounts and unlimited on non-interest bearing accounts. At June 30, 2015 and 2014, the University had uninsured cash and cash equivalents balances totaling approximately \$199.2 and \$204.6 million, respectively.

#### D. Endowment Assets

The university's endowment includes both donor-restricted endowment funds and quasi-endowment funds. While quasi-endowment assets can be utilized by the University, if necessary, for operating expenditures at the discretion of the Board of Trustees, the assets contributed to the University as donor-restricted endowments generally cannot be so utilized.

The market values of the University's endowment assets for the five years ending June 30, 2011-2015 are summarized below:

	<b>Endowed Assets (in thousands)</b>				
	<u><b>FY 2011</b></u>	<u><b>FY 2012</b></u>	<u><b>FY 2013</b></u>	<u><b>FY 2014</b></u>	<u><b>FY 2015</b></u>
Endowment	\$ 7,199	\$ 8,632	\$ 10,160	\$ 11,619	\$ 12,491
Quasi-Endowment	<u>46,934</u>	<u>50,014</u>	<u>91,678</u>	<u>114,802</u>	<u>1,041,996</u>
<b>Total</b>	<u>\$ 54,132</u>	<u>\$ 58,647</u>	<u>\$ 101,837</u>	<u>\$ 126,422</u>	<u>\$1,054,487</u>

**APPENDIX A: Financial Statements for Fiscal Year Ending June 30, 2015**



**Liberty University, Inc.**  
**Audit Performed Under**  
**Government Auditing Standards**

Consolidated Financial Statements and Supplementary Information as of and for the  
Years Ended June 30, 2015 and 2014, and  
Independent Auditors' Report

# Liberty University, Inc.

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## **Independent Auditors' Report**

To the Board of Trustees  
Liberty University, Inc.  
Lynchburg, Virginia

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Liberty University, Inc., which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows, for the years then ended, and 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.

### **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 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 Liberty University, Inc. as of June 30, 2015 and 2014, and the respective 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.

**Other Matters**

Other Information

Our audit was conducted for the purpose of forming an opinion on Liberty University, Inc.'s consolidated financial statements as a whole. The accompanying consolidated Schedules of Financial Position of Liberty University, Inc., Excluding Subsidiaries, on page 27 is presented for purposes of compliance with various states' code for charitable gift annuity certificate holders and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2015 on our consideration of Liberty University, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Liberty University, Inc.'s internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Richmond, Virginia  
October 12, 2015

**Liberty University, Inc.**

**Consolidated Statements of Financial Position**

June 30,	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 195,075,363	\$ 202,773,179
Accounts receivable - less allowance for doubtful accounts of \$46,560,000 and \$35,595,000, respectively	80,286,272	88,062,624
Accounts receivable from related organizations	3,282,594	2,470,734
Notes receivable	2,744,159	3,419,632
Contributions receivable	34,480	148,138
Other prepaid expenses and other assets	20,807,034	14,600,797
Investments, at fair value	941,308,403	877,626,691
Property, plant and equipment, net	830,306,573	659,956,077
<b>Total assets</b>	<b>\$ 2,073,844,878</b>	<b>\$ 1,849,057,872</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - vendors	\$ 38,543,617	\$ 36,027,081
Accounts payable - other	8,324,827	9,127,732
Accrued liabilities	12,932,712	11,295,008
Accrued interest payable	3,548,736	3,568,358
Deferred revenue and deposits	138,534,316	116,578,602
Gift annuities payable	28,263,708	24,729,998
Liability under split interest agreements	2,556,091	2,285,343
Obligations under capital leases	-	195,249
Long-term debt	214,910,709	217,918,692
<b>Total liabilities</b>	<b>447,614,716</b>	<b>421,726,063</b>
<b>Net assets</b>		
Unrestricted		
Quasi endowment	1,041,995,665	114,802,326
Other unrestricted	567,671,470	1,296,892,097
<b>Total unrestricted net assets</b>	<b>1,609,667,135</b>	<b>1,411,694,423</b>
Temporarily restricted		
Permanently restricted	4,222,638	4,297,602
Permanent endowment		
Permanent endowment	12,289,899	11,201,747
Other permanently restricted	50,490	138,037
<b>Total restricted net assets</b>	<b>12,340,389</b>	<b>11,339,784</b>
<b>Total net assets</b>	<b>1,626,230,162</b>	<b>1,427,331,809</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,073,844,878</b>	<b>\$ 1,849,057,872</b>

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

Liberty University, Inc.

Consolidated Statements of Activities

Years Ended June 30,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support</b>								
Tuition and fees:								
Gross tuition and fees	\$ 862,437,390	\$ -	\$ -	\$ 862,437,390	\$ 829,231,325	\$ -	\$ -	\$ 829,231,325
Institutional scholarships	(201,045,682)	-	-	(201,045,682)	(178,218,092)	-	-	(178,218,092)
<b>Tuition and fees, net</b>	661,391,708	-	-	661,391,708	651,013,233	-	-	651,013,233
Contributions	7,011,150	819,118	979,067	8,809,335	5,503,933	2,299,278	1,252,553	9,055,764
Grants and contracts	4,075,215	40,081	-	4,115,296	17,756,200	-	-	17,756,200
Investment income	19,939,180	728,168	-	20,667,348	21,497,487	135,590	(1,517)	21,631,560
Realized and unrealized gains (losses), net	(15,450,797)	(443,243)	-	(15,894,040)	56,342,173	324,369	5,951	56,672,493
Auxiliary services	69,155,195	-	-	69,155,195	60,809,396	-	-	60,809,396
Other sources	45,940,472	468,456	109,085	46,518,013	43,222,536	16,689	-	43,239,225
Change in split interest agreements	(3,875,931)	(519,186)	(87,547)	(4,482,664)	182,971	224,800	41,020	448,791
Net assets released from restrictions	1,168,358	(1,168,358)	-	-	3,704,323	(3,704,323)	-	-
<b>Total revenues and support</b>	\$ 789,354,550	\$ (74,964)	\$ 1,000,605	\$ 790,280,191	\$ 860,032,252	\$ (703,597)	\$ 1,298,007	\$ 860,626,662

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

Liberty University, Inc.

Consolidated Statements of Activities (Continued)

Years Ended June 30,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Expenses</b>								
Program services:								
Instruction	\$ 161,589,587	\$ -	\$ -	\$ 161,589,587	\$ 151,280,910	\$ -	\$ -	\$ 151,280,910
Academic support	40,543,741	-	-	40,543,741	34,607,419	-	-	34,607,419
Student services	163,654,392	-	-	163,654,392	147,271,649	-	-	147,271,649
Auxiliary services	61,673,139	-	-	61,673,139	57,062,866	-	-	57,062,866
Public services	9,290,100	-	-	9,290,100	9,517,720	-	-	9,517,720
<b>Total program services</b>	<b>436,750,959</b>	<b>-</b>	<b>-</b>	<b>436,750,959</b>	<b>399,740,564</b>	<b>-</b>	<b>-</b>	<b>399,740,564</b>
Supporting services								
Institutional support	154,366,811	-	-	154,366,811	139,445,514	-	-	139,445,514
Research	264,068	-	-	264,068	45,843	-	-	45,843
<b>Total supporting services</b>	<b>154,630,879</b>	<b>-</b>	<b>-</b>	<b>154,630,879</b>	<b>139,491,357</b>	<b>-</b>	<b>-</b>	<b>139,491,357</b>
<b>Total expenses</b>	<b>591,381,838</b>	<b>-</b>	<b>-</b>	<b>591,381,838</b>	<b>539,231,921</b>	<b>-</b>	<b>-</b>	<b>539,231,921</b>
<b>Changes in net assets</b>	<b>197,972,712</b>	<b>(74,964)</b>	<b>1,000,605</b>	<b>198,898,353</b>	<b>320,800,331</b>	<b>(703,597)</b>	<b>1,298,007</b>	<b>321,394,741</b>
<b>Net assets - beginning of year</b>	<b>1,411,694,423</b>	<b>4,297,602</b>	<b>11,339,784</b>	<b>1,427,331,809</b>	<b>1,090,894,092</b>	<b>5,001,199</b>	<b>10,041,777</b>	<b>1,105,937,068</b>
<b>Net assets at end of year</b>	<b>\$ 1,609,667,135</b>	<b>\$ 4,222,638</b>	<b>\$ 12,340,389</b>	<b>\$ 1,626,230,162</b>	<b>\$ 1,411,694,423</b>	<b>\$ 4,297,602</b>	<b>\$ 11,339,784</b>	<b>\$ 1,427,331,809</b>

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

**Liberty University, Inc.**

**Consolidated Statements of Cash Flows**

Years Ended June 30,	2015	2014
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 198,898,353	\$ 321,394,741
Adjustments to reconcile changes in net assets to net cash:		
Depreciation of property, plant and equipment	36,053,059	28,255,725
Change in value of split-interest agreements	4,482,664	(448,791)
Bad debt expense on accounts receivable	20,731,328	21,466,504
Donations of property, plant and equipment	-	(267,000)
Non cash donation of investment	-	(115,008)
Other non cash donation	(13,825)	-
Donation of accounts receivable from a related party	-	102,328
Cash received for permanently restricted contributions	(979,067)	(1,252,553)
Realized/unrealized (gains) losses on investments, net	15,894,040	(56,672,493)
(Gain) loss on disposal of property, plant, and equipment	1,190,832	(1,380,446)
Permanently restricted earnings	-	1,517
Net (increase) decrease in:		
Accounts receivable	(12,954,976)	(84,203,117)
Accounts receivable from related organizations	(811,860)	(529,755)
Notes receivable	675,473	(999,761)
Contributions receivable	113,658	271,111
Other prepaid expenses and other assets	(6,206,237)	(4,195,914)
Net increase (decrease) in:		
Accounts payable	1,713,631	12,885,995
Accrued liabilities	1,637,704	(1,666,752)
Accrued interest payable	(19,622)	(23,678)
Deferred revenue and deposits	21,955,714	(44,890,628)
Gift annuities payable	6,315,075	2,957,262
Liability under split interest agreements	665,680	(175,388)
<b>Net cash from operating activities</b>	<b>289,341,624</b>	<b>190,513,899</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(209,052,678)	(183,397,648)
Proceeds from sale of property, plant, and equipment	1,458,293	824,271
Purchases of investments	(943,876,956)	(840,730,180)
Proceeds from sales and maturities of investments	859,832,363	743,898,402
<b>Net cash used in investing activities</b>	<b>(291,638,978)</b>	<b>(279,405,155)</b>

(Continued on next page)

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

**Liberty University, Inc.****Consolidated Statements of Cash Flows (Continued)**

<b>Years Ended June 30,</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from financing activities</b>		
Payments on gift annuities	\$ (2,781,365)	\$ (2,692,077)
Payments on split interest agreements	(394,932)	(408,155)
Permanently restricted losses	-	(1,517)
Payments on obligations under capital leases	(195,249)	(755,566)
Proceeds from issuance of long-term debt	-	140,614
Payments on long-term debt	(3,007,983)	(2,901,982)
Cash received for permanently restricted contributions	979,067	1,252,553
<b>Net cash used in financing activities</b>	<b>(5,400,462)</b>	<b>(5,366,130)</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,697,816)</b>	<b>(94,257,386)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>202,773,179</b>	<b>297,030,565</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 195,075,363</b>	<b>\$ 202,773,179</b>
<b>Supplemental disclosures of cash flows information:</b>		
Cash paid during the year for interest	\$ 10,779,694	\$ 10,850,009

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

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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June 30, 2015 and 2014

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### 1. Organization and Nature of Activities

Liberty University, Inc. (the University) is a non-stock, nonprofit institution of higher education, initially established in 1971. The University is a Christian academic community in the tradition of evangelical institutions of higher education, with the primary mission of providing quality collegiate education. The University provides associate, baccalaureate, master, and doctoral programs for both liberal arts and professional disciplines in resident and external formats. These programs seek to transmit and expand knowledge, as well as provide opportunities for research and service. The University is accredited by the Southern Association of Colleges and Schools. The affairs of the University are governed by the Board of Trustees.

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of Liberty University, Inc. and its wholly-owned subsidiaries, C&C Jetting, LLC, LU Plaza Holdings, LLC, LU Candler's Station Holdings, LLC, Airport Plaza Holdings, LLC, Liberty Mountain Capital, Inc., Liberty Mountain Conference Center, LLC, LU Racquet Sports, LLC, G & J Thomas, Inc., Ivy Hill Recreation, LLC, Falwell Aviation, Inc., Morning Star, LLC, Liberty Motion Picture Company, Liberty Mountain Medical Group, LLC, Burton Realty and Crossroads Investments, LLC (collectively the "University"). C&C Jetting, LLC provides charter air service to the University. LU Plaza Holdings, LLC, Candler's Station Holdings, LLC and Airport Plaza Holdings, LLC are retail shopping centers held by the University and classified as quasi-endowments. Liberty Mountain Capital, Inc. is a C-corporation owned by the University for investment related purposes. Liberty Mountain Conference Center operates as a conference center for the University and community. LU Racquet Sports operates as an indoor tennis facility. G & J Thomas is an S-corporation that holds property for student housing and is classified as a quasi-endowment. Ivy Hill Recreation is a LLC that owns a lake donated for various student activities and is also classified as a quasi-endowment. Falwell Aviation, Inc. is a C-corporation that provides charter air and repair and maintenance services to the public. Morning Star, LLC provides broadcasting of Liberty University and other athletics, weather and news to the Lynchburg community. Liberty Motion Picture Company provides opportunities for students and former students to produce motion pictures. Liberty Mountain Medical Group, LLC owns and operates a medical clinic. Burton Realty and Crossroads Investments, LLC are real-estate holdings companies. All significant intercompany transactions and balances have been eliminated in the consolidation.

## **Basis of Accounting**

The financial statements of the University have been prepared on the accrual basis of accounting. These financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Unrestricted net assets** – Net assets not subject to donor-imposed restrictions.

**Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may or will be met by actions of the University and/or the passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of 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.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and these restrictions are not met within the current reporting period. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (see Note 10). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

## **Cash and Cash Equivalents**

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents utilized within a managed portfolio are accounted for as investments. All depository accounts of the University are with institutions insured by the Federal Deposit Insurance Corporation (FDIC). Certain accounts are required to be segregated. At times during the year, the University maintains balances in banks which exceed the federally insured limits. The University minimizes this risk by periodically evaluating the stability of the financial institutions. Amounts reported as cash and cash equivalents which exceeded the FDIC limits were \$199,168,479 and \$204,597,343 at June 30, 2015 and 2014.

## **Accounts Receivable**

Accounts receivable represent the amount receivable for tuition and other student fees and expenses. The University provides for uncollectible accounts annually based on a percentage of collections within 90 days of year-end. Bad debt expense totaled \$20,731,328 and \$21,466,504 for the years ended June 30, 2015 and 2014, respectively. When accounts are deemed uncollectible they are charged against the allowance for doubtful accounts.

## **Contributions Receivable and Contributions Revenue**

Contributions, including unconditional promises to give, are recognized as revenue by the University in the period received. 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, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized.



## **Investments**

Investments are recorded at fair value. The fair values of investments are determined based on quoted market prices or estimated fair values. Earnings on investments are recorded as earned and shown in investment income on the consolidated statements of activities. Related investment fees in the amount of \$4,886,321 and \$3,977,283 for the years ended June 30, 2015 and 2014, respectively, are included in institutional support expense on the consolidated statements of activities.

## **Property, Plant and Equipment**

Property, plant and equipment consisting of land and land improvements, buildings, and furniture and equipment are stated at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 years for furniture and equipment up to 60 years for buildings. Property and equipment held under capital leases are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

## **Deferred Revenue and Deposits**

Student deposits consist primarily of student payments received for University fall sessions received during the current year. These payments are designated to be used in future periods and will be recognized as revenue within one year. Revenues are recognized as instruction takes place and the related expenses are incurred.

## **Functional Expenses**

The University allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

## **Income Taxes**

The Internal Revenue Service has ruled that the University qualifies under Section 501(c) (3) of the Internal Revenue Code and is, therefore, not generally subject to income taxes under present tax laws. Management believes that any income tax liability resulting from unrelated business income for the years ended June 30, 2015 and 2014 would not have a significant impact on the University's results of activities. Certain subsidiaries of the University are taxed as separate entities. The University has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2015. Fiscal years ending on or after June 30, 2012, remain subject to examination by federal and state tax authorities.

## **Concentration of Credit Risk**

Financial instruments that potentially subject the University to concentration of credit risk consist of interest-bearing transaction accounts and accounts receivable. The University places its interest-bearing transaction accounts with high credit quality financial institutions.

Student receivables are limited in risk due to the large number of students, those who pay in advance, and those who receive grants and loans to cover tuition and related expenses.

For the year ended June 30, 2015, approximately 11% of contributions were made by two major donors. For the year ended June 30, 2014, approximately 9% of contributions were made by one major donor.

### **Advertising Expenses**

The University expenses advertising costs as incurred. Advertising expense was \$9,672,870 and \$9,282,443 for 2015 and 2014, respectively.

### **Use of Estimates**

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

### **Subsequent Events**

In preparing these consolidated financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 12, 2015, the date the consolidated financial statements were issued. The University was approved to issue \$150,000,000 in commercial paper in July 2015 and subsequently issued \$85,000,000. There were no other material subsequent events that required disclosure nor any material subsequent events that required recognition.

## **3. Contributions Receivable**

Contributions receivable are expected to be received are as follows at June 30:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 34,480	\$ 48,332
One to five years	-	99,806
	<u>\$ 34,480</u>	<u>\$ 148,138</u>

Management has evaluated the contributions receivable and based on historical collection rates and experience with the specified donors, has determined that an allowance for uncollectible pledges is not necessary.

#### 4. Investments

Investments at June 30 consist of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
General investments	\$ 858,468,155	\$ 875,380,062	\$ 778,611,654	\$ 811,739,427
Split-interest agreements	53,815,360	53,437,035	51,109,789	53,782,741
Scholarships	2,518,238	1,975,789	904,615	902,776
Endowments	10,587,626	10,515,517	11,291,087	11,201,747
	<u>\$ 925,389,379</u>	<u>\$ 941,308,403</u>	<u>\$ 841,917,145</u>	<u>\$ 877,626,691</u>

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from market or credit risks would materially affect the financial position of the University.

#### 5. Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. ASC Topic 820 emphasizes the fair value is a market-based measurement, not an entity-specific measurement. The framework for measuring fair value under the guidance is based on a fair value hierarchy that distinguishes between observable inputs (i.e., inputs that are based on market data obtained from independent sources) and unobservable inputs (i.e., inputs that require the University to make its own assumptions about market participant assumptions because little or no market data exists). The three levels of the fair value hierarchy are described below:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds and common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are valued at amortized cost and real estate is recorded at the appraised value. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. All assets have been valued using a market approach, except for Level 3 assets. For Level 3 assets, the University's management, with the help of its investment committee and a third-party investment advisory firm, determine fair value measurement valuation policies and procedures. The University uses the net asset value (NAV) or capital balances of its interest in Level 3 investments as a practical expedient to determine the fair value of Level 3 investment funds. These funds do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for the Level 3 investments existed, and the difference could be material. At least annually, management and the investment committee determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. There were no changes in the valuations techniques during the current year.

	<b>Fair Value as of June 30, 2015</b>			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash - money market funds	\$ 45,576,822	\$ -	\$ -	\$ 45,576,822
Certificates of deposit	-	68,499,641	-	68,499,641
Term loans	-	-	242,745,073	242,745,073
Corporate bonds	-	85,775,463	-	85,775,463
Common stock	58,003,498	-	-	58,003,498
Mutual funds	163,302,648	-	-	163,302,648
Other	-	655,767	-	655,767
Hedge funds:				
Long/short equity funds	-	-	218,968,482	218,968,482
Collateralized mortgage obligations	-	31,383,436	-	31,383,436
Master Limited Partnerships	-	-	21,506,865	21,506,865
Other asset backed securities	-	4,890,708	-	4,890,708
<b>Total assets</b>	<b>\$ 266,882,968</b>	<b>\$ 191,205,015</b>	<b>\$ 483,220,420</b>	<b>\$ 941,308,403</b>
<b>Liabilities</b>				
Gift annuities payable	\$ -	\$ -	\$ 28,263,708	\$ 28,263,708
Liability under split interest agreements	-	-	2,556,091	2,556,091
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,819,799</b>	<b>\$ 30,819,799</b>

**Fair Value as of June 30, 2014**

<b>Assets</b>	Level 1	Level 2	Level 3	Total
Cash - money market funds	\$ 65,233,198	\$ -	\$ -	\$ 65,233,198
Certificates of deposit	-	7,769,598	-	7,769,598
Government and agency bonds	-	1,668,305	-	1,668,305
Municipal bonds	-	40,038	-	40,038
Term loans	-	-	239,435,361	239,435,361
Corporate bonds	-	89,410,950	-	89,410,950
Common stock	57,278,901	-	-	57,278,901
Mutual funds	188,207,876	-	-	188,207,876
Other	-	546,624	-	546,624
Hedge funds:				
Long/short equity funds	-	-	150,772,503	150,772,503
Collateralized mortgage obligations	-	35,770,098	-	35,770,098
Master Limited Partnerships	-	-	35,469,095	35,469,095
Other asset backed securities	-	6,024,144	-	6,024,144
<b>Total assets</b>	<b>\$ 310,719,975</b>	<b>\$ 141,229,757</b>	<b>\$ 425,676,959</b>	<b>\$ 877,626,691</b>
<b>Liabilities</b>				
Gift annuities payable	\$ -	\$ -	\$ 24,729,998	\$ 24,729,998
Liability under split interest agreements	-	-	2,285,343	2,285,343
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,015,341</b>	<b>\$ 27,015,341</b>

The University invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds have investments in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers as a practical expedient. Redemptions are generally permitted after some period of time after initial investment, either on a quarterly, semi-annual, or annual basis, subject to certain restrictions, which include a notice period of 30 to 90 days.

The following table illustrates the activity of Level 3 assets and liabilities:

	Hedge funds	Annuities payable	Liability Under Split-interest Agreements
<b>Balance - June 30, 2013</b>	\$ 97,285,650	\$ 24,464,813	\$ 2,868,886
Additions/purchases	296,917,788	3,226,500	-
Payouts	-	(2,678,241)	(408,155)
Realized gains (losses)	546,761	-	166,442
Unrealized gains (losses)	30,926,760	-	305,049
Change in value of split-interest agreements	-	(283,074)	(646,879)
<b>Balance - June 30, 2014</b>	425,676,959	24,729,998	2,285,343
Additions/purchases	54,328,966	2,439,144	-
Payouts	-	(2,781,365)	(394,932)
Realized gains (losses)	12,049,432	-	(107,420)
Unrealized gains (losses)	(8,834,937)	-	(23,202)
Change in value of split-interest agreements	-	3,875,931	796,302
<b>Balance - June 30, 2015</b>	<u>\$ 483,220,420</u>	<u>\$ 28,263,708</u>	<u>\$ 2,556,091</u>

## 6. Property, Plant and Equipment and Leases

Property, plant and equipment, consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 585,447,371	\$ 459,355,486
Furniture and equipment	181,169,549	151,447,703
Land and land improvements	170,998,987	126,566,467
Construction in progress	117,096,641	119,982,212
<b>Total property, plant and equipment</b>	1,054,712,548	857,351,868
Less accumulated depreciation and amortization	(224,405,975)	(197,395,791)
<b>Property, plant and equipment</b>	<u>\$ 830,306,573</u>	<u>\$ 659,956,077</u>

The University at June 30, 2014 was obligated under various capital and operating leases for certain property, plant, and equipment. The following schedule analyzes property, plant, and equipment under leases that have been accounted for as capital leases in the accompanying statements of financial position and included above in buildings and furniture and equipment:

	<u>2014</u>
Property, plant, and equipment under capital leases	\$ 3,452,078
Less accumulated amortization	<u>(3,452,078)</u>
<b>Property, plant and equipment under capital leases, net</b>	<b><u>\$ -</u></b>

At June 30, 2015, the University had no capital lease obligations. At June 30, 2015, minimum rental payments due under operating leases with original terms in excess of one year are as follows:

	<u>Operating Leases</u>
Years ending June 30:	
2016	\$ 436,622
2017	442,752
2018	449,087
2019	455,634
2020	462,399
Thereafter	<u>927,791</u>
<b>Total minimum lease payments</b>	<b><u>\$ 3,174,285</u></b>

Total interest expense on capital leases for the years ended June 30, 2015 and 2014 was \$2,611 and \$35,876, respectively. Total rent expense under operating leases was \$839,107 and \$893,174 for the years ended June 30, 2015 and 2014, respectively. Taxes, insurance and maintenance expenses relating to all leases are obligations of the University.

## 7. Deferred Revenue and Deposits

Deferred revenue and deposits consists primarily of student related charges including tuition and fees which are deferred until earned. The deferral is calculated based on number of class days used or unused. The deposits are primarily monies deposited with the university, toward a term for which charges have not been recorded to the individual. Deferred revenue and deposits consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Deferred Other	\$ 705,590	\$ 2,381,621
Deferred Student – Fall	38,409,876	34,021,045
Deferred Student – Summer	66,151,553	55,720,858
Deferred Student – Liberty University Online Academy	1,363,267	633,964
Deposits	<u>31,954,030</u>	<u>23,821,114</u>
<b>Total</b>	<b><u>\$ 138,584,316</u></b>	<b><u>\$ 116,578,602</u></b>

## 8. Liabilities under Split-Interest Agreements

The University receives gifts from donors who receive income from the assets until their deaths. These split-interest agreements consist primarily of charitable gift annuities and charitable remainder unitrusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. The assets received from the donor are recorded at fair market value upon receipt of the gift and the liability is recorded using a discount rate reflecting expected rates of return in the marketplace and the expected lives of the donors. Fixed payout percentages range from 3.94% to 13%.

The Mortality Table is used to calculate life expectancy of the annuitant. Discount rates used in the fair value calculation reflect the rate of return on the underlying assets. The discount rate used was 2.97% and 4.35% for fiscal years 2015 and 2014, respectively.

The University received contributions under split-interest agreements of \$1,273,710 and \$1,737,201 for the years ended June 30, 2015 and 2014, respectively.

## 9. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Term loan with a bank collateralized by aircraft with an interest rate of 3.75%, payable in monthly principal and interest payments of \$14,882 through September 2018.	\$ 534,570	\$ 716,060
Term note payable, due July 2017, with monthly principal and interest at a rate of 7.75%. The uncollateralized loan is repaid as part of the fees collected by Sodexo for dining services. Liberty University agrees to pay \$0.33 per meal towards repayment of the loan.	1,017,201	1,575,482
Bond issue 2010, unsecured and issued at a premium of approximately \$2 million, with various principal and interest payments due each March 1 <sup>st</sup> and September 1 <sup>st</sup> in amounts ranging from \$464,000 to \$1,800,000 through 2025. Semi-annual sinking fund payments will be due from March 2026 through March 2041 in amounts ranging from \$3,500,000 to \$52,725,000. Interest rates range from 2.00% to 5.25%.	113,581,826	115,807,355
Term loan with a bank collateralized by one aircraft with an interest rate of 5.75%, payable in monthly installments of \$2,703 through June 2016 with a balloon payment of approximately \$91,326 due July 2016.	117,636	141,623
Term loan with bank collateralized by a hangar with an Interest rate of 1.901%, payable in monthly installments of \$4,666 through September 2018 with a balloon payment of approximately \$346,000 due October 2018.	497,227	547,339
Bond issue 2012, unsecured and issued at a discount of approximately \$950,000, with interest only payments due each March 1 <sup>st</sup> and September 1 <sup>st</sup> at a fixed rate of 5.1%. Principal is due in full in 2042.	99,162,249	99,130,833
<b>Total long-term debt</b>	<u>\$ 214,910,709</u>	<u>\$ 217,918,692</u>



There are bond covenants regarding the tax exempt usage of the facility associated with the bond issue.

There are six certificates of deposit from Carter Bank and Trust in an amount totaling \$4,550,245 which are pledged as collateral to secure a performance bond with the City of Lynchburg and Campbell County for various campus construction projects.

Between June 2014 and June 2015, 23 letters of credit totaling \$1,337,000 have been issued on behalf of the University to local municipalities (City of Lynchburg and Campbell County) for various construction projects. The expiration dates occur between July 2014 and June 2016.

The aggregate annual maturities of long-term debt are as follows:

Years ending June 30:	
2016	\$ 3,061,663
2017	3,150,406
2018	2,696,402
2019	2,913,163
2020	2,675,000
Thereafter	<u>200,414,075</u>
<b>Total</b>	<b><u>\$ 214,910,709</u></b>

Interest expense on long-term debt amounted to \$10,760,071 and \$10,869,820 for the years ended June 30, 2015 and 2014, respectively.

#### **10. Net Assets Released from Restrictions**

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Net assets restricted for the construction of a building are released when the building is placed in service. Total net assets released or reclassified were \$1,168,358 and \$3,704,323 for the years ended June 30, 2015 and 2014, respectively.

## 11. Net Assets

The amounts included as temporarily restricted net assets consist of the following at June 30:

	<u>2015</u>		<u>2014</u>
Scholarships	\$ 2,770,631	\$	2,447,506
Split interest agreement funds	838,984		1,368,414
Flames Club	598,798		467,457
Other	14,225		14,225
<b>Temporarily restricted net assets</b>	<b>\$ 4,222,638</b>	<b>\$</b>	<b>4,297,602</b>

The amounts included as permanently restricted net assets at June 30 consist of endowment funds to be held in perpetuity and amounts which have been permanently restricted by the donor under charitable remainder unitrust agreements. The related income, based on donor-imposed restrictions, is to be used as follows:

	<u>2015</u>		<u>2014</u>
Scholarships	\$ 9,433,037	\$	8,350,920
General University use	2,715,711		2,714,677
Chairs – church planting	137,207		132,207
Split interest agreements	50,490		138,036
Grounds improvement	3,944		3,944
<b>Permanently restricted net assets</b>	<b>\$ 12,340,389</b>	<b>\$</b>	<b>11,339,784</b>

At June 30, 2015 and 2014, the University had expendable net assets in the amount of \$998,493,909 and \$973,954,640, respectively.

## 12. Liberty University Endowments

The University's permanent endowment consists of 82 individual funds. The endowment includes both donor-restricted endowment funds and quasi-endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2015, the endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ 201,550	\$ 12,289,899	\$ 12,491,449
Quasi-endowments	1,041,995,665	-	-	1,041,995,665
	<u>\$ 1,041,995,665</u>	<u>\$ 201,550</u>	<u>\$ 12,289,899</u>	<u>\$ 1,054,487,114</u>

At June 30, 2014, the endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ 417,648	\$ 11,201,747	\$ 11,619,395
Quasi-endowments	114,802,326	-	-	114,802,326
	<u>\$ 114,802,326</u>	<u>\$ 417,648</u>	<u>\$ 11,201,747</u>	<u>\$ 126,421,721</u>

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor-intent and the organization's overall resources and charitable purpose. Based on its interpretation of the law and in compliance with donor intent, 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 portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The University appropriates amounts for expenditure based upon accumulated earnings in the funds and donor requirements. The primary objective is to maximize total return. The University utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk.

The Quasi endowment is held to support the general purpose of the University as needed.

The University has one endowment whose fair value at June 30, 2015 and 2014 was \$434,186 and \$122,351 less than fair value at the date of the gift, respectively.

A summary of the activity in endowment funds for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets, beginning of year</b>	\$ 114,802,326	\$ 417,648	\$ 11,201,747	\$ 126,421,721
Investment return:				
Investment income	2,595,754	415,372	-	3,011,126
Net realized and unrealized loss	-	(833,702)	-	(833,702)
<b>Total investment return</b>	2,595,754	(418,330)	-	2,177,424
Quasi and permanently restricted contributions/net	924,597,585	-	1,088,152	925,685,737
Other changes:				
Reserve for underwater endowment	-	311,835	-	311,835
Scholarship awards	-	(109,603)	-	(109,603)
<b>Endowment net assets, end of year</b>	<b>\$ 1,041,995,665</b>	<b>\$ 201,550</b>	<b>\$ 12,289,899</b>	<b>\$ 1,054,487,114</b>

All of the above temporarily restricted net assets are from purpose-restricted endowments.

A summary of the activity in endowment funds for the year ended June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets, beginning of year</b>	\$ 91,677,712	\$ 214,836	\$ 9,944,760	\$ 101,837,308
Investment return:				
Investment income (loss)	2,500,110	3,657	(1,517)	2,502,250
Net realized and unrealized gain	893,165	204,170	5,951	1,103,286
<b>Total investment return</b>	3,393,275	207,827	4,434	3,605,536
Contributions	1,419,937	-	1,252,553	2,672,490
Net change in quasi- endowment property	18,311,402	-	-	18,311,402
Other changes:				
Scholarship awards	-	(5,015)	-	(5,015)
<b>Endowment net assets, end of year</b>	<b>\$ 114,802,326</b>	<b>\$ 417,648</b>	<b>\$ 11,201,747</b>	<b>\$ 126,421,721</b>

All of the above temporarily restricted net assets are from purpose-restricted endowments.

### 13. Employee Benefit Plans

The University participates in defined contribution retirement annuity plans with TIAA-CREF, Fidelity Investments, and Guidestone for all faculty, staff, and hourly employees. Before January 1, 2012, the University matched 5% of a plan participant's contributions. In order to receive the match, a participant had to contribute at least 5% of gross pay to the plan. Participants could make contributions in excess of 5%, but these contributions were not matched by the University. As of January 1, 2012, the University began matching plan participants' contributions up to 5% of gross pay. Effective January 1, 2012, the University further amended the plan to include a five year vesting schedule for new eligible staff employees. Eligible faculty employees and all participating employees prior to January 1, 2012 are fully vested at enrollment. The University contributed \$5,003,343 and \$4,206,666 under these plans during the years ended June 30, 2015 and 2014, respectively.

The University is self-insured for employee health care claims up to the lesser of \$400,000 per covered individual or an aggregate amount of approximately \$29,300,000 per year. The University has purchased coverage from a commercial insurance carrier to provide for any claims in excess of these amounts. At June 30, 2015 and 2014, the University had provided an accrual of \$2,877,394 and \$2,285,164, respectively, for claims incurred but not paid based on management's estimate of the University's self-insured liability. Participants are fully vested at enrollment. For the years ended June 30, 2015 and 2014, the University incurred claims, premium expenses, and administrative fees related to its health care plan totaling \$21,158,123 and \$16,429,098, respectively.

### 14. Compensated Absences

The University provides paid personal/sick days to all benefited full-time employees at a rate of five days per year. The policy does not allow for the accumulation of sick leave. Unused personal sick day benefits are not paid to employees while employed or upon termination.

The University provides for vacation days accrued based on years of employment and paid at the employee's base pay rate at the time of vacation. The policy does not allow for carryover of unused days into the next calendar year nor compensation in the form of payment at the end of the calendar year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work. Accrued vacation was \$1,244,003 and \$1,182,966 at June 30, 2015 and 2014, respectively, and is included in accrued liabilities on the consolidated statement of financial position.

### 15. Related Party Transactions

The University provides printing, postal, telephone, custodial and security services to related parties. The University has recorded receivables in connection with these services in its statements of financial position for the years ended June 30 as follows:

	<u>2015</u>	<u>2014</u>
Liberty Christian Academy	\$ 1,835,467	\$ 1,548,426
Thomas Road Baptist Church	1,442,242	922,308
Liberty Godparent Home	4,885	-
	<u>\$ 3,282,594</u>	<u>\$ 2,470,734</u>

Management believes the fees received from, and paid to, related parties during 2015 and 2014 approximated market rates and, accordingly, were consistent with those that would be paid in an arm's-length transaction. Management anticipates that similar transactions with related parties will occur in 2016.

During the year ended June 30, 2015, the University made donations to Liberty Christian Academy in the amount of \$208,658. During the year ended June 30, 2014, the University made donations to Liberty Godparent Home in the amount of \$102,328.

## 16. Commitments and Contingencies

The University is subject to certain claims that arise in the ordinary course of operations. Many of these claims are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance exists, so the eventual outcome of such claims is not expected to have a material adverse effect on the University's financial position. However, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

The University's students receive a substantial amount of support from federal and state student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the University's programs and activities. Amounts received and expended by the University under various federal and state programs are subject to audit by various federal and state agencies and therefore subject to adjustment.

In September 2011 the University was awarded a grant by the Virginia Tobacco Commission for \$12 million. This grant is to be matched by the University and is for the purpose of establishing a School of Osteopathic Medicine and to expand the existing School of Health Sciences. The school has been built in Campbell County adjacent to the University's main campus. Phase one has been completed as of May, 2014. The University has applied and received \$12,000,000 of the grant monies.

In October 2012, the University was awarded a grant by the Virginia Tobacco Commission for \$8.5 million. This grant is used for Phase II of the Liberty University Center for Medical and Health Sciences and is to be used for the purchase of equipment. The University has applied and received \$3,783,614 of the grant monies.

There are several commitments and contingencies related to the University's construction projects, which are listed below. Listed by project is the contract amount in place, contract costs completed, and as of June 30, 2015, the remainder of contract costs to be completed.

Project	Contract Amount	Costs to date	Costs to Complete
Commons Housing Building II	\$ 62,814,200	\$ 44,090,091	\$ 18,724,109
School of Music	53,074,631	28,274,006	24,800,625
DeMoss Student Center	46,596,392	7,341,247	39,255,145
Science Hall Facility	35,632,177	30,869,965	4,762,212
LaHaye Ice Center Expansion	11,912,349	4,668,441	7,243,908

## 17. Other Sources

For the years ended June 30, 2015 and 2014, the University had other sources of income of \$46,518,013 and \$43,239,225 respectively. These amounts include various non-mandatory student fees, fines, vehicle registration fees, sales and commissions, rental income, advertising income, and various sporting event related income.

\* \* \* \* \*

**Liberty University, Inc.**

**June 30, 2015**

**Compliance Report**



**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Trustees  
Liberty University, Inc.  
Lynchburg, Virginia

We have audited, in accordance with the 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, the consolidated financial statements of Liberty University, Inc. (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 12, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Liberty University, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Liberty University, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Liberty University, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Liberty University, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Liberty University, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Richmond, Virginia  
October 12, 2015

**Liberty University, Inc.**  
**For the Years Ended June 30, 2015**  
**Supplemental Information**

**Liberty University, Inc.**

**Schedules of Financial Position - Excluding Subsidiaries**

<b>June 30,</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 193,579,182	\$ 202,111,817
Accounts receivable - less allowance for doubtful accounts of \$46,560,000 and \$35,587,000, respectively	84,545,415	92,572,670
Accounts receivable from related organizations	3,282,594	2,470,734
Notes receivable	3,599,494	4,384,117
Contributions receivable	34,480	148,138
Other prepaid expenses and other assets	16,925,120	9,901,086
Investments, at fair value	1,022,445,612	933,318,885
Property, plant, and equipment, net	766,086,054	617,162,662
<b>Total assets</b>	<b>\$ 2,090,497,951</b>	<b>\$ 1,862,070,109</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable - vendors	\$ 56,264,326	\$ 50,507,236
Accounts payable - other	8,045,673	8,705,216
Accrued liabilities	12,931,462	11,210,600
Accrued interest payable	3,548,736	3,568,358
Deferred revenue and deposits	138,361,947	116,306,570
Gift annuities payable	28,263,708	24,729,998
Liability under split interest agreements	2,556,091	2,285,343
Obligations under capital leases	-	195,249
Long-term debt	214,295,846	217,229,730
<b>Total liabilities</b>	<b>464,267,789</b>	<b>434,738,300</b>
Net assets		
Unrestricted	1,609,667,135	1,411,694,423
Temporarily restricted	4,222,638	4,297,602
Permanently restricted	12,340,389	11,339,784
<b>Total net assets</b>	<b>1,626,230,162</b>	<b>1,427,331,809</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,090,497,951</b>	<b>\$ 1,862,070,109</b>

See Independent Auditors' Report.