Washington University

Consolidated Financial Statements

June 30, 2014 and 2013

Washington University
Index
June 30, 2014 and 2013

Page(s)

Independent Auditor's Report

To the Board of Trustees of Washington University

We have audited the accompanying consolidated financial statements of Washington University (the "university"), which comprise the statements of financial position as of June 30, 2014 and June 30, 2013, and the related consolidated changes in its net assets and its cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 financial position of Washington University at June 30, 2014 and June 30, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 23, 2014

Washington University
Consolidated Statements of Financial Position
June 30, 2014 and 2013

(thousands of dollars)	2014	2013
Assets		
Cash	$ 116,365	$ 198,977
Investments	7,873,763	6,909,408
Accounts and notes receivable, net	409,363	417,797
Pledges receivable, net	215,882	228,523
Other assets	175,238	150,839
Fixed assets, net	2,009,225	1,901,786
Total assets	$ 10,799,836	$ 9,807,330
Liabilities		
Accounts payable and accrued expenses	$ 358,577	$ 294,644
Deposits, advances and other	41,442	40,307
Professional liability	80,819	78,963
Deferred revenue	93,201	91,070
Liabilities under split-interest agreements	42,903	43,931
Government supported student loans	45,559	45,394
Notes and bonds payable	1,358,940	1,352,538
Total liabilities	2,021,441	1,946,847
Net assets		
Unrestricted	4,208,587	3,793,089
Temporarily restricted	2,988,898	2,577,327
Permanently restricted	1,580,910	1,490,067
Total net assets	8,778,395	7,860,483
Total liabilities and net assets	$ 10,799,836	$ 9,807,330

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

Washington University
Consolidated Statements of Activities
Year Ended June 30, 2014

(thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2014 Total
Revenues				
Tuition and fees, gross	$ 529,695	$ -	$ -	$ 529,695
Less: Scholarships	(189,935)			(189,935)
Tuition and fees, net	339,760	-	-	339,760
Endowment spending distribution	242,769	4,740		247,509
Investment income	8,496	560		9,056
Gifts	89,679	65,881		155,560
Grants and contracts revenues				
Direct costs recovered	348,570			348,570
Facilities and administrative costs recovered	126,044			126,044
Patient services	893,413			893,413
Auxiliary enterprises - sales and services	92,755			92,755
Educational activities - sales and services	129,807			129,807
Affiliated hospital revenues	99,292			99,292
Other revenue	30,322			30,322
Net assets released	82,920	(82,920)		-
Total revenues and other support	2,483,827	(11,739)	-	2,472,088
Expenses				
Instruction	1,446,087			1,446,087
Research	447,065			447,065
Academic support	161,284			161,284
Student services	76,077			76,077
Institutional support	122,968			122,968
Auxiliary enterprises expenditures	101,880			101,880
Other deductions	27,073			27,073
Total expenses	2,382,434	-	-	2,382,434
Net operating results	101,393	(11,739)	-	89,654
Non-operating revenues and (expenses)				
Investment returns net of endowment spending	321,013	420,128	5,007	746,148
Changes and reclassifications of split-interest agreements	513	865	393	1,771
Permanently restricted gifts			83,696	83,696
Other	(7,421)	2,317	1,747	(3,357)
Non-operating, net	314,105	423,310	90,843	828,258
Change in net assets	415,498	411,571	90,843	917,912
Net assets				
Beginning of the year	3,793,089	2,577,327	1,490,067	7,860,483
End of the year	$ 4,208,587	$ 2,988,898	$ 1,580,910	$ 8,778,395

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

Washington University
Consolidated Statements of Activities
Year Ended June 30, 2013

(thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2013 Total
Revenues				
Tuition and fees, gross	$ 502,113	$ -	$ -	$ 502,113
Less: Scholarships	(177,214)			(177,214)
Tuition and fees, net	324,899	-	-	324,899
Endowment spending distribution	231,197	4,500		235,697
Investment income	7,500	430		7,930
Gifts	53,211	109,508		162,719
Grants and contracts revenues				
Direct costs recovered	372,344			372,344
Facilities and administrative costs recovered	134,996			134,996
Patient services	821,849			821,849
Auxiliary enterprises - sales and services	88,719			88,719
Educational activities - sales and services	120,457			120,457
Affiliated hospital revenues	93,487			93,487
Other revenue	30,035			30,035
Net assets released	92,292	(92,292)		-
Total revenues and other support	2,370,986	22,146	-	2,393,132
Expenses				
Instruction	1,342,767			1,342,767
Research	471,609			471,609
Academic support	155,425			155,425
Student services	73,140			73,140
Institutional support	120,018			120,018
Auxiliary enterprises expenditures	100,413			100,413
Other deductions	24,438			24,438
Total expenses	2,287,810	-	-	2,287,810
Net operating results	83,176	22,146	-	105,322
Non-operating revenues and (expenses)				
Investment returns net of endowment spending	172,745	227,547	3,549	403,841
Changes and reclassifications of split-interest agreements	1,648	(1,008)	(2,922)	(2,282)
Permanently restricted gifts			56,366	56,366
Other	(7,214)	(360)	1,940	(5,634)
Non-operating, net	167,179	226,179	58,933	452,291
Change in net assets	250,355	248,325	58,933	557,613
Net assets				
Beginning of the year	3,542,734	2,329,002	1,431,134	7,302,870
End of the year	$ 3,793,089	$ 2,577,327	$ 1,490,067	$ 7,860,483

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

Washington University
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(thousands of dollars)	2014	2013
Cash flows from operating activities		
Change in net assets	$ 917,912	$ 557,613
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized net gains on investments	(960,358)	(607,315)
Depreciation expense	152,873	153,757
Permanently restricted gifts	(83,696)	(56,366)
Investments received as gifts - not permanently restricted	(4,980)	(13,942)
Proceeds from sales of investments received as gifts	4,980	13,942
Other noncash adjustments	(4,135)	(2,018)
Changes in assets and liabilities		
Accounts and notes receivable, net	(20,101)	(30,782)
Pledges receivable, net	17,470	(8,835)
Accounts payable and accrued expenses	28,177	17,949
Deposits and advances	(21,851)	(16,867)
Professional liability	1,856	10,232
Other assets and liabilities	(11,368)	(14,072)
Net cash provided by operating activities	16,778	3,296
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,647,114	4,569,581
Purchases of investments	(4,597,557)	(4,574,440)
Purchases of investments with securities lending collateral	(11,744)	(21,597)
Purchases of fixed assets	(237,660)	(162,363)
Student loans disbursed	(23,205)	(21,614)
Student loan payments received	23,951	26,789
Other	468	(88)
Net cash used in investing activities	(198,634)	(183,732)
Cash flows from financing activities		
Principal payments of debt	(7,490)	(100,935)
Proceeds from long-term debt issuance	14,873	221,785
Contributions restricted for long-term investment	58,502	56,967
Proceeds from sales of investments received as gifts	21,449	31,512
Securities lending collateral received	11,744	21,597
Other	166	171
Net cash provided by financing activities	99,244	231,097
Net increase/(decrease) in cash	(82,612)	50,661
Cash		
Beginning of year	198,977	148,316
End of year	$ 116,365	$ 198,977
Supplemental data		
Interest paid in cash	$ 47,062	$ 47,725
Noncash investing activities		
Contributions of securities and other noncash assets	$ 26,645	$ 46,926
Change in accounts payable for fixed assets	11,743	14,694
Change in accounts receivable for investments	27,790	(23,954)
Change in accounts payable for investments	22,550	(6,025)
Assets disposed net of offsetting liabilities	-	(6,951)

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

(All amounts in thousands of dollars)

1. Summary of Significant Accounting Policies

Organization
Washington University in St. Louis (the "university"), is an institution of higher education that, in furtherance of its role as a charitable and educational institution, engages in various activities, including instruction, research and provision of medical care.

Basis of Presentation and Use of Estimates
The consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements are consolidated to include the accounts of the university and its affiliates.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the estimated useful lives of buildings and equipment, the fair value of certain investments (see footnote 2), the degree of precision in calculation of self-insurance reserves and adequacy of allowances for doubtful accounts. Actual results could differ from those estimates.

Net Assets
Resources are classified for accounting and reporting purposes according to externally (donor) imposed restrictions. Descriptions of the net asset categories follow:

Unrestricted net assets are free of donor-imposed restrictions.

Temporarily restricted net assets consist of gifts and related earnings that are subject to donor-imposed restrictions or legal stipulations that have not yet been met by actions of the university and/or passage of time.

Permanently restricted net asset balances include gifts and trusts which, by donor restriction, are required to be held in perpetuity.

Revenues from sources other than contributions and investment returns are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose restrictions that are met in the same fiscal year they are received are included in unrestricted revenues. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized, except for gains and investment income earned by investment of donor-restricted endowments. Such amounts are not reported as unrestricted net assets until appropriated for expenditure. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions. Permanently restricted gifts received are reported in the non-operating section of the Consolidated Statements of Activities. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the university reports

(All amounts in thousands of dollars)

expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are reported as decreases in unrestricted net assets.

Temporarily and permanently restricted net assets are for the following purposes.

	2014		2013	
	Temporarily Restricted	**Permanently Restricted**	**Temporarily Restricted**	**Permanently Restricted**
General activities	$ 2,118,715	$ 1,096,767	$ 1,833,991	$ 1,017,470
Student assistance	459,954	314,512	385,143	303,481
Buildings and renovations	394,719	146,966	346,133	146,825
Life income	15,510	22,665	12,060	22,290
	$ 2,988,898	$ 1,580,910	$ 2,577,327	$ 1,490,066

Investment
Investment gains/(losses) in excess of endowment spending distribution and the unrealized appreciation (depreciation) on investments are reported in the non-operating section of the Consolidated Statements of Activities. Investments acquired by gift or bequest are initially recorded at market or appraised value at the date so acquired.

At June 30, 2014 and 2013, investments include $20,033 and $62,556, respectively, which were purchased with unexpended proceeds from the Series 2012A Missouri Health and Educational Facilities Authority (MOHEFA) revenue bonds issued in July 2012. These funds may only be expended for specific construction project costs and costs of issuance related to the MOHEFA bonds.

(All amounts in thousands of dollars)

Fixed Assets

Fixed assets are stated at cost or at fair market values if received as a gift, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets. Fixed assets include equipment and other assets acquired through sponsored programs during which title is retained by the resource provider. It is probable the university will be permitted to keep the assets when the program terminates. The cost and accumulated depreciation of fixed assets are removed from the records at the time of disposal. Gains and losses on fixed asset disposals are reported in the non-operating section of the Consolidated Statements of Activities. Fixed assets by classification at June 30, 2014 and 2013 consist of the following:

	2014	2013
Construction in progress	$ 296,188	$ 158,432
Land and improvements to land	116,281	103,382
Buildings	3,016,608	2,947,446
Equipment	443,962	424,874
Total cost	3,873,039	3,634,134
Accumulated depreciation	(1,863,814)	(1,732,348)
Total, net	$ 2,009,225	$ 1,901,786

Collections

In addition to the Mildred Lane Kemper Art Museum, the university archives rare book collections, works of art, literary works, historical treasures and artifacts. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Financing Receivables

Financing receivables are principally loans made to students or their parents utilizing gifts, endowment payout, and university resources designated for that purpose and from funds provided by the United States government under the Federal Perkins and Health Professional Student Loan programs. Loan funds are reported at estimated realizable value, as it is not practical to determine the fair value of loan fund receivables, which include a large component of federally sponsored student loans. Federally sponsored student loans have significant government restrictions as to marketability, interest rates, and repayment terms. Federal funds are ultimately refundable to the government and are recognized as a liability in the Consolidated Statements of Financial Position (see footnote 5).

The university's loan portfolio includes over 12,300 individual loans and is geographically diverse. Loans that are made are due on the last business day of the month and are considered past due if the minimum payment is not received within forty-five days subsequent to the due date. At June 30, 2014 and 2013, respectively, 91% and 92% of the parent loans and 75% and 76%, of the institutional student loans were considered current. Income earned on financing receivables is recorded on an accrual basis.

(All amounts in thousands of dollars)

Tuition and Financial Aid

Undergraduate students receive financial aid based upon demonstrated financial need and academic promise. Graduate students often receive tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by the university, including aid provided to employees and their dependents, was $275,782 in 2014 and $262,593 in 2013. The table below identifies student aid by type. Scholarships are reported net against tuition in the Consolidated Statements of Activities. Other amounts are reported as expenses.

	2014	2013
Scholarships from unrestricted sources	$ 145,212	$ 135,654
Scholarship support from gifts, endowment and other restricted sources	44,723	41,560
Total scholarships	189,935	177,214
Employee and dependent tuition benefits	29,310	28,979
Stipends	54,002	53,878
Work study	2,535	2,522
Total	$ 275,782	$ 262,593

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or promise is received. Contributions received for permanent endowments or perpetual trusts are reported as non-operating revenues. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift and, unless instructed otherwise by the donor, are liquidated upon receipt or as soon as practical thereafter.

Gifts and conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, in the form of unconditional promises to give, to be received after one year are discounted at credit-adjusted tax exempt borrowing rates in accordance with fair value accounting. Pledges outstanding are discounted with rates ranging from 0.30% to 1.53%. Amortization of the discount is recorded as contribution revenue. An allowance is made for uncollectible unconditional promises to give based upon management's judgment, past collections experience and other relevant factors.

(All amounts in thousands of dollars)

A summary of pledges receivable at June 30 is as follows:

	2014	2013
In one year or less	$ 104,238	$ 114,916
Between one year and five years	97,137	102,958
Five or more years	24,835	22,859
	226,210	240,733
Less:		
Discount	(3,277)	(4,076)
Allowance for uncollectible amounts	(7,051)	(8,134)
	$ 215,882	$ 228,523

Patient Services Revenue
The university recognizes revenues in the period in which services are rendered. The university has agreements with third-party payers that provide for payment to the university at amounts that are generally less than its established rates. Accordingly, patient revenue is reported net of contractual allowances, at estimated net realizable amounts from patients, third-party payers and others for services rendered.

Tuition and Fee Revenue
Tuition and fee revenue, net of scholarships, is recorded in the fiscal year in which the educational programs are conducted.

Auxiliary Enterprises – Sales and Services
Auxiliary enterprises sales and services revenue is recorded in the fiscal year in which earned. This revenue is composed primarily of on and off campus housing charges, dining services, and parking and transportation fees.

Educational Activities – Sales and Services
Educational activities sales and services revenue is recorded in the fiscal year in which it is earned. This revenue is composed of a number of activities including clinical trial revenues, management services and salary reimbursements from affiliated hospitals, consulting, laboratory fees, conference center revenues and revenues from licensing and royalties.

Affiliated Hospital Revenues
Affiliated hospital revenue is recorded in the fiscal year in which earned. This revenue is composed of amounts received from affiliated hospitals for various services as more fully described in Note 11.

Sponsored Programs
The university receives grant and contract revenue from governmental and private sources. Revenue associated with the direct costs of sponsored programs is generally recognized as the related costs are incurred. The university records revenue in unrestricted net assets upon its recovery of direct and indirect costs applicable to those sponsored programs that provide for the full or partial reimbursement of such costs. The recovery of indirect costs, also referred to as facilities and administrative costs is based on negotiated rates and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements. Recovery of facilities and administrative costs of Federally sponsored programs is at rates negotiated with the

(All amounts in thousands of dollars)

university's cognizant agency, the Department of Health and Human Services. The university and the Federal government are currently operating under an agreement that establishes facilities and administrative cost reimbursement rates under Federal grants and contracts through June 30, 2017.

Operating Results and Allocation of Certain Expenses

The university's measure of operations as presented in the Consolidated Statements of Activities includes income from tuition and fees, grants and contracts, medical services, contributions for operating programs, the endowment spending distribution and other revenues. Operating expenses are reported on the Consolidated Statements of Activities by functional categories, after allocating costs for operation and maintenance of plant, interest on indebtedness and depreciation expense. Operating results exclude investment gains/(losses) except for the portion of gains utilized for the endowment spending distribution, permanently restricted gifts, change in the value of split-interest agreements, gains/(losses) on fixed asset disposals and interest rate swaps. Operation and maintenance of plant and depreciation are allocated to functional categories largely based on square footage. Interest expense is allocated based on specific identification of the uses of debt proceeds. Instruction expenses include instruction, departmental research and patient care costs.

Split-Interest Agreements

The university's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the university serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The discount rate used is a credit-adjusted rate in existence at the date of the gift. The rates used range from 1.14% to 4.07% for 2014 and .92% to 3.48% for 2013. Annually, the university records the change in value of split-interest agreements by recording at fair value the assets that are associated with each trust and recalculating the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

Conditional Asset Retirement Obligation

The asset retirement obligation for the university relates primarily to the removal of asbestos from certain of its buildings. Known asbestos sites are appropriately encapsulated or controlled in accordance with current environmental regulations pending ultimate removal. As of June 30, 2014 and 2013, respectively, \$16,443 and \$17,311 of conditional asset retirement obligations are included within accounts payable and accrued expenses in the Consolidated Statements of Financial Position. Additional obligations recognized, obligations settled, and accretion expense were not material to results reported in the Consolidated Statements of Activities in any year.

Cash and Cash Equivalents

The university considers cash on hand and in banks and all highly liquid financial instruments with an original maturity of 90 days or less, except those amounts assigned to and invested by its investment managers, which amounts are classified as investments, to be cash and cash equivalents.

(All amounts in thousands of dollars)

Income Taxes
The university is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code except to the extent the university has unrelated business income. There was no provision for income taxes due on unrelated business income in the current year. The university has no uncertain tax positions that result in material unrecognized tax expense/benefits.

Recent Accounting Pronouncements
During 2014 the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09, effective in fiscal 2018, affects all contracts entered into with customers that result in a transfer of goods or services or a transfer of nonfinancial assets by the university. The core principle of the standard is for organizations to recognize revenue in a way that depicts the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the organization expects to be entitled. The university is currently evaluating the impact the adoption of ASU 2014-09 will have on its consolidated financial statements. There were no other recent accounting pronouncements expected to have a material effect on the university's consolidated financial statements.

2. Fair Value

The university follows FASB guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the university and unobservable inputs reflect the university's assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the university for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities, such as exchange traded equity securities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Examples of Level 2 include U.S. Treasury securities and corporate bonds.

(All amounts in thousands of dollars)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities including investments in certain hedge and all private market strategies.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2014 by caption on the Consolidated Statements of Financial Position and by the valuation hierarchy defined above. Under applicable accounting guidance, certain alternative investments, such as hedged strategies, that do not have readily determinable fair values, but are redeemable in the near term at investee-reported net asset value per share or its equivalent, are reportable at Level 2. Also, included as Level 2 fixed income are U.S. Treasury securities of approximately $300,541.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances June 30, 2014
Investments				
Public equity				
Domestic	$ 509,970	$ 928,053	$ 62,811	$ 1,500,834
International	1,236,662	238,739	112,865	1,588,266
Fixed income				
Nominal	-	807,701	-	807,701
Real	-	102,107	2,084	104,191
Hedged strategies	-	1,178,883	670,900	1,849,783
Private equity	-	-	1,110,449	1,110,449
Short -term investments	117,742	4,740	-	122,482
Deposits with bond trustees	20,033	-	-	20,033
Split-interest agreements	37,478	43,318	4,193	84,989
Beneficial interest trusts	-	-	30,189	30,189
Real assets	-	-	587,788	587,788
Other investments	-	(2,531)	25,046	22,515
Total investments at fair value	1,921,885	3,301,010	2,606,325	7,829,220
Fixed income assets received from security borrowers	-	31,096	-	31,096
Total financial instruments reported at fair value	$ 1,921,885	$ 3,332,106	$ 2,606,325	$ 7,860,316

Other investments classified as Level 2 in the table above is principally the unfavorable fair value of the interest rate swap as discussed in Note 7.

(All amounts in thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2013, by caption on the Consolidated Statements of Financial Position by the valuation hierarchy defined above. Also, included as Level 2 fixed income are U.S. Treasury securities of approximately $655,150.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances June 30, 2013
Investments				
Public equity				
Domestic	$ 279,615	$ 927,382	$ 45,190	$ 1,252,187
International	1,039,859	50,083	95,935	1,185,877
Fixed income				
Nominal	-	670,798	-	670,798
Real	-	183,399	73,262	256,661
Hedged strategies	-	959,220	727,625	1,686,845
Private equity	-	-	984,653	984,653
Short-term investments	99,486	9,161	-	108,647
Deposits with bond trustees	62,556	-	-	62,556
Split-interest agreements	37,963	43,251	3,757	84,971
Beneficial interest trusts	-	-	27,904	27,904
Real assets	-	-	526,433	526,433
Other investments	-	(5,444)	24,676	19,232
Total investments at fair value	1,519,479	2,837,850	2,509,435	6,866,764
Fixed income assets received from security borrowers	-	19,351	-	19,351
Total financial instruments reported at fair value	$ 1,519,479	$ 2,857,201	$ 2,509,435	$ 6,886,115

Other investments classified as Level 2 in the table above is principally the unfavorable fair value of the interest rate swap as discussed in Note 7.

Included as investments on the Consolidated Statements of Financial Position, at June 30, 2014 and 2013, respectively, but not reported in the tables above, are accrued investment income of $4,368 and $6,343 and investments in affiliates of $40,175 and $36,302, which are recorded on the equity basis of accounting. A portion of Level 2 and 3 equity amounts reported above as of June 30, 2014 and 2013 are in hedge-type strategies and a portion of real assets are invested in private equity-type structures. Beneficial interests in perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement. The university has recorded within investments the market value of assets held by third parties in perpetual trusts of $30,189 and $27,904 in 2014 and 2013, respectively.

(All amounts in thousands of dollars)

Following is a description of the university's valuation methodologies for assets and liabilities measured at fair value. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the university believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Fair value for Level 1 is based upon quoted prices in active markets that the university has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The university does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Certain alternative investments, such as hedge funds, that do not have readily determinable fair values, but are redeemable in the near term at investee-reported net asset value per share or its equivalent, are also reported at this level. An alternative investment is considered redeemable in the near term if the university has the ability to redeem the investment or a portion thereof up to 180 days beyond the measurement date at net asset value. If the redemption extends beyond 180 days, the investment is categorized as Level 3. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consist of the university's ownership in alternative investments (principally limited partnership interests in hedge, private equity strategies, real assets, and other similar funds). The fair values (Net Asset Value ("NAV") or partner's capital per share) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the respective general partners and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the general partners taking into consideration significant unobservable inputs including, among other things, the cost of the investments, prices of recent significant placements of investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. Excluding the cost of the investment, significant increases or decreases in the remainder of those inputs could result in a significantly higher or lower fair value measurement. The university has performed due diligence with respect to these investments to ensure NAV or partner's capital per share is an appropriate measure of fair value as of June 30. NAV calculated by the investee in a manner consistent with generally accepted accounting principles for investment companies is reported as the fair value of the investment.

(All amounts in thousands of dollars)

Valuation and other considerations concerning the major classes of investments are provided in the following paragraphs.

Equity

The equity class of investments is globally diversified across public markets including domestic and international developed and international emerging. The majority of equity assets are valued at quoted market price in accordance with Level 1 valuation techniques as described above. A moderate component is held in hedge-like strategies which are valued at NAV in accordance with techniques for Levels 2 and 3 valuations as described above.

Fixed Income and Short-Term Investments

Investments in this class include domestic and international nominal fixed income (nominal) and inflation indexed bonds (real). Fixed income investments are held principally as liquid vehicles for operating needs and as a source of diversification. A significant component of nonendowment fixed income investments is held in highly liquid funds. The valuation of these funds is determined using a market approach in accordance with the techniques for Level 2 as described above.

Hedged Strategies

Investments in hedged strategies are made in sub-strategies including event driven, distressed/credit, relative value, long/short equity, and global macro funds. The redemption frequency for these funds varies from monthly to every 2 years. Similarly, the required redemption notice period varies from 3 to 180 days. The total fair value of hedged strategies, including equity and fixed income investments with a hedge fund structure, held at June 30, 2014 and 2013 was $2,733,790 and $2,445,363, respectively. Of this amount, $161,797 and $154,231 at June 30, 2014 and 2013, respectively, was in "side pockets" with indeterminate redemption periods. Another $187,593 and $209,797 were subject to initial investment lock-ups that at June 30, 2014 and 2013, respectively, will expire over the next 3 to 24 months. Some funds subject to lock-up permit early redemptions subject to a fee. At June 30, 2014, the university had commitments outstanding of approximately $30,800 for hedged strategy funds and $7,500 for equity investments with a hedge fund structure.

Private Equity

Investments in private equity strategies are made in targeted categories including buyout, venture capital, and corporate finance. Redemptions of such funds are not permitted and distributions are received as underlying investments are liquidated. The remaining lives of the agreements under which these investments are made vary from 1 to 12 years assuming all extension options under the agreements are exercised and approved. At June 30, 2014, the university had total private equity investment commitments outstanding of $722,002, but only a portion of this amount is expected to be funded in 2015.

Real Assets

Investments in the real assets class are made in targeted categories including natural resources and real estate. Such accounts represent approximately 8% of total investments. The majority of these assets are not held directly but are held in private-equity-type structures that invest primarily in real estate and natural resources. The valuation of these funds is determined using a market approach in accordance with the techniques for Level 3 as described above.

(All amounts in thousands of dollars)

The following tables roll forward the Consolidated Statements of Financial Position amounts for financial instruments classified by the university within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2014 and 2013.

	Balances June 30, 2013	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers in (out) of Level 3, Net	Balances June 30, 2014
Investments						
Public equity						
Domestic	$ 45,190	$ 4,276	$ 15,090	$ (1,684)	$ (61)	$ 62,811
International	95,935	21,664	22,500	(27,234)	-	112,865
Fixed income						
Nominal	-	-	-	-	-	-
Real	73,262	464	15,001	(36,631)	(50,012)	2,084
Hedged strategies	727,625	73,013	123,700	(84,446)	(168,992)	670,900
Private equity	984,653	153,872	180,322	(208,398)	-	1,110,449
Short-term investments	-	-	-	-	-	-
Deposits with bond trustees	-	-	-	-	-	-
Split-interest agreements	3,757	436	-	-	-	4,193
Beneficial interest trusts	27,904	3,669	3,252	(3,726)	(910)	30,189
Real assets	526,433	60,522	131,679	(130,846)		587,788
Other investments	24,676	218	263	(74)	(37)	25,046
Total	$ 2,509,435	$ 318,134	$ 491,807	$ (493,039)	$ (220,012)	$ 2,606,325

During 2014, transfers out of and into Level 3 from Level 2 of $274,847 and $55,745, respectively, and transfers out of and into Level 1 from Level 2 of $57,967 and $133,154, respectively were made as a result of changes in redemption periods. Also, a transfer out of Level 2 to Level 1 of $3,704 was made as a result of redetermination of level of certain short-term investments. Additional transfers out of Level 3 of $910 were made as a result of payments from beneficial interest trusts to beneficiaries. The university recognizes transfers as of the end of the reporting period.

(All amounts in thousands of dollars)

Included in the change in net assets is the amount of net realized and unrealized gains/(losses) which includes net unrealized gains/(losses) for Level 3 investments for the period relating to assets still held at June 30, 2014. Net realized and unrealized gains/(losses) are reported as investment returns net of endowment spending in the Consolidated Statements of Activities. The amounts of net unrealized gains/(losses) for Level 3 investments held at June 30, 2014 by type are as follows:

Public equity	
Domestic	$ 4,631
International	18,201
Fixed income	
Nominal	-
Real	74
Hedged strategies	83,621
Private equity	67,488
Short-term investments	-
Deposits with bond trustees	-
Split-interest agreements	435
Beneficial interest trusts	2,483
Real assets	8,804
Other investments	191
Total	$ 185,928

	Balance June 30, 2012	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers in/(out) of Level 3, Net	Balance June 30, 2013
Investments						
Public equity						
Domestic	$ 7,000	$ 5,973	$ 35,149	$ (2,932)	$ -	$ 45,190
International	63,948	6,165	57,500	-	(31,678)	95,935
Fixed income						
Nominal	-	-	-	-	-	-
Real	78,546	(5,284)	-	-	-	73,262
Hedged strategies	616,688	70,511	278,000	(72,318)	(165,256)	727,625
Private equity	933,553	95,207	143,263	(187,370)	-	984,653
Short-term investments	-	-	-	-	-	-
Deposits with bond trustees	-	-	-	-	-	-
Split-interest agreements	3,271	261	350	(125)	-	3,757
Beneficial interest trusts	26,351	2,183	4,858	(4,968)	(520)	27,904
Real assets	487,240	34,267	91,101	(86,175)	-	526,433
Other investments	24,829	3,301	1,800	(5,254)	-	24,676
Total	$2,241,426	$ 212,584	$ 612,021	$(359,142)	$(197,454)	$2,509,435

During 2013, transfers out of and into Level 3 from Level 2 of $223,550 and $26,616, respectively, and transfers out of Level 1 to Level 2 of $207,631 were made as a result of changes in redemption periods. Additional transfers out of Level 3 of $520 were made as a result of payments from

(All amounts in thousands of dollars)

beneficial interest trusts to beneficiaries. The university recognizes transfers as of the end of the reporting period.

Included in the change in net assets is the amount of net realized and unrealized gains/(losses) which includes net unrealized gains/(losses) for Level 3 investments for the period relating to assets still held at June 30, 2013. Net realized and unrealized gains/(losses) are reported as investment returns net of endowment spending in the Consolidated Statements of Activities. The amounts of net unrealized gains/(losses) for Level 3 investments held at June 30, 2013 by type are as follows:

Public equity	
Domestic	$ 5,929
International	4,025
Fixed income	
Nominal	-
Real	(509)
Hedged strategies	110,426
Private equity	11,040
Short-term investments	-
Deposits with bond trustees	-
Split-interest agreements	261
Beneficial interest trusts	1,553
Real assets	1,335
Other investments	(182)
Total	$ 133,878

(All amounts in thousands of dollars)

3. Investment Return

The following summarizes the return on investments. Investment income represents earnings on nonendowed funds. Return on investments is presented net of investment management fees. Certain investments, including some but not all of those in the hedged and private equity categories, report investment returns net of fees. Other fees paid directly to investment managers and internal investment management costs were $40,968 and $34,943 for 2014 and 2013, respectively.

	2014	2013
Investment income	$ 9,056	$ 7,930
Pooled endowment dividends and interest income	33,299	32,223
Pooled endowment distribution in excess of income	214,210	203,474
Pooled endowment spending distribution	247,509	235,697
Investment gains, net	960,358	607,315
Gains distributed as endowment distribution	(214,210)	(203,474)
Investment returns net of endowment spending distribution	746,148	403,841
Net investment gains	$ 1,002,713	$ 647,468

At June 30, 2014 and 2013, investments with a fair value of $30,259 and $27,740, respectively, were loaned to various brokers on an open-ended basis for average periods varying from several days to several months, depending on the type of loan. The university receives lending fees and continues to earn interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits amounting to 103% and 102% of the market value of the securities loaned at June 30, 2014 and 2013, respectively. The university is indemnified against borrower default by the financial institution that is acting as its lending agent. The borrowers provided $31,078 and $28,332 of cash collateral for the loaned securities at June 30, 2014 and 2013, respectively, and is reported in Deposits, advances and other on the Consolidated Statements of Financial Position. Most, if not all, of the cash is reinvested in other vehicles by the lending agent. Such collateral was invested in fixed income securities and had a fair value of $31,096 and $19,351 at June 30, 2014 and 2013, respectively, and is reported in Other assets on the Consolidated Statements of Financial Position. The Statement of Cash Flows for the year ended June 30, 2013 has been revised from previously reported amounts to correct the presentation of an investing activities cash use and a financing activities cash source of $21,597 related to activity under this securities lending program. Management believes this revision to the previously issued financial statements is immaterial.

4. Endowment

The state of Missouri has adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The statutory guidelines contained in this legislation relate to the prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. Additionally, the legislation

(All amounts in thousands of dollars)

specifies factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an institution's endowment funds.

At June 30, 2014, the university's endowment consists of 3,101 individual donor-restricted endowment funds and Board of Trustees or management-designated endowment funds for a variety of purposes plus split interest agreements and other net assets where the assets have been designated for endowment. The net assets associated with endowment funds, including funds designated by the Board of Trustees or management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The university has interpreted Missouri UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until the donor-imposed stipulations attached to those amounts have been met by actions of the university and or passage of time and appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition, which includes the effect of changes in endowment investments as well as other endowment-related assets and liabilities, by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (32)	$ 2,727,657	$ 1,508,445	$ 4,236,070
Board-designated endowment funds	2,238,450	173,516	-	2,411,966
Total endowment funds	$ 2,238,418	$ 2,901,173	$ 1,508,445	$ 6,648,036

Changes in endowment net assets for the year ended June 30, 2014:

(All amounts in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 1,867,014	$ 2,429,347	$ 1,421,348	$ 5,717,709
Investment return				
Net investment income	13,528	21,475		35,003
Net appreciation (realized and unrealized)	383,398	564,745	4,637	952,780
Total investment return	396,926	586,220	4,637	987,783
Gifts	1,334	1,724	80,142	83,200
Appropriation of endowment assets for expenditure	(100,464)	(147,045)	-	(247,509)
Net transfers to create board designated funds	178,125	35,927	4,457	218,509
Allocation of endowment return to Treasurers Investment Pool	(111,636)	-	-	(111,636)
Reclassification of deficits in donor-designated funds	1,888	(1,888)		-
Other activity	5,231	(3,112)	(2,139)	(20)
Endowment net assets at end of year	$ 2,238,418	$ 2,901,173	$ 1,508,445	$ 6,648,036

Of the amount classified as temporarily restricted endowment net assets, $2,324,013 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,919)	$ 2,304,891	$ 1,421,348	$ 3,724,320
Board-designated endowment funds	1,868,933	124,456	-	1,993,389
Total endowment funds	$ 1,867,014	$ 2,429,347	$ 1,421,348	$ 5,717,709

(All amounts in thousands of dollars)

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 1,727,705	$ 2,178,356	$ 1,330,301	$ 5,236,362
Investment return				
Net investment income	12,819	21,023	-	33,842
Net appreciation (realized and unrealized)	241,211	366,898	3,182	611,291
Total investment return	254,030	387,921	3,182	645,133
Gifts	291	7,122	89,368	96,781
Appropriation of endowment assets for expenditure	(93,683)	(142,013)	-	(235,696)
Net transfers to create board designated funds	32,053	1,654	670	34,377
Allocation of endowment return to Treasurers Investment Pool	(44,890)	-	-	(44,890)
Reclassification of deficits in donor-designated funds	3,032	(3,032)		-
Other activity	(11,524)	(661)	(2,173)	(14,358)
Endowment net assets at end of year	$ 1,867,014	$ 2,429,347	$ 1,421,348	$ 5,717,709

Of the amount classified as temporarily restricted endowment net assets, $1,924,775 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

Permanently Restricted Net Assets

The portion of perpetual endowment funds net assets that is required to be retained permanently by explicit donor stipulation:

	2014	2013
Restricted for general activities	$ 1,034,102	$ 955,267
Restricted for student assistance	304,712	296,966
Restricted for buildings and renovations	146,966	146,825
Life income	22,665	22,290
Total endowment net assets classified as permanently restricted net assets	$ 1,508,445	$ 1,421,348

(All amounts in thousands of dollars)

Temporarily Restricted Net Assets
Temporarily restricted endowment funds net assets:

	2014	2013
Restricted for general activities	$ 2,050,533	$ 1,748,593
Restricted for student assistance	454,556	378,820
Restricted for buildings and renovations	381,796	288,616
Life income	14,288	13,318
Total endowment net assets classified as temporarily restricted net assets	$ 2,901,173	$ 2,429,347

Endowment Funds With Deficits
As determined under UPMIFA, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (i.e., deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $32 and $1,919 as of June 30, 2014 and 2013, respectively. The deficits resulted largely from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments.

Return Objectives and Risk Parameters
The university has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to meet or exceed the return of its policy benchmark, based on the endowment's target allocation applied to the appropriate individual benchmarks. The university expects its endowment funds over time, to provide an average rate of return of approximately 8.0% to 9.0% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The university targets a diversified asset allocation that places greater emphasis on equity-based and alternative investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The university has an endowment spending distribution policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. Under this policy, earnings of the pooled endowment are distributed at a rate set annually to the schools and other units of the university. Consideration is given to the provisions of UPMIFA in determining the amount to appropriate. This spending rate must fall within the range of 3.0% to 5.5% of the five-year average market value of a unit of the pooled endowment. For 2014, the spending rate from the pooled endowment was 4.3% of the beginning market value of the pooled endowment. The spending rate is funded from current earnings and, in years when current earnings are insufficient, from previously accumulated earnings of the endowment.

(All amounts in thousands of dollars)

The university's endowed assets at June 30 are as follows:

	Fair Market Value at June 30, 2014	**Fair Market Value at June 30, 2013**
Pooled endowment	$ 6,597,304	$ 5,631,086
Life income trusts and pools	84,148	82,335
Externally administered trusts	30,189	27,904
Separately invested endowment	7,808	7,972
Total	$ 6,719,449	$ 5,749,297

5. Accounts and Notes Receivable

Accounts and notes receivable at June 30 were as follows:

	2014	**2013**
Patient services	$ 248,958	$ 214,455
Student and parent loans		
Parent loan fund	50,700	54,437
Government student loans	48,083	47,590
Institutional student loans	24,192	23,080
Due from affiliates	83,839	80,437
Other	92,347	115,377
	548,119	535,376
Less: Allowance for concessions and doubtful accounts	(138,756)	(117,579)
Total, net	$ 409,363	$ 417,797

The university is exposed to credit risk on amounts receivable from student and parent loans. Parent loan funds are offered by the university as a way for parents to finance their children's education at a fixed rate. Institutional student loans are offered by the university based on financial need. Both parent and institutional loans typically have ten year terms and, in the case of parent loans, existing economic conditions are evaluated annually in determining the interest rates for these loans. Government sponsored student loans carry minimal risk for the university.

(All amounts in thousands of dollars)

The principal credit quality indicator used by the university for the portfolio of nongovernment student and parent loans is collection experience. In order to reduce its credit risk, the university has adopted credit policies which include a review of credit limits and maintaining an active collections process with the assistance of third party collection agencies as necessary. At June 30, 2014, the allowance for parent and institutional student loans was $4,354 compared to $4,137 at June 30, 2013. Accounts are considered past due if a scheduled payment is forty-five days late. The balance in such accounts was $9,832 and $10,100 at June 30, 2014 and June 30, 2013, respectively. Allowances are established based on management's best estimate of exposure at June 30 and are influenced by historical losses, existing economic conditions, and the current payment activity on loans. Activity in these allowances was not significant.

Parent loans and institutional student loans are sent to a third party collection agency if the loan is past due for a period of time and the university has been unable to collect payment. As these loans are nondischargeable in bankruptcy, accounts are not typically considered uncollectible until all collection efforts have been exhausted with no receipt of payment. At this time, a loan will be written off.

(All amounts in thousands of dollars)

6. Notes and Bonds Payable

Outstanding principal on bonds and notes payable at June 30, 2014 and 2013 consists of the following:

Missouri Health and Educational Facilities Authority	Rates at June 30, 2014	Maturity	2014	2013
$142,400 of 1996A, B, C and D Series Variable Rate Bonds, due in full	0.01% - .09%	September 1, 2030	$ 142,400	$ 142,400
$88,000 of 2000B and C Series Variable Rate Bonds, due in full	0.01% - .09%	March 1, 2040	88,000	88,000
$176,490 of 2001A Series Bonds, due in full	5.50%	June 15, 2016	48,250	48,250
$25,135 of 2003B Series Variable Rate Bonds, due in full	0.01% - 0.08%	February 15, 2033	25,135	25,135
$100,000 of 2004 Series A and B Variable Rate Bonds, due annually	0.01% - 0.09%	February 15, 2034	81,100	83,600
$20,780 of 2005A Series Refunding Bonds due annually	3.00% - 5.00%	February 15, 2022	11,550	12,720
$104,020 of 2007 A Series Bonds, due in full	5.00%	January 15, 2037	104,020	104,020
$126,975 of 2007B Series Refunding Bonds, due serially from January 15, 2021 to January 15, 2041	4.20% - 4.50%	January 15, 2041	126,975	126,975
$193,625 of 2008A Series Educational Facilities Revenue Bonds, due March 15, 2018 ($44,000) and March 15, 2039 ($149,625)	5.25% - 5.38%	March 15, 2018 and 2039	193,625	193,625
$93,770 of 2009A Series Educational Facilities Revenue Bonds, due November 15, 2030 ($20,000) and November 15, 2039 ($73,770)	4.50%- 5.00%	November 15, 2030 and 2039	93,770	93,770
$22,985 of 2011A Series Revenue Bonds due in full November 15, 2041	5.00%	November 15, 2041	22,985	22,985
$96,350 of 2011B Series Revenue Bonds due in full November 15, 2030 ($39,050) and November 15, 2037 ($57300)	5.00%	November 15, 2030 and 2037	96,350	96,350
$77,495 of 2011C Series Revenue Bonds due serially from November 15, 2012 to November 15, 2037	0.75% - 5.06%	November 15, 2037	71,140	74,360
$200,785 of 2012A Series Revenue Bonds due serially from February 15, 2023 to February 15, 2047	2.39% - 3.69%	February 15, 2047	200,785	200,785
Other notes payable			35,873	21,600
Total outstanding notes and bonds payable			1,341,958	1,334,575
Unamortized original issue premiums/discounts, net			16,982	17,963
			$ 1,358,940	$ 1,352,538

(All amounts in thousands of dollars)

Bonds payable are redeemable at the option of the university at various times from 2015 through 2047. The university is required to maintain certain ratios and comply with other restrictive covenants principally that the university maintain a ratio of expendable financial resources to debt of at least 1.25 times. The university is in compliance with this covenant. During 2014 and 2013, interest, accretion of debt discount and related fees incurred on notes and bonds payable totaled $49,962 and $50,029, respectively.

Maturities on notes and bonds payable for the next five fiscal years are as follows:

2015	$ 28,070
2016	70,403
2017	7,500
2018	51,770
2019	7,945
Thereafter	1,176,270

During fiscal 2013, through the Missouri Health and Educational Facilities Authority (MOHEFA), the university issued $200,785 of Series A bonds. $98,102 of net proceeds from the issuance and other funds were placed in an irrevocable trust to be used to satisfy all interest and principal payments, including principal to be paid at the first scheduled call date, for $93,430 of the 2003 Series A MOHEFA Bonds. In accordance with the terms of the 2003A Bond indentures and loan agreements, establishment of the trust results in the legal defeasance of the university's obligation under the bonds. The transaction was accounted for as an extinguishment with a recognized loss of $3,033 reported on the Other line of the Consolidated Statements of Activities, while the university reduced its aggregate debt service by $25,709 over the life of the Series 2003A Bonds. This represents a net present value savings of $17,205 (see footnote 12).

The university has other lines of credit, which generally expire annually, aggregating $222,500, of which $186,627 is available at June 30, 2014. The university expects that these lines of credit will be renewed but can make no assurances.

7. Derivative and Other Financial Instruments

In accordance with the university's investment policies, derivative instruments may be purchased and sold to manage the risk and return of investment market positions. Investment managers purchase and sell derivatives on various fixed income instruments to control the risk of fluctuations in interest rates, relative to portfolio benchmarks, on the university's fixed income investments. Certain equity investment managers purchase derivatives to obtain cost efficient exposure to equity markets or to hedge currency. These contracts are valued at periodic intervals (daily, monthly, quarterly, etc.) as well as at June 30, with the resulting changes in the values of the contracts either added to or deducted from the university's custodial account. In addition, derivative transactions (primarily futures, options and swaps) can be entered into using a derivatives administrator for multiple purposes including hedging, rebalancing or tactical trading. Hedging derivatives are utilized in the event that the university determines that the endowment should hedge market exposures. Rebalancing derivatives are utilized to synthetically adjust the university's investment allocation towards its policy allocation. Tactical trading derivatives are utilized to implement a view that the university may have on a particular market. Derivative activity, when initiated by the university is executed, settled and managed by the derivatives administrator on a nondiscretionary

(All amounts in thousands of dollars)

basis. Such instruments are not designated as hedges for accounting purposes. Gains or losses from these derivative instruments are reported as realized and unrealized gains or losses in the Consolidated Statements of Activities. The contracts and gains or losses they generate are not material to the university's consolidated financial statements.

The university has investments in certain funds, generally in the form of limited partnerships, that participate directly, or have the option to participate, in derivative instruments. The university regularly reviews the performance of these funds in the context of its overall investment objectives.

In order to reduce exposure to floating interest rates on variable rate debt, the university entered into a thirty-year interest rate swap agreement in 2004. The agreement has the effect of fixing the rate of interest on borrowings at approximately 4.26% for $81,100 of debt. The fair value of the swap is the estimated amount that the university would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit-worthiness of the swap counter party. The fair value of the interest rate swap, reported on the investments line of the Consolidated Statements of Financial Position, was a liability of $2,056 and $4,517 at June 30, 2014 and 2013, respectively, and is considered a Level 2 financial instrument under the FASB guidance on fair value measurements. The change in fair value resulted in gains of $2,461 and $2,821 in 2014 and 2013, respectively, that are reported in investment returns net of endowment spending on the Consolidated Statements of Activities. These financial instruments necessarily involve counterparty credit exposure and the university's own nonperformance risk. The counterparties for these swap transactions are major financial institutions that meet the university's criteria for financial stability and creditworthiness.

8. Fair Value of Financial Instruments

The carrying amount of accrued investment income and accounts receivable approximate fair value because of the short maturity of these financial instruments. The carrying amount of accounts payable and other various accruals approximate fair value because of the short maturity of these financial instruments. The carrying amount of notes and bonds payable with variable interest rates approximates their fair value because the variable rates reflect current market rates for bonds with similar maturities and credit quality. The fair value of notes and bonds payable with fixed interest rates, reportable as Level 2 in the valuation hierarchy discussed in Note 2, represents the quoted market value. The estimated fair value and carrying amount of all notes and bonds payable at June 30, 2014 approximated $1,410,586 and $1,358,940 and at June 30, 2013 approximated $1,380,135 and $1,352,538, respectively.

9. Commitments and Contingencies

At June 30, 2014, the university had outstanding commitments under certain construction contracts in the amount of $118,586, the majority of which will be payable during the year ending June 30, 2015.

The university maintains a self-insurance program for professional liability. This program is supplemented with commercial excess insurance above the university's self-insurance retention. Funding for the program reserves is based on claims made. The assets supporting the funded reserve are reported as investments in the Consolidated Statements of Financial Position. The university also accrues for an estimate of claims incurred but not reported. Reserves, funded and unfunded, are based upon actuarial studies and represent undiscounted estimated claims and

(All amounts in thousands of dollars)

related costs. The total self-insurance reserves at June 30, 2014 and 2013, respectively, were $80,819 and $78,963. Self-insurance reserves are necessarily estimates based on historical loss experience and other factors, and while management believes that the reserves are adequate, the ultimate liabilities may be in excess of or less than the amounts provided.

The university is a party, along with other universities, to an agreement with a captive insurance company and a reciprocal risk retention group for purposes of obtaining general liability and auto liability insurance coverage in excess of a pre-determined retention level. Under the terms of these agreements, the university can be called upon to make additional capital contributions. In management's view, any such capital calls would not be material.

The university is involved in various legal proceedings arising in the normal course of operations. Although the outcome of any legal proceeding cannot be predicted with certainty, it is the opinion of the university's management that the outcome of these proceedings individually or in the aggregate, will not have a material adverse effect on the business, Consolidated Statement of Activities, financial position or liquidity of the university.

10. Retirement Plan

The university provides its faculty and staff with a defined contribution (403(b)) retirement savings plan in which employee contributions, university contributions and investment earnings accumulate to assist employees at retirement. Participating employees own individual retirement accounts through the Teachers Insurance and Annuity Association (TIAA), College Retirement Equity Fund (CREF), and/or the Vanguard Group, Inc. Under this arrangement, the university and plan participants make monthly contributions to TIAA-CREF and/or Vanguard. For employees who were benefits eligible as of August 31, 2006, the amount of contribution made by the university, commencing after two years of eligible service, is based upon the employee's age and salary. For benefits-eligible employees hired or rehired after August 31, 2006, the university contribution commences after two years of eligible service and is based upon the employee's years of eligible service and salary. Vesting provisions are full and immediate. The university's share of the cost of these benefits in 2014 and 2013 was $67,204 and $64,805, respectively.

11. Agreements With Affiliated Hospitals

The university has affiliation agreements with Barnes Jewish Hospital (BJH) and St. Louis Children's Hospital (SLCH), collectively the Hospitals. This includes operating activities of Barnes Jewish Hospital at Barnes Jewish West County Hospital (BJWCH), Barnes Jewish Orthopedic Center (OC) in Chesterfield, and the Siteman South County Cancer Center.

The terms of the affiliation agreements provide for the university to be responsible for providing professional medical staff and direction, supervision of residents and interns, appropriate resources for research and medical education, and participation in joint clinical planning. BJH and SLCH are responsible for the hospitals and health care delivery facilities. BJH and SLCH compensate the university for services provided by the university through a fixed annual base payment (adjusted annually for inflation) and an additional contingent payment equal to a share of the combined BJH and SLCH adjusted net operating income. The combined revenue is reported as affiliated hospital revenue on the Consolidated Statements of Activities. There are also agreements between BJH, SLCH and the university for leased space. During 2013, BJH agreed to fund on a cost-reimbursement

(All amounts in thousands of dollars)

basis over a period of years, certain expenditures by the university of up to $129,400, in connection with recruitment of faculty at the university's School of Medicine. Payments of $38,981 and $18,348 were received or accrued as gifts under the agreement during 2014 and 2013, respectively.

12. Subsequent Events

The university has performed an evaluation of subsequent events through September 23, 2014, which is the date the consolidated financial statements were issued. In August 2014, the university issued $150,000 of revenue bonds through Missouri Health and Educational Facilities Authority (MOHEFA). The bonds bear a fixed rate of 4.072% and will mature on October 15, 2044. The proceeds of these bonds will be used to finance various construction projects.