PURDUE
UNIVERSITY

Financial Report 2015

Purdue Moves the World Forward

LETTER OF TRANSMITTAL

October 20, 2015

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 93rd annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2015, and sets forth the complete and permanent record of the financial status of the University for the year.

The University Financial Statements have been audited by the Indiana State Board of Accounts, and the Auditors' Report appears herein.

Respectfully submitted,

MITCHELL E. DANIELS, JR.

President

Respectfully submitted,

WILLIAM E. SULLIVAN

Treasurer and
Chief Financial Officer

Approved for publication and transmission to the governor of the state.
President Mitchell E. Daniels, Jr.

BOARD OF TRUSTEES

As of June 30, 2015

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees appointed by the governor. The selection of these Trustees is prescribed in Indiana Code IC 21-23-3. Three of the Trustees are selected by the Purdue Alumni Association. The remaining seven Trustees are selected by the governor. Two of the Trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All Trustees serve for a period of three years except for the student member, who serves for two years.

OFFICERS OF THE UNIVERSITY

As of June 30, 2015

OFFICERS OF THE BOARD OF TRUSTEES

Thomas E. Spurgeon, Chairman

Michael R. Berghoff, Vice Chairman

William E. Sullivan, Treasurer

James S. Almond, Assistant Treasurer and Assistant Secretary

Janice A. Indrutz, Secretary

Steven R. Schultz, Legal Counsel

Thomas B. Parent, Assistant Legal Counsel

ADMINISTRATIVE OFFICERS

Mitchell E. Daniels, Jr., President

Morgan J. Burke, Vice President and Director of Intercollegiate Athletics

Gina C. DelSanto, Chief of Staff

Debasish Dutta, Executive Vice President for Academic Affairs and Provost

Suresh Garimella, Executive Vice President for Research and Partnerships

Julie K. Griffith, Vice President for Public Affairs

William G. McCartney, Vice President for Information Technology and System Chief Information Officer

Alysa Christmas Rollock, Vice President for Ethics and Compliance

Steven R. Schultz, University Legal Counsel

William E. Sullivan, Treasurer and Chief Financial Officer

REGIONAL CAMPUS STAFF

Vicky L. Carwein, Chancellor, Indiana University-Purdue University Fort Wayne

James B. Dworkin, Chancellor, Purdue University North Central

Thomas L. Keon, Chancellor, Purdue University Calumet

Stephen R. Turner, Vice Chancellor for Finance and Administration, Purdue University North Central and Purdue University Calumet

David Wesse, Vice Chancellor for Financial and Administrative Affairs, Indiana University-Purdue University Fort Wayne

REPORT OF THE PRESIDENT

This report presents Purdue University's financial statements for the fiscal years ended June 30, 2015 and June 30, 2014. We provide this information on our financial position and the results of operations as part of the University's commitment to report annually on its fiscal affairs. These financial statements have been audited by the Indiana State Board of Accounts and their report, which is an unmodified opinion, appears on pages 5 through 7.

Purdue University's record-setting fiscal year 2015 was a response to the Purdue Moves initiatives that have captured the spirit and drive of our great institution. Purdue Moves' compelling themes of Student Affordability and Accessibility, STEM Leadership, World-Changing Research and Transformative Education have garnered unparalleled support as seen in our record-breaking year in the areas of overall donations to the University, student support, sponsored research awards, corporate sponsorship support, creation of patents and licenses, and establishment of startup companies.

Purdue has dedicated the past year to an intense resource review and budget alignment process focused on student affordability and accessibility. Administrative and academic leaders forged a strong partnership to review the use of unit and institutional resources, resulting in the funding of an unprecedented fourth year of tuition freezes for students. We will build on the momentum from that success, continuing to find new ways to provide our core services efficiently and identifying additional opportunities to hold the line on student costs. Providing higher education at the highest proven value is more than a slogan on this campus — it represents an unwavering commitment to our mission of developing the next generation of educated citizens, thought leaders and a competitive and talented workforce.

All areas of the University have participated in reviewing operational needs or reimagining service delivery to reduce costs. Our work in holding tuition flat since the 2012-13 academic year, combined with decreases in room and board rates and textbook savings generated through our innovative partnership with Amazon.com has led to an overall reduction in the total cost of attendance for our students. Reducing all categories of cost has a direct impact on the debt load of our students with financial need. These unified University actions have led to a decline in student debt, the number of student borrowers and student loan default rates.

Though the future remains uncertain, continuing our strategic review of the budget, simplifying business processes to enhance efficiency, and examining in detail the use and needs of our facilities will position us to maximize University resources. Implementing prudent financial strategies like these and planning for what might lie ahead has put us on course to meet the challenges of a global economy. I encourage you to read our financial statements, which provide a deeper understanding of the finances of the University, and see firsthand how we are realizing our resource stewardship responsibilities. We are grateful for your continued support of this great University.

Sincerely,

Mitchell E. Daniels, Jr.

President

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

Report on the Financial Statements

We have audited the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows of the business-type activities and the aggregate discretely presented component units of Purdue University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Purdue Research Foundation (Foundation), a component unit of the University as discussed in Note 1, which represents 95 percent of the total assets, 98 percent of net assets, and 96 percent of revenues of the discretely presented component units at June 30, 2015. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University'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 University's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2015 and 2014, and the respective changes in financial position, where applicable, and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2015, the University adopted new accounting guidance GASB Statement 68 *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Purdue's Share of the Net Pension Liability Indiana Public Employee Retirement Fund (PERF), Schedule of Purdue's Contributions Indiana Public Employee Retirement Fund (PERF), and Retirement Plans – Schedule of Funding Progress Police/Fire Supplemental be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University basic financial statements. The Letter of Transmittal, Report of the President, Board of Trustees, Officers of the University, In-State Enrollment, and Acknowledgements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Letter of Transmittal, Report of the President, Board of Trustees, Officers of the University, In-State Enrollment, and Acknowledgements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 20, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

We are pleased to present this financial discussion and analysis of Purdue University (the University). It is intended to make the University’s financial statements easier to understand and to communicate our financial situation in an open and accountable manner. The primary purpose of financial reporting, whether for a commercial enterprise or for a university, is to provide information that will assist (1) management in the effective allocation and use of the organization’s resources and (2) the general public, investors, creditors, and others in evaluating the effectiveness of management in achieving organizational objectives. The nature of the organization, its resources, and its objectives all serve to influence the form and process by which the accounting is accomplished and information reported.

The following discussion and analysis provides an overview of the financial position and activities of the University for the fiscal years ended June 30, 2015 and 2014, with comparative financial information for fiscal year 2013. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements and documents, which include the following components.

- ***Independent Auditor’s Report*** presents an unmodified opinion prepared by our auditors, the Indiana State Board of Accounts, on the fairness in all material respects of our financial statements.
- ***Statement of Net Position*** presents the assets, liabilities, and net position of the University at a point in time (June 30, 2015 and 2014). Their purpose is to present a financial snapshot of the University. This statement aids readers in determining the assets available to continue the University’s operations; how much the University owes to employees and vendors; whether the University has any deferred inflows or outflows other than assets or liabilities; and a picture of net position and its availability for expenditure by the University.
- ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the total revenues earned and expenses incurred by the University for operating, non-operating and other related activities, during a period of time (fiscal years ended June 30, 2015 and 2014). Their purpose is to assess the University’s operating and non-operating activities.
- ***Statement of Cash Flows*** presents cash receipts and payments of the University during a period of time (the fiscal years ended June 30, 2015 and 2014). Their purpose is to assess the University’s ability to generate net cash flows and meet its obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements. The purpose of these notes is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

The financial information presented in this report is designed to enable the user to review how the University managed its resources to meet its primary missions of discovery, learning, and engagement. It should be recognized that a presentation of the financial performance of the University is not a full measure of the value of these functions as they were carried out during the year. This report deals with the costs and sources of revenue used to provide the quality and diversity in higher education that the University believes is necessary to meet its goals and objectives. We suggest that you combine this financial analysis and discussion with relevant non-financial indicators to assess the University’s performance. Examples of non-financial indicators include trend and quality of applicants, freshman class size, student retention, the condition of our facilities, and campus safety metrics. Information about non-financial indicators is not included in this analysis but may be obtained from the University's Office of Institutional Research, Assessment and Effectiveness available online at https://www.purdue.edu/datadigest/.

Financial Highlights

Statement of Net Position

A summarized comparison of the University's assets, liabilities, and net position appears in Table 1 and demonstrates that the University's financial resources have grown over the previous three fiscal years.

Table 1. Summary Statement of Net Position (Dollars in Thousands)

	2015	2014	2013
Current Assets	$ 918,164	$ 660,052	$ 686,626
Capital Assets	2,114,025	2,072,125	2,012,925
Other Assets	2,646,778	2,701,680	2,389,315
Total Assets	5,678,967	5,433,857	5,088,866
Deferred Outflows of Resources	22,829	7,227	8,011
Current Liabilities	335,965	355,176	350,987
Noncurrent Liabilities	1,025,445	891,527	933,914
Total Liabilities	1,361,410	1,246,703	1,284,901
Deferred Inflows of Resources	19,633	12	18
Net Investment in Capital Assets	1,236,479	1,166,479	1,139,118
Restricted - Nonexpendable	590,555	548,952	508,524
Restricted - Expendable	1,034,870	995,855	796,503
Unrestricted	1,458,849	1,483,083	1,367,813
Total Net Position	**$ 4,320,753**	**$ 4,194,369**	**$ 3,811,958**

Current assets include those that may be used to support current operations, such as cash and cash equivalents, accounts receivable, and inventories. Capital Assets include non-depreciable land, as well as buildings and equipment, net of depreciation. Other assets include accounts receivable, pledges receivable, and investments. As of June 30, 2015, total assets were approximately $5.7 billion, an increase of $245.1 million, or 4.5%, over the previous year. The overall growth in assets is attributed to increases in cash, investments, and capital assets.

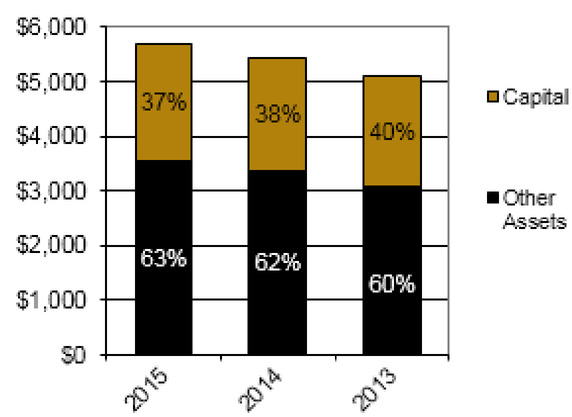
Figure 1 depicts the portion of total assets that represent capital assets. More information about capital assets is provided in the Capital Asset and Debt Administration section.

Current assets increased approximately $258.1 million during the fiscal year, resulting in a balance of approximately $918.2 million at June 30, 2015. As of June 30, 2015 cash and cash equivalents were approximately $555.9 million, an increase of approximately $176.5 million. Included in this amount is $108.5 mil-

Figure 1

Capital vs. Other Assets

(Dollars in Millions)



lion that represent invested bond proceeds related to the University's capital financing activities. The remaining $447.4 million of cash and cash equivalents is available for operations.

As of June 30, 2015, noncurrent assets decreased approximately $13.0 million, or .3%, due predominantly to the decrease in market value of investments. Noncurrent investments decreased approximately $56.8 million in fiscal year 2015, primarily driven by fluctuations in the market. Please reference a more detailed discussion in the Statement of Revenues, Expenses, and Changes in Net Position section and in Note 2.

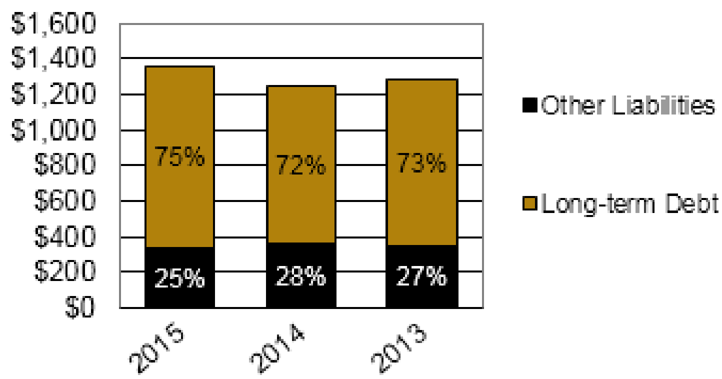
Current liabilities generally are due and payable over the course of the following fiscal year. These include accounts and other payables, unearned revenues, the current portion of long-term debt, liability for securities lending activity, and salaries and related compensation payables. Current liabilities include variable-rate demand bonds, although most of the bonds are expected to be paid in future fiscal years. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were approximately $1.4 billion as of June 30, 2015.

Figure 2 depicts the portion of long-term debt (noncurrent) relative to total liabilities.

Figure 2

Long-term Debt vs. Other Liabilities

(Dollars in Millions)



Bonds, leases, and notes payable increased by $46.7 million in fiscal year 2015. A discussion of the University's capital financing activities appears in the Debt and Financing Activities section below as well as in Note 6.

Net position is classified into four categories:

- **Net investment in capital assets** represents the University's investment in capital assets such as movable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt.

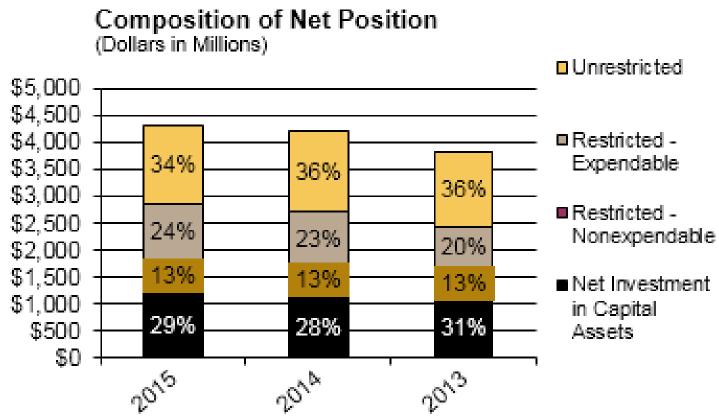
- **Restricted–nonexpendable** represents the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds must be held inviolate and in perpetuity. Earnings on these funds are used to support various programs designated by donors at the time of the gift.

• **Restricted–expendable** represents funds that have purpose restrictions imposed by third parties. Examples include but are not limited to scholarship funds and grant and contract funds.

• **Unrestricted funds** have no third-party restrictions. Management designates the majority of these funds for specific purposes to fulfill strategic initiatives and operational needs. It is management's practice to review the balances in unrestricted net position relative to their specific purposes at the close of each fiscal year.

Total net position for the University was $4.3 billion as of June 30, 2015. Figure 3 provides a comparison between fiscal years as well as the composition of net position.

Figure 3



Net investment in capital assets increased $70.0 million in fiscal year 2015, comprised of additions to capital assets of $209.2 million, offset by annual depreciation of $157.8 million and net retirements of capital assets in the amount of $9.5 million. Additional details are provided in the Capital Asset and Debt Administration section of this analysis.

Restricted-nonexpendable funds increased $41.6 million in Fiscal Year 2015, primarily resulting from contributions to endowments. Restricted-expendable funds increased $39.0 million, driven by increases of $32.8 million in sponsored grants and contracts, gifts provided by donors, and a $6.2 million prior period adjustment to incorporate the net position of student organizations. Unrestricted funds had an overall decrease of $24.2 million. This was attributable to the negative prior period adjustment of $85.7 million in net pension obligation required by the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, offset by an increase of $61.5 million related to the current year's operational results.

Statement of Revenues, Expenses, and Changes in Net Position

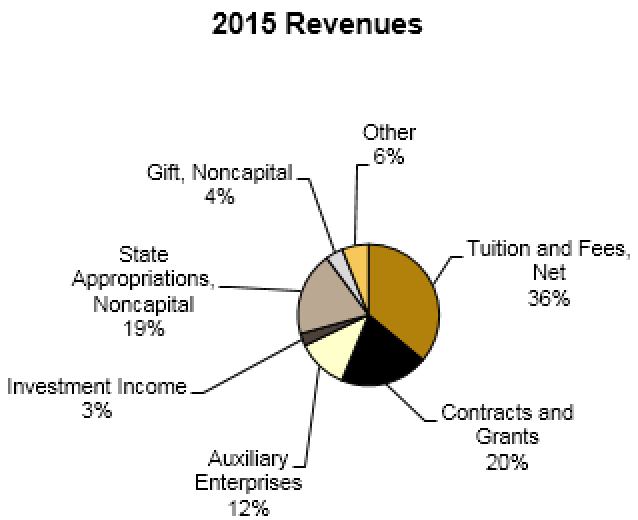
A summarized comparison of the University's revenues, expenses, and changes in net position follows in Table 2.

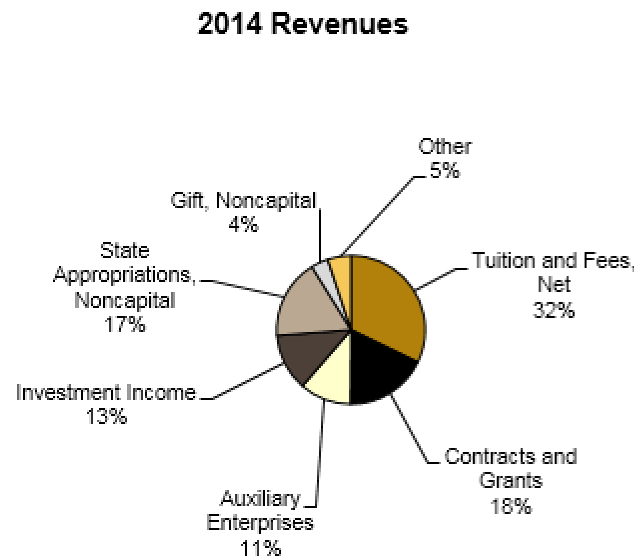
Table 2. Summary Statement of Revenues, Expenses, and Changes in Net Position (Dollars in Thousands)

	2015	2014	2013
Operating Revenues			
Tuition and Fees, Net	$ 747,513	$ 727,256	$ 730,250
Grants and Contracts	360,411	344,537	364,697
Auxiliary Enterprises, Net	241,962	254,567	249,379
Other Operating Revenues	121,917	108,849	105,805
Total Operating Revenues	1,471,803	1,435,209	1,450,131
Operating Expenses			
Depreciation	157,751	148,356	135,846
Other Operating Expense	1,729,893	1,759,325	1,741,263
Total Operating Expenses	1,887,644	1,907,681	1,877,109
Operating Loss	(415,841)	(472,472)	(426,978)
Nonoperating Revenue	572,397	803,113	618,439
Capital and Endowments	49,392	51,770	36,015
Total Nonoperating Revenues	621,789	854,883	654,454
Increase in Net Position	205,948	382,411	227,476
Net position, Beginning of Year	4,194,369	3,811,958	3,584,482
Prior Period Adjustments	(79,564)		
Net Position, Beginning of Year, as restated	4,114,805		
Net position, End of Year	**$ 4,320,753**	**$ 4,194,369**	**$ 3,811,958**

Revenues are classified for financial reporting as either operating or non-operating. Operating revenues are generated by providing goods and services to our students and other important constituents of the University. Operating revenues include tuition and fees, grants and contracts, and sales and services. Tuition and fees and housing revenue are shown net of an allowance for scholarships. Non-operating revenues are those received by the University without providing a commensurate good or service and include our state appropriations, investment income, and private gifts. Because Purdue is a public university, non-operating revenues are an integral part of its operating budget. Private gifts for capital projects and additions to the University's endowment are also considered non-operating sources of revenue but are not part of the University's operating budget. Figure 4 provides information about the University's sources of revenues, excluding endowments and capital, for fiscal years 2015 and 2014. The University had an increase in the restated net position of $205.9 million for the fiscal year ended June 30, 2015.

Figure 4: University Revenue by Category





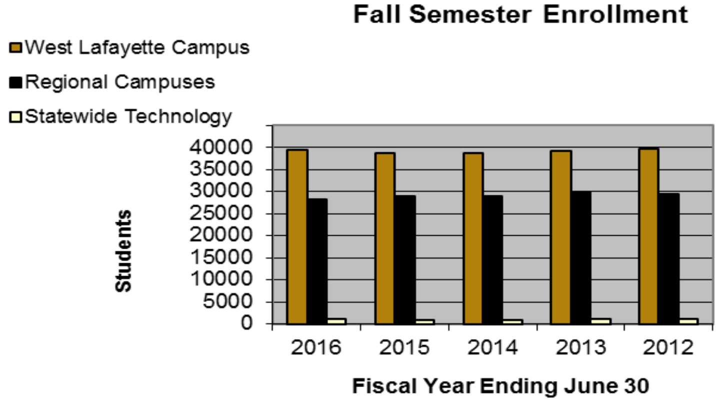
Total operating revenues increased $36.6 million, or 2.6% from fiscal year 2014 to fiscal year 2015. $20.3 million of the increase is from net tuition and fee revenue, primarily resulting from increased resident and non-resident enrollment at the West Lafayette campus, an increase in summer enrollment, and a modest rate increase at Regional campuses. Enrollment patterns for the past five years are illustrated in Figure 5.

Operating grants and contracts revenue increased $21.7 million in Fiscal Year 2015. This increase is principally due to increases in grant revenue from industrial sponsors.

Total operating expenses decreased by $20.0 million, or 1.1%, from fiscal year ended June 30, 2014 to fiscal year ended June 30, 2015. Details are described in Note 8.

Figure 5 Five-Year Enrollment Data*

Fall Semester Enrollment



**Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.*

Fiscal year 2015 non-operating revenues, net of expenses, decreased from the previous year by $230.7 million primarily due to a reduction in investment income related to fluctuations in the market. The net investment performance of the University's endowment was 2.3% for the fiscal year ended June 30, 2015. The endowment was invested in private investments (47.9%), public equities (41.7%), and in fixed income investments (10.4%). The portfolio composition did not materially change from the prior year.

Capital and Endowments income decreased $2.4 million or 4.6% from the previous year. Capital gifts decreased $2.1 million while private gifts for endowments increased $2.6 million for the fiscal year ended June 30, 2015.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the University by presenting relevant information about the cash receipts and cash payments of the University during the fiscal year. It assists in determining the University's ability to generate future net cash flows to meet its obligations as they become due and to determine the need for external financing. The Statement of Cash Flows presents sources and uses of cash and cash equivalents in four activity-based categories: operating, noncapital financing, investing, and capital and related financing. Table 3 provides a summarized comparison of the University's sources, uses, and changes in cash and cash equivalents.

Table 3. Summarized Comparison of Changes in Cash and Cash Equivalents (Dollars in Thousands)

	2015	2014	2013
Cash Used by Operating Activities	$(256,769)	$(321,369)	$(293,488)
Cash Provided by Noncapital Financing Activities	562,058	577,382	532,179
Cash Provided (Used) by Investing Activities	22,586	(50,525)	(39,130)
Cash Used by Capital and Related Financing Activities	(151,388)	(262,238)	(187,324)
Net Increase (Decrease) in Cash end Cash Equivalents	176,487	(56,750)	12,237
Cash and Cash Equivalents, Beginning of Year	379,414	436,164	423,927
Cash and Cash Equivalents, End of Year	**$555,901**	**$379,414**	**$436,164**

The cash provided by noncapital financing activities reflects the non-operating revenue changes described above. The cash used by investing activities in 2014 reflected deployment of cash into investments, and the subsequent cash provided by investing activities in 2015 represents the return of cash to operations, making those funds available for use in other areas of the University. The fluctuation in cash flows used by capital and related financing activities reflects the financing strategy and timing of the University's capital plan, which is outlined in the Capital Asset and Debt Administration section.

Capital Asset and Debt Administration

Significant Construction Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Significant construction projects (over $20 Million) completed during Fiscal Years 2015 and 2014 are presented in Table 4, significant projects in progress at June 30, 2015 are presented in Table 5, and significant projects authorized by the Board of Trustees but not started as of June 30, 2015 are presented in Table 6.

Table 4. Significant Construction Projects Completed (Dollars in Thousands)

Projects Completed in 2015		
Vawter Field Housing (Third Street Suites)	$	37,397
Total Significant Construction Projects Completed	**$**	**37,397**
Projects Completed in 2014		
Center for Student Excellence and Leadership	$	28,100
Drug Discovery Facility		28,694
Health Human Science Facility		38,000
Total Significant Construction Projects Completed	**$**	**94,794**

Table 5. Significant Construction Projects in Progress (Dollars in Thousands)

		Project Budget
Engineering Renovation	$	70,000
Honors College		90,000
IPFW - South Campus Renovations Phase 1		21,350
PNC - Student Services & Activities Complex		34,700
Wilmeth Active Learning Center		79,000
Total Significant Construction Projects in Progress	**$**	**295,050**

Table 6. Significant Construction Projects Authorized but not Started (Dollars in Thousands)

		Project Budget
Ag Life Sciences Research Facility	$	60,000
Emerging Technologies		40,500
Flex Lab Facility		54,000
Total Significant Construction Projects Authorized but not Started	**$**	**154,500**

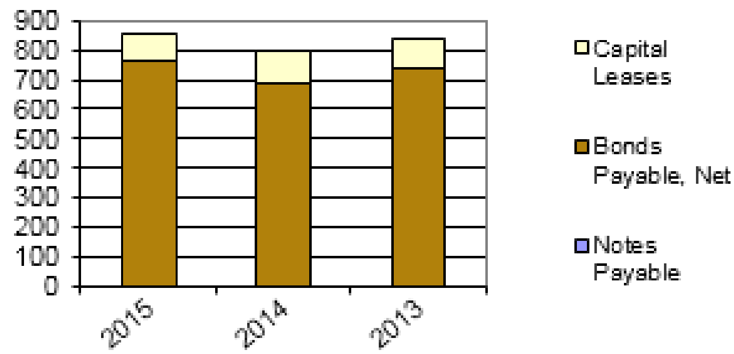
Debt and Financing Activities

Bonds, Leases, and Notes Payable totaled $995.6 million as of June 30, 2015 and represents approximately 73% of the total liabilities of the University. The University's debt portfolio as of June 30, 2015 consists of $81.3 million of variable rate instruments (8.2%), compared to $914.3 million in fixed rate obligations (91.8%). Figure 6 compares the composition of noncurrent debt by fiscal year. Additional details about University indebtedness is provided in Note 6.

Figure 6

Composition of Long Term Debt

(Dollars in Millions)



As of June 30, 2015 and 2014, the University had a credit rating of Aaa from Moody's Investors Service. Purdue's Standard & Poor's rating for fixed rate debt was AA+ as of June 30, 2015 and 2014. The University was one of only eight public higher education institutions whose Moody's credit rating was Aaa. In addition, the University's variable-rate debt received short-term ratings from Moody's of VMIG-1/P-1 and by Standard & Poor's of A-1+.

Economic Outlook

As a result of the 2015-17 budget and legislative process, fiscal year 2016 state operating appropriations decreased by $1.9 million for the University to $325 million, distributed among the campuses as follows: West Lafayette (-$2.6 million), Calumet ($0.2 million), Fort Wayne ($0.3 million), and North Central ($0.2 million). The State of Indiana provided $21.1 million in this biennium toward the university's repair and rehabilitation needs and an additional $10.5 million to IPFW and $1.25 million each to Calumet and North Central to address deferred maintenance needs for our regional campuses. The State also provided $3 million in support of the Purdue Polytechnic Institute's operating expenses for fiscal year 2016.

Academic year 2015-16 tuition rates for both Indiana resident and nonresident students remain flat at the West Lafayette campus for the third year in a row. Regional campus modest tuition increases are as follows: Calumet (1.65%), Fort Wayne (1.65%) and North Central (0.4%). Each campus continues its efforts to identify operational efficiencies, cost savings initiatives and new sources of revenue to supplement its operating budget. Efforts to support student affordability and accessibility are a priority for all of our campuses.

Enrollment at all Purdue campuses was 68,659* for the fall semester of the 2015-2016 academic year. Enrollment at the West Lafayette campus was 39,409 up slightly from the fall semester of the prior academic year. First-year students totaled 6,812. Purdue continues to experience record-high retention and graduation rates due to a university-wide commitment to student success. The first-year retention rate at the West Lafayette campus is at 92.8 percent compared to 92.6 percent last year, and the second-year retention rate is at 87.7 percent, up from last year's 86.1 percent. The four-year and six-year graduation rates increased to 51.5 percent and 75.4 percent from 49.2 percent and 73.8 percent, respectively. The class average SAT scores remained steady at 1788 on the critical reading, math and writing sections. In nine years, the cumulative point gain for incoming students' SAT scores is 104.

**Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.*

Statement of Net Position

As of June 30 (Dollars in Thousands)

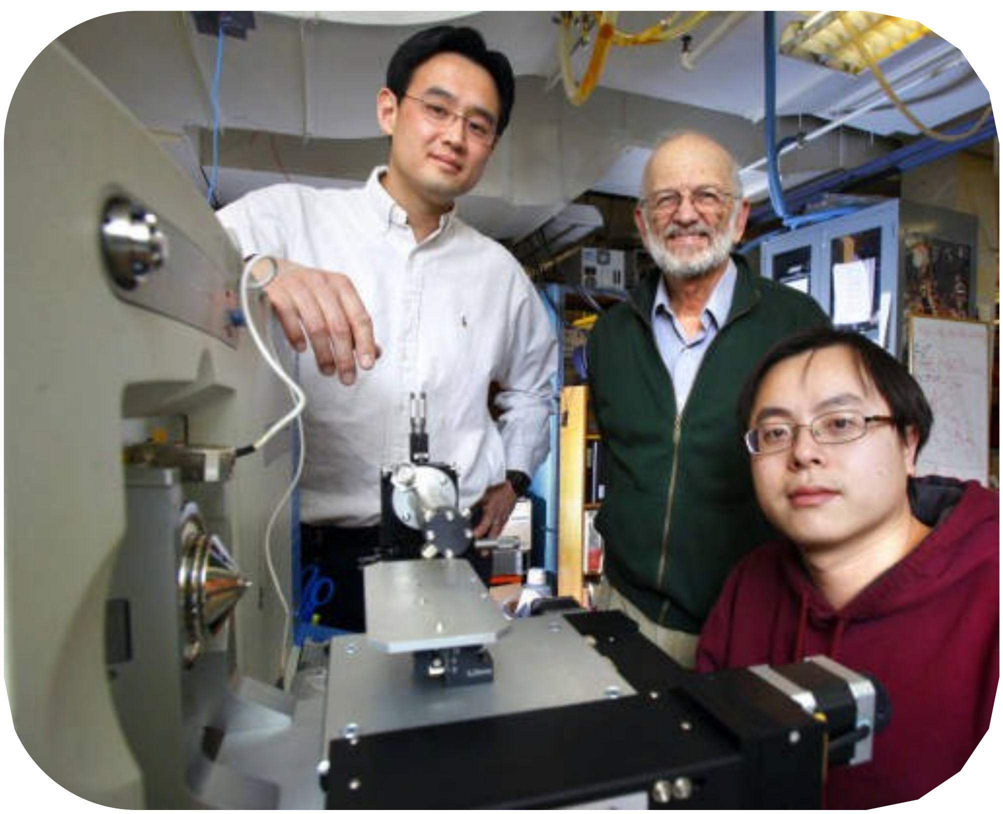
	2015	2014 As Restated
Assets and Deferred Outflows of Resources:		
Current Assets:		
Cash and Cash Equivalents	$ 555,901	$ 379,414
Investments	206,413	112,700
Accounts Receivable, Net of Allowance for Uncollectible Amounts	68,924	83,669
Pledges Receivable, Net of Allowance for Uncollectible Amounts	21,335	26,944
Notes Receivable, Net of Allowance for Uncollectible Amounts	9,076	3,884
Other Receivables	7,181	8,667
Other Assets	49,334	44,774
Total Current Assets	**918,164**	**660,052**
Noncurrent Assets:		
Investments	2,550,827	2,607,608
Pledges Receivable, Net of Allowance for Uncollectible Amounts	34,395	29,030
Notes Receivable, Net of Allowance for Uncollectible Amounts	48,332	53,996
Interest in Charitable Remainder Trusts	13,224	11,046
Capital Assets, Net of Accumulated Depreciation	2,114,025	2,072,125
Total Noncurrent Assets	**4,760,803**	**4,773,805**
Total Assets	**5,678,967**	**5,433,857**
Deferred Outflows of Resources:		
Debt Refunding	8,818	7,227
Defined Benefit Pension Items	14,011	-
Liabilities and Deferred Inflows of Resources:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	107,326	109,307
Unearned Revenue	38,667	37,338
Deposits Held in Custody for Others	22,494	25,194
Accrued Compensated Absences	26,407	26,361
Bonds (net), Leases, and Notes Payable	141,071	156,976
Total Current Liabilities	**335,965**	**355,176**
Noncurrent Liabilities:		
Accrued Compensated Absences	32,506	30,996
Other Post Employment Benefits	36,693	38,568
Net Pension Liability	74,323	1,898
Funds Held in Trust for Others	7,465	8,153
Advances from Federal Government	19,891	19,930
Bonds (net), Leases, and Notes Payable	854,567	791,982
Total Noncurrent Liabilities	**1,025,445**	**891,527**
Total Liabilities	**1,361,410**	**1,246,703**
Deferred Inflows of Resources:		
Debt Refunding	6	12
Defined Benefit Pension Items	19,627	-

Statement of Net Position

As of June 30 (Dollars in Thousands)
(continued from previous page)

	2015	2014 As Restated
Net Position:		
Net Investment in Capital Assets	$ 1,236,479	$ 1,166,479
Restricted:		
Nonexpendable:		
Instruction and Research	297,209	279,578
Student Aid	264,021	247,332
Other	29,325	22,042
Total Nonexpendable	590,555	548,952
Expendable:		
Instruction, Research and Public Service	241,957	167,275
Student Aid	93,157	97,021
Construction	76,072	101,016
Other	623,684	630,543
Total Expendable	1,034,870	995,855
Unrestricted	1,458,849	1,483,083
Total Net Position	$ 4,320,753	$ 4,194,369

See Accompanying Notes to the Financial Statements.



Component Units

For the Years Ended June 30 (Dollars in Thousands)

Consolidated Statement of Financial Position

	2015	2014
Assets:		
Cash and Cash Equivalents	$ 13,422	$4,987
Accounts Receivable, Net	38,774	33,015
Other Assets	5	5
Investments	2,525,592	2,610,670
Lease Purchase Agreements	129,264	122,191
Notes Receivable, Net	11,625	12,323
Interest in Charitable Perpetual Trusts	15,677	16,016
Capital Assets, Net of Accumulated Depreciation	170,303	166,074
Total Assets	2,904,662	2,965,281
Liabilities:		
Accounts Payable and Accrued Expenses	25,292	26,875
Due on Split Interest Agreements	57,100	58,290
Deposits Held in Custody for Others	1,607,232	1,668,966
Bonds (Net), Leases, and Notes Payable	219,569	213,862
Other Liabilities	19,672	21,112
Total Liabilities	1,928,865	1,989,105
Net Assets:		
Temporarily Restricted	701,292	708,9S2
Permanently Restricted	141,793	139,096
Unrestricted	132,712	128,098
Total Net Assets	$ 975,797	$976,176

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30 (Dollars in Thousands)

	2015	2014 As Restated
Operating Revenues:		
Tuition and Fees (Net of Scholarship Allowance of $114,833 and $112,112, respectively)	$ 747,513	$ 727,256
Federal Grants	21,750	16,398
County Grants	8,283	7,760
Grants and Contracts	360,411	344,537
Sales and Services	81,033	74,721
Auxiliary Enterprises (Net of Scholarship Allowance of $14,585 and $14,254, respectively)	241,962	254,567
Other Operating Revenues	10,851	9,970
Total Operating Revenues	**1,471,803**	**1,435,209**
Operating Expenses:		
Compensation and Benefits	1,218,807	1,201,478
Supplies and Services	439,007	485,556
Depreciation Expense	157,751	148,356
Scholarships, Fellowships, & Student Awards	72,079	72,291
Total Operating Expenses	**1,887,644**	**1,907,681**
Net Operating Loss	**(415,841)**	**(472,472)**
Nonoperating Revenues (Expenses):		
State Appropriations	399,039	392,293
Grants and Contracts	59,260	61,534
Private Gifts	83,129	85,226
Investment Income	58,858	280,979
Interest Expense	(32,035)	(23,142)
Other Nonoperating Revenues (Net of Nonoperating Expenses of $932 and $346, respectively)	4,146	6,223
Total Nonoperating Revenues before Capital and Endowments	**572,397**	**803,113**
Capital and Endowments:		
State Capital Appropriations	-	6,322
Capital Gifts	14,029	16,116
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	31,712	29,075
Gain on Retirement of Capital Assets (Net of proceeds and insurance recoveries)	3,651	257
Total Capital and Endowments	**49,392**	**51,770**
Total Nonoperating Revenues	**621,789**	**854,883**
INCREASE IN NET POSITION	**205,948**	**382,411**
Net Position, Beginning of Year	4,194,369	3,811,958
Prior Period Adjustments	(79,564)	
Net Position, Beginning of Year, as restated	4,114,805	
Net Position, End of Year	**$ 4,320,753**	**$ 4,194,369**

See Accompanying Notes to the Financial Statements.

Component Units

For the Years Ended June 30 (Dollars in Thousands)

Consolidated Statement of Activities

	2015	2014
Revenue and Support:		
Amount Received for Purdue University Research Projects	$ 3,591	$ 2,380
Less Payments to Purdue University Administrative Fee on Research Projects	(3,591)	(2,380)
Contributions	68,880	17,485
Income on Investments	20,019	20,737
Net Unrealized and Realized Gains	16,856	132,152
Decrease in Value of Split Interest Agreements	(2,432)	(9,044)
Increase in Interests in Perpetual Trusts	(339)	1,424
Rents	14,492	11,954
Royalties	5,105	6,963
Other	33,614	17,278
Total Revenue and Support	156,195	198,949
Expenses and Losses:		
Expenses for the Benefit of Purdue University:		
Contributions to Purdue University	20,363	20,050
Patent and Royalty	3,654	6,281
Grants	52,595	12,589
Services for Purdue University	830	340
Development Office		750
Other	3,661	2,266
Total Expenses for the Benefit of Purdue University	81,103	42,276
Administrative and Other Expenses:		
Salaries and Benefits	27,108	18,062
Property Management	14,691	12,529
Professional Fees	10,744	3,874
Supplies	1,578	718
Interest	8/752	8,744
Research park	2,541	1,384
Other	10,057	8,409
Total Administrative and Other Expenses	75,471	53,720
Change in Net Assets	(379)	102,953
Net Assets, Beginning of Period	976,176	873,223
Net Assets, End of Period	$ 975,797	$ 976,176

Statement of Cash Flows

For the Years Ended June 30 (Dollars in Thousands)

	2015	2014 As Restated
Cash Flows From Operating Activities:		
Tuition and Fees, Net of Scholarship Allowances	$ 752,027	$ 731,848
Federal Grants	21,750	16,398
County Grants	8,283	7,760
Grants and Contracts	370,989	342,137
Sales and Services	81,357	76,680
Auxiliary Enterprises, Net of Scholarship Allowances	241,181	252,463
Other Operating Revenues	12,651	(8,140)
Compensation and Benefits	(1,223,684)	(1,200,387)
Supplies and Services	(451,382)	(468,751)
Scholarships, Fellowships and Student Awards	(72,059)	(71,931)
Student Loans Issued	(8,480)	(8,411)
Student Loans Collected	10,598	8,965
Cash Used by Operating Activities	**(256,769)**	**(321,369)**
Cash Flows From Noncapital Financing Activities:		
State Appropriations	391,858	392,293
Grants and Contracts	59,260	61,534
Gifts for Other than Capital Purposes	105,895	113,798
Funds Held in Trust for Others	3,019	3,534
Other Nonoperating Revenues, Net	2,026	6,223
Cash Provided by Noncapital Financing Activities	**562,058**	**577,382**
Cash Flows From Investing Activities:		
Purchases of Investments	(3,201,885)	(3,105,503)
Proceeds from Sales and Maturities of Investments	3,196,463	3,014,968
Interest and Dividends on Investments, Net	28,008	40,010
Cash Provided (Used) by Investing Activities	**22,586**	**(50,525)**
Cash Flows From Capital and Related Financing Activities:		
Debt Repayment	(130,634)	(74,565)
Capital Debt Proceeds	191,377	35,455
Interest Expense	(39,599)	(40,821)
Capital Gifts Received	15,129	8,356
State Appropriations for Capital Projects	-	6,322
Construction or Purchase of Capital Assets	(187,661)	(196,985)
Cash Used by Capital and Related Financing Activities	**(151,388)**	**(262,238)**
Net Increase (Decrease) in Cash and Cash Equivalents	**176,487**	**(56,750)**
Cash and Cash Equivalents, Beginning of Year	379,414	436,164
Cash and Cash Equivalents, End of Year	**$ 555,901**	**$ 379,414**

Statement of Cash Flows

For the Years Ended June 30 (Dollars in Thousands)
(continued from previous page)

Reconciliation of Cash Used for Operating Activities (Indirect Method)	**2015**	**2014 As Restated**
Reconciliation of net operating loss to net cash used by operating activities:		
Operating Loss	$ (415,841)	$ (490,473)
Depreciation Expense	157,751	148,356
Noncash investing, capital, and financing activities	(3)	793
Changes in Assets and Liabilities:		
Accounts Receivable	12,977	(1,830)
Notes Receivable	2,592	96
Other Assets	(4,560)	21,255
Accrued Compensated Absences	(8,011)	999
Accounts Payable	(6,927)	14,255
Unearned Revenue	5,292	(16,168)
Deposits Held in Custody for Others	-	1,350
Advances from Federal Government	(39)	(2)
Cash Used by Operating Activities	**$ (256,769)**	**$ (321,369)**

See Accompanying Notes to the Financial Statements.

Note 1 — Basis of Presentation and Summary of Significant Accounting Policies

For the Fiscal Year Ended June 30, 2015

ORGANIZATION

Established in 1869, Purdue University (the University) is the land-grant University for the state of Indiana. The University is a comprehensive degree-granting research University with 29 schools and colleges on its main campus in West Lafayette and the following regional campuses:

Indiana University-Purdue University Fort Wayne

Purdue University Calumet

Purdue University North Central

In addition to its academic programs offered at the above campuses, the University offers learning and other assistance programs at several other locations in the state of Indiana through:

College of Technology Statewide Technology Program

College of Agriculture Purdue Extension

Technical Assistance Program

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees (the Trustees). The selection of these trustees is prescribed in Indiana Code IC 21-23-3. Three of the trustees are selected by the Purdue Alumni Association. The other seven trustees are selected by the governor. Two of the trustees must be involved in agricultural pursuits, and one must be a full-time student of the University. All trustees serve for a period of three years, except for the student member, who serves for two years.

REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity* as amended by GASB No. 39 *Determining Whether Certain Organizations Are Component Units* and GASB No. 61 *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34* define the financial reporting entity as an entity that consists of the primary government, Purdue University, and all of its component units. Component units are legally separate organizations which have a fiscal dependency and financial benefit or burden relationship with the primary government and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

Purdue International, Inc. (PII) is a separately incorporated, not-for-profit entity established in 2014 to provide an international focus on facilitating the University's international education, research, and exchange activities. In this regard, Purdue International, Inc. serves as the flagship entity for Purdue's global affairs programs. PII was a modification of The Purdue Foundation, Inc., which was created in 1979. The University is the sole beneficiary of Purdue International, Inc. and the governing body is substantively the same as the University's governing body. As a result, Purdue International, Inc. is reported as a blended component unit of the University. Purdue International, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Complete financial statements for Purdue International, Inc. may be obtained by writing to: Purdue International, Inc., c/o Accounting Services, 401 S. Grant Street, West Lafayette, IN 47907.

There are three discretely presented component units presented, which are defined as organizations that raise and hold economic resources for the direct benefit of the University, and are included in the reporting entity as required by GASB Statement No. 39. All of the current discretely presented component units report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117 *Financial Reporting of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the financial information in the University's financial report for these differences.

Purdue Research Foundation (PRF) was created in 1930 as a separately incorporated, not-for-profit entity. Its primary purpose is to promote the educational purpose of the University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, invest, and hold gifts and endowments for the needs of the University; and acquire property or facilities for the future use or benefit of the University. The economic resources received or held by PRF are entirely, or almost entirely, for the direct benefit of the University; however, the University does not appoint the voting majority of PRF's Board of Directors. As a result, PRF is reported as a discretely presented component unit. PRF is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. PRF includes several wholly owned subsidiary LLC corporations, all of which support the purposes of PRF and the University. PRF also includes the wholly owned subsidiary McClure Park, LLC, which is a for-profit Indiana corporation that was formed to acquire, construct, lease, operate, convey, and mortgage real estate and personal property of every kind and any interest therein. McClure Park wholly owns single member limited liability subsidiaries and participates in several limited liability corporations primarily accounted for using the equity method. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 1281 Win Hentschel Boulevard, West Lafayette, IN 47906.

Ross-Ade Foundation was created in 1923 as a separately incorporated, not-for-profit entity. The Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. The Ross-Ade Foundation provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University even If it does not provide services directly to it. The University appoints the voting majority of the Ross-Ade Foundation's Board of Directors, but it is not substantively the same as the University's Board of Directors. As a result, the Ross-Ade Foundation is reported as a discretely presented component unit. Complete financial statements for the foundation can be obtained by writing to: Ross-Ade Foundation, 1281 Win Hentschel Boulevard, West Lafayette, IN 47906.

Indiana Purdue Fort Wayne (IPFW) Foundation was created in 1958 to promote the educational purposes of Indiana University-Purdue University Fort Wayne. The IPFW Foundation accomplishes that purpose by owning and leasing land and buildings, receiving gifts of money or property, and investing, transferring, or leasing personal or real property for educational or charitable purposes. The IPFW Foundation provides services entirely to the University or otherwise exclusively benefits the University even if it doesn't provide services directly to it; however, the University does not appoint the voting majority of the IPFW Foundation's Board of Directors. As a result, the IPFW Foundation is reported as a discretely presented component unit. The IPFW Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Complete financial statements for the foundation can be obtained by writing to: IPFW Foundation, c/o Matt Whitney, 2101 East Coliseum Blvd., KT G06, Fort Wayne, IN 46805-1499.

The University has an association with Indiana University-Purdue University Indianapolis for which it is not financially accountable nor does it have primary access to the resources. Accordingly, this organization has not been included in the University's financial statements.

RELATIONSHIP TO THE STATE OF INDIANA

As one of seven public universities in the state, the University is a component unit of the state of Indiana. The University receives funding from the state for operations, repair and maintenance, construction, and debt service. A segment of its nonexempt employees participate in the state's public employees' retirement program.

TAX-EXEMPT STATUS

The income generated by the University, as an instrument of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2015 and 2014.

BASIS OF PRESENTATION

The financial statements of the University have been prepared in accordance with the principles contained in GASB Statement No. 34 *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 35 *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*.

During fiscal year 2015, the University adopted GASB Statements 68 *Accounting and Financial Reporting for Pensions* and GASB Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. During fiscal year 2014, the University adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

The effect of GASB Statements No. 68 and 71:

> Changed the definition of reportable pension liability from Net Pension Obligation to Net Pension Liability, which dramatically increased the liability and required a prior period adjustment in order to record the additional liability from previous years for defined benefit pension plans. These statements also introduced new deferred inflow and outflow items related to defined benefit pension plans. Changes to the Required Supplementary Information related to defined benefit pension plans also resulted from these new GASB statements. In accordance with the adoption of these statements, the University has reported an $85.7 million change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

The effect of GASB Statement No. 65:

> Changed the presentation of certain items previously required to be reported as assets or liabilities to properly record them as either deferred outflows of resources or deferred inflows of resources, or to

recognize certain items that were previously reported as assets or liabilities as outflows of resources (expenses) or inflows of resources (revenues).

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable GASB pronouncements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents. Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, unspent debt proceeds, and certain investments with original maturities of three months or less. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. Investments, exclusive of endowment funds, that are included in cash equivalents represent short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value. Fair value is generally based on quoted market prices as of June 30, except for certain investments, primarily private equity partnerships, hedge funds, and similar alternative investments, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year through June 30. Because alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market value for such investments existed. Investments, exclusive of endowment funds, may be classified current or noncurrent, depending on the individual investment's maturity date at June 30. Endowment funds are primarily included in noncurrent investments, with the exception of amounts designated for distribution.

Accounts Receivable. Accounts receivable primarily represent grant, contract, and student payments due to the University and are shown net of an allowance for doubtful accounts.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable do not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. An allowance for uncollectible pledges is calculated based on the University's experience.

Notes Receivable. Notes receivable primarily consist of student loan repayments due to the University and are shown net of allowance for doubtful accounts.

Other Receivables. Other receivables represent a state appropriation receivable at June 30, 2015 and a bond payment receivable at June 30, 2014.

Inventories. Inventories principally consist of consumable supplies and items held for resale or recharge within the University, and are valued using a variety of methods, including first in first out (FIFO), weighted average and moving average, depending upon the type of inventory. Agricultural commodities are reported using the consumption method, measured by physical count and valued at market.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to future fiscal years. These services include insurance, operating leases, services of consultants, subscriptions, and certain subcontracts.

Interest in Charitable Trusts and Contracts. The University and Purdue Research Foundation act as trustees for certain endowments and trust funds, for which they or others have beneficiary interests. In addition, the University and PRF have beneficiary interests in insurance contracts and gift annuity programs.

Various revocable and irrevocable trusts established for the benefit of the University, PRF, the former Purdue Alumni Foundation, and affiliates exist where PRF acts as trustee, commonly referred to as the PRF Trust Funds. The Internal Revenue Service has determined that the PRF Trust Funds are exempt from federal income tax as defined in Sections 642 and 664 of the Internal Revenue Code.

The University records its interest in PRF Trust Funds' charitable remainder trusts based on the estimated present value of future cash flows. Future cash flows are estimated using an assumed investment rate of return on the underlying investments that will satisfy the trust requirements and an applicable discount rate at the time of contribution. Change in fair value from one fiscal year to the next is reflective of changes in the market value of the underlying investments, new trusts being added, and the maturation and liquidation of existing trusts.

PRF records its interest in a charitable perpetual trust (for which a bank acts as trustee) at the fair value of the trust's assets. The increase in the estimated present value of future cash flows of PRF's interest in the charitable perpetual trust is recorded as an increase to permanently restricted net assets in PRF's consolidated statements of activities.

The University receives certain charitable contributions from donors which, in accordance with the donors' wishes, are used for annual premium payments toward insurance contracts for which the University is a beneficiary.

The endowment funds are invested under an investment agency agreement between Purdue University and the Purdue Research Foundation. These endowment funds are managed in accordance with donor restrictions consistent with the University's endowments. The assets held in trust are equal to the fair market value of the endowment principal plus, or less, any undistributed earnings.

PRF holds life income funds for beneficiaries of a gift annuity program. These funds generally pay lifetime income to the beneficiaries, after which the principal is made available to the University in accordance with donor intentions. All life income funds are recorded at fair value net of related liabilities for the present value of estimated future payments due to beneficiaries.

Capital Assets. Capital assets are stated at cost or if a gift, at fair market value at the date of gift. Items are capitalized when their value exceeds the threshold shown in the following table and its estimated useful life is greater than one year. Depreciation is computed on a straight-line basis over the estimated useful life, as shown in the following table. Capital assets are removed from the records at the time of disposal.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

Assets under capital leases are capitalized when valued over $500,000 and recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

The University does not capitalize works of library collections and art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Property Class	**Threshold**	**Useful Life**
Land	$100,000	Not depreciated
Land Improvements	$100,000	5-25 years
Infrastructure	$100,000	5-25 years
Buildings and Related Components	$100,000	10–50 years
Moveable Equipment (including fabricated equipment)	$5,000	More than one year
Intangible Assets (software)	$500,000	7 years

Accrued Compensated Absences. Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the end of the fiscal year. Exempt employees may accrue vacation benefits up to a maximum of 44 days. Clerical and service staff may earn vacation up to 320 hours. For all classes of employees, accrued vacation is payable upon termination. Upon meeting the definition of an official University retiree, benefits eligible clerical and service staff receive cash payments for a portion of their accrued sick leave. An estimate of sick leave liability is recorded for the clerical and service staff based on historical payouts. The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Unearned Revenue. Unearned revenue consists of amounts received in advance of an event, such as student tuition and advance ticket sales related to future fiscal years.

Net Pension Liability and Related Items. The University participates in the Public Employees' Retirement Fund (PERF), an employer cost sharing plan managed by the Indiana Public Retirement System (INPRS). The University's net pension liability, associated deferred outflows and deferred inflows of resources, and pension expense are reported in conformance with GASB 68, using the information reported by INPRS related to our allocated share of these items.

Deposits Held In Custody for Others. Deposits of affiliates and others represent cash and invested funds held by the University as a result of agency relationships with various groups. Noncurrent deposits of affiliates represent the portion of endowment and similar funds held by the University on behalf of others.

Funds Held In Trust for Others. Liabilities to other beneficiaries related to the Charitable Trusts or endowments where the University serves as trustee for the component unit or related party.

Net Position. University resources are classified for accounting and financial reporting purposes into four net position categories:

- Net invested in capital assets: Resources resulting from capital acquisition or construction, net of accumulated depreciation, and net of related debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

- Restricted–nonexpendable: Net position subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the University's permanent and term endowment funds and are categorized as instruction and research, student aid, and other.

- Restricted–expendable: Net position that may be spent provided certain third-party restrictions are met. The following categories of restricted–expendable net position are presented: instruction, research, and public service; student aid; construction; and other. A significant portion of the "Other" category is related to donor-restricted funds that are undistributed gains on endowments or funds functioning as endowments.

- Unrestricted: Net position not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net position for academic and capital purposes.

Intra-university Transactions. Intra-university transactions are eliminated from the statements to avoid double counting of certain activities. Examples of these transactions are internal loans and sales and services between University departments.

Classification of Revenues and Expenses. The University has classified revenues and expenses as operating or non-operating based upon the following criteria:

- Operating revenues: Revenues derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that result from exchange transactions. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. Examples include student tuition and fees, grants and contracts, auxiliary operations (such as Intercollegiate Athletics and Housing and Food Services), sales and service operations, federal land-grant appropriations, and county appropriations.
- Operating Expenses**:** Expenses paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefits. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Position. Functional classification reporting appears in Note 8. Indirect expenses, such as depreciation, are not allocated across functional categories.
- Non-operating Revenues and Expenses: Revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions, and from activities defined as such by the GASB cash flow standards. Examples include state appropriations, private gifts, investment income, and certain federal financial aid. Non-operating expenses primarily include interest on short-term and long-term borrowings.

Application of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for a particular expenditure, University departments may select the most appropriate fund source based on individual facts and circumstances. The University, as a matter of policy, does not require funds to be spent in a particular order, only that the expenditure be allowable, allocable, and reasonable to the fund source selected. Restricted funds are categorized as restricted until the external stipulations have been satisfied.

Tuition and Fees. Tuition and fees assessed to students are reported net of scholarship allowances. Scholarship allowances represent amounts credited to students' tuition and fees and include scholarships, grants, and various other types of aid. Student loans are not included in this calculation. Aid applied to housing is shown as an allowance against auxiliary revenues. Aid remitted directly to students is shown as scholarships, fellowships, and student awards expenses. Graduate and other employment-related remissions are included with compensation and benefits expenses.

Grants and Contracts. The University has been awarded grants and contracts for which the monies have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors — both government and other — to provide funds for specific research and training projects.

The University makes commitments to share in the cost of various sponsored projects. Funds to satisfy these commitments are designated when grants and contracts are awarded. As sponsor dollars are spent, the University matches according to the terms of the agreement.

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. Revenue from gifts-in-kind of approximately $2,801,000 and $931,000 was recognized during the years ending June 30, 2015 and 2014, respectively.

Use of Estimates. To prepare the financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions. These estimates and assumptions may 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.

Prior Period Adjustments. The implementation of GASB Statement 68 *Accounting and Financial Reporting for Pensions* required a prior period adjustment to record the University's net pension liability and related items, resulting in a decrease of approximately $85,734,000 to the Unrestricted Fund Balance. An additional prior period adjustment increased Restricted Other Fund Balance in the amount of approximately $6,170,000 to incorporate the net position of student organizations. As a result of these two prior period adjustments the July 1, 2014 Net Position balance decreased from $4,194,369,000 as originally stated to $4,114,805,000.

In addition, the fiscal year 2014 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position were restated to accurately characterize a prepaid lease of $18,000,000 that had been expensed in 2014.

Note 2 — Deposits and Investments

Deposits. As of June 30, 2015 and 2014, the bank balance of the University's deposits (demand deposit accounts) was approximately $99,938,000 and $90,909,000, respectively. Federal depository insurance covered $250,000 and the remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

University Investments. Authorization for investment activity is stated in Indiana Code IC 21-29-2-1. Additionally, the Bylaws of the Trustees, revised and amended on December 15, 2012, authorize the Treasurer of the Trustees to implement investment activity. Except for some investments that are separately held in accordance with donor restrictions or bond covenants, the University investments are managed under guidance from two separate policies, the Purdue Investment Pool – Cash (PIPC) policy, and the Purdue Endowment Investment Policy (PIP), both of which are endorsed by the Trustees.

At June 30, The University had the following investments (dollars in thousands):

Investment Type		June 30, 2015		June 30, 2014
SEPARATELY HELD INVESTMENTS:				
Investment Held by State Treasurer	$	340	$	340
Separately Managed US Equity		41,756		39,512
Public Real Estate		1,628		1,628
Separately Managed US Agencies		5		10
Venture Capital/Private Equity		1,740		1,795
BOND PROCEEDS INVESTED:				
Money Market & Cash		108,460		43,332
PIPC (formerly CMIP):				
Asset-Backed Securities		76,679		41,287
Corporate Bonds		389,112		368,556
Mortgage-Backed Securities		223,224		218,785
US Agencies		103,665		106,988
US Treasuries and Securities		366,247		367,647
Mutual Funds and Cash		351,204		212,387
PIP:				
Emerging Markets		103,297		107,299
Fixed Income		110,326		107,730
International Equity		213,301		219,143
US Equity		359,361		375,303
Marketable Alternatives		384,247		361,657
Private Natural Resources		72,918		79,360
Public Natural Resources		-		7,182
Private Real Estate		49,312		47,031
Public Real Estate		38,502		38,366
Venture Capital/Private Equity		190,266		170,974
Mutual Funds and Cash		27,613		92,501
Total	**$**	**3,213,203**	**$**	**3,008,813**

Investment values included accumulated unrealized gains of $258,774,000 and $339,959,000 as of June 30, 2015 and 2014, respectively. Investment income included unrealized gains/(losses) of ($81,185,000) and $146,467,000 during the year ended June 30, 2015 and 2014, respectively.

PRF Investments. PRF investments are managed under the PIP which was also approved by the PRF Directors. The fair value of investments at June 30, 2015 and 2014 is as follows (dollars in thousands):

Investment Type	June 30, 2015	June 30, 2014
Short-Term Investments	$ 45	$47
U.S. Equity	14,089	17,576
Fixed Income	5,243	5,220
Venture Capital	276	149
Pooled Funds:		
Short-Term Investments	99,554	120,474
U.S. Equity	504,034	579,248
International Equity	333,197	340,164
Fixed Income	225,411	251,320
Funds Invested with University	14,085	12,500
Emerging Markets	161,361	166,555
Public Real Estate	60,144	62,079
Private Real Estate	77,030	73,003
Public Natural Resources	-	11,148
Private Natural Resources	113,905	123,186
Hedge Funds	600,234	561,380
Venture Capital/Private Equity	297,215	265,393
Total	**$ 2,505,823**	**$2,589,442**

Investment Policies, Interest Rate, and Credit Risks. As noted above, investments are managed by two separate policies:

- The Cash Management Investment Policy (CMIP) outlining the parameters for all investments exclusive of endowment funds was approved on April 11, 2008, and was in place until May 15, 2015 when the Purdue Board of Trustees adopted the Purdue Investment Pool--Cash (PIPC). The primary investment objectives of PIPC are 1) the preservation of capital, 2) the maximization of returns within acceptable levels of risk, and 3) management of liquidity requirements. Authorized investments include obligations of the United States (U.S.) government, its agencies, and its instrumentalities; asset-backed and mortgage-backed securities (rated at least AAA or equivalent); corporate notes, corporate bonds, 144A bonds and Yankee bonds (rated investment grade) with demonstrated liquidity and marketability; pooled funds including mutual funds and common trust funds; high-yield bonds, include corporate bonds and bank loans (minimum credit quality of Ba3/BB-); investments managed under the University's endowment investment policy and the PIPC Loan Program supporting projects that are consistent with the mission to support the University and result in a public or charitable benefit or use for the University or its students.

As of June 30, 2015 and 2014, the University had $293,001,000 and $339,532,000 of PIPC investments invested in and shown as part of the PIP investments in these Note disclosures.

Investments in PIPC shall be diversified, resulting in a portfolio weighted average duration of between two and five years, with an overall credit rating of "AA" as rated by a nationally recognized rating agency such as Moody's or Standard and Poor's, assuming the credit worthiness of the United States of America is AAA. If the United States of America is downgraded the portfolio's overall credit rating may fall in tandem and still be considered in compliance with this policy. Bonds rated BBB or lower will not exceed 20% of the portfolio. Funds not required to meet cash needs will be invested over a longer-term horizon.

- The Purdue Endowment Investment Policy (PIP) outlining the parameters for endowment investments was approved on April 13, 2012. Authorized investments include equity, fixed income and alternative investments, including comingled investments. The overall policy objective is to generate real returns greater than its spending rate over the long term. The policy sets forth a diversified approach by and within the asset classes with the balanced goal of maximizing return and preserving purchasing power. Moreover, a single manager or affiliated groups of managers will not represent more than 10% of the total endowment's market value. As a partial hedge against prolonged economic contraction, the University has adopted a target allocation of 15% for fixed income.

  Portfolios will be invested in securities that result in a weighted average credit quality rating of at least AA or better with no single fixed income manager having more than 10% of its portfolio in obligations rated less than BBB or its equivalent by Moody's or Standard & Poor's. Any commercial paper in the portfolio must be rated A-1/P-1 by each rating service rating said credit. Any Bankers acceptances and certificates of deposits in the portfolio must be issued by banks having a Keefe, Bruyette & Woods rating of A, A/B, or B.

In addition, separately held, invested bond proceeds follow investment practices in compliance with arbitrage regulations and generally have maturities of three years or less. These investments are readily available to match expected construction expenditures.

The University had the following fixed-income investments and maturities (dollars in thousands):

June 30, 2015	**Maturity**				
Investment Type	**0–1 year**	**1–5 years**	**6–10 years**	**>10 years**	**Totals**
Separately Managed US Agencies	$ -	$ 5	$ -	$ -	$ 5
PIPC (formerly CMIP):					
Asset-Backed Securities	10,782	61,811	3,192	894	76,679
Corporate Bonds	43,608	208,955	96,034	40,515	389,112
Mortgage-Backed Securities	32,097	29,404	21,924	139,799	223,224
US Agencies	42,887	23,214	34,495	3,069	103,665
US Treasuries and Securities	115,871	226,698	14,588	9,090	366,247
PIP:					
Fixed Income and other	24,006	67,723	26,278	31,019	149,026
Total	$ 269,251	$ 617,810	$ 196,511	$ 224,386	$ 1,307,958

June 30, 2014	**Maturity**				
Investment Type	**0–1 year**	**1–5 years**	**6–10 years**	**>10 years**	**Totals**
Separately Managed US Agencies	$ 5	$ 5	$ -	$ -	$ 10
PIPC (formerly CMIP):					
Asset-Backed Securities	16,724	20,052	3,432	1,079	41,287
Corporate Bonds	30,190	226,553	83,231	28,582	368,556
Mortgage-Backed Securities	6,586	32,969	53,899	125,332	218,786
US Agencies	3,662	63,589	20,496	19,240	106,987
US Treasuries and Securities	145,466	215,062	1,172	5,947	367,647
PIP:					
Fixed Income and other	26,175	56,665	51,888	30,803	165,531
Total	$ 228,808	$ 614,895	$ 214,118	$ 210,983	$ 1,268,804

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

In accordance with the PIPC, the University manages its exposure to changes in fair values by limiting the weighted average maturity of its investment portfolio to between 2 and 5 years.

The PIP, as a long-term pool of capital, has a fixed income policy target of 15% but does not limit the maturity of the individual holdings as a means to manage interest rate risk.

The distribution of investments by credit ratings is summarized below (dollars in thousands):

	June 30, 2015	% of Total	June 30, 2014	% of Total
Separately Held:				
A	$ 5	100.00%	$ 10	100.00%
Total Separately Held	5	100.00%	10	100.00%
PIPC (formerly CMIP):				
A	154,181	13.30%	135,142	12.25%
AA	60,575	5.23%	55,829	5.06%
AAA	682,456	58.89%	691,515	62.68%
B	546	0.05%	556	0.05%
BA	25,523	2.20%	16,229	1.47%
BAA	136,771	11.80%	145,319	13.17%
CAA	722	0.06%	745	0.07%
Unrated	98,153	8.46%	57,928	5.25%
Total PIPC (formerly CMIP):	1,158,927	99.99%	1,103,263	100.00%
PIP:				
A	21,466	14.40%	31,741	19.18%
AA	7,857	5.27%	32,074	19.38%
AAA	77,565	52.05%	70,632	42.67%
BA+	3,611	2.42%	2,115	1.28%
BAA	20,934	14.05%	17,776	10.74%
Unrated	17,593	11.81%	11,193	6.76%
Total PIP	149,026	100.00%	165,531	100.00%
Total	**$ 1,307,958**		**$ 1,268,804**	

Investment Custodial Credit Risk. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security.

Historically, the investment pool managed in accordance with the PIP was a shared investment pool managed by University personnel and the underlying investment instruments were held in the University's or PRF's name based on their ownership basis in the pool. Effective January 1, 2014, the Trustees transferred the investment function from the University to PRF, including the supporting personnel. With this change, the Trustees approved the movement of the investments to the PIP investment pool that is held in PRF's name. The transfer of the underlying investment vehicles from the University's name to PRF's name occurred over the course of 2014 based on the contractual terms of the underlying investment vehicles.

All Separately Held and PIPC investments were maintained in University accounts at the University's custodial banks with the exception of $340,000 at both June 30, 2015 and 2014 which was held in the State's name. All PIP investments are held at PRF including private placements and investments in limited partnerships which totaled approximately $696,743,000 and $659,022,000 respectively at June 30, 2015 and 2014.

Foreign Currency Risk. Endowment equity managers may invest in common stocks, preferred stocks or fixed-income instruments convertible into common stocks, and American Depository Receipts of foreign corporations. The University's endowment fixed-income managers may invest in foreign fixed-income securities equivalent in quality to permitted domestic securities, but not to exceed 20% of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the University. Please refer to the Investment Type table for the University's exposure to international investments. In addition to those investments, the University estimates its international exposure in its PIP alternative investments was approximately $113,505,000 and $103,923,000 as of June 30, 2015 and 2014, respectively.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer. As of June 30, 2015 and 2014, consistent with policy limits, no single issuer, with the exception of U.S. Treasury and Agencies, held more than 5% of total investments.

Donor-Restricted Endowments. The University's endowment funds (including true, term, and funds functioning as endowments) are invested in a unitized pool. The unitized endowment pool purchases investments to generate present and future income in support of various programs. The Trustees establish the spending policy for the unitized endowment pool. The approved spending policy distributed 5% of the average of the ending values for the prior twelve quarters in semiannual distributions. The distribution includes both income and equity components.

As of June 30, 2015 and 2014, accumulated market appreciation of the PIP pool was approximately $506,676,000 and $588,811,000, respectively. Of this amount, 43.13% and 40.71% represents appreciation attributable to donor-restricted (true and term) endowments during the year ended June 30, 2015 and 2014, respectively. The University's endowment policies are subject to the provisions of Indiana Code IC 30-2-12, "Uniform Management of Institutional Funds." Under this section, the Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets of the endowment.

Interest in Charitable Trusts and Contracts. As of June 30, 2015 and 2014, the PRF PIP investment pool includes the following PRF Trusts assets (in thousands).

	Assets at Fair Value		Beneficiary Interest	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
University	$ 24,004	$ 22,670	$ 13,244	$ 11,046
PRF	45,425	48,653	17,361	18,585
Related Parties	8	8	2	1
Other Affiliates	223	231	101	93
Total	**$ 69,660**	**$ 71,562**	**$ 30,708**	**$ 29,725**

As of June 30, 2015 and 2014, the University PIP investment pool includes the following endowment assets (in thousands), which are offset by Funds Held in Trust obligations to the other beneficiaries (Note 7).

	Assets at Fair Value	
	June 30, 2015	June 30, 2014
IPFW Foundation	$ 334	$ 374
Related Parties	7,131	7,779
Total	**$ 7,465**	**$ 8,153**

The University also has beneficiary interest in insurance contracts of $790,000 and $756,000, respectively, as of June 30, 2015 and 2014.

Note 3 — Accounts, Pledges, and Notes Receivable

Accounts and notes receivable consisted of the following (dollars in thousands):

	June 30, 2015	June 30, 2014
Grants and Contracts	$ 37,196	$ 50,396
Student and General	20,041	22,736
Other Accrued Revenues	15,418	15,094
Less: Allowance for Doubtful Accounts	(3,731)	(4,557)
Total Accounts Receivable, Net	**68,924**	**83,669**
Pledges Receivable	57,826	58,191
Less: Allowance for Doubtful Pledges	(2,096)	(2,217)
Net Pledges Receivables	55,730	55,974
Less: Noncurrent Portion	(34,395)	(29,030)
Pledges Receivable, Current Portion	**21,335**	**26,944**
Perkins Loans	25,848	26,334
Institutional Loans	21,090	21,053
State Appropriation and Bonds Receivable	7,181	8,667
Other Student Loans and Receivables	12,207	11,017
Less: Allowance for Doubtful Loans	(1,737)	(524)
Net Notes Receivables	64,589	66,547
Less: Noncurrent Portion	(48,332)	(53,996)
Notes Receivable, Current Portion	**$ 16,257**	**$ 12,551**

Note 4 – Capital Assets

Capital Assets Activity	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital Assets, Not Being Depreciated:					
Land	$ 28,179	$ 9,084	$ 82	$ -	$ 37,181
Construction in Progress	130,141	80,761	-	(80,041)	130,861
Total, Capital Assets, Not Being Depreciated	158,320	89,845	82	(80,041)	168,042
Capital Assets, Being Depreciated:					
Land Improvements	73,046	1,607	-	821	75,474
Infrastructure	105,008	12,531	275	7,536	124,800
Buildings	2,881,489	68,587	14,187	71,563	3,007,452
Equipment	508,753	36,592	22,189	121	523,277
Software	58,369	-	-	-	58,369
Total, Capital Assets, Being Depreciated	3,626,665	119,317	36,651	80,041	3,789,372
Less Accumulated Depreciation:					
Land Improvements	59,074	2,149	-	-	61,223
Infrastructure	46,668	6,362	35	-	52,995
Buildings	1,221,281	106,035	7,346	-	1,319,970
Equipment	344,415	38,211	19,841	-	362,785
Software	41,422	4,994	-	-	46,416
Total Accumulated Depreciation	1,712,860	157,751	27,222	-	1,843,389
Total Capital Assets, Net of Accumulated Depreciation	**$ 2,072,125**	**$ 51,411**	**$ 9,511**	**$ -**	**$ 2,114,025**

Capital Assets Activity	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital Assets, Not Being Depreciated:					
Land	$ 28,179	$ -	$ -	$ -	$ 28,179
Construction in Progress	215,560	54,836	-	(140,255)	130,141
Total, Capital Assets, Not Being Depreciated	243,739	54,836	-	(140,255)	158,320
Capital Assets, Being Depreciated:					
Land Improvements	69,410	1,959	-	1,677	73,046
Infrastructure	80,401	11,448	-	13,159	105,008
Buildings	2,656,040	100,795	226	124,880	2,881,489
Equipment	494,056	39,211	25,053	539	508,753
Software	58,362	7	-	-	58,369
Total, Capital Assets, Being Depreciated	3,358,269	153,420	25,279	140,255	3,626,665
Less Accumulated Depreciation:					
Land Improvements	56,802	2,272	-	-	59,074
Infrastructure	40,882	5,786	-	-	46,668
Buildings	1,123,915	97,509	143	-	1,221,281
Equipment	328,032	40,819	24,436	-	344,415
Software	39,452	1,970	-	-	41,422
Total Accumulated Depreciation	1,589,083	148,356	24,579	-	1,712,860
Total Capital Assets, Net of Accumulated Depreciation	**$ 2,012,925**	**$ 59,900**	**$ 700**	**$ -**	**$ 2,072,125**

During fiscal year 2015, the University incurred $34,580,000 in interest costs related to the acquisition and construction of capital assets. Of this total, $32,035,000 was charged as interest expense and $2,545,000 was capitalized.

Note 5 —Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (dollars in thousands):

	June 30, 2015	June 30, 2014
Construction Payables	$ 22,134	$ 17,334
Accrued Insurance Liabilities	24,261	22,329
Interest Payable	17,058	16,914
Accrued Salaries and Wages	8,391	7,870
Vendor and Other Payables	35,482	44,860
Total Accounts Payable	**$ 107,326**	**$ 109,307**

Accrued Insurance Liabilities. The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University's risk retention is $250,000 per occurrence. There is $2,000,000 retention per occurrence or wrongful act for general, automobile, and professional and educators' legal liability coverage. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illness or injury is $500,000 per incident, with a maximum annual aggregate liability of approximately $8,000,000 as of June 30, 2015 and 2014.

Separate funds have been established to account for these risks. All departments of the University are charged fees based on actuarial estimates of the amounts necessary to pay claims and to establish reserves for catastrophic losses. During the years ended June 30, 2015 and 2014, the University reflected approximately $0 and $793,000, respectively, of insurance proceeds as non-operating income.

The University accrues liabilities for claims if information indicates that a loss has been incurred as of June 30, and the amount of the loss can reasonably be estimated. Changes in the balances of accrued insurance liabilities were as follows (dollars in thousands):

	June 30, 2015	June 30, 2014
Beginning Liability	$ 22,329	$ 22,475
Claims Incurred	107,536	125,672
Claims Payments	(105,604)	(125,818)
Ending Liability	**$ 24,261**	**$ 22,329**

Note 6 — Debt Related to Capital Assets

Debt liability activity is summarized below (dollars in thousands):

Debt Related Liabilities	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Commercial Paper	$ 18,308	$ -	$ 18,308	$ -	$ -
Notes Payable	710	-	94	616	101
Leases Payable to Affiliated Foundations	144,968	-	12,741	132,227	38,245
Bonds Payable					
Student Facilities System Revenue Bonds	332,147	98,070	35,015	395,202	64,774
Student Fee Bonds	452,825	67,615	52,847	467,593	37,951
Total Bonds Payable	784,972	165,685	87,862	862,795	102,725
Total Debt Related Liabilities	**$ 948,958**	**$ 165,685**	**$ 119,005**	**$ 995,638**	**$ 141,071**

Debt Related Liabilities	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Commercial Paper	$ 7,456	$ 13,500	$ 2,648	$ 18,308	$ 18,308
Notes Payable	795	-	85	710	93
Leases Payable to Affiliated Foundations	138,039	21,955	15,026	144,968	39,417
Bonds Payable					
Student Facilities System Revenue Bonds	352,730	-	20,583	332,147	67,168
Student Fee Bonds	487,677	-	34,852	452,825	31,990
Total Bonds Payable	840,407	-	55,435	784,972	99,158
Total Debt Related Liabilities	**$ 986,697**	**$ 35,455**	**$ 73,194**	**$ 948,958**	**$ 156,976**

Commercial Paper. On April 1, 2008, a commercial paper agreement was negotiated with Goldman, Sachs & Company. This agreement authorized a maximum outstanding at any time of $50,000,000 to finance portions of the costs of certain infrastructure, equipment, and facilities on various campuses. The interest rate is variable and reset based on market conditions. The University can set the maturity dates up to 270 days. As of June 30, 2015 there was no outstanding balance. At June 30, 2014 the balance outstanding was $18,308,000.

Notes Payable. As of June 30, 2015 and 2014, the balance of notes outstanding was approximately $616,000 and $710,000, respectively, representing financing for various activities.

On June 10, 2010, the University entered into a loan agreement with PRF to refinance its capital lease with PRF. This agreement authorized the transfer of the Schneider Avenue building from PRF to the Calumet campus in exchange for the original promise to pay approximately $1,140,000 over thirteen annual payments. The outstanding balance of this note was approximately $616,000 and $710,000 as of June 30, 2015 and 2014, respectively. The current portion of this note was approximately $101,000 and $93,000 as of June 30, 2015 and 2014, respectively. The interest rate for the note was fixed at 8.00% as of June 30, 2015 and 2014.

Leases Payable. Leases payable consisted of the following items (dollars in thousands):

Issue	Issue Date	Interest Rates	Final Maturity Date	Outstanding June 30, 2015	Outstanding June 30, 2014	Current Outstanding June 30, 2015
Certificates of Participation with Ross-Ade:						
Series 1998	1998	-	2015	$ -	$ 895	$ -
Series 2006	2006	5.00 - 5.25%	2025	32,520	35,455	3,075
Series 2009A	2009	-	2015	-	2,025	-
Series 2009B	2009	4.07 - 5.96%	2031	42,795	42,795	2,080
Series 2011A	2011	0.06%*	2035	32,185	32,185	32,185
Series 2014A	2014	2.66%	2027	21,955	21,955	425
Leases with Purdue Research Foundation:						
Academic Learning Center	2012	-	2030	-	6,235	
Remo Property	2011	6.38%	2015	-	57	
Kaplan	2012	5.63%	2022	755	841	91
Leases with Indiana Purdue Fort Wayne Foundation:						
Child Care Center	2011	6.20%	2016	116	225	116
				130,326	142,668	37,972
Net unamortized premiums and costs				1,901	2,300	273
Total				**$ 132,227**	**$ 144,968**	**$ 38,245**

***Variable interest rates are reset weekly and are based upon market conditions. Rates shown are as of June 30, 2015.**

The Certificates of Participation are secured by certain real estate and the projects located on that real estate, the lease payments to the Ross-Ade Foundation, and a pledge of available income, except student fees and state appropriations. During the Fiscal Years June 30, 2015 and 2014, the University included approximately $32,185,000 in Current Liabilities related to variable rate Certificates of Participation (Series 2011A). The University has entered into a lease purchase arrangement whereby on the termination of the stated lease, title to the land and buildings will be conveyed absolutely to the Trustees of the University. At any time during the lease term, the University has the right to acquire the entire title to the facility by paying the Ross-Ade Foundation an amount equal to the then outstanding indebtedness. The Ross-Ade Foundation has created a reserve for valuation to reduce the carrying value of certain properties leased to the University in an amount not greater than the proceeds to be received if disposal was made to the University.

As of June 30, 2015 and 2014, long-term debt included amounts relating to properties with a net book value (net of accumulated depreciation) of approximately $151,409,000 and $154,209,000, respectively, leased from Ross-Ade Foundation, Purdue Research Foundation, or the Indiana Purdue Fort Wayne Foundation.

On September 1, 2011, the University entered into a $615,000 lease agreement with the Indiana Purdue Fort Wayne Foundation for a child care center near the Fort Wayne campus. The lease was treated as a capital lease with a fair value of $515,000.

On December 21, 2012 the University entered into a $1,335,000 lease agreement with Purdue Research Foundation for the real estate commonly known as Kaplan Commons near the Calumet campus. The lease was treated as a capital lease with a fair value of $1,000,000.

Bonds Payable. As of June 30, 2015 and 2014, the balance of bonds payable was approximately $862,795,000 and $784,972,000, respectively. Bonds payable consisted of the following issues (dollars in thousands):

Issuance and Description	Issue Date	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2015	Total Outstanding June 30, 2014	Current Outstanding June 30, 2015
Student Facilities System Revenue Bonds:						
Series 2004A						
Finance construction of Calumet student housing and parking garage facilities	2004	0.07%*	2033	$ 17,600	$ 17,600	$ 17,600
Series 2005A						
Finance construction and renovation of West Lafayette housing and food service facilities	2005	0.06% *	2029	6,020	6,020	6,020
Series 2007A						
Refund a portion of Student Facilities System Revenue Bond Series 2003A and 2003B	2007	5.00-5.25%	2029	59,840	61,865	2,160
Series 2007B						
Finance construction of the new West Lafayette dining court and Fort Wayne student housing facility	2007	5.00%	2018	3,510	23,110	795
Series 2007C						
Renovate a West Lafayette student housing facility, and finance construction on a new West Lafayette student housing facility	2007	0.06% *	2032	25,520	25,520	25,520
Series 2009A						
Finance construction of new West Lafayette and Calumet student housing, renovate a West Lafayette student housing facility, and refund a portion of commercial paper	2009	5.00%	2028	19,930	33,495	1,010
Series 2009B						
Finance Fort Wayne and West Lafayette student housing facilities, and refund a portion of commercial paper	2009	4.00-5.00%	2035	37,510	38,520	1,065
Series 2010A						
Taxable Build America Bonds to finance the renovation of West Lafayette student housing facilities, and refund a portion of commercial paper	2010	2.71-5.96%	2030	22,750	23,875	1,145
Series 2011A						
Refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A, and 2007C	2011	3.75-5.00%	2025	41,295	44,100	2,935
Series 2012A						
Finance construction for the West Lafayette student housing and parking facilities, and to refund a portion of Student Facilities System Revenue Bond Series 2003B and a portion of commercial paper	2012	3.13-5.00%	2032	38,825	42,100	3,455
Series 2015A						
Finance a portion of construction of West Lafayette Honors College and Residence Hall, refund a portion of Series 2007B and of Series 2009A.	2015	3.00-5.00%	2040	98,070	-	325
				370,870	316,205	62,030
Net unamortized premiums and costs				24,332	15,942	2,744
Total Student Facilities System Revenue Bonds				**$ 395,202**	**$ 332,147**	**$ 64,774**

**Variable interest rates are reset weekly and are based upon market conditions. Rates shown are as of June 30, 2015.*

Issuance and Description		Issue Date	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2015	Total Outstanding June 30, 2014	Current Outstanding June 30, 2015
Student Fee Bonds:							
Series N							
	Refund Student Fee Bond Series B and D	1998	n/a	2014	$ -	$ 500	$ -
Series P							
	Refund Student Fee Bond Series M	1998	5.25%	2017	11,475	15,990	4,770
Series U							
	Refund a portion of Student Fee Bond Series Q	2005	3.85-5.25%	2022	24,670	27,355	2,815
Series W							
	Finance West Lafayette strategic infrastructure and utilities improvements	2006	5.00%	2015	1,895	31,515	1,895
Series X							
	Finance the construction of the West Lafayette Health and Human Sciences facility, add a wing to the West Lafayette Mechanical Engineering Building, West Lafayette power improvements, construct the Fort Wayne Student Services and Library Complex, for repair and rehabilitation projects, and to refund a portion of commercial paper	2009	5.00-5.25%	2028	85,510	89,615	4,330
Series Y							
	Refund Student Fee Bond Series S, T, and V	2010	4.00-5.00%	2027	58,255	61,490	3,370
Series Z-1							
	Finance a portion of construction of the West Lafayette Student Fitness and Wellness Center, Fort Wayne Parking Garage, and West Lafayette Repair & Rehabilitation projects as well as refund Student Fee Bond Series H, K, L, O, and a portion of Series R and a portion of commercial paper	2010	4.00-5.00%	2024	42,155	51,490	7,790
Series Z-2							
	Taxable Build America Bonds to finance a portion of the construction of the West Lafayette Student Fitness and Wellness Center and the Fort Wayne Parking Garage, and a portion of West Lafayette Repair & Rehabilitation projects	2010	1.61-5.33%	2035	99,305	100,010	2,500
Series AA							
	Finance a portion of construction of the West Lafayette Student Fitness and Wellness Center, Health and Human Sciences Facility, Repair & Rehabilitation projects on the West Lafayette campusand reallocation from Drug Discovery to Purdue North Central Student Services and Activities complex	2012	3.25-5.00%	2032	51,025	52,810	1,865
Series BB1							
	Finance a portion of construction of North Central Student Services and Activities Complex, Repair and Rehabilitation projects on the West Lafayette campus, refund energy improvement projects on all campuses originally financed with tax-exempt commercial paper and partially refund Series W.	2015	2.00-5.00%	2034	48,630	-	3,495
Series BB2							
	Taxable debt for reallocation of Drug Discovery from tax-exempt Series AA	2015	0.04-3.81%	2032	18,985	-	1,135
					441,905	430,775	33,965
Net unamortized premiums and costs					25,688	22,050	3,986
Total Student Fee Bonds					**$ 467,593**	**$ 452,825**	**$ 37,951**

The Student Facilities System Revenue Bonds are secured by a pledge of certain auxiliary net income and all other available funds, except student fees and state appropriations. Student Fee Bonds are secured by a pledge of mandatory student fees.

As of both June 30, 2015 and 2014, the University had approximately $49,140,000 included in Current Liabilities related to variable rate Student Facility System Revenue demand bonds (Series 2004A, Series 2005A, and Series 2007C). These bonds are backed by certain auxiliary revenues and other available funds, maturing serially through July 1, 2033. The bonds were issued under Indiana Code IC 21-34 and IC 21-35. The proceeds of the bonds were used to provide funds for certain capital improvements, refund certain interim financing, provide for construction period interest for a portion of the bonds, and pay costs incurred to issue the bonds.

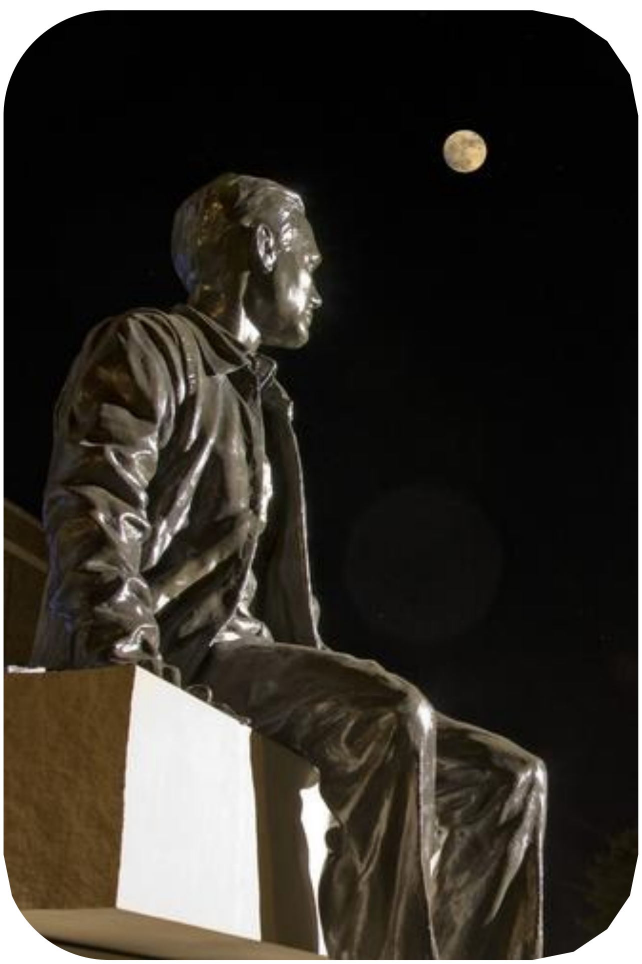
The University may direct a change in the type of interest rate borne by the variable rate debt including variable rate COPs Series 2011A, in whole or in part, at any time from the weekly rate to a rate determined pursuant to one of six additional interest rate modes: a daily rate, a monthly rate, a quarterly rate, a semiannual rate, or a term rate (each an “adjustable rate”), or a fixed rate in accordance with the procedures provided in the indenture. However, if the debt is converted in whole or in part to a fixed rate, the interest rate on the debt so converted may not be subsequently changed to an adjustable rate.

The variable rate bonds and certificates of participation are subject to purchase on the demand of the holder, a “put,” at a price equal to principal plus accrued interest on seven days’ notice and delivery to the University’s remarketing agent. The remarketing agent is authorized to use its best efforts to sell these bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The University is provided a 24-hour notice if the remarketing agent is unable to resell any debt that is put to the University. In such a case, the University is required to provide the funds to satisfy the repurchase of the debt at 100% par value, plus interest accrued to the settlement date of the put. The University has chosen to provide self-liquidity in the event of a put from any holder of these variable rate bonds or certificates of participation.

On February 20, 2014, the University issued $21,955,000 of Certificates of Participation Series 2014A to fund the construction of a softball field at the West Lafayette campus, to pay for allowable construction period interest and cost of issuance, and to refund a portion of Certificates of Participation Series 2006. As a result of the refunding, the university estimates a reduction in its aggregate debt service payments over the life of the debt of approximately $1,680,789. The refunding resulted in an estimated economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately $1,388,980.

On January 7, 2015, tax-exempt Student Fee Bonds, Series BB-1 were issued at par value $48,630,000 and a premium of approximately $7,210,000. Concurrently, taxable Student Fee Bonds, Series BB-2 were issued for par value of $18,985,000. The Series BB-1 bonds provided funds for construction of the Student Service and Activities Complex at the Purdue North Central campus and financed various West Lafayette repair and rehabilitation projects. The series also refunded all outstanding commercial paper, a portion of which funded several energy conservation projects at each of the Purdue campuses. A portion of the outstanding Student Fee Bonds, Series W was also refunded, resulting in a reduction in the University's aggregate debt service payments over the life of the debt of approximately $4,109,000. The refunding resulted in an estimated economic loss of approximately $1,027,000. The taxable Series BB-2 was issued to reallocate a portion of previously issued tax-exempt Series AA proceeds due to a change in use of a financed facility, the West Lafayette Drug Discovery building. Proceeds of Series AA were reallocated to the Student Services and Activities Complex at the Purdue North Central campus while the taxable proceeds from BB-2 were allocated to the West Lafayette Drug Discovery building.



On March 31, 2015, tax-exempt Student Facilities System Revenue Bonds, Series 2015A, were issued at par value of $98,070,000 and a premium of approximately $11,712,000. The series was issued to finance a portion of the construction of the West Lafayette Honors College and Residence Hall. The series also refunded a portion of each of the outstanding Student Facilities System Revenue Bonds, Series 2007B and Series 2009A bonds, $18,835,000 and $12,750,000, respectively. As a result of the refunding, the University will have a reduction in its aggregate debt service payments over the life of the debts of approximately $5,661,000. The refunding resulted in an economic loss of approximately $1,380,000.

Scheduled payments related to the debt for capital assets for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 52,742	$ 41,193	$ 93,935
2017	52,885	40,009	92,894
2018	50,749	37,752	88,501
2019	51,199	35,462	86,661
2020	52,125	33,062	85,187
2021-2025	252,535	128,564	381,099
2026-2030	244,910	66,051	310,961
2031-2035	155,730	21,666	177,396
2036-2040	26,510	3,041	29,551
2041	4,330	-	4,330
	943,715	406,800	1,350,515
Net unamortized premiums and costs	51,921	-	51,921
Total	$ 995,636	$ 406,800	$ 1,402,436

Defeased Bond Issues. The University defeases bonds by prepayment or issuing new debt. The University's defeased debt is shown below (dollars in thousands). US Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments through maturity when due and have been deposited in irrevocable trusts with the trustee. Neither the defeased bonds nor the related trusts are reflected in the accompanying financial statements.

	Final Maturity/	Amount Outstanding	
Description of Bonds	**Call Date**	**June 30, 2015**	**June 30, 2014**
Student Fee and Facilities:			
Student Facilities System Revenue Bonds, Series 2007	1/1/2017	$ 18,835	0
Student Facilities System Revenue Bonds, Series 2009	1/1/2016	$ 12,750	0
Student Fee Bonds:			
Student Fee Bonds, Series W	1/1/2016	$ 27,800	0

Operating Leases. The University has entered into various operating leases for facilities. The scheduled payments related to these operating leases for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Lease Payments
2016	4,245
2017	3,660
2018	3,637
2019	2,300
2020	2,329
Total Future Minimum Payments	**$16,171**

Note 7— Other Debt Information

Other debt information is summarized below (dollars in thousands):

Long-term Liabilities	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Accrued Compensated Absences	$ 57,357	$ 27,917	$ 26,361	$ 58,913	$ 26,407
Other Post Employment Benefits	38,568	7,672	9,547	36,693	-
Funds Held in Trust for Others	8,153	6,537	7,225	7,465	-
Advances from Federal Government	19,930	-	39	19,891	-
Total	**$ 124,008**	**$ 42,126**	**$ 43,172**	**$ 122,962**	**$ 26,407**

Long-term Liabilities	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Accrued Compensated Absences	$ 60,645	$ 23,568	$ 26,856	$ 57,357	$ 26,361
Other Post Employment Benefits	36,179	7,523	5,134	38,568	-
Funds Held in Trust for Others	7,344	6,534	5,725	8,153	-
Advances from Federal Government	19,932	-	2	19,930	-
Total	**$ 124,100**	**$ 37,625**	**$ 37,717**	**$ 124,008**	**$ 26,361**

Other Post-Employment Benefits. The University offers medical insurance for official retirees and their dependents. As of July 1, 2014, separating employees who are 55 or older, and have at least 10 years of service are eligible.

Official retirees under the age of 65, and their dependents are given the option to continue their medical insurance if they pay the entire cost of the blended medical plan rate, which includes both active employees and early retirees. The early retirees benefit in that the cost of the benefit exceeds the cost of the plans, which creates an implicit rate subsidy.

After the retiree reaches the age of 65, the above program is no longer offered, however they may participate in a Medicare Supplement plan. The post-retirement Medicare Supplement plans are single-employer plans administered by the University, as authorized by the Trustees, and financed on a pay-as-you-go basis. Purdue's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The actuarial assumptions included are shown on the following pages. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortizes any unfunded actuarial liabilities over a 20-year period.

During the year ended June 30, 2011, the Trustees approved a voluntary retirement incentive program for employees at least 60 years of age with at least 10 years of employment. The plan will contribute to a health reimbursement account (HRA) in the amount of $7,000 per year up to a total of $35,000, which can be used to pay health premiums and other allowable medical expenses. For both the years ended June 30, 2015 and 2014, there were 523 and 513, employees, respectively, participating in the voluntary retirement incentive program. For the years ending June 30, 2015 and 2014, the University had an outstanding liability associated with the health reimbursement accounts of approximately $5,661,000 and $4,347,000, respectively.

Purdue also offers a long-term disability program providing income continuation payments. Based on date of disability, some additional benefits may be extended. Prior to January 1, 2013, the program included retirement benefit payments, medical and life insurance premium payments for a small required premium paid by the employee. Those who were participating in the program at that date continue to receive the benefits until they reach the age of 65. Individuals with a date of disability beginning January 1, 2013, may continue medical benefits at the existing employee premiums until the employee becomes eligible for Medicare or for a maximum of three years after the employee becomes disabled, whichever comes first. All future and existing disability income benefit liability is fully insured through an insurance carrier.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following tables show the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (dollars in thousands):

Determination of Annual Required Contribution (ARC)

Cost Element	For Fiscal Year Ending June 30, 2015		For Fiscal Year Ending June 30, 2014	
Normal cost	$	3,179	$	3,095
Amortization of the Unfunded Actuarial Accrued Liability		5,999		5,840
Total Annual Required Contribution (End of year)	**$**	**9,178**	**$**	**8,935**

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contributions		Actual Contributions		Percentage Contributed
June 30, 2008	$	11,014	$	4,880	44%
June 30, 2009	$	11,297	$	5,293	47%
June 30, 2010	$	12,750	$	6,242	49%
June 30, 2011	$	14,755	$	6,138	42%
June 30, 2012	$	11,463	$	8,032	70%
June 30, 2013	$	11,675	$	6,190	53%
June 30, 2014	$	7,523	$	5,134	68%
June 30, 2015	$	7,672	$	9,547	124%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)
January 1, 2007	-	$ 72,948	$ 72,948	0%
January 1, 2009	-	$ 76,492	$ 76,492	0%
January 1, 2009*	-	$ 97,703	$ 97,703	0%
January 1, 2011**	-	$ 89,872	$ 89,872	0%
January 1, 2013	-	$ 72,335	$ 72,335	0%

* Updated to include the estimated effect of the Retirement Incentive Program

** Updated to incorporate new claim estimates and reduced disability rates based on historical trends

Net OPEB Obligation (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
January 1, 2007	June 30, 2008	$ 11,014	$ -	$ -	$ 11,014	$ 4,880	$ 6,134	$ 6,134
January 1, 2007	June 30, 2009	$ 11,363	$ 307	$ (373)	$ 11,297	$ 5,293	$ 6,004	$ 12,138
January 1, 2009	June 30, 2010	$ 12,949	$ 607	$ (806)	$ 12,750	$ 6,242	$ 6,508	$ 18,646
January 1, 2009	June 30, 2011	$ 15,060	$ 932	$ (1,237)	$ 14,755	$ 6,138	$ 8,617	$ 27,263
January 1, 2011	June 30, 2012	$ 12,158	$ 1,363	$ (2,058)	$ 11,463	$ 8,032	$ 3,431	$ 30,694
January 1, 2011	June 30, 2013	$ 12,458	$ 1,535	$ (2,318)	$ 11,675	$ 6,190	$ 5,485	$ 36,179
January 1, 2013	June 30, 2014	$ 8,935	$ 1,447	$ (2,859)	$ 7,523	$ 5,134	$ 2,389	$ 38,568
January 1, 2013	June 30, 2015	$ 9,177	$ 1,543	$ (3,048)	$ 7,672	$ 9,547	$ (1,875)	$ 36,693

Valuation Date	January 1, 2013
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	20 years from date of establishment, closed, level percent of pay
Asset valuation method	N/A, no assets in trust
Actuarial assumptions:	
Discount rate	4%
Projected payroll increases	3%
Health care cost trend rate:	
Medical	7.5% graded to 5% over 5 years
Prescription Drugs	7.5% graded to 5% over 5 years
Vision	3%
Administrative Costs	3%

Plan membership:	January 1, 2013
Current retirees and surviving spouses	314
Current disabled	189
Current active members	11,981
Total	12,484

Note 8—Operating Expenses by Function

Operating expenses by functional classification are summarized as follows (dollars in thousands):

June 30, 2015

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 524,258	$ 98,199	$ -	$ -	$ 622,457
Research	159,195	62,909	-	-	222,104
Extension and Public Service	69,153	62,172	-	-	131,325
Academic Support	98,897	41,505	-	-	140,402
Student Services	38,582	9,091	-	-	47,673
General Administration and Institutional Support	111,520	33,006	-	-	144,526
Physical Plant Operations and Maintenance	76,855	55,247	-	-	132,102
Depreciation	-	-	157,751	-	157,751
Student Aid	-	-	-	72,079	72,079
Auxiliary Enterprises	140,347	76,878	-	-	217,225
Total	**$ 1,218,807**	**$ 439,007**	**$ 157,751**	**$ 72,079**	**$ 1,887,644**

June 30, 2014

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 552,781	$ 93,902	$ -	$ -	$ 646,683
Research	158,597	76,410	-	-	235,007
Extension and Public Service	83,160	64,921	-	-	148,081
Academic Support	87,968	47,794	-	-	135,762
Student Services	39,017	6,968	-	-	45,985
General Administration and Institutional Support	107,851	55,155	-	-	163,006
Physical Plant Operations and Maintenance	79,940	51,296	-	-	131,236
Depreciation	-	-	148,356	-	148,356
Student Aid	-	-	-	72,291	72,291
Auxiliary Enterprises	92,164	89,110	-	-	181,274
Total	**$ 1,201,478**	**$ 485,556**	**$ 148,356**	**$ 72,291**	**$ 1,907,681**

Note 9 — Retirement Plans

Authorization. Authorization to establish retirement plans is stated in Indiana Code IC 21-38-7.

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). During the years ended June 30, 2015 and 2014, the University's contribution to FICA was approximately $53,524,000 and $52,405,000, respectively.

Defined Contribution Plans. Certain employees of the University participate in defined contribution plans. Benefit provisions are established and/or amended by the Trustees. University defined contribution plans are all administered through Fidelity Investments. Plan contributions are made at the time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2015 or 2014.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in the exempt employees' defined contribution plans. Faculty and management personnel participate immediately upon employment; others must satisfy a three-year waiting period. Effective January 1, 2011, the University contributes 10% of each participating employee's salary to the Purdue University 403(b) defined contribution retirement plan. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan and/or the Purdue University 457(b) deferred compensation plan. Those eligible to participate in the defined contribution plan also participate in the Purdue University 401(a) Profit Sharing Plan. This plan requires a mandatory employee contribution of 4% of their salary. Funds in all exempt employees defined contribution plans are immediately vested, so no forfeitures exist in these plans.

For the years ended June 30, 2015 and 2014, there were 6,884 and 6,973 employees, respectively, participating in the plans with annual pay equal to approximately $572,478,000 and $556,325,000, respectively. For the years ended June 30, 2015 and 2014, the University made contributions totaling approximately $56,445,000 and $55,868,000, respectively, to these plans.

Clerical, Service, and Operations/Technical Assistants. Clerical, service, and operations/ technical assistants hired on or after September 9, 2013 and employed at least half-time participate in the non-exempt employees' defined contribution plan. Benefits eligible employees in this category participate immediately upon date of employment. The University provides a base contribution of 4% of the participating employee's salary each pay period to the Purdue University 403(b) defined contribution retirement plan. This plan has a three year vesting period for this employee group, and there is not a material forfeiture balance at this time. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan. The University will match voluntary employee pre-tax contributions up to 4% of earnings each pay period. Employees may also contribute voluntarily to the Purdue University 457(b) Deferred Compensation Plan, but these contributions are not matched.

For the years ended June 30, 2015 and 2014, there were 1,088 and 385 employees, respectively, participating in the plan with annual pay equal to approximately $18,333,000 and $4,338,000, respectively. For the year ended June 30, 2015 and 2014, the University made base contributions totaling approximately $688,000 and $140,000, respectively, and matching contributions totaling approximately $540,000 and $89,000, respectively, to the plan.

Defined Benefit Plans. Certain employees of the University participate in defined benefit plans administered by other agencies. Actuarial information related to the University's portion of these plans are disclosed in the Required Supplementary Information (RSI) at the back of the Financial Report.

PERF. Regular clerical and service staff employed at least half-time and hired on or prior to September 8, 2013, participate in the Public Employees Retirement Fund (PERF), a retirement program administered by Indiana Public Retirement System (INPRS), an agency of the state of Indiana. PERF, as part of the implementation of GASB 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2, and amended IC 5-10.1-1-11(b).

PERF was established to provide retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. The PERF retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Employees were eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. The monthly pension benefits for members in pay status may be increased periodically for cost of living adjustments (COLA). Such increases are not guaranteed by statute, have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

The required contributions are determined by INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. For the years ended June 30, 2015 and 2014, the University was required to contribute 11.2% of the employee's salary. The employee contribution of 3% of the employee's salary is being made by the University on behalf of the employee.

The financial statements of INPRS, including PERF, have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles as applied to government units. Oversight of INPRS' assets is the responsibility of the INPRS Board of Trustees. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control. Both pooled and non-pooled investments are reported at fair value. Benefits are recognized when due and payable to members or other beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. INPRS issues a publicly available financial report that includes financial statements, notes, and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing to: Indiana Public Retirement System, One North Capitol Ave., Suite 001, Indianapolis, IN 46204; or by visiting www.in.gov/inprs/annualreports.htm.

For the years ended June 30, 2015 and 2014, there were 3,967 and 4,651 employees, respectively, participating in PERF. The University's proportionate share of PERF's Net Pension Liability, based on covered payroll of approximately $138,081,000 was 2.82819% for the measurement date June 30, 2014, which was the date used for this financial report. The proportionate share of the Net Pension Liability as calculated by INPRS under GASB 68 guidance was approximately $74,323,000 as of June 30, 2015. The University made contributions to the plan totaling approximately $16,942,000 and $19,746,000 for the years ending June 30, 2015 and 2014, respectively. The amount of contribution made after the measurement date, which is shown as a deferred outflow was approximately $13,405,000 for the year ended June 30, 2015. The proportionate share of pension plan expense for the year ended June 30, 2015 as calculated under GASB 68 guidance was approximately $6,924,000, less net amortization of deferred amounts of approximately $1,212,000, leaving a net pension expense of approximately $5,712,000.

Actuarial calculations reflect a long-term perspective and the significant assumptions used in the actuarial valuation to calculate the total pension liability follow. The valuation date for assets was June 30, 2014, and the valuation date for liabilities was June 30, 2013 with standard actuarial roll forward techniques used to project the total pension liability at June 30, 2014. The amortization method and period are Level Dollar Closed over 30 years. The actuarial cost method is entry age normal (Level Percent of Payroll) cost. The employer required contribution is determined using an asset smoothing method. The actuarial assumptions include a 6.75% investment rate of return (net of administrative expenses), inflation rate of 3.0% per year, projected salary increases of 3.25% - 4.5% per year, and 1% per year cost of living adjustments, all based on the period of 5 years ended June 30, 2010, the most recent study date. Mortality rates were based on the 2013 IRS Static Mortality table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established and the long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Target Asset Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.5%	6.0%
Private Equity	10.0%	7.7%
Fixed Income - Ex Inflation-Linked	22.0%	2.1%
Fixed Income - Inflation-Linked	10.0%	0.5%
Commodities	8.0%	2.5%
Real Estate	7.5%	3.9%
Absolute Return	10.0%	1.8%
Risk Parity	10.0%	4.3%

Total pension liability was calculated using the discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy, adopted by the Board. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 6.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
$ 119,313,811	$ 74,322,998	$ 36,204,146

As a result of GASB 68 implementation, several new categories of deferred outflows and inflows of resources are now required to be reported and disclosed, as follows:

Summary of Deferred Outflows and Inflows of Resources

(Dollars in Thousands)	As of June 30, 2015	
	Deferred Outflows	**Deferred Inflows**
Differences between expected and actual experience	$ -	$ 334
Net difference between projected and actual investment earnings on pension plan investments	-	14,444
Changes in proportion and differences between employer contributions and proportionate share of contributions	606	4,849
Contribution made after the measurement date	13,405	-
Total Deferred Outflows and Inflows	$ 14,011	$ 19,627

These deferred outflows and inflows of resources are required to be amortized over either a 4.5 or 5 year life, depending upon the nature of the item. Amortization of these items is presented in the following table:

Amortization of Net Deferred Outflows/Inflows of Resources		
2015	$	(4,918,492)
2016		(4,918,492)
2017		(4,918,492)
2018		(4,264,770)
2019		-
Thereafter		-
Total	$	(19,020,246)

Police/Fire. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the Trustees on March 13, 1990, and was established on July 1, 1990. In conjunction with other retirement plans offered by the University, this plan provides police officers and firefighters employed by the University with a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. Benefit provisions are established and/or amended by the Trustees. The program is an agent single-employer defined benefit plan, funded through group annuities, and administered through the Teachers Insurance and Annuity Association (TIAA). The plan provides for vesting after the completion of 10 years of covered employment, and employees are eligible for normal retirement benefits after the completion of 20 years of covered employment, and attainment of 55 years of age. The normal benefit payable under this plan is an amount equal to 50% of the annual base salary of a nonprobationary-level police officer at each campus, as in effect at the time of a member's retirement, reduced by the amount of any pension benefits payable under other University retirement programs, including TIAA-CREF and PERF. Employees covered by this plan are required to make contributions equal to 3% of the current salary for a nonprobationary-level police officer. University contributions are to be in such additional amounts as needed to maintain the plan on an actuarially sound basis. Financial reports related to this plan may be obtained by writing to: Abby Daniels, Public Records Officer; Purdue University, Hovde Hall, 610 Purdue Mall, West Lafayette, IN 47907-2040.

For the years ending June 30, 2015 and 2014, there were 104 and 101 employees, respectively, participating in Police/Fire. The University made contributions to this plan totaling approximately $1,030,000 and $1,260,000 for the years ending June 30, 2015 and 2014, respectively.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2014. The actuarial valuation was the projected unit credit actuarial cost method over 30 years. The actuarial assumptions include a 6.25% investment rate of return, projected salary increases of 3% per year, and 3% per year cost of living adjustments.

Three-Year-Trend Information (dollars in thousands)

Plan	Annual Required Contribution	Interest on Net Pension Obligation	Adjustment to Annual Required Contribution	Annual Pension Cost	Contributions Made [2]	Increase (Decrease) in Net Pension Obligation	Net Pension Obligation, Beginning of Year	Net Pension Obligation, End of Year	Percentage of APC Contributed
Police/Fire									
July 1, 2014 [1]	812	44	(271)	585	1,068	(483)	(101)	(584)	183%
July 1, 2013	780	70	180	1,030	1,307	(277)	176	(101)	127%
July 1, 2012	767	85	435	1,286	1,166	120	56	176	91%

[1] Actuarial data for 2015 was not available at the time of this report.

[2] Police/Fire contributions include interest earnings.

Cooperative Extension Service. As of June 30, 2015 and 2014, there were 11 and 14 staff members, respectively, with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System. The University contributed $71,000 and $94,000 during the years ended June 30, 2015 and 2014, respectively, to this plan.

Note 10 – Discretely Presented Component Units

Summary financial information as of and for the years ended June 30, 2015 and 2014, for the University's discretely presented component units are presented in the tables below.

Discretely Presented Component Unit Statement of Financial Position
June 30, 2015 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	$ 13,016	$ 195	$ 211	$ 13,422
Accounts Receivable, Net	38,683	33	58	38,774
Other Assets	-	2	3	5
Investments	2,514,584	1,052	9,956	2,525,592
Pledges Receivable, Net	-	-	-	-
Lease Purchase Agreements	-	129,081	183	129,264
Notes Receivable, Net	10,546	1,079	-	11,625
Interest in Charitable Perpetual Trusts	15,677	-	-	15,677
Capital Assets, Net of Accumulated Depreciation	162,626	151	7,526	170,303
Total Assets	**2,755,132**	**131,593**	**17,937**	**2,904,662**
Liabilities:				
Accounts Payable and Accrued Expenses	25,275	-	17	25,292
Due on Split Interest Agreements	57,100	-	-	57,100
Deposits Held in Custody for Others	1,607,232	-	-	1,607,232
Bonds (Net), Leases and Notes Payable	89,949	129,620	-	219,569
Other Liabilities	19,672	-	-	19,672
Total Liabilities	**1,799,228**	**129,620**	**17**	**1,928,865**
Net Assets:				
Temporarily Restricted	695,258	1,973	4,061	701,292
Permanently Restricted	134,702	-	7,091	141,793
Unrestricted	125,944	-	6,768	132,712
Total Net Assets	**$ 955,904**	**$ 1,973**	**$ 17,920**	**$ 975,797**

Discretely Presented Component Unit Statement of Financial Position
June 30, 2014 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	$ 4,593	$ 218	$ 176	$ 4,987
Accounts Receivable, Net	32,985	-	30	33,015
Other Assets	-	2	3	5
Investments	2,598,365	1,926	10,379	2,610,670
Pledges Receivable, Net	-	-	-	-
Lease Purchase Agreements	-	121,910	281	122,191
Notes Receivable, Net	11,244	1,079	-	12,323
Interest in Charitable Perpetual Trusts	16,016	-	-	16,016
Capital Assets, Net of Accumulated Depreciation	153,757	4,770	7,547	166,074
Total Assets	**2,816,960**	**129,905**	**18,416**	**2,965,281**
Liabilities:				
Accounts Payable and Accrued Expenses	25,708	1,134	33	26,875
Due on Split Interest Agreements	58,290	-	-	58,290
Deposits Held in Custody for Others	1,668,966	-	-	1,668,966
Bonds (Net), Leases and Notes Payable	86,752	127,110	-	213,862
Other Liabilities	21,112	-	-	21,112
Total Liabilities	**1,860,828**	**128,244**	**33**	**1,989,105**
Net Assets:				
Temporarily Restricted	703,155	1,661	4,166	708,982
Permanently Restricted	131,799	-	7,297	139,096
Unrestricted	121,178	-	6,920	128,098
Total Net Assets	**$ 956,132**	**$ 1,661**	**$ 18,383**	**$ 976,176**

Discretely Presented Component Unit Statement of Activities

For the Year Ended June 30, 2015 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Proje	$ 3,591	$ -	$ -	$ 3,591
Less Payments to Purdue University	(3,591)	-	-	(3,591)
Administrative Fee on Research Projects	-	-	-	-
Contributions	67,427	974	479	68,880
Income on Investments	14,904	4,663	452	20,019
Net Unrealized and Realized Gains	17,074	-	(218)	16,856
Change in Value of Split Interest Agreements	(2,432)	-	-	(2,432)
Increase in Interests in Perpetual Trusts	(339)	-	-	(339)
Rents	14,364	8	120	14,492
Royalties	5,105	-	-	5,105
Other	33,587	-	27	33,614
Total Revenue and Support	**149,690**	**5,645**	**860**	**156,195**
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	19,233	-	1,130	20,363
Patent and Royalty	3,654	-	-	3,654
Grants	52,595	-	-	52,595
Services for Purdue University	830	-	-	830
Development Office	-	-	-	-
Other	3,596	-	65	3,661
Total Expenses for the Benefit of Purdue University	**79,908**	**-**	**1,195**	**81,103**
Administrative and Other Expenses				
Salaries and Benefits	27,108	-	-	27,108
Property Management	13,601	974	116	14,691
Professional Fees	10,744	-	-	10,744
Supplies	1,578	-	-	1,578
Interest	4,403	4,349	-	8,752
Research Park	2,541	-	-	2,541
Other	10,035	10	12	10,057
Total Administrative and Other Expenses	**70,010**	**5,333**	**128**	**75,471**
Change in Net Assets	(228)	312	(463)	(379)
Net Assets, Beginning of Period	956,132	1,661	18,383	976,176
Net Assets, End of Period	**$ 955,904**	**$ 1,973**	**$ 17,920**	**$ 975,797**

Discretely Presented Component Unit Statement of Activities
For the Year Ended June 30, 2014 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	$ 2,380	$ -	$ -	$ 2,380
Less Payments to Purdue University	(2,380)	-	-	(2,380)
Administrative Fee on Research Projects	-	-	-	-
Contributions	14,651	1,728	1,106	17,485
Income on Investments	15,492	4,810	435	20,737
Net Unrealized and Realized Gains	131,415	-	737	132,152
Change in Value of Split Interest Agreements	(9,044)	-	-	(9,044)
Increase in Interests in Perpetual Trusts	1,424	-	-	1,424
Rents	11,820	8	126	11,954
Royalties	6,963	-	-	6,963
Other	17,259	-	19	17,278
Total Revenue and Support	**189,980**	**6,546**	**2,423**	**198,949**
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	18,244	-	1,806	20,050
Patent and Royalty	6,281	-	-	6,281
Grants	12,589	-	-	12,589
Services for Purdue University	340	-	-	340
Development Office	750	-	-	750
Other	2,206	-	60	2,266
Total Expenses for the Benefit of Purdue University	**40,410**	**-**	**1,866**	**42,276**
Administrative and Other Expenses				
Salaries and Benefits	18,062	-	-	18,062
Property Management	10,413	2,004	112	12,529
Professional Fees	3,874	-	-	3,874
Supplies	718	-	-	718
Interest	4,269	4,474	1	8,744
Research Park	1,384	-	-	1,384
Other	8,379	18	12	8,409
Total Administrative and Other Expenses	**47,099**	**6,496**	**125**	**53,720**
Change in Net Assets	102,471	50	432	102,953
Net Assets, Beginning of Period	853,661	1,611	17,951	873,223
Net Assets, End of Period	**$ 956,132**	**$ 1,661**	**$ 18,383**	**$ 976,176**

In addition to items in Note 6, Debt Related to Capital Assets, PRF provided grants, contracts, and gifts to the University totaling approximately $32,274,000 and $32,539,000 as of June 30, 2015 and 2014, respectively.

Note 11 — Contingent Liabilities and Commitments

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although it is involved in a number of claims, the University does not anticipate significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions, the University believes that the outcome thereof will not have a material effect on the financial statements.

Construction Projects. As of June 30, 2015 and 2014, contractual obligations for capital construction projects were approximately $84,776,000 and $42,386,000, respectively.

Natural Gas Procurement. The University has entered into various forward contracts to purchase natural gas at a specified time in the future at a guaranteed price. This activity allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the University is committed to buy. This would reduce or increase the value of the contract. The University could sell the forward contract at a loss or gain and then buy natural gas on the open market. The University is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty if the counterparty fails to deliver quantity at the guaranteed price at the specified time resulting in the University having to procure natural gas on the open market.

Limited Partnership Agreements. For June 30, 2015, all PIP (Purdue Endowment Investment Policy) investments are held at PRF including private placements and investments in limited partnerships. As a result, the University no longer has an obligation to make periodic payments on these investments. Previously, under the terms of various limited-partnership agreements approved by the University's Board of Trustees, the University was obligated to make periodic payments for commitments to venture capital, private equity, natural resources, and real estate investments. As of June 30, 2014, the University had the following unfunded commitments: approximately $55,194,000 to approximately 55 private equity/venture capital managers, approximately $30,513,000 to approximately 20 private real estate managers, approximately $31,437,000 to approximately 25 natural resource managers. The University continues to have an unfunded commitment of approximately $77,000 at both June 30, 2015 and 2014 to the Indiana Future Fund. These amounts are not included as liabilities in the accompanying Statement of Net Position. For the June 30, 2014 reporting period, outstanding commitments were estimated to be paid based on the capital calls from the individual manager, subject to change due to market conditions.

Note 12 – Subsequent Events

On May 6, 2015, the State of Indiana passed HB1466 related to the public employees' retirement fund (PERF), effective July 1, 2015. This bill applies to employers who chose to discontinue adding new employees (freeze participation) to PERF's plan prior to the bill's effective date and requires these employers to pay PERF for the unfunded actuarial accrued liability (UAAL) associated with employees that remain in the plan. As discussed in Note 9, regular clerical and service staff employed at least half time and hired on or before September 8, 2013 are participants in the PERF plan and employees hired subsequently are enrolled in a defined contribution plan, therefore this bill applies to the University.

The portion of pension liability for our employees that remain in the PERF plan will be calculated by the Indiana Public Retirement System (INPRS). This House Bill discusses the payment options related to the UAAL as well as future contribution rates for the ongoing participants in the plan and other issues related to pension plan options. Since the financial statements and notes already reflect the university's unfunded actuarial accrued liability, this legislation does not result in an additional liability or disclosure, but is presented as information for financial statement users.

Required Supplementary Information

SCHEDULE OF PURDUE'S SHARE OF THE NET PENSION LIABILITY
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF)
(Dollar Amounts in Thousands)
June 30,

	2014*	2013*
Proportion of the Net Pension Liability	2.8%	3.0%
Proportionate Share of the Net Pension Liability	$ 74,323	$ 103,102
Covered-employee payroll	$ 138,081	$ 144,526
Proportionate share of the Net Pension Liability as a percentage of covered-employee payroll	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	84.3%	78.8%

SCHEDULE OF PURDUE'S CONTRIBUTIONS
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF)
(Dollar Amounts in Thousands)
June 30,

	2014*	2013*
Contractually required contribution	$ 15,471	$ 13,894
Contributions in relation to the contractually required contribution	$ 15,471	$ 13,894
Contribution deficiency	-	-
Covered-employee payroll	$ 138,081	$ 144,526
Contributions as a percentage of covered-employee payroll	11.2%	9.6%

**Based on INPRS previous fiscal year audit and report on allocation of pension amounts. Ie: FY2015 Purdue reported amounts based on INPRS FY2014 report.*

Required Supplementary Information
Retirement Plans--Schedule of Funding Progress Police/Fire Supplemental
Fiscal Year Ended June 30, 2015
(Dollar Amounts in Thousands)

Actuarial Valuation Date*	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Benefit)
Police/Fire Supplemental										
7/1/2005	16,209	18,724	2,515	86.6%	4,675	53.8%	822	825	100.4%	(228)
7/1/2006	17,595	19,074	1,479	92.2%	4,595	32.2%	623	846	135.8%	(452)
7/1/2007	19,679	19,984	305	98.5%	4,854	6.3%	528	645	122.2%	(569)
7/1/2008	20,014	21,441	1,427	93.3%	5,318	26.8%	685	573	83.6%	(457)
7/1/2009	19,026	22,190	3,164	85.7%	5,537	57.1%	899	670	74.5%	(228)
7/1/2010	20,163	23,131	2,968	87.2%	5,582	53.2%	956	878	91.8%	(150)
7/1/2011	22,560	26,385	3,825	85.5%	5,677	67.4%	1,182	976	82.6%	56
7/1/2012	23,438	27,329	3,891	85.8%	5,648	68.9%	1,286	1,166	90.7%	176
7/1/2013	25,809	27,780	1,971	92.9%	5,611	35.1%	1,030	1,307	126.9%	(101)
7/1/2014	29,465	28,897	(568)	102.0%	5,803	-9.8%	585	1,068	182.6%	(584)

*Data for 2015 not available from actuaries at date of issuance

Total In-State Enrollment by County

Fall, 2014-15 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 68,649 students for the 2014-15 fall semester. The breakdown was West Lafayette, 38,770, Calumet, 9,501, Fort Wayne, 13,214, North Central 6,177, Statewide Technology, 987. Enrollment numbers do not include 5,767 Purdue University students at Indiana University-Purdue University Indianapolis. Although students came to Purdue from all over the world, 65% system-wide came from within Indiana.

County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
Adams	73	500	2	575
Allen	823	7,012	1	7,836
Bartholomew	185	30	63	278
Benton	79	4	5	88
Blackford	13	35	1	49
Boone	433	10	1	444
Brown	16	3	5	24
Carroll	134	7	8	149
Cass	119	29	9	157
Clark	81	3	65	149
Clay	35	2		37
Clinton	156	7	15	178
Crawford	6	1	2	9
Daviess	23	1	3	27
DeKalb	81	562		643
Dearborn	115	7	2	124
Decatur	68	3	8	79
Delaware	93	40	19	152
Dubois	138	4	5	147
Elkhart	316	204	21	541
Fayette	21	1	12	34
Floyd	108	7	52	167
Fountain	79	-	4	83
Franklin	58	5	3	66
Fulton	67	143	1	211
Gibson	51	4	1	56
Grant	90	85	4	179
Greene	35	4	1	40
Hamilton	1,847	52	15	1,914
Hancock	251	12	6	269
Harrison	39	1	31	71
Hendricks	548	27	4	579

County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
Henry	70	6	14	90
Howard	273	26	64	363
Huntington	77	347	2	426
Jackson	79	4	14	97
Jasper	110	318	1	429
Jay	27	23	3	53
Jefferson	49	4	7	60
Jennings	17	2	5	24
Johnson	295	18	8	321
Knox	57	3	8	68
Kosciusko	190	6,595	3	6,788
La Porte	196	1,644	2	1,842
Lagrange	53	320		373
Lake	1,167	1,374	1	2,542
Lawrence	72	8	1	81
Madison	176	60	49	285
Marion	1,474	94	15	1,583
Marshall	145	103	11	259
Martin	10	3	3	16
Miami	73	25	13	111
Monroe	148	26	3	177
Montgome	143	3	3	149
Morgan	128	15	2	145
Newton	36	96	1	133
Noble	72	561		633
Ohio	2	-		2
Orange	22	1	4	27
Owen	16	2	1	19
Parke	32	-		32
Perry	19	-	1	20
Pike	14	1		15
Porter	455	2,992		3,447

County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
Posey	71	2		73
Pulaski	47	28	1	76
Putnam	76	2	1	79
Randolph	34	10	2	46
Ripley	68	5	3	76
Rush	32	2	3	37
Scott	14	1	9	24
Shelby	74	6	3	83
Spencer	51	1	3	55
St Joseph	748	186	103	1,037
Starke	36	197	1	234
Steuben	65	275	1	341
Sullivan	12	3		15
Switzerland	9	-		9
Tippecanoe	2,968	66	88	3,122
Tipton	58	5	11	74
Union	10	1	3	14
Vanderburg	218	9		227
Vermillion	16	-		16
Vigo	79	10	1	90
Wabash	73	204	3	280
Warren	59	-	2	61
Warrick	112	6		118
Washington	41	1	24	66
Wayne	86	10	38	134
Wells	68	438		506
White	150	12	4	166
Whitley	73	539		612
Unknown	1,246	19	16	1,281
Total	**18,472**	**25,517**	**928**	**44,917**

Acknowledgements

The following staff members of the Treasurer's Office prepared the 2014-15 Financial Report.

Kendra A. Cooks, *Comptroller*

Kathleen E. Thomason, *Assistant Comptroller of Accounting and Reporting Services*

Stacy L. Brown, *Endowment Accountant*

Lisa A. Geisler, *Property Accounting Manager*

Kimberly K. Hoebel, *Assistant Comptroller of Managerial Accounting Services*

Aaron Jackson, *Unrestricted/Restricted Funds Accountant*

Natalie Miller, *Assistant Systems and Reporting Accountant*

Brigette L. Samuelson, *Plant Funds Accountant*

Jamaal Smith, *Systems and Reporting Accountant*

Nicole Smith, *Assistant Plant Funds Accountant*

Stacy L. Umlauf, *Manager of Financial Reporting*

Katherine Vanderwall, *Manager of Fund Accounting*

JoAnn Wiley, *Gift Funds Accountant*

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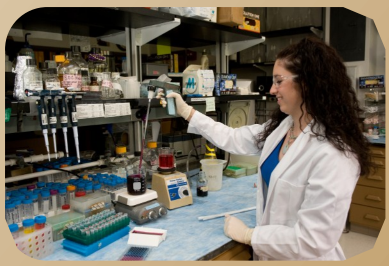

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