INDIANA UNIVERSITY FOUNDATION

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors of the
Indiana University Foundation
Bloomington, Indiana

We have audited the accompanying financial statements of the Indiana University Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana University Foundation as of June 30, 2015 and 2014, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 30, 2015

INDIANA UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014
(In thousands of dollars)

	2015	2014
ASSETS		
CASH AND CASH EQUIVALENTS	$ 87,396	$ 102,714
CASH COLLATERAL UNDER SECURITIES LENDING AGREEMENT	95,016	98,766
RECEIVABLES AND OTHER ASSETS	52,799	36,973
PROMISES TO GIVE - NET	154,819	159,539
INVESTMENTS	2,190,545	2,147,618
PROPERTY, PLANT, AND EQUIPMENT - NET	44,452	50,894
TOTAL ASSETS	$ 2,625,027	$ 2,596,504
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other	$ 37,198	$ 25,725
Payable under securities lending agreement	95,016	98,766
Debt	53	2,990
Accrued trust obligation to life beneficiaries	35,384	36,441
Assets held for the University	232,308	243,118
Assets held for University affiliates	39,092	24,290
Total liabilities	439,051	431,330
NET ASSETS:		
Unrestricted net assets	54,614	51,363
Temporarily restricted net assets	839,191	841,110
Permanently restricted net assets	1,292,171	1,272,701
Total net assets	2,185,976	2,165,174
TOTAL LIABILITIES AND NET ASSETS	$ 2,625,027	$ 2,596,504

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

INDIANA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(In thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions — net	$ 3,085	$ 74,711	$ 46,181	$ 123,977
Investment income — net	6,790	73,198	(26,946)	53,042
Management/administrative fees	17,330	(14,614)	(38)	2,678
Grants	-	10,784	-	10,784
Other income	10,528	6,127	1,349	18,004
Development service fees from the University	4,923	-	-	4,923
Net assets released from restriction	150,079	(150,488)	409	-
Total revenue and support	192,735	(282)	20,955	213,408
EXPENDITURES:				
Program expenditures	156,755	-	-	156,755
Management and general	11,432	1,334	956	13,722
Fundraising	21,241	-	-	21,241
Change in value of split interest agreement obligation	56	303	529	888
Total expenditures	189,484	1,637	1,485	192,606
Total change in net assets	3,251	(1,919)	19,470	20,802
BEGINNING NET ASSETS	51,363	841,110	1,272,701	2,165,174
ENDING NET ASSETS	$ 54,614	$ 839,191	$ 1,292,171	$ 2,185,976

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

INDIANA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions — net	$ 1,326	$ 100,418	$ 44,313	$ 146,057
Investment income — net	13,281	123,736	122,243	259,260
Management/administrative fees	16,420	(13,669)	(39)	2,712
Grants	-	5,400	-	5,400
Other income	9,940	4,893	660	15,493
Development service fees from the University	4,923	-	-	4,923
Net assets released from restriction	138,827	(139,607)	780	-
Total revenue and support	184,717	81,171	167,957	433,845
EXPENDITURES:				
Program expenditures	144,998	-	-	144,998
Management and general	11,683	3,994	(218)	15,459
Fundraising	17,741	-	-	17,741
Change in value of split interest agreement obligation	(318)	(1,034)	(4,889)	(6,241)
Total expenditures	174,104	2,960	(5,107)	171,957
Total change in net assets	10,613	78,211	173,064	261,888
BEGINNING NET ASSETS	40,750	762,899	1,099,637	1,903,286
ENDING NET ASSETS	$ 51,363	$ 841,110	$ 1,272,701	$ 2,165,174

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

INDIANA UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(In thousands of dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 20,802	$ 261,888
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,982	2,785
(Increase) decrease in discount on promises to give	(3,443)	7,376
Change in allowance on promises to give	175	920
Gain on investments	(60,735)	(265,232)
Real estate assets donated to the University	789	64
Gain on sale of property, plant and equipment	(231)	(11)
(Increase) decrease in receivables and other assets	(15,825)	15,708
Decrease (increase) in promises to give	7,988	(25,468)
Increase (decrease) in accounts payable and other	11,474	(13,841)
(Decrease) increase in split interest agreement obligation	(1,058)	255
Increase in assets held for the University and University affiliates	3,993	39,659
Contributions restricted for long-term purposes related to permanent endowments, charitable remainder trusts and annuities	(50,868)	(58,206)
Net cash used in operating activities	(84,957)	(34,103)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale/transfer of property, plant and equipment	4,433	31
Proceeds from sales of investments	2,183,349	2,088,043
Purchases of investments	(2,165,543)	(2,095,346)
Purchases of property, plant and equipment	(531)	(539)
Net cash provided by (used in) investing activities	21,708	(7,811)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long term purposes related to permanent endowments, charitable remainder trusts and annuities:		
Endowment	50,310	56,248
Trust and other	558	1,958
Payments on debt	(2,937)	(854)
Net cash provided by financing activities	47,931	57,352
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,318)	15,438
CASH AND CASH EQUIVALENTS — Beginning of year	102,714	87,276
CASH AND CASH EQUIVALENTS — End of year	$ 87,396	$ 102,714
SUPPLEMENTAL DATA:		
Cash paid for interest	$ 262	$ 516
Gifts of securities, life insurance, consulting services, real and personal property at fair value	$ 14,669	$ 6,251

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

1. ORGANIZATION AND OPERATIONS

The Indiana University Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The corporate purposes of the Foundation are to raise, receive, hold, invest and administer property and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation, Riley Children's Foundation, the Indiana University Research & Technology Corporation, Indiana University Health, the Indiana University Alumni Association, and certain medical practice plans), herein referred to as the "University."

The mission of the Foundation is to maximize private support for Indiana University by fostering lifelong relationships with key stakeholders and providing advancement leadership and fundraising services for campuses and units across the university.

The Foundation was originally incorporated in 1936 and is empowered to perform a wide range of services and conduct a variety of activities that support the University as it carries out its missions of teaching, research, and public service. The Foundation conducts general and special purpose fundraising programs, receives and acknowledges gifts for the benefit of the University, administers those gifts to ensure that they are used as specified by the donor, invests those gifts, serves as trustee for certain types of planned gift arrangements, and provides other services for the benefit of the University as requested from time to time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unrestricted Net Assets — The unrestricted net asset class includes the general and board designated assets and liabilities of the Foundation. Revenue and support received by the Foundation, without explicit donor restrictions, are reported as unrestricted. Certain fees and other income earned by the Foundation are also reported as unrestricted. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors (Board) to support the Foundation's purposes and operations.

Temporarily Restricted Net Assets — The temporarily restricted net asset class includes expendable assets and certain related liabilities. Temporarily restricted assets relate to donor gifts and assets held in trust with explicit time or purpose restrictions, are generally restricted by donors and may be utilized only in accordance with the purpose restriction established by the donors. When donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction and expended from unrestricted net assets.

Permanently Restricted Net Assets — The permanently restricted net asset class includes nonexpendable assets and certain related liabilities where the donor has restricted the gift corpus in perpetuity. The donor's permanent endowment or assets held in trust are included in permanently restricted net assets at its market value. This includes the original gift value, any donor directed reinvestment of earnings, and the related appreciation or depreciation absent explicit donor stipulations to the contrary.

Assets Held for the University and Affiliates – The Foundation invests and administers net assets owned by the University and its affiliates under a management and custodial agreement. These are reflected as liabilities on the Statement of Financial Position.

Reclassification of Donor Intent — At times, the Foundation receives requests by donors or their designees to change the use for which their original gift was intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net asset classes. Reclassifications of donor intent of $409 and $780 are reflected in the Statements of Activities as net assets released from restriction for the years ended June 30, 2015 and 2014, respectively.

Securities Lending — The Foundation has a securities lending agreement and guaranty with The Bank of New York Mellon Corporation. Cash, US Government securities, and/or letters of credit can collateralize the loaned securities. Collateral required is at least 102% of the current market value of the loaned securities. Income earned from the secured lending transactions is recorded as investment income. The Foundation continues to carry the loaned securities as its assets. In addition, the Foundation has recorded an asset and offsetting liability of $95,016 and $98,766 as of June 30, 2015 and 2014, respectively, to reflect the cash collateral related to the lent securities under the securities lending agreement.

Contributions — Contributions are irrevocable voluntary transfers from donors of assets in the form of gifts of property, including cash, marketable securities, real estate investments, life insurance policies, trusts, works of art, software and licensing rights, and other non-cash gifts and are recorded at fair market value on the date of the gift. Grants recorded as contributions are irrevocable voluntary transfers of assets held, administered and maintained for investment purposes at the Foundation and are also recorded at fair market value on the date the grant was awarded. Unconditional promises to give are recorded as receivables and contribution revenue in the appropriate net asset class when received. Promises to give are recorded at present value, less an allowance for uncollectible amounts, to reserve against future bad debt losses. Management estimates the uncollectable reserve annually based on past due pledge installments and evaluates the estimate against actual results to determine reliability of the estimate. Promises to give include pledges, contracts, irrevocable trusts held by third parties, life insurance premiums, and bequests payable under validated estates.

Management/Administrative Fees — A fee is charged to accounts within each net asset class for which the Foundation manages investments. This management fee is charged based on the market value and type of investments managed. These fees are used for the administration of the Foundation's management and fundraising operations.

Grants — Private research grants are received from donors to support the University's research programs. Research grants are distributed in accordance with the grant by the account manager.

Other Income — Unrestricted other income is comprised primarily of the following: reimbursements from the University for the cost of direct support of certain fundraising activities; receipts from various program operations, including real estate, air services, the Student Foundation, women's programs, and other miscellaneous programs; and the change in the cash surrender value of life insurance policies. Temporarily and permanently restricted other income is comprised primarily of amounts received from the University with donor related restrictions for activities and events, the change in the cash surrender value of life insurance policies, and departmental support to the IU School of Medicine from medical practice plans. These plans, which are associated with the University, operate as separate legal entities. The income received from these plans support the related University medical departments as specified.

Expenditures — Expenditures have been classified as program, management and general or fundraising based on actual expenditures or cost allocations using estimates of time spent by Foundation personnel. Program expenditures include real estate, air services, the Student Foundation, women's programs, and other miscellaneous programs.

Cash and Cash Equivalents — The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value.

Fair Value of Financial Instruments — Investments are stated at fair value and are recorded on the trade date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Foundation uses various valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values might be materially higher or lower than the values that would have been used had a readily available market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation and/or the investment managers in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation.

The Foundation’s investments include investments in private equity funds, real estate funds, hedge funds, fixed income funds, and direct equity investments. Exchange-traded direct equity investments are generally valued based on quoted prices from the exchange. Those that are actively traded are categorized in Level 1 of the fair value hierarchy. Fair value of debt securities is determined in the following order, as available, (1) last reported sale, (2) quotation reporting system, (3) established market maker, or (4) pricing service.

The Foundation created a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value (NAV) per share or its equivalent. After initial recognition, in determining the fair value of internally and externally managed funds, the Foundation considers the NAV of the fund provided by the fund manager to be the best estimate of fair value. This disclosure is presented in Note 4.

For non-exchange traded investments either held directly or held within internally managed funds, fair value after initial recognition is based on an assessment of each underlying investment, considering rounds of financing and third-party transactions, discounted cash flow analyses and market-based information, including comparable company transactions, trading multiples and changes in market outlook, and other factors including liquidity. For non-exchange traded private equity funds, real estate funds, hedge funds, fixed income funds and direct equity investments valued using NAV per share or its equivalent, the Foundation considers the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment shall be categorized as a Level 2 or a Level 3 fair value measurement. Those funds that are redeemable within 90 days are categorized as Level 2.

Endowments — The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Indiana's "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value providing for intergenerational equity. The value of a donor's permanent endowment classified as permanently restricted net assets is its market value. Market value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment, and net realized and unrealized gains absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Where the Board designates unrestricted funds to function as endowments, they are classified as unrestricted net assets. Where the Board designates donor restricted non-endowment funds to function as endowments, they are classified as temporarily restricted net assets.

Property, Plant and Equipment — Property, plant and equipment are recorded at cost at the date of acquisition or, if received by gift, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Purchased real estate held to benefit the University is recorded as property, plant and equipment and is depreciated over its estimated useful life, generally 20 years.

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Management has not identified any triggering events during the years ended June 30, 2015 and 2014.

Split Interest Agreements — The Foundation has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The Foundation is also the beneficiary of charitable trusts held by third party trustees that are accounted for as promises to give. Contributions related to split interest agreements totaled $558 and $2,454 for the years ended June 30, 2015 and 2014, respectively. At the date of contribution, the Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. The Foundation's split interest agreement obligation fair value has been categorized based upon a fair value hierarchy in accordance with *Fair Value Measurements and Disclosures,* Accounting Standards Codification 820 (ASC 820). All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques. The Foundation took into account historical and projected cash flow and net income, collectibility and default rates. Specifically, the present value of estimated payments is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 1.0% to 10.2%. The preceding method described produces a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Foundation believes its valuation methods are appropriate and consistent with other market participants, and the use of different methodologies or assumptions to determine the fair value of similar liabilities could result in a different fair value measurement at the reporting date. The annual change in the value of the split interest agreement obligation to life beneficiaries, as reflected in the Statement of Activities, primarily represents the change in actuarial assumptions as well as the revenue and expense of the trust.

A summary of assets held and the obligation related to split interest agreements as of June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015	**2014**
Assets:		
Charitable remainder trusts	$ 38,851	$ 39,776
Charitable gift annuities	32,032	33,084
Total	$ 70,883	$ 72,860
Liabilities — split interest agreement obligation	$ 35,384	$ 36,441

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. The Foundation maintains reserves and a surplus of such reserves in an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts. These reserves shall not be applied for the payment of debts and obligations of the Foundation or for any purpose other than payment of the annuity benefits.

Income Taxes — The Foundation is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except for income taxes on unrelated business income that are not significant. Contributions to the Foundation are deductible under Section 170(b)(1)(A)(iv) of the Code.

Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes,* prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2012. As of June 30, 2015, the Foundation has no uncertain tax positions.

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

Recently Issued Accounting Standards — In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. For nonpublic entities, the guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. The Foundation is currently evaluating the standard to determine application date, transition method, and impact the standard will have on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and to develop a common revenue standard for Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The amendments in this guidance state that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. For nonpublic entities, the guidance is effective for annual reporting periods beginning after December 15, 2017, with early adoption not permitted. An entity should apply the amendments in this update retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. On July 9, 2015, the FASB approved a one year deferral of the effective date to December 15, 2018 with early adoption permitted, but not before the original effective date of December 15, 2017. The Foundation is currently evaluating the standard to determine application date, transition method, and impact the standard will have on the financial statements.

3. PROMISES TO GIVE

A summary of promises to give as of June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015	2014
Promises to give	$ 191,241	$ 199,229
Allowance	(10,048)	(9,873)
Discount	(26,374)	(29,817)
Promises to give — net	$ 154,819	$ 159,539

Unconditional promises to give to the Foundation are due in the following periods:

	2015	2014
One year or less	$ 22,093	$ 22,142
Between one year and five years	61,286	61,749
More than five years	71,440	75,648
	$ 154,819	$ 159,539

Discount rates used to present value promises to give, based on the IRS issued Applicable Federal Rate, range between 1.0% and 8.2%.

The Foundation's promises to give recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques. The Foundation took into account historical and projected cash flow and net income, collectibility and default rates. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

4. INVESTMENTS

A summary of total investment income for the years ended June 30, 2015 and 2014 is as follows (dollar amounts presented in thousands):

	2015	2014
Dividend, interest and other investment income	$ 6,632	$ 8,772
Net realized and unrealized gains (losses) on investments	51,287	255,266
Outside investment management fees	(4,877)	(4,778)
Total investment income, including net gains (losses) — net of outside investment management fees	$ 53,042	$ 259,260

The Foundation's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. The following tables present information about the Foundation's investments by security type measured at fair value as of June 30, 2015 and 2014 (dollar amounts presented in thousands):

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Domestic equities	$ 391,784	$ 154,717	$ 490	$ 546,991
International equities	279,049	-	-	279,049
Domestic fixed income	16,640	251,355	4,201	272,196
International fixed income	2,825	47,179	-	50,004
Cash equivalents	22,828	-	-	22,828
Alternative investments:				
Hedged equity funds	-	-	135,109	135,109
Absolute return funds	-	-	291,201	291,201
Venture capital funds	-	-	170,977	170,977
Buyout funds	-	-	126,997	126,997
Distressed/special situation funds	-	-	35,462	35,462
Real estate funds	-	-	76,376	76,376
Alternative fixed income	-	-	39,354	39,354
Natural resource funds	-	-	90,861	90,861
Public inflation hedge	-	31,786	-	31,786
Direct commercial real estate	-	-	20,694	20,694
Mortgage securities	-	-	660	660
Total	$ 713,126	$ 485,037	$ 992,382	$ 2,190,545

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Domestic equities	$ 352,023	$ 135,812	$ 483	$ 488,318
International equities	281,654	52,891	-	334,545
Domestic fixed income	67,312	218,465	2,113	287,890
International fixed income	-	39,407	-	39,407
Cash equivalents	33,122	-	-	33,122
Alternative investments:				
Hedged equity funds	-	-	120,316	120,316
Absolute return funds	-	-	277,944	277,944
Venture capital funds	-	-	122,883	122,883
Buyout funds	-	-	131,693	131,693
Distressed/special situation funds	-	-	42,562	42,562
Real estate funds	-	-	95,181	95,181
Alternative fixed income	-	-	15,704	15,704
Natural resource funds	-	-	99,465	99,465
Public inflation hedge	-	40,027	-	40,027
Direct commercial real estate	-	-	17,878	17,878
Mortgage securities	-	-	683	683
Total	$ 734,111	$ 486,602	$ 926,905	$ 2,147,618

There were no significant transfers between Levels 1 and 2 for the years ended June 30, 2015 and 2014. Changes in Level 3 assets measured at fair value as of and for the years ended June 30, 2015 and 2014 follow (dollar amounts presented in thousands):

	2015	2014
Beginning balance	$ 926,905	$ 856,692
Realized and unrealized gains	63,825	117,519
Purchases	154,392	82,479
Sales	(152,740)	(129,785)
Ending balance	$ 992,382	$ 926,905

Included in the Statements of Financial Position and Statements of Activities is the fair value of derivative instruments and the related net gain (loss) as of and for the years ended June 30, 2015 and 2014. The gross and net credit risk associated with the related counterparties on these open derivative positions is insignificant. The market risk is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest.

The Foundation held gross derivative assets and liabilities that net to $1,042 and $665, recognizing a gain of $3,499 and $9,502 as of and for the years ended June 30, 2015 and 2014.

The Foundation's alternative investments include investments in: (1) private equity such as venture capital and leveraged buyouts and other private capital funds; (2) absolute return/hedged equity strategies; (3) fixed income funds; and (4) inflation hedge strategies, including real estate and natural resources. These investments are valued at NAV per share or its equivalent. The Foundation's asset allocation policy allocates up to 51% in these types of investments. A summary of the alternative investments categorized by major security type, with a description of the investment managers' strategies, and the nature of any restrictions to redeem the investment value as of June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015		2014		
	Fair Value	Unfunded Commitments	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedged equity funds [(a)]	$135,109	$ -	$120,316	monthly, quarterly, semi-annually, annually	30–90 days
Absolute return funds [(b)]	291,201	572	277,944	monthly, quarterly, semi-annually, annually	33–95 days
Venture capital funds [(c)]	170,977	62,436	122,883		
Buyout funds [(d)]	126,997	110,946	131,693		
Distressed/special situation funds [(e)]	35,462	21,490	42,562		
Real estate funds [(f)]	76,376	82,191	95,181		
Alternative fixed income [(g)]	39,354	23,482	15,704		
Natural resources funds [(h)]	90,861	75,594	99,465		
Public inflation hedge [(I)]	31,786	-	40,027	monthly	10 days
Total	$998,123	$ 376,711	$945,775		

[a] This category includes investments in hedge funds that invest globally in both long and short common stocks across all market capitalizations. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures. The fair values of the investments in this category are based on the net asset value per share of the investment.

[b] This category includes investments in hedge funds that invest opportunistically across various strategies including long/short equity, fixed income, distressed credit, merger arbitrage, convertible arbitrage, etc. The fair values of the investments in this category are based on the net asset value per share of the investment. As of June 30, 2015, 52.3% of the total Marketable Alternative Investments (Hedged equity funds and Absolute return funds) could be redeemed in 0-6 months, an additional 20.7% could be redeemed between 7-12 months, another 22.2% could be redeemed between 13- 24 months, and 1.9% could be redeemed between 25-36 months. The remaining 2.9% is designated as illiquid investments.

[c] This category includes funds which invest primarily in early-stage companies in the technology and life science sectors. The nature of investments in this category is that money is distributed as underlying companies are exited via acquisition or Initial Public Offering (IPO). The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[d] This category includes private equity funds that invest across sectors primarily in the United States, but also internationally. The nature of investments in this category is that money is distributed as underlying companies are recapitalized or exited via acquisition or IPO. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[e] This category includes funds that are focused on distressed or secondary investments. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[f] This category includes funds that invest primarily in U.S. commercial real estate, but also includes real estate funds focused on Europe and Asia. The real estate exposure can include both publicly traded Real Estate Investment Trust funds and private partnerships. The typical life of a partnership is 10 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[g] This category includes funds focused primarily on direct lending across the corporate and real estate sectors. The investments are structured to provide a steady stream of income to the Foundation based on floating interest rate loans. The typical life of a partnership is 5 years but is subject to extensions. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[h] This category includes funds that are focused on direct energy, mining and minerals, and timber. The typical life of a partnership is 10 years but is subject to extensions. Certain funds in this category will provide an income stream as the underlying commodity is harvested/sold. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2015.

[i] This category includes funds that invest in equity and equity-related securities, commodity derivatives, fixed income obligations, and derivatives related to equity, fixed income, and commodity securities.

5. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015	2014
Land and buildings	$ 61,678	$ 67,141
Aircraft and related facilities	-	343
Information and technology equipment	2,598	4,003
Other	3,135	3,096
	67,411	74,583
Accumulated depreciation	(22,959)	(23,689)
Total property, plant and equipment — net	$ 44,452	$ 50,894

6. ENDOWMENTS

The Foundation's endowment consists of 5,334 and 5,157 individual funds as of June 30, 2015 and 2014, respectively. The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2015 and 2014 (dollar amounts presented in thousands):

Endowment Net Asset Composition by Class as of June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 628,597	$ 1,204,381	$ 1,832,978
Board-designated endowment funds	29,212	-	-	29,212
Total funds	$ 29,212	$ 628,597	$ 1,204,381	$ 1,862,190

Endowment Net Asset Composition by Class as of June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 615,387	$ 1,179,007	$ 1,794,394
Board-designated endowment funds	29,090	-	-	29,090
Total funds	$ 29,090	$ 615,387	$ 1,179,007	$ 1,823,484

Endowment Net Asset Composition by Class as of and for the Year Ended June 30, 2015	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	$ 29,090	$ 615,387	$ 1,179,007	$ 1,823,484
Investment income (loss)	1,589	58,298	(26,847)	33,040
Contributions and other revenue	96	36,657	49,518	86,271
Appropriation of endowment assets for expenditure	(1,563)	(81,745)	2,703	(80,605)
End of year	$ 29,212	$ 628,597	$ 1,204,381	$ 1,862,190

Endowment Net Asset Composition by Class as of and for the Year Ended June 30, 2014	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	$ 26,084	$ 561,438	$ 995,284	$ 1,582,806
Investment income (loss)	5,166	106,851	121,518	233,535
Contributions and other revenue	538	38,428	56,327	95,293
Appropriation of endowment assets for expenditure	(2,698)	(91,330)	5,878	(88,150)
End of year	$ 29,090	$ 615,387	$ 1,179,007	$ 1,823,484

Net assets include nonexpendable and expendable assets related to donor gifts and assets held in perpetuity or held in trust with explicit time or purpose restrictions. These can be held either for the benefit of the Foundation or for the benefit of the University.

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets as of June 30, 2015 and 2014 (dollar amounts presented in thousands):

		2015	
Permanently Restricted Net Assets	**Foundation**	**University**	**Total**
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 23,700	$ 1,180,681	$ 1,204,381
Temporarily Restricted Net Assets			
Term endowment funds	$ 3,764	$ 435,285	$ 439,049
The portion of perpetual endowments subject to a time and purpose restriction under UPMIFA	-	189,548	189,548
Total endowment funds classified as temporarily restricted net assets	$ 3,764	$ 624,833	$ 628,597

Permanently Restricted Net Assets	2014 Foundation	University	Total
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 23,641	$ 1,155,366	$ 1,179,007
Temporarily Restricted Net Assets			
Term endowment funds	$ 3,784	$ 428,633	$ 432,417
The portion of perpetual endowments subject to a time and purpose restriction under UPMIFA	-	182,970	182,970
Total endowment funds classified as temporarily restricted net assets	$ 3,784	$ 611,603	$ 615,387

Return Objectives and Risk Parameters — The primary investment objective of the Foundation's asset management program is to achieve an annualized total return equal to or greater than the rate of inflation, net of fees and expenses, in order to maintain the purchasing power of those assets. The assets are managed in a manner that will not only meet the primary investment objective, but also seek growth above the objective and attempt to limit volatility for year-to-year spending.

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return that exceeds the distribution rate, inflation, and administrative fees of the endowment, while assuming a prudent level of investment risk. Actual results may not be sufficient to achieve this over some shorter time frames.

Strategies Employed for Achieving Investment Objectives — To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. Endowment assets will be invested in the Foundation's Pooled Long-Term Fund. Operating funds will typically be invested in the Pooled Short-Term Fund. An additional option is the Pooled Intermediate-Term Fund, which will fill a need for those operating funds that are due to be spent 6 months to 2 years from the time the cash is received. The Foundation's Investment Committee understands the long-term nature of the endowment assets and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection. Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Pooled Long-Term Fund, but is a residual to the investment process and used to meet the short-term liquidity needs.

Relationship of Spending Policy to Investment Objectives — The Foundation determines the method to be used to make endowment distributions to the University. In establishing a method, the Foundation considers the expected long-term rate of return on the investment of the Foundation's endowment funds. Over the long-term, the Foundation expects the spending policy to allow the endowment to grow at a sufficient rate to maintain the purchasing power of the endowment assets over time, sometimes referred to as intergenerational equity, as well as to provide additional real growth through new gifts. Effective July 1, 2011 the Foundation determined that distributions will continue to be based upon a 12-quarter rolling average of the market value of the Pooled Long-Term Fund, but constrained by inflation bands that will limit the distributions to fall within 2 times inflation on the growth side and 1 times inflation on the down side, based on what was distributed in the previous year. The inflation factor is calculated as a rolling 5 year average of the Consumer Price Index. Additionally, the distribution rate is reduced 8.3 basis points per year over 6 years resulting in a 4.5% distribution rate in fiscal year 2016–2017. The expectation is that these inflation bands will prevent distributions from fluctuating widely. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

7. DEBT

A summary of debt as of June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015	2014
Fixed rate unsecured term note related to the financing of real estate purchased for the University with a rate of 4.7% per annum.	$ -	$ 2,932
Other debt	53	58
Total debt	$ 53	$ 2,990

The carrying value of this debt approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Scheduled principal payments for the next five years and thereafter as of June 30, 2015 are: $53 in 2016; $0 thereafter. The Foundation's debt instruments contain certain financial and non-financial restrictive covenants.

8. RESTRICTED NET ASSETS

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2015 and 2014 are as follows (dollar amounts presented in thousands):

	2015	
	Temporarily Restricted	**Permanently Restricted**
Foundation operations	$ 9,434	$ 25,164
University programs:		
Awards	5,806	9,601
Capital and capital improvements	110,701	2,565
Fellowships/lectureships	23,075	97,946
General endowments	280,401	288,851
Medical practice plans	35,002	-
Operations	75,497	4,392
Professorships/chairs	120,439	335,316
Research	37,225	66,773
Scholarships	141,611	461,563
Total	$ 839,191	$ 1,292,171

	2014	
	Temporarily Restricted	**Permanently Restricted**
Foundation operations	$ 9,247	$ 25,512
University programs:		
Awards	7,327	9,542
Capital and capital improvements	116,697	2,515
Fellowships/lectureships	22,744	99,260
General endowments	273,850	283,792
Medical practice plans	40,092	-
Operations	74,692	5,456
Professorships/chairs	124,508	328,107
Research	34,908	59,183
Scholarships	137,045	459,334
Total	$ 841,110	$ 1,272,701

9. RETIREMENT PLAN

The Foundation maintains the Indiana University Foundation Section 403(b) Annuity Plan (Plan), a defined contribution retirement plan available to all eligible employees. The Foundation Investment Retirement Committee administers the operation of the Plan. The Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), American United Life Insurance Company and Variable Annuity Life Insurance Company serve as the custodians of the Plan. Effective September 1, 2014, all trustee services are consolidated with TIAA-CREF. To be an eligible employee, you must be an individual who is customarily employed on a regular basis of 20 or more hours a week, is a full-time employee or has completed a year of eligibility service. A year of eligibility service is defined as working 1,000 hours or more, during a period of 12 consecutive months. The Plan, a separately administered defined contribution 403(b) retirement plan, provides individual retirement accounts for each eligible participating employee. Participants are fully vested after 2 years. Benefits to retired participants are based on the value of the individual retirement account at the date of retirement. The total contribution is 10% of the participant's annual salary up to the social security wage base and 15% on annual salary in excess of the social security wage base. The Foundation's policy is to fund retirement costs related to this plan as incurred. Retirement expense related to this plan amounted to $1,939 and $1,534 for the years ended June 30, 2015 and 2014, respectively.

10. PROGRAM EXPENDITURES

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, the Student Foundation, air services, women's programs and other miscellaneous programs. These University-related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions for the University." For the years ended June 30, 2015 and 2014, a summary of these expenditures follows (dollar amounts presented in thousands):

		2015	
	Foundation	Unrestricted University (a)	Total
Program expenditures:			
Foundation programs:			
Real estate	$ 3,265	$ -	$ 3,265
Student Foundation	471	-	471
Air services	1,249	-	1,249
Women's programs	129	-	129
Miscellaneous	17	-	17
	5,131	-	5,131
Grants and aid to the University — operating support:			
University support	568	28,702	29,270
Student scholarship and financial aid	3	45,743	45,746
Faculty support	-	23,475	23,475
Faculty research	-	8,232	8,232
	571	106,152	106,723
Endowment and capital additions for the University — land, building and equipment purchases	-	44,901	44,901
Total program expenditures	$ 5,702	$ 151,053	$ 156,755

	2014		
	Unrestricted		
	Foundation	University (a)	Total
Program expenditures:			
Foundation programs:			
Real estate	$ 1,901	$ -	$ 1,901
Student Foundation	531	-	531
Air services	1,266	-	1,266
Women's programs	48	-	48
Miscellaneous	21	-	21
	3,767	-	3,767
Grants and aid to the University — operating support:			
University support	560	30,459	31,019
Student scholarship and financial aid	6	40,444	40,450
Faculty support	-	25,321	25,321
Faculty research	-	13,575	13,575
	566	109,799	110,365
Endowment and capital additions for the University — land, building and equipment purchases	-	30,866	30,866
Total program expenditures	$ 4,333	$ 140,665	$ 144,998

(a) These expenditures relate to temporarily restricted University net assets reclassified to unrestricted as the time or purpose restrictions are met. These amounts are included in the Statements of Activities as net assets released from restriction.

11. RELATED PARTY TRANSACTIONS

In addition to amounts and transactions disclosed in the preceding notes and financial statements, the following is a summary of related party transactions. These transactions have been summarized below by financial statement classification as reported in the Statements of Activities. Related parties include affiliates, board of directors, management, and members of their immediate families.

Revenue and Support:

Fees and Other Income — Included in unrestricted other income is direct support from the University for certain fundraising efforts as well as income from its program operations. For the years ended June 30, 2015 and 2014 the University provided development services support to the Foundation in the amount of $4,923 and reimbursed the Foundation for its direct support of campaign fundraising efforts in the amount of $595 for year ended June 30, 2015. As a part of the Foundation program operations, the Foundation received support from the University for each of the years ended June 30, 2015 and 2014, respectively, as follows: $5,017 and $4,539 of rental income for the lease of certain real estate; $673 and $1,090 for Telefund service fees related to its telephone fundraising operations; $1,228 and $1,243 for charter services; and $17,330 and $16,420 in management/administrative fees of which, $2,387 and $2,219 were received on custodial assets held for the University or University affiliates.

Contributions and Promises to Give — The Foundation includes related party contributions in the Statements of Activities and outstanding irrevocable promises to give in the Statements of Financial Position.

A summary of related party Contributions and Promises to Give as of and for the years ended June 30, 2015 and 2014 follows (dollar amounts presented in thousands):

	2015	**2014**
Contributions	$ 6,687	$ 9,043
Promises to give	88,292	75,954

Expenditures:

Investment Management Fee and Investments — As of June 30, 2015 and 2014, respectively, the Foundation owns partnership interests of $2,155 and $1,646 where a related party is a general partner. Management fees are outlined in individual partnership agreements and range from 1% to 2.5% of the annual capital commitments.

Management and General Expenses — Included in management and general expenses are fees paid to related parties for legal, insurance, leased real estate and financial services. For the years ended June 30, 2015 and 2014, these services total $70 and $61, respectively.

Program Expenditures — The Foundation operates a program to acquire on behalf of, lease to, and/or grant real estate to the University. Included in University support are the net book values of properties granted to the University totaling $789 and $64 for the years ended June 30, 2015 and 2014, respectively. In addition, program costs include maintenance and repair, utilities, insurance and taxes. Income received by the Foundation related to these operations is recorded in other income.

12. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 30, 2015, the date the financial statements were issued. No subsequent events requiring disclosure were identified.

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