Temple University —
Of The Commonwealth System of
Higher Education and its Subsidiaries

Consolidated Financial Statements and Supplemental Schedules as of and for the Years Ended June 30, 2017 and 2016, and Independent Auditors' Report

TEMPLE UNIVERSITY

INCORPORATED MAY 12, 1888

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Of The Commonwealth System Of Higher Education

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

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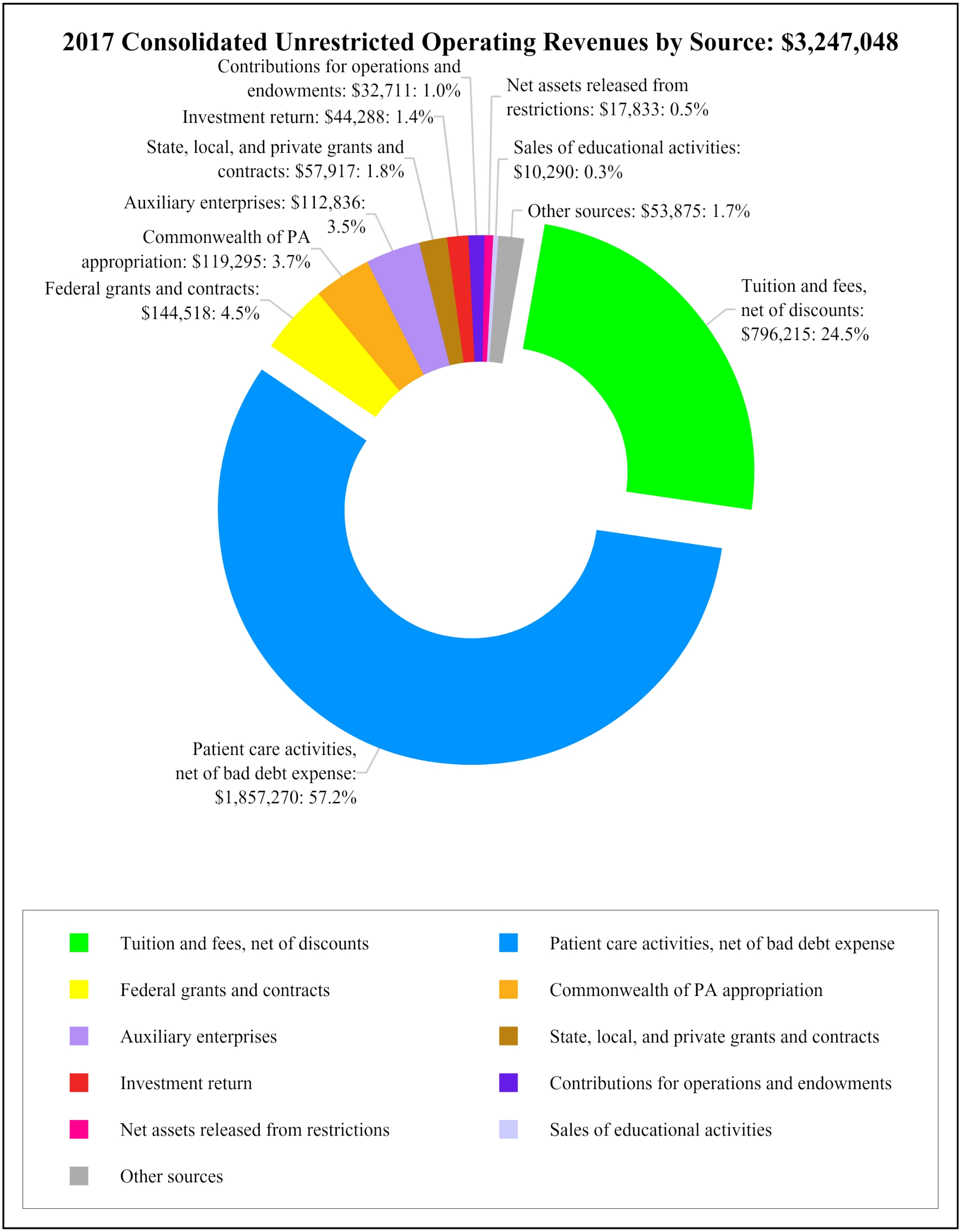
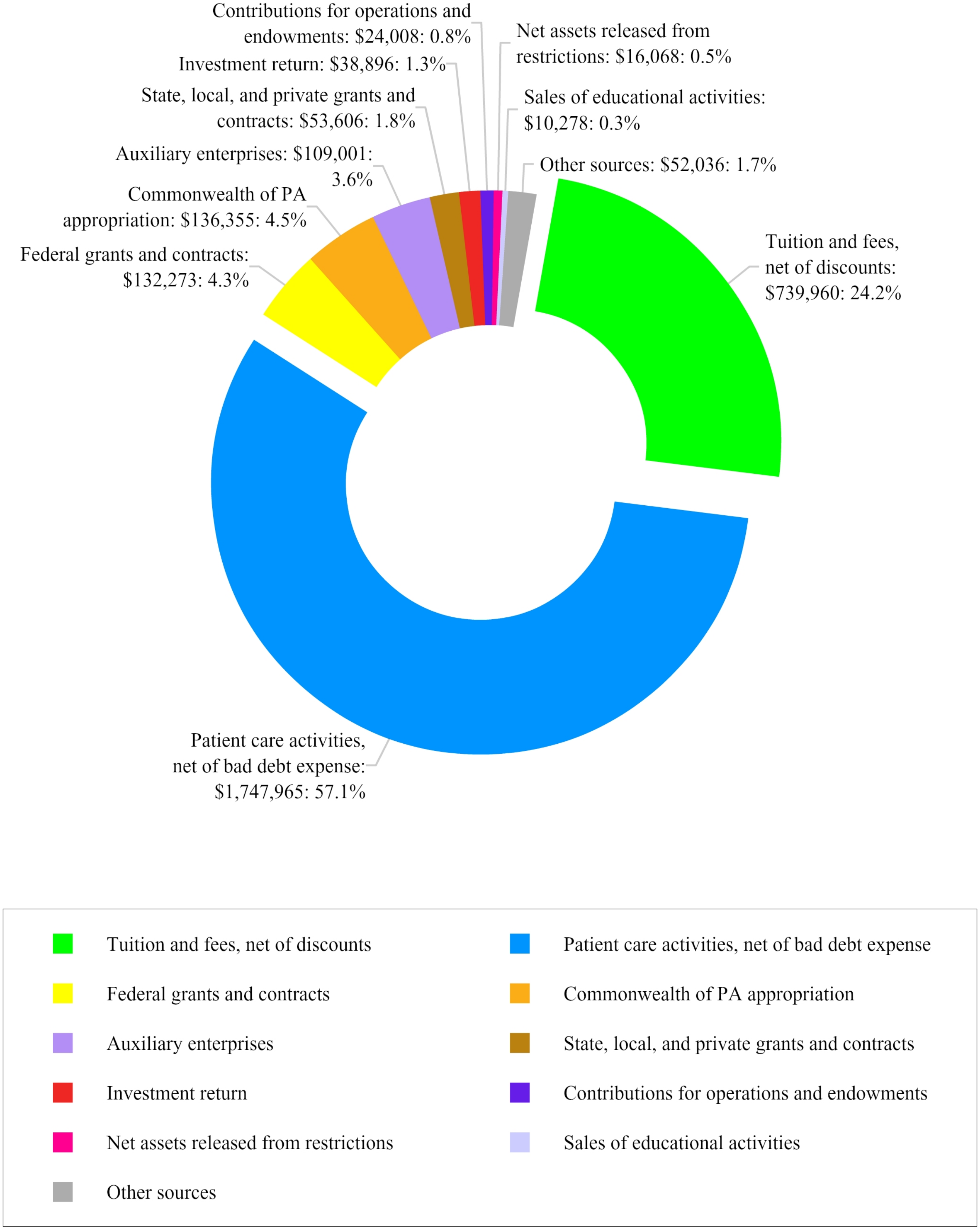
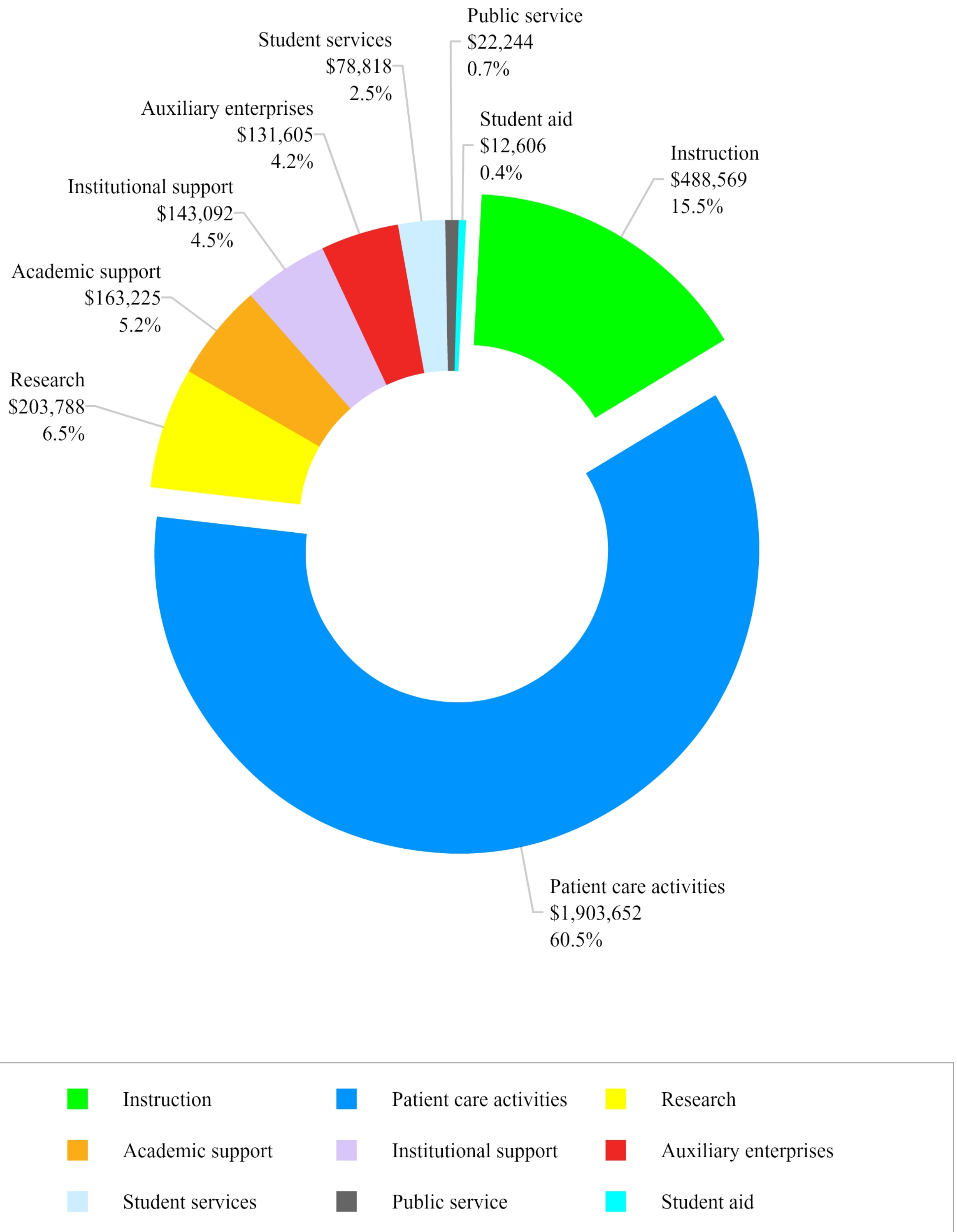

2017 Consolidated Unrestricted Operating Revenues by Source: $3,247,048
Contributions for operations and endowments: $32,711: 1.0%
Net assets released from restrictions: $17,833: 0.5%
Investment return: $44,288: 1.4%
State, local, and private grants and contracts: $57,917: 1.8%
Sales of educational activities: $10,290: 0.3%
Auxiliary enterprises: $112,836: 3.5%
Other sources: $53,875: 1.7%
Commonwealth of PA appropriation: $119,295: 3.7%
Federal grants and contracts: $144,518: 4.5%
Tuition and fees, net of discounts: $796,215: 24.5%
Patient care activities, net of bad debt expense: $1,857,270: 57.2%
Tuition and fees, net of discounts
Patient care activities, net of bad debt expense
Federal grants and contracts
Commonwealth of PA appropriation
Auxiliary enterprises
State, local, and private grants and contracts
Investment return
Contributions for operations and endowments
Net assets released from restrictions
Sales of educational activities
Other sources

2016 Consolidated Unrestricted Operating Revenues by Source: $3,060,446



TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
(in thousands)

2017 Consolidated Operating Expenses by Function: $3,147,599



TEMPLE UNIVERSITY —
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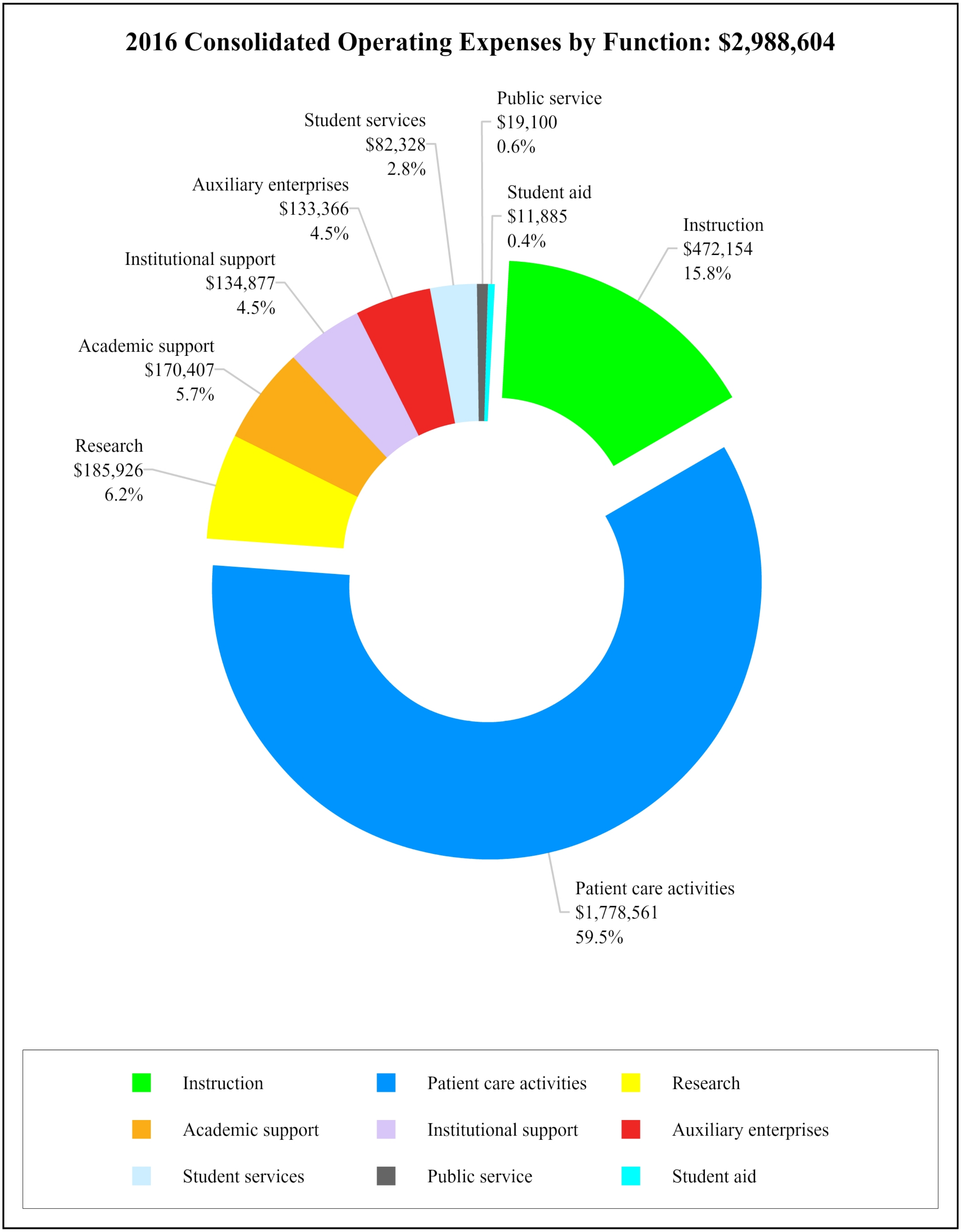
(in thousands)



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Temple University — Of The Commonwealth System of Higher Education
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of Temple University — Of The Commonwealth System of Higher Education and its subsidiaries ("Temple"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Temple University — Of The Commonwealth System of Higher Education and its subsidiaries as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages S-1 through S-3 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These supplemental schedules are the responsibility of Temple's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 26, 2017

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	June 30, 2017	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 272,137	$ 249,512
Investments and self-insurance trust funds	721,044	714,551
Accounts, loans, and contributions receivable, net	492,115	446,450
Inventories and other assets	50,637	54,518
Deposits with trustees	25,019	24,951
Total current assets	1,560,952	1,489,982
Non-current assets:		
Accounts, loans, and contributions receivable, net	147,894	135,946
Investments and self-insurance trust funds	773,392	692,652
Deposits with trustees	117,229	137,786
Other assets	34,482	24,942
Property, plant, and equipment, net	1,834,066	1,797,237
Goodwill and other intangible assets, net	21,044	21,875
Funds held in trust by others	151,609	135,641
Total non-current assets	3,079,716	2,946,079
Total assets	$ 4,640,668	$ 4,436,061
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 378,858	$ 390,746
Deferred revenue	59,580	56,003
Short-term debt	15,000	—
Current portion of long-term debt	43,520	41,573
Current portion of accrued pensions and postretirement benefits	500	535
Total current liabilities	497,458	488,857
Non-current liabilities:		
Accrued expenses and other liabilities	269,144	245,021
Long-term debt	1,193,479	1,216,699
Refundable federal student loans	51,122	51,398
Accrued pensions and postretirement benefits	133,397	234,555
Total non-current liabilities	1,647,142	1,747,673
Total liabilities	2,144,600	2,236,530
Net assets:		
Unrestricted	1,922,192	1,675,850
Temporarily restricted	126,018	105,661
Permanently restricted	447,858	418,020
Total net assets	2,496,068	2,199,531
Total liabilities and net assets	$ 4,640,668	$ 4,436,061

See accompanying notes to consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2017
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Tuition and fees, net of discounts of $141,536	$ 796,215	$ —	$ —	$ 796,215
Commonwealth of Pennsylvania appropriation (Note 18)	119,295	—	—	119,295
Federal grants and contracts	144,518	—	—	144,518
Commonwealth of Pennsylvania grants and contracts	12,820	—	—	12,820
Local grants and contracts	4,038	—	—	4,038
Private grants and contracts	41,059	—	—	41,059
Contributions for operations and endowments	32,711	21,001	13,523	67,235
Investment return	44,288	3,482	(283)	47,487
Sales of educational activities	10,290	—	—	10,290
Auxiliary enterprises	112,836	—	—	112,836
Patient care activities, net of bad debt of $42,657	1,857,270	—	—	1,857,270
Other sources	53,875	—	—	53,875
Net assets released from restrictions	17,833	(17,833)	—	—
Total revenues	3,247,048	6,650	13,240	3,266,938
Expenses:				
Educational and general:				
Instruction	488,569	—	—	488,569
Research	203,788	—	—	203,788
Public service	22,244	—	—	22,244
Academic support	163,225	—	—	163,225
Student services	78,818	—	—	78,818
Institutional support	143,092	—	—	143,092
Student aid	12,606	—	—	12,606
Total educational and general	1,112,342	—	—	1,112,342
Auxiliary enterprises	131,605	—	—	131,605
Patient care activities	1,903,652	—	—	1,903,652
Total expenses	3,147,599	—	—	3,147,599
Excess of revenues over expenses	99,449	6,650	13,240	119,339
Other changes in net assets:				
Investment return	24,363	18,334	16,598	59,295
Commonwealth grants for property, plant, and equipment (PP&E)	28,200	—	—	28,200
Contributions for PP&E	(824)	106	—	(718)
Gain on disposal of PP&E, net	1,117	—	—	1,117
Actuarial change in accrued pensions and postretirement benefits	88,966	—	—	88,966
Currency translation adjustment and foreign exchange realized loss, net	338	—	—	338
Net assets released from restrictions for PP&E	4,733	(4,733)	—	—
Total other changes in net assets	146,893	13,707	16,598	177,198
Change in net assets	246,342	20,357	29,838	296,537
Net assets, beginning of year	1,675,850	105,661	418,020	2,199,531
Net assets, end of year	$ 1,922,192	$ 126,018	$ 447,858	$ 2,496,068

See accompanying notes to consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2016
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Tuition and fees, net of discounts of $119,578	$ 739,960	$ —	$ —	$ 739,960
Commonwealth of Pennsylvania appropriation (Note 18)	136,355	—	—	136,355
Federal grants and contracts	132,273	—	—	132,273
Commonwealth of Pennsylvania grants and contracts	10,105	—	—	10,105
Local grants and contracts	3,566	—	—	3,566
Private grants and contracts	39,935	—	—	39,935
Contributions for operations and endowments	24,008	15,399	20,000	59,407
Investment return	38,896	3,134	(55)	41,975
Sales of educational activities	10,278	—	—	10,278
Auxiliary enterprises	109,001	—	—	109,001
Patient care activities, net of bad debt of $45,055	1,747,965	—	—	1,747,965
Other sources	52,036	—	—	52,036
Net assets released from restrictions	16,068	(16,068)	—	—
Total revenues	3,060,446	2,465	19,945	3,082,856
Expenses:				
Educational and general:				
Instruction	472,154	—	—	472,154
Research	185,926	—	—	185,926
Public service	19,100	—	—	19,100
Academic support	170,407	—	—	170,407
Student services	82,328	—	—	82,328
Institutional support	134,877	—	—	134,877
Student aid	11,885	—	—	11,885
Total educational and general	1,076,677	—	—	1,076,677
Auxiliary enterprises	133,366	—	—	133,366
Patient care activities	1,778,561	—	—	1,778,561
Total expenses	2,988,604	—	—	2,988,604
Excess of revenues over expenses	71,842	2,465	19,945	94,252
Other changes in net assets:				
Investment return	(3,702)	(19,589)	(9,327)	(32,618)
Commonwealth grants for property, plant, and equipment (PP&E)	15,134	—	—	15,134
Contributions for PP&E	1,153	5,896	—	7,049
Loss on extinguishment of debt	(1,263)	—	—	(1,263)
Loss on disposal of PP&E, net	(980)	—	—	(980)
Actuarial change in accrued pensions and postretirement benefits	(72,626)	—	—	(72,626)
Change in conditional asset retirement obligation cash flows	6,364	—	—	6,364
Currency translation adjustment and foreign exchange realized loss, net	(432)	—	—	(432)
Net assets released from restrictions for PP&E	8,390	(8,390)	—	—
Total other changes in net assets	(47,962)	(22,083)	(9,327)	(79,372)
Change in net assets	23,880	(19,618)	10,618	14,880
Net assets, beginning of year	1,651,970	125,279	407,402	2,184,651
Net assets, end of year	$ 1,675,850	$ 105,661	$ 418,020	$ 2,199,531

See accompanying notes to consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended June 30, 2017	2016
Cash flows from operating activities:		
Change in net assets	$ 296,537	$ 14,880
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Currency translation adjustment and foreign exchange realized (gain) loss, net	(338)	432
Provision for bad debts	37,944	49,937
Depreciation	141,734	140,616
Amortization and accretion	504	718
Impairment of intangibles	146	108
Realized and unrealized (gain) loss on investments	(82,355)	18,264
Loss on extinguishment of debt	—	1,263
Actuarial change in accrued pensions and postretirement benefits	(88,966)	72,626
Change in conditional asset retirement obligation cash flows	—	(6,364)
(Gain) loss on disposal of property, plant, and equipment (PP&E)	(1,117)	980
Noncash contributions received	(3,162)	(1,020)
Proceeds from sale of noncash contributions	3,162	1,020
Contributions, grants, and investment income restricted of and for PP&E and long-term investment	(44,793)	(49,892)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(55,723)	(104,079)
Inventories and other assets	(5,935)	(12,383)
Accounts payable and accrued expenses	(39,540)	(15,829)
Deferred revenue	10,332	2,509
Accrued pensions and postretirement benefits	(6,391)	449
Net cash provided by operating activities	162,039	114,235
Cash flows from investing activities:		
Purchases of investments, deposits with trustees, and self-insurance trusts	(887,286)	(1,111,043)
Sales and maturities of investments, deposits with trustees, and self-insurance trusts	903,594	1,107,016
Net change in short-term investments	(19,290)	—
Purchases of PP&E	(168,845)	(152,614)
Proceeds from sale of PP&E	4,478	3,792
Loans to students	(12,050)	(9,651)
Proceeds from collections on student loans	8,838	9,050
Net cash used in investing activities	(170,561)	(153,450)
Cash flows from financing activities:		
Proceeds from contributions, grants, and investment income restricted for PP&E and long-term investment	39,158	38,265
Refundable federal student loans	(276)	146
Change in split interest agreements	43	(613)
Proceeds from long-term debt	15,229	384,911
Repayment of long-term debt	(38,620)	(322,932)
Proceeds from short-term borrowings (line of credit)	40,000	175,000
Repayment of short-term borrowings (line of credit)	(25,000)	(175,000)
Net cash provided by financing activities	30,534	99,777
Effect of exchange rate changes on cash and cash equivalents	613	(58)
Net change in cash and cash equivalents	22,625	60,504
Cash and cash equivalents, beginning of the year	249,512	189,008
Cash and cash equivalents, end of the year	$ 272,137	$ 249,512
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 63,687	$ 60,465
PP&E acquired through capital leases	5,931	7,192
Amounts accrued related to PP&E	13,092	21,662

See accompanying notes to consolidated financial statements.

1. Description of Business and Operations

Founded in 1884, Temple University — Of The Commonwealth System of Higher Education (the "University") is a comprehensive state-related research university with its headquarters and largest campus located in Philadelphia, Pennsylvania. With approximately 40,000 undergraduate, graduate, and professional students, the University is among the nation's largest providers of education. The University offers more than 400 degree programs in 17 schools and colleges, including programs in art; business; education; engineering; law; liberal arts; media and communications; music and dance; science and technology; social work; sport, tourism, and hospitality management; theater, film, and media arts; and various health professions, including dentistry; medicine; pharmacy; podiatric medicine; and public health. The University has six campuses and sites across Pennsylvania, international campuses in Rome (Italy) and Tokyo (Japan), and offers study abroad programs in various locations.

The University is the sole member of its subsidiary Temple University Health System, Inc. ("TUHS"). The University and TUHS are collectively referred to herein as "Temple". See the accompanying supplemental schedule for a complete listing of Temple's subsidiary organizations. A summary of Temple's active subsidiaries and its clinical faculty practice plans is as follows:

Temple University Health System, Inc. ("TUHS") — A Pennsylvania nonprofit corporation dedicated to providing access to quality patient care and supporting excellence in medical education and research, of which the University is the sole member. TUHS was incorporated in August 1995 and serves principally to coordinate the activities and plans of its health care subsidiaries in Philadelphia and the surrounding area. TUHS' subsidiaries and affiliates include a network of hospitals and outpatient centers, a comprehensive physician network of primary care and specialty practices, ambulatory services, various research entities, a foundation to support the health-care related activities of TUHS, and a captive insurance company established to reinsure the professional liability claims of certain subsidiaries of TUHS. See the accompanying supplemental schedules for a complete listing of TUHS' subsidiaries.

Good Samaritan Insurance Co. Ltd. ("GSIC") — A captive insurance company domiciled in Bermuda that reinsures the professional liability risk of the University's clinical faculty practice plans. GSIC was established in August 1989 and is a wholly-owned subsidiary of the University.

Temple Educational Support Services, Ltd. ("TESS") — A limited liability company organized and incorporated under the laws of Japan. TESS was established in December 1995 to operate the University's Japan campus and is a wholly-owned subsidiary of the University.

TUMP Offices, Inc. ("TUMP") — TUMP was established by the University to hold title to certain assets for the benefit of the University and is a wholly-owned subsidiary of the University. Property that is directly or indirectly acquired by TUMP is leased to the University for the conduct of activities related to the University's exempt functions.

Temple University Physicians ("TUP") — An unincorporated clinical faculty practice plan of the Lewis Katz School of Medicine at Temple University ("LKSOM") that is responsible for the management and administration of LKSOM's clinical practices. Membership of TUP is comprised of clinical faculty/physicians employed by the University at LKSOM. TUP was established in connection with the implementation of Temple's policy relating to the use and disposition of funds received for medical services rendered to TUP patients within TUP, TUHS, and in other facilities.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation — The consolidated financial statements and accompanying notes have been prepared in United States ("U.S.") dollars and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations. The accompanying consolidated financial statements include the accounts of the University and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Temple's consolidated financial statements are presented such that net assets, revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted — Net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. Expenses are shown as decreases in unrestricted net assets.

Temporarily Restricted — Net assets subject to donor-imposed restrictions that can be fulfilled by actions of Temple in accordance with those stipulations, or by the passage of time. Contributions and income from endowments for which restrictions have been met in the same fiscal year as their receipt are combined and reported with unrestricted revenues. Temple classifies contributions to acquire long-lived assets as temporarily restricted net assets. The release of restrictions occurs when the asset is placed in service.

Permanently Restricted — Net assets subject to donor-imposed stipulations that they be maintained permanently by Temple. Generally, the donors of these assets permit Temple to use all or part of the income earned on these assets. Such assets are included in Temple's permanent endowment funds.

Temple reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as *Net assets released from restrictions*.

Cash and Cash Equivalents — Temple considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Temple maintains cash balances in financial institutions, which exceed federal depository insurance limits. Management believes that credit risks related to these deposits are minimal. Cash equivalents that are not traded on an active exchange are carried at cost, which approximates fair value.

Investments — Investments are comprised of the assets of Temple's endowment, certain temporarily restricted funds, funds designated by the board of trustees to be invested as endowments, certain funds set aside to retire long-term debt, other plant-related funds, and other unrestricted funds held for operating purposes. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal. Temple reports investments, including debt and equity securities, at fair value. Investments established for donor and board-designated endowments, and certain investments set aside to retire long-term debt are classified as non-current assets. All other investments are classified as current assets (see Notes 3 and 10).

Temple also invests in various limited partnerships and certain investment funds whose fair value is measured at net asset value. Such investments are accounted for on the equity basis of accounting, with fair values being measured using the net asset value practical expedient, as determined by the fund managers and financial information provided by the limited partnerships. This financial information includes assumptions and methods that are reviewed by Temple. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Temple has adopted, for endowments and funds designated by the board of trustees to be invested as endowments, a spending rule based on a percentage of the fair value of such investments, computed as a moving average over the past twelve quarters. For these investments, the spending rule amount is reported as *Investment return* in revenues with the excess or shortfall of total return over the spending rule amount reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities. For all other investments, interest and dividend income is reported as *Investment return* in revenues and realized and unrealized gains or losses are reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities (see Note 11).

Investment return is reported as increases to unrestricted, temporarily restricted, or permanently restricted net assets based upon the existence or absence of donor imposed restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Self-Insurance Trust Funds — Temple self-insures or maintains deductibles under its various insurance policies for property, casualty, automobile, general liability, medical malpractice, worker's compensation, certain health and welfare, and other claims. Self-insurance trusts funds include assets that are designated for payments of workers compensation risk retained by Temple. Provisions are made for estimated losses (claims made and claims incurred but not reported) generally based on actuarial methods, which include discounting of certain loss provisions (see Note 3).

Accounts, Loans, and Contributions Receivable — Accounts, loans, and contributions receivable are reported at their net realizable value. The allowance for doubtful accounts is based upon management's judgment including such factors as historical collection history, type of receivable, and periodic assessment of individual accounts. Temple writes-off receivables when they are determined to be uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Temple does not accrue interest on these amounts (see Note 4).

Inventories — Inventories are stated at the lower of cost and net realizable value, with cost being determined on the first-in, first-out, or average cost method. Inventories at June 30, 2017 and 2016, totaled $27,701 and $28,829, respectively, and are included in *Inventories and other assets* in the consolidated balance sheets. *Inventories and other assets* also includes assets held for sale, prepaid expenses, and advances.

Deposits with Trustees — Deposits with trustees include assets held in escrow by designated bond trustees for debt service payments and construction or enhancement of property, plant, and equipment (see Note 6).

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost less accumulated depreciation. Property, plant, and equipment gifted to Temple are recorded at the fair value at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the leasehold improvements or the lease term. Land is not depreciated. Depreciation for equipment commences once it is placed in service and depreciation for buildings and leasehold improvements commences once they are ready for their intended use (see Note 7).

Estimated useful lives of property, plant, and equipment are as follows:

	Useful Life
Land improvements	8 - 20 years
Buildings	20 - 40 years
Building improvements	15 - 40 years
Furniture, fixtures, and equipment	3 - 20 years
Library books	10 years

Cost of maintenance and repairs is charged to expense as incurred. Upon retirement or other disposition, the cost of the asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of activities.

Long-Lived Assets — Temple evaluates the recoverability of long-lived assets, such as property, plant, and equipment and amortizable intangible assets, in accordance with authoritative guidance on accounting for the impairment or disposal of long-lived assets, which includes evaluating long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, Temple first compares the undiscounted cash flows expected to be generated by that asset to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. No impairment of long-lived assets occurred during 2017 or 2016.

Assets Held for Sale — Temple classifies assets ("disposal group") as held for sale when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. Temple also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current value, and whether actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made, or that the plan will be withdrawn. The disposal group is measured at the lower of its carrying amount (cost less accumulated depreciation) or fair value less cost to sell. Long-lived assets within the disposal group are not depreciated while classified as held for sale. Assets held for sale are included within *Inventories and other assets* in the consolidated balance sheets.

At June 30, 2016, it was determined that two parcels of property: (i) a parcel located at the northeast corner of North Broad and West Thompson streets ("Thompson"), and (ii) the University's former Tyler Campus ("Tyler") met the criteria to be classified as assets held for sale. At June 30, 2016, the net carrying value of Thompson and Tyler were $1,298 and $302, respectively, which were both less than the respective disposal group's estimated fair value less cost to sell. During 2017, Tyler was sold for net proceeds totaling $1,156, resulting in a gain of $854, which is recorded in *Gain on disposal of PP&E, net* in the 2017 consolidated statement of activities. At June 30, 2017, Thompson remains in active discussions with a prospective purchaser and is under an agreement of sale that is expected to close in fiscal 2018.

At June 30, 2015, it was determined that the property located at 100-110 West Laurel Avenue met the criteria to be classified as an asset held for sale and the disposal group was sold in 2016, resulting in a net loss of $174 recording in *Loss on disposal of PP&E, net* in the 2016 consolidated statement of activities.

Goodwill and Other Intangibles — Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually, or when indicators of a potential impairment are present. Temple's annual impairment assessment date is June 30. The annual assessment for impairment of goodwill and indefinite-lived intangible assets is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. Based on the results of Temple's assessment, no impairment loss on indefinite-lived intangible assets was recognized during 2017 or 2016. Subsequent to the most current assessment, there have been no indicators of potential impairment of Temple's goodwill and indefinite-lived intangible assets.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and the lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. Based upon Temple's annual impairment tests completed as of June 30, 2017 and 2016, Temple recorded impairment write-downs of $146 and $108, respectively, related to physician contract intangible assets associated with its community-based primary care practices. The impairment charges are included in *Patient care activities* expense in the consolidated statements of activities(see Note 19).

Funds Held in Trust by Others — Temple is the irrevocable beneficiary of the income from certain perpetual trusts administered by third parties. Temple's beneficial interest is reported at the fair value of the underlying trust assets. Because the trusts are perpetual and the original corpus cannot be used, these funds are reported as donor-restricted net assets. As Temple does not have the ability to redeem funds held in trust by others, these assets are categorized as Level 3 assets (see Note 10).

Asset Retirement Obligations — Temple recognizes the fair value of an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. When the liability is initially recorded, Temple capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the carrying amount of the asset retirement obligation liability. Changes due solely to the passage of time (accretion of the discounted liability) are recognized as an increase in the carrying amount of the liability and as an operating expense in the statement of activities. The capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities (see Note 8).

Defined Benefit Pension and Other Postretirement Plans — Temple recognizes the over funded or under funded status of its defined benefit pension and other postretirement plans as an asset or liability in its balance sheets and recognizes changes in the funded status of the plans that arise during the period, but are not recognized as components of net periodic benefit cost, as *Actuarial change in accrued pensions and postretirement benefits* in the consolidated statements of activities (see Note 5).

Fair Value Measurements — Temple categorizes its assets and liabilities measured at fair value into a three-level hierarchy, based on the priority of the inputs to the respective valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Temple's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. Effective July 1, 2016, the Temple retrospectively adopted new accounting guidance related to the presentation of investments in certain entities that calculate net asset value per share (or its equivalent). The new guidance 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. This new guidance is applicable to certain investments and assets held in Temple sponsored employee benefit plans (see *Recently Adopted Accounting Pronouncements* and Note 10).

The carrying values of short-term assets and liabilities, including cash equivalents (not traded on an active exchange), accounts receivable, and accounts payable, approximate their fair values. Investments, self-insurance trust funds, and deposits with trustees are carried at their estimated fair value (see Notes 3 and 10). The fair value of long-term debt is estimated based upon discounted cash flows at current market rates for instruments with similar remaining terms, which Temple considers level 2 inputs (see Notes 9 and 10). Contribution receivables are recorded at the present value of expected future cash flows (see Note 4). Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold, or settled.

A reasonable estimate of the fair value of loans receivable from students under government loan programs and refundable federal student loans could not be made because the loans are not readily saleable. These loans are recorded at cost, less an allowance for doubtful accounts (see Note 4).

Revenue Recognition:

Tuition Revenue — Tuition revenue is recorded at established rates, net of financial assistance provided directly by Temple. Temple recognizes tuition revenue in the academic period that it is earned. Any payments received in advance of the subsequent year are classified as deferred revenue in the accompanying consolidated balance sheets.

Patient Care Activity — Included are patient service revenues from TUHS as well as University revenues from the clinical activities of TUP, the School of Dentistry, and the School of Podiatric Medicine. Temple has agreements with third-party payors that provide for payments to Temple at amounts different from its established rates. Payment arrangements primarily include prospectively determined rates per discharge and per-diem payments and to a lesser extent reimbursed costs and discounted charges. In addition, Temple receives Medical Assistance payments for the reimbursement of services for charity and uncompensated care services (Disproportionate Share Payments). The federal funding of such costs is subject to an upper payment limit and retrospective settlement. Net patient care activity revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known, and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term (see Note 16).

Charity Care — Temple provides care without charge, or at a standard rate discounted for uninsured patients that is not related to published charges, to patients who meet certain criteria under Temple's charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. Because

Temple does not pursue collection of amounts determined to qualify as charity care, unreimbursed charity care is not reported as patient care activities revenue in the consolidated statements of activities (see Note 17).

Grants and Contracts — Income from grants and contracts, including overhead recovery, is recorded as the related direct expenses are incurred.

Contributions — Contributions are reported as an increase in the appropriate net asset category. Unconditional promises to give (pledges) are recorded at the present value of their estimated net realizable value. Conditional pledges are not included as revenue until such time as the conditions are substantially met (see Note 4).

Advertising — Temple charges the costs of advertising to expense as incurred. Advertising expense was $18,589 and $19,304 in 2017 and 2016, respectively.

Other Changes in Net Assets — Temple considers all realized and unrealized gains and losses on investments, net of the endowment payout under Temple's spending formula, as *Other changes in net assets*. *Other changes in net assets* also includes interest and dividends on endowments and funds designated by the board of trustees to be invested as endowments; activity related to property, plant, and equipment (including grants and contributions, gains (losses) on disposals, and net assets released from restrictions); gains (losses) on extinguishment of debt; actuarial changes in accrued pensions and postretirement benefits; changes in conditional asset retirement obligation cash flow estimates; and foreign currency adjustments.

Income Taxes — With the exception of GSIC and TUHS Insurance Co., Ltd. (Temple's captive insurance companies domiciled in Bermuda), TESS (the University's Japan Campus), and certain inactive subsidiaries (see supplemental schedules), substantially all of the individual members of Temple are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Temple files U.S. federal, state, and local information returns and no returns are currently under examination. The statute of limitations on Temple's U.S. federal information returns remains open for three years following the year they are filed.

U.S. GAAP requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. Temple does not believe its consolidated financial statements include any uncertain tax positions that would require disclosure.

Functional Expense Allocation — The University's operation and maintenance of plant expenses ("O&M") and depreciation expense (excluding depreciation related to auxiliary and library books) are allocated to the functional expense classifications based upon the proportionate share of expenses (excluding O&M and depreciation) reported in each functional classification in the statement of activities. Depreciation related to auxiliary fixed assets (e.g. dormitories, parking garages, and athletics) is fully allocated to *Auxiliary enterprises expense* and depreciation related to library books is fully allocated to *Academic Support expense* in the statement of activities.

Use of Estimates — The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Temple's critical estimates and assumptions include revenue recognition; adequacy of allowance for accounts, loans, and contribution receivable; the valuation of assets and liabilities recorded at fair value; valuation of claim based liabilities and conditional asset retirement obligations; useful lives for depreciation and amortization; impairment of goodwill and intangible assets; estimated settlements with third-party payors; and accounting for pension and other postretirement benefits. Actual results could differ materially from these estimates.

Reclassification — As a result of the adoption of Accounting Standards Update ("ASU") 2015-07 (see *Recently Adopted Accounting Pronouncement*), investments for which fair value is measured using the net asset value per share practical expedient have been removed from the fair value hierarchy and included as a separate line item. 2016 investments valued using the net asset value per share practical expedient that were previously reflected in the fair value hierarchy have been reclassified to conform to the 2017 presentation (see Note 10).

Recently Adopted Accounting Pronouncement — In May 2015, the Financial Accounting Standards Board (the "FASB") issued ASU 2015-07*, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) (Topic 820).* ASU 2015-07 removes, from the fair value hierarchy, investments for which the net asset value ("NAV") practical expedient is used to measure fair value. Instead, an entity is required to include those investments as a reconciling line item so that the total fair value amount of investments in the disclosure is consistent with the amount on the balance sheet. Further, entities must provide the fair value disclosures in Accounting Standard Codification ("ASC") 820-10-50-6A only for investments for which they elect to use the NAV practical expedient to determine fair value. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted, and is applied retrospectively to all periods presented. Effective July 1, 2016, Temple adopted ASU 2015-07. The adoption of ASU 2015-07 resulted in certain investments being excluded from the fair value hierarchy (see Note 10).

Recently Issued Accounting Pronouncements — In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires entities to (i) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (ii) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, ASU 2017-07 requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. ASU 2017-07 is effective for annual periods beginning after December 15, 2018. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350)*, which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective prospectively for annual periods beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities – Consolidation (Subtopic 958-810)*, which amends the consolidation guidance in ASC 958-810 to clarify when a not-for-profit ("NFP") entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity. ASU 2017-02 retains the guidance in ASC 810-20 under which an NFP that is a general partner is presumed to control a for-profit limited partnership unless that presumption is overcome. Under ASU 2017-02, a limited partner that owns, either directly or indirectly, more than 50 percent of the limited partnership kick-out rights is deemed to have a controlling financial interest and must consolidate the limited partnership. However, if noncontrolling limited partners have substantive participating rights, a limited partner with a majority of kick-out rights would not have a controlling financial interest. ASU 2017-02 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Temple currently does not have any general or limited partnerships that require consolidation. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 amends the current guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU 2016-15 is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The sections applicable to Temple relate to (i) debt prepayment and extinguishment costs and (ii) proceeds from the settlement of insurance claims. ASU 2016-15 notes that cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities and cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lumpsum settlement, an entity should determine the classification on the basis of the nature of each loss included in the settlement. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 removes the requirement for a not-for-profit entity to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning a not-for-profit entity will present two classes of net assets instead of three. ASU 2016-14 also requires expenses to be presented by their natural and functional classification, investment returns to be presented net of external and direct internal investment expenses, and requires entities to provide more information about their available resources and liquidity. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 introduces a lessee model that brings most leases onto the balance sheet. ASU 2016-02 eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting and debt covenants.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*. ASU 2015-11 requires entities to measure inventory within the scope "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). This guidance is effective for Temple beginning July 1, 2017 with early adoption permitted. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 requires an entity to evaluate revenue recognition by identifying a contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. Temple has not yet selected a transition method and is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

3. Investments and Self-Insurance Trust Funds

The carrying values of investments at June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Investments:		
Money market funds	$ 32,845	$ 40,400
Corporate bonds and notes	296,959	263,307
U.S. government and agency securities	301,940	286,652
Municipal bonds	6,883	8,747
Fixed income funds	218,656	272,898
Equity funds and securities	410,085	350,948
Limited partnerships, corporations, and joint ventures	171,895	132,960
Alternative funds	30,532	21,925
Real estate	345	365
Other*	9,055	12,931
Total investments	$ 1,479,195	$ 1,391,133

* Other securities primarily consistent of international fixed income securities and equity method investments.

The carrying values of self-insurance trust funds at June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Self-insurance trust funds:		
Money market funds	$ 1,653	$ 932
Corporate bonds and notes	3,003	2,919
U.S. government securities	10,585	12,219
Total self-insurance trust funds	$ 15,241	$ 16,070

Investment return reported in the statements of activities for the years ended June 30, 2017 and 2016 is as follows:

	Year Ended June 30,	
	2017	2016
Investment income:		
Interest and dividends	$ 24,427	$ 27,621
Realized gains, net	35,277	3,110
Unrealized gains (losses), net	47,078	(21,374)
Total investment income	$ 106,782	$ 9,357

4. Accounts, Loans, and Contributions Receivable

Accounts receivable, net of allowances are as follows:

	June 30, 2017	June 30, 2016
Students	$ 59,480	$ 41,850
Patients	269,056	239,796
Health care programs	65,012	87,188
Grants and contracts	44,247	35,504
Commonwealth construction	21,857	8,080
Recoveries from insurance providers	46,165	36,229
Pennsylvania Department of Welfare Access to Care	9,597	9,445
Other	42,793	31,691
Accounts receivable, gross	558,207	489,783
Less: Allowance for doubtful patient accounts (Note 16)	(31,249)	(25,542)
Less: Allowance for doubtful student and other accounts	(20,708)	(12,811)
Total accounts receivable, net	$ 506,250	$ 451,430

Loans to students are disbursed based on financial need and consist of loans granted by Temple under federal government loan programs and loans granted from institutional resources. Upon the earlier of graduation or no longer having full-time student status, the students have a grace period, which varies by loan type, until repayment of loans is required.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments on outstanding loans. At June 30, 2017 and 2016, funds advanced by the federal government totaled $51,122 and $51,398, respectively. Interest and fees collected are included in the revolving loan funds available for students. Federal loan funds are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheets. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Loans to students are shown net of allowances as follows:

	June 30, 2017	June 30, 2016
Federal government loan programs:		
Perkins loan program	$ 43,939	$ 41,582
Health professional and disadvantaged student loans	19,198	18,279
Nursing student loans	225	276
Federal government loan programs	63,362	60,137
Institutional loan programs	1,390	1,401
Student loans receivable, gross	64,752	61,538
Less: Allowance for doubtful federal government loan programs	(9,103)	(8,653)
Less: Allowance for doubtful institutional loan programs	(324)	(306)
Total student loans receivable, net	$ 55,325	$ 52,579

Student loans are considered past due when payment has not been received in over 30 days. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Further, Temple does not evaluate the credit quality of the student loans receivable after the initial approval and calculation of the loans. Institutional loan balances are written off when they are deemed to be permanently uncollectible.

The aging of student loans receivable is as follows:

	June 30, 2017	June 30, 2016
30 days or less	$ 49,380	$ 46,175
31 through 59 days past due	2,345	2,337
60 through 89 days past due	319	310
90 days and greater past due	3,281	3,757
Total student loans receivable, net	$ 55,325	$ 52,579

Contributions receivable are unconditional promises to give, restricted by donors for scholarships, capital acquisitions, and other operating purposes. They are expected to be realized in the following periods:

	June 30, 2017	June 30, 2016
In one year or less	$ 23,802	$ 26,080
One to five years	24,813	23,858
Greater than five years	51,432	50,663
Contributions receivable, gross	100,047	100,601
Less: Allowance for doubtful contributions	(6,303)	(6,240)
Less: Present value discount	(15,310)	(15,974)
Total contributions receivable, net	78,434	78,387
Less: Current portion of contribution receivable, net	(19,742)	(21,490)
Non-current portion of contribution receivable, net	$ 58,692	$ 56,897

Changes to net contributions receivable during the year ended June 30, 2017 are as follows:

	Year Ended June 30,	
	2017	2016
Balance, beginning of the year	$ 78,387	$ 82,621
New pledges	23,501	19,802
Collection of pledges	(20,462)	(22,016)
Pledges written off	(3,593)	(434)
Change in allowance	(63)	(2,652)
Change in discount to present value	664	1,066
Balance, end of the year	$ 78,434	$ 78,387

The discount rates used to calculate the present value discount are tied to U.S. Government treasury notes in effect at the time of contribution, which were between 1.24% and 2.43% for contributions made during the year ended June 30, 2017 and 0.45% and 1.99% for contributions made during the year ended June 30, 2016. The discount rates for contributions made during the years ended June 30, 2015 and prior were between 0.11% and 6.00%.

Temple also receives bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not included in the consolidated financial statements.

5. Pensions and Postretirement Benefits

Temple sponsors various postretirement programs, which include nine defined benefit pension plans (three plans sponsored by the University and six plans sponsored by TUHS), three retiree health benefits pre-funding plans, referred to below as "postretirement benefits" (one plan sponsored by the University and two plans sponsored by TUHS), and defined contribution plans. Participation in these plans is based on prescribed eligibility requirements.

Temple makes contributions to its defined benefit pension plans that comply with the funding provisions of the Internal Revenue Code. Employees participating in the pension plans are eligible to begin receiving benefit payments upon retirement, provided age and service requirements have been met. In 2001, two of the University's defined benefit pension plans were frozen, with no future accruals. The third pension plan sponsored by the University remains active for two collectively bargained groups of employees. In 2008, the remaining TUHS sponsored defined benefit plans were closed to new participants; only certain grandfathered employees are eligible to participate in the TUHS sponsored defined benefit pension plans.

The postretirement benefits plans are postretirement trusts established for the purpose of providing medical and prescription drug coverage to eligible retirees. Eligible active employees could elect to pre-pay a portion of their future medical costs. Contributions for a period of ten years were required in order to be eligible to retire and receive benefits on or after the age of 62. This plan had a series of sunset dates beginning in 1999 through June 30, 2003. No employees hired or rehired on or after the earlier of their respective sunset date or June 30, 2003 are eligible to participate in the postretirement benefits plan.

Defined contribution retirement plans are offered to all full-time faculty and staff, with the exception of certain groups that participate in the active defined benefit pension plan. Deposits to the defined contribution plans are provided through contributions made by Temple and its employees into participant managed accounts. Temple's contributions to participants' accounts are based on a defined percentage of the participants' elected contributions, base wages, and length of service. Temple's contributions to the defined contribution plans in 2017 and 2016 were $68,584 and $63,857, respectively.

Certain union employees are covered by multi-employer pension plans to which Temple contributes. A contributor to a multi-employer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the plan's unfunded vested liabilities. Until either event occurs, Temple's share, if any, of the unfunded vested liabilities cannot be determined. At present, Temple has no plans to withdraw from the multi-employer pension plans. Pension expense for these plans was $9,440 and $7,398 in 2017 and 2016, respectively.

The activity of the defined benefit pension and postretirement benefit plans for the years ended June 30, 2017 and 2016 is as follows:

	Pensions		Postretirement Benefits	
	2017	**2016**	**2017**	**2016**
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 241,868	$ 217,368	$ 454,609	$ 418,618
Service cost	2,198	2,353	15,505	15,378
Interest cost	7,387	9,881	13,013	18,376
Plan participant contributions	174	205	2,016	2,273
Actuarial loss (gain)	(5,674)	22,275	(61,015)	17,127
Benefits paid	(9,429)	(8,832)	(15,156)	(17,163)
Plan expenses	(1,194)	(1,358)	—	—
Settlement	(38)	(24)	—	—
Benefit obligation, end of year	$ 235,292	$ 241,868	$ 408,972	$ 454,609
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 177,582	$ 183,303	$ 283,805	$ 290,465
Actual return on plan assets	18,296	1,604	26,979	(5,170)
Employer contributions	14,826	2,660	12,502	13,400
Plan participant contributions	174	205	2,016	2,273
Benefits paid	(9,429)	(8,832)	(15,156)	(17,163)
Plan expenses	(1,194)	(1,358)	—	—
Fair value of plan assets, end of year	$ 200,254	$ 177,582	$ 310,146	$ 283,805
Net funded status:				
Funded status, end of year	$ (35,038)	$ (64,286)	$ (98,826)	$ (170,804)

The accumulated benefit obligation for the pension plans at June 30, 2017 and 2016 was $233,707 and $239,479, respectively.

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
The funded status recognized in the balance sheets:				
Assets, non-current	$ 33	$ —	$ —	$ —
Liabilities, current	—	—	(500)	(535)
Liabilities, non-current	(35,071)	(64,286)	(98,326)	(170,269)
Net amount recognized, funded status	$ (35,038)	$ (64,286)	$ (98,826)	$ (170,804)

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
Accumulated amounts recognized in unrestricted net assets:				
Unrecognized prior service cost	$ —	$ —	$ (249)	$ (2,740)
Unrecognized net loss	98,871	117,680	38,393	111,041
Net amount recognized	$ 98,871	$ 117,680	$ 38,144	$ 108,301

The estimated net loss for the plans that will be amortized from unrestricted net assets into net periodic benefit cost during the following fiscal year are as follows:

	Pensions	Postretirement Benefits
Estimated amortization of:		
Net loss	$6,529	$209
Prior service credit	—	(249)

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
Changes in plan assets and benefit obligations recognized in other changes in net assets:				
Actuarial loss	$ (11,077)	$ 33,035	$ (66,826)	$ 43,915
Amortization of prior service credit	—	—	2,491	6,915
Amortization of net actuarial loss	(7,537)	(6,355)	(5,822)	(4,403)
Recognition of settlement loss	(195)	(256)	—	—
Total recognized in other changes in net assets	$ (18,809)	$ 26,424	$ (70,157)	$ 46,427

The amortization of any prior service cost and unrecognized net loss is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the pension plans or the expected average future service to retirement under the postretirement benefit plan.

Effective July 1, 2016, Temple changed the method used to estimate the service and interest costs related to Temple's pensions and postretirement benefits plans to the full yield curve (or spot rate) approach. The new method utilizes a full yield curve to estimate service and interest costs by applying specific spot rates along the yield curve to determine the benefit obligation of relevant projected cash outflows (as opposed to the prior approach which utilized an average of two yield curves). The new method provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rate on the yield curve. The change does not impact the measurement of the plans' obligations. Temple accounted for this change as a change in accounting estimate and it is applied prospectively starting in fiscal 2017.

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
Components of net periodic cost:				
Service cost	$ 2,198	$ 2,353	$ 15,505	$ 15,378
Interest cost	7,387	9,881	13,012	18,376
Expected return on plan assets	(12,931)	(12,386)	(21,167)	(21,617)
Amortization of prior service credit	—	—	(2,491)	(6,915)
Amortization of net actuarial loss	7,537	6,355	5,822	4,403
Net periodic cost	$ 4,192	$ 6,203	$ 10,681	$ 9,625

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
Weighted-average assumptions used to determine the benefit obligations at end of year:				
Discount rate(s)	3.67%-4.07%	3.36%-4.02%	3.95%	3.83%
Expected long-term rate of return on plan assets	6.00%-7.00%	6.50%-7.00%	7.00%	7.50%
Rate of compensation increase	2.50%-3.00%	2.50%-3.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for next year	N/A	N/A	6.58% / 7.59%	6.59% / 7.87%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.46% / 4.54%	4.50% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2025 / 2025	2023 / 2025

	Pensions		Postretirement Benefits	
	2017	2016	2017	2016
Weighted-average assumptions used to determine net periodic cost at beginning of year:				
Discount rate(s) for benefit obligations	3.36%-4.03%	4.35%-4.65%	3.83%	4.50%
Discount rate(s) for service cost	2.98%-4.15%	4.35%-4.65%	3.87%	4.50%
Discount rate(s) for interest cost	2.60%-3.33%	4.35%-4.65%	3.15%	4.50%
Expected long-term rate of return on plan assets	6.50%-7.00%	6.50%-7.00%	7.50%	7.50%
Rate of compensation increase	2.50%-3.00%	3.00%-4.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for current year	N/A	N/A	6.88% / 7.90%	6.57% / 7.76%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.46% / 4.54%	4.50% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2025 / 2025	2023 / 2025

Assumed health care cost trend rates have a significant effect on amounts reported for the postretirement benefits plan. A one-percentage point change in the assumed health care trend rate would have the following effects on Temple’s net periodic benefits cost and benefit obligations as of and for the year ended June 30, 2017:

	Decrease	Increase
Incremental effect on service cost and interest cost components of net periodic postretirement benefits cost	$ (3,428)	$ 4,086
Percentage of incremental effect in relation to current year service cost and interest cost	(12.02)%	14.33%
Incremental effect on benefit obligation, end of year	$ (42,485)	$ 54,585
Percentage of incremental effect in relation to current year benefit obligations, end of year	(10.39)%	13.35%

Plan Assets and Expected Return — The long-term investment strategy for assets held in the pension and postretirement benefits plans is to meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted-average of the individual expected returns for each asset category in the plans’ portfolio. The target and actual asset allocation as of June 30, 2017 and 2016 is as follows (see Note 10 for plan asset fair value disclosures):

	Pensions			Postretirement Benefits		
	Target*	2017	2016	Target	2017	2016
Asset class:						
Equity funds and securities	20%-95%	57%	60%	75%	76%	74%
Fixed income and cash	5%-80%	43%	40%	25%	24%	26%

* At June 30, 2017, the University's pension plans have an asset allocation target of 20% equity and 80% fixed income and TUHS’ pension plans have an asset allocation target of 68%-95% equity and 5%-32% fixed income.

Expected Cash Flows — The following table shows expected cash flows (including cash flows for TUHS participants) of the pension and postretirement benefits plans:

	Pensions	Postretirement Benefits
Expected contributions for next fiscal year:		
Employer	$ 6,009	$ 5,497
Employee	N/A	2,003
Estimated future benefit payments reflecting expected future service for fiscal years ending June 30:		
2018	$ 10,842	$ 18,633
2019	11,187	19,443
2020	11,629	20,146
2021	12,062	21,163
2022	12,540	22,014
2023 through 2027	68,425	118,336

Other Plans — The actuarial present value of accumulated plan benefits related to a non-active group annuity pension plan has neither been determined nor included above because a guarantee of payment to the plan's beneficiaries has been made by The Equitable Life Assurance Society of America. This plan had total net assets available for benefits of $1,441 and $1,589 at June 30, 2017 and 2016, respectively.

6. Deposits with Trustees

Temple has on deposit with trustees amounts established for construction and debt repayment. These deposits are primarily invested in U.S. Government securities and money market funds (see Note 9 for a description of debt issuances).

The fair values of deposits with trustees by debt issuance at June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Construction funds:		
PAID, First Series of 2015	$ 65,990	$ 65,888
THHEFAP, First Series of 2012 (TUHS)	46,427	20,933
Total construction funds	112,417	86,821
Debt Repayment Funds:		
PAID, Second Series of 2016	—	56
PHEFA, First Series of 2012*	1	—
PHEFA, First Series of 2010A & 2010B*	3	—
THHEFAP, First Series of 2012 (TUHS)	—	45,885
THHEFAP, First Series of 2007 (TUHS)	29,827	29,975
Total debt repayment funds	29,831	75,916
Total deposits with trustees	$ 142,248	$ 162,737

* Interest earned on deposits.

7. Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2017 and 2016 is summarized as follows:

	June 30, 2017	June 30, 2016
Land and land improvements	$ 105,104	$ 112,732
Buildings and building improvements	2,249,911	2,173,058
Equipment and library books	1,218,724	1,139,107
Construction in progress	111,401	97,911
Property, plant, and equipment, gross	3,685,140	3,522,808
Less: Accumulated depreciation	(1,851,074)	(1,725,571)
Total property, plant, and equipment, net	$ 1,834,066	$ 1,797,237

Depreciation expense was $141,734 and $140,616 in 2017 and 2016, respectively.

8. Asset Retirement Obligations

Temple has recognized liabilities for conditional asset retirement obligations, primarily related to asbestos remediation in certain Temple facilities, which are included in *Accrued expenses and other liabilities* in Temple's consolidated balance sheets. Changes to the asset retirement obligation liability during the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Balance, beginning of the year	$ 11,767	$ 20,059
Liabilities incurred	16	—
Accretion expense	667	748
Revision of estimated cash flows	—	(6,364)
Liabilities settled	(810)	(2,743)
Foreign currency translation	(34)	67
Balance, end of the year	$ 11,606	$ 11,767

The fair value at June 30, 2017 and 2016 of $11,606 and $11,767, respectively, was calculated using the expected cash flow (expected present value) valuation method with the following Level 3 inputs: years to abatement ranging from 1 to 19 years and 2 to 20 years, respectively, inflation factors ranging from 2.00% to 4.50% (both years), credit-adjusted risk free rates ranging from 5.00% to 7.00% (both years), and contractor market risk premiums ranging from 0.00% to 5.00% (both years).

During 2016, Temple determined that the anticipated time-line to abate asbestos in certain facilities has changed and that the current estimated costs are less than the prior estimated amounts. The decrease in estimated cash flows of $6,364 is recognized as a gain in the 2016 consolidated statement of activities.

9. Debt and Leases

Long-term debt consists of the following at June 30, 2017 and 2016:

		Interest	Effective Rate	June 30,	
	Maturity	Rate†	2017	2017	2016
Long-term debt:					
University bond issuances:					
PAID Revenue Bonds, First Series of 2016, net of unamortized premium of $11,259 and $12,715 at June 30, 2017 and 2016, respectively	April 1, 2029	5.00%	3.61%	$ 138,674	$ 146,040
PAID Revenue Bonds, Second Series of 2016, net of unamortized premium of $12,410 and $12,966 at June 30, 2017 and 2016, respectively	April 1, 2036	5.00%	3.73%	90,520	91,076
PAID Revenue Bonds, First Series of 2015, net of unamortized premium of $12,583 and $13,233 at June 30, 2017 and 2016, respectively	April 1, 2045	5.00%	4.11%	136,203	140,964
PHEFA Revenue Bonds, First Series of 2012, net of unamortized premium of $21,326 and $22,369 at June 30, 2017 and 2016, respectively	April 1, 2042	4.00%-5.00%	3.96%	202,511	207,239

PHEFA Revenue Bonds, First Series A of 2010, net of unamortized premium of $2,664 and $2,750 at June 30, 2017 and 2016, respectively	April 1, 2021	4.00%-5.00%	3.73%	15,539	18,470
PHEFA Revenue Bonds, First Series B of 2010, net of unamortized premium of $0 at June 30, 2017 and 2016	April 1, 2040	4.46%-6.29%	3.93%	136,190	139,940
Total University bond issuances				719,637	743,729
TUHS bond issuances:					
THHEFAP Hospital Revenue Bonds, Series A and B of 2012, net of unamortized discount of $3,943 and $3,638	July 1, 2042	5.00%-6.25%	5.75%	290,366	299,266
THHEFAP Hospital Revenue Bonds, Series A and B of 2007, net of unamortized discount of $525 and $567	July 1, 2034	5.00%-5.50%	5.35%	201,086	203,418
Total TUHS bond issuances				491,452	502,684
Other long-term debt:					
Equipment financing arrangements (TUHS)	Various	1.34%-3.80%		10,605	8,910
Loan payable to Episcopal Healthcare Foundation (TUHS)	December 31, 2020	4.00%		2,180	2,748
Mortgage (TUHS)	December 31, 2031	4.18%		9,000	—
Capital leases				11,731	8,311
Deferred financing costs				(7,606)	(8,110)
Total long-term debt, net of deferred financing costs				1,236,999	1,258,272
Less: Current maturities of long-term debt				(43,520)	(41,573)
Non-current maturities of long-term debt, net of deferred financing costs				$1,193,479	$1,216,699

† Stated interest rate remaining from fiscal 2017 through maturity. All bonds have an interest rate mode of fixed.

University Bond Issuances:

PAID Revenue Bonds, First Series of 2016 — In 2016, the University, via the Philadelphia Authority for Industrial Development ("PAID") issued $134,080 of PAID Temple University Revenue Bonds, First Series of 2016 ("First Series of 2016 Bonds") with a stated interest rate of 5.00%. The proceeds from the sale of the First Series of 2016 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of the Pennsylvania Higher Educational Facilities Authority's ("PHEFA") Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2016 Bonds. The First Series of 2016 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2029, with a first option call date of April 1, 2025. The First Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2016 Bonds during the years ended June 30, 2017 and 2016 was $5,183 and $2,652, respectively.

PAID Revenue Bonds, Second Series of 2016 — In 2016, the University, via PAID issued $78,110 of PAID Temple University Revenue Bonds, Second Series of 2016 ("Second Series of 2016 Bonds") with a stated interest rate of 5.00%. The proceeds from the sale of the Second Series of 2016 Bonds, together with other available funds, were used for the following items: (i) refunding the outstanding portion of PHEFA's Temple University Revenue Bonds, First Series of 2006, and (ii) paying costs of issuing the Second Series of 2016 Bonds. The Second Series of 2016 Bonds require principal payments of varying amounts beginning April 1, 2030 and ending on April 1, 2036, with a first option call date of April 1, 2025. The Second Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the Second Series of 2016 Bonds during the years ended June 30, 2017 and 2016 was $3,372 and $1,279, respectively.

PAID Revenue Bonds, First Series of 2015 — In 2016, the University, via the PAID issued $130,440 of PAID Temple University Revenue Bonds, First Series of 2015 ("First Series of 2015 Bonds") with a stated interest rate ranging from 2.00% to 5.00%. The proceeds from the sale of the First Series of 2015 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of PHEFA's Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2015 Bonds. The First Series of 2015 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2045, with a first option call date of April 1, 2025. The First Series of 2015 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2015 Bonds during the years ended June 30, 2017 and 2016 was $3,032 and $5,864, respectively.

PHEFA Revenue Bonds, First Series of 2012 — In 2012, the University, via PHEFA issued $200,000 of PHEFA Temple University Revenue Bonds, First Series of 2012 ("First Series of 2012 Bonds") with a stated interest rate ranging from 1.00% to 5.00%. The proceeds from the sale of the First Series of 2012 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series of 2012 Bonds. The First Series of 2012 Bonds require annual principal payments of varying amounts beginning April 1, 2013 and ending on April 1, 2042, with a first option call date of April 1, 2022. The First Series of 2012 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2012 Bonds during the years ended June 30, 2017 and 2016 was $8,127 and $8,308, respectively.

PHEFA Revenue Bonds, First Series A of 2010 — In 2010, the University, via PHEFA issued $46,665 of PHEFA Temple University Revenue Bonds, First Series A of 2010 ("First Series A of 2010 Bonds") with a stated interest rate ranging from 4.00% to 5.00%. The proceeds from the sale of the First Series A of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series A of 2010 Bonds. The First Series A of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2011 and ending on April 1, 2021, with an optional redemption at any time upon payment of the redemption price. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series A of 2010 Bonds during the years ended June 30, 2017 and 2016 was $655 and $805, respectively.

PHEFA Revenue Bonds, First Series B of 2010 — In 2010, the University, via PHEFA issued $143,590 of PHEFA Temple University Revenue Bonds, Federally Taxable Build America Bonds, First Series B of 2010 ("First Series B of 2010 Bonds") with a stated interest rate ranging from 4.21% to 6.29%. The proceeds from the sale of the First Series B of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series B of 2010 Bonds. The First Series B of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2040, with a first option call date of April 1, 2020. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series B of 2010 Bonds during the years ended June 30, 2017 and 2016 was $5,437 and $5,539, respectively.

PHEFA Revenue Bonds, First Series of 2006 — In 2006, the University, via PHEFA issued $364,340 of PHEFA Temple University Revenue Bonds, First Series of 2006 ("First Series of 2006 Bonds") with a stated interest rate ranging from 4.50% to 5.00%. The proceeds from the sale of the First Series of 2006 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of PHEFA's Temple University Revenue Bonds, First Series 1998, (iii) refunding the outstanding portion of PHEFA's Temple University Revenue Bonds, First Series 2001, and (iv) paying costs of issuing the First Series of 2006 Bonds. With proceeds from the First and Second Series of 2016 and the First Series of 2015 bond issues, the First Series of 2006 Bonds were completely refunded in 2016, resulting in a loss on extinguishment of debt totaling $1,263, which is recorded in *Other changes in net assets* in the 2016 combined statement of activities. Interest expense on the First Series of 2006 Bonds during the year ended June 30, 2016 was $6,101.

PENNVEST Debt Obligation — In June 2017, the University and the Pennsylvania Infrastructure Investment Authority ("PENNVEST") entered into an agreement for PENNVEST to provide financing totaling $6,748 for the construction of certain storm water improvements, including a green roof assembly and green roof landscaping. Construction is expected to commence in fiscal 2018. As of June 30, 2017, no funding has been drawn.

TUHS Bond Issuances:

THHEFAP Hospital Revenue Bonds, Series A and B of 2012 — In 2012, TUHS, via the Hospitals and Higher Education Facilities Authority of Philadelphia ("THHEFAP") issued $311,105 of THHEFAP Hospital Revenue Bonds, Series A and B of 2012 with a stated interest rate ranging from 5.00% to 6.25%.

THHEFAP Hospital Revenue Bonds, Series A and B of 2007 — In 2007, TUHS, via the Hospitals and Higher Education Facilities Authority of Philadelphia ("THHEFAP") issued $220,970 of THHEFAP Hospital Revenue Bonds, Series A and B of 2007 with a stated interest rate ranging from 5.00% to 5.50%.

The TUHS bond issuances are generally collateralized by the assets and gross revenues of the TUHS Obligated Group. The TUHS Obligated Group includes TUHS, Temple University Hospital, Inc., Jeanes Hospital, Temple Physicians, Inc., Temple Health System Transport Team, Inc., American Oncologic Hospital, Institute for Cancer Research, Fox Chase Cancer Center Medical Group, Inc., and Fox Chase Network, Inc. Interest expense on TUHS long-term debt during the years ended June 30, 2017 and 2016 was $28,595 and $27,024, respectively.

Temple has complied with all financial debt covenants during the years ended June 30, 2017 and 2016.

Lines of Credit — In 2017, TUHS obtained a $20,000 line of credit ("TUHS Line of Credit") from PNC Bank, National Association ("PNC"). The TUHS Line of Credit expires on June 19, 2018, and amounts borrowed accrue interest at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus 140 basis points. During 2017, TUHS borrowed $15,000 against the TUHS Line of Credit to fund working capital requirements. Such borrowings were outstanding at June 30, 2017 and are included in *Short-term debt* in the 2017 consolidated balance sheet. Interest expense on the TUHS Line of Credit during the year ended June 30, 2017 was $4.

In July 2015, the University obtained a $100,000 revolving line of credit (the "Revolver") from PNC. The Revolver expires on July 13, 2018, and amounts borrowed accrue interest at a rate of the one-month LIBOR plus 55 basis points. The Revolver is secured by a subordinated gross revenue pledge of the University, and is cross-defaulted to the covenants in the University's bond indenture. The Revolver can be used to fund seasonal working capital requirements, fund capital expenditure bridge financing, and fund general corporate purposes. During 2017 and 2016, the University borrowed against the Revolver to fund seasonal working capital requirements and no amount was outstanding at June 30, 2017 and 2016. Interest expense on the Revolver during the years ended June 30, 2017 and 2016 was $19 and $210, respectively.

In addition, the University has a $7,500 unsecured line of credit (the "Unsecured Line of Credit") with PNC. The Unsecured Line of Credit expires on March 31, 2020 and contains annual renewal options. Borrowings under the Unsecured Line of Credit accrue interest at either the Base Rate or Euro-Rate per annum, as selected by the University. The interest rate under the Base Rate option is equal to the Prime Rate, whereas, the interest rate under the Euro-Rate option is equal to the sum of the Euro-Rate plus 55 basis points. At June 30, 2017 and 2016, $4,214 of the Unsecured Line of Credit was used as collateral for letters of credit with the Philadelphia Redevelopment Authority and National Union Fire Insurance.

Leases — Temple leases certain facilities and equipment under leases having initial or remaining noncancelable terms in excess of one year. The future minimum lease payments as of June 30, 2017 are as follows:

	Capital Leases	Operating Leases
2018	$ 3,122	$ 27,978
2019	3,062	22,785
2020	2,914	17,002
2021	1,950	13,463
2022	658	10,877
Thereafter	62	25,643
Total minimum lease payments	11,768	$ 117,748
Amounts representing interest on capital leases	(37)	
Present value of net minimum capital lease payments	$ 11,731	

At June 30, 2017 and 2016, property, plant, and equipment with respect to capital leases had a net book value of $10,991 and $7,492, respectively. Interest expense on capital leases during the years ended June 30, 2017 and 2016 was $408 and $284, respectively.

Rent expense for operating leases is recorded on straight-line basis over the life of the lease. Rent expense on operating leases during the years ended June 30, 2017 and 2016 was $43,813 and $44,164, respectively.

Interest — Total interest expense incurred, net of capitalized interest, was $54,446 and $57,802 for the years ended June 30, 2017 and 2016, respectively. Temple capitalizes interest cost on qualifying assets. Temple's plant assets included capitalized interest of $2,682 and $2,751 at June 30, 2017 and 2016, respectively.

Fair Value and Maturity — As of June 30, 2017 and 2016, the fair value of Temple's bond issuances (excluding unamortized premium of $55,774 and $59,827, respectively, deferred financing costs of $7,606 and $8,110, respectively, and accrued interest of $22,292 and $22,807, respectively) with a principal value of $1,155,315 and $1,186,586, respectively, was approximately $1,267,710 and $1,349,000, respectively. The fair value was determined based upon discounted cash flows at current market rates for instruments with similar remaining terms. Temple considers these valuation inputs to be Level 2 inputs in the fair value hierarchy (see Note 10). The market prices utilized reflect the rate that Temple would have to pay to a credit-worthy third-party to assume its obligation and do not reflect an additional liability to Temple.

Long-term debt matures in varying amounts through 2045. The aggregate amounts of principal payments are as follows:

2018	$	36,707
2019		36,121
2020		36,673
2021		36,657
2022		34,793
Thereafter		996,149
Total principal payments		1,177,100
Deferred financing costs		(7,606)
Unamortized premium		55,774
Capital leases		11,731
Total long-term debt	$	1,236,999

10. Fair Value Measurements

Temple applies the provisions of FASB ASC 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

A financial asset or liability classification is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy consists of the following three levels:

> Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that Temple can access at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets primarily consist of money market funds, U.S. treasury securities, equity securities, and equity and fixed income mutual funds.
>
> Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 2 assets primarily consist of corporate bonds and notes, U.S. government agency securities, municipal bonds, and certain equity and fixed income funds.
>
> Level 3 — Unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value. Level 3 inputs include values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting Temple's own assumptions. Level 3 assets consist of perpetual trusts administered by third-parties for which the University does not have the ability to manage or redeem.

Investments for which fair value is measured using the net asset value per share practical expedient are not included within the fair value hierarchy.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2017 and 2016:

June 30, 2017	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 32,092	753	—	$ 32,845
Corporate bonds and notes	—	296,959	—	296,959
U.S. government and agency securities	244,008	57,932	—	301,940
Municipal bonds	—	6,883	—	6,883
Fixed income funds	157,540	8,028	—	165,568
Equity funds and securities	320,252	275	—	320,527
Real estate	—	345	—	345
Other	—	5,501	—	5,501
Total investments in fair value hierarchy	$ 753,892	$ 376,676	$ —	1,130,568
Investments measured at NAV				345,073
Investments carried at equity				3,554
Total investments				$ 1,479,195
Self-insurance trust funds:				
Money market funds	$ 1,653	$ —	$ —	$ 1,653
Corporate bonds and notes	—	3,003	—	3,003
U.S. government securities	10,410	175	—	10,585
Total self-insurance trust funds	$ 12,063	$ 3,178	$ —	$ 15,241
Deposits with trustees:				
Money market funds	$ 56,055	$ —	$ —	$ 56,055
U.S. government and agency securities	12,141	74,052	—	86,193
Total deposits with trustees	$ 68,196	$ 74,052	$ —	$ 142,248
Funds held in trust by others:				
Funds held in trust by others	$ —	$ —	$ 72,884	$ 72,884
Beneficial interest in assets held by Episcopal Foundation	—	—	27,348	27,348
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	51,377	51,377
Total funds held in trust by others	$ —	$ —	$ 151,609	$ 151,609

June 30, 2017	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	$ 5,579	$ —	$ —	$ 5,579
Fixed income funds	24,336	—	—	24,336
Corporate bonds and notes	—	34,102	—	34,102
U.S. government and agency securities	19,258	784	—	20,042
Municipal bonds	—	2,177	—	2,177
Equity funds and securities	76,663	—	—	76,663
Total pension plans in fair value hierarchy	$ 125,836	$ 37,063	$ —	162,899
Pension plans measured at NAV				37,355
Total pension plans				$ 200,254
Postretirement plans:				
Money market funds	$ 7,114	$ —	$ —	$ 7,114
Equity funds and securities	155,533	—	—	155,533
Total postretirement plans in fair value hierarchy	$ 162,647	$ —	$ —	162,647
Postretirement plans measured at NAV				147,499
Total postretirement plans				$ 310,146

June 30, 2016	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 39,693	$ 707	$ —	$ 40,400
Corporate bonds and notes	—	263,307	—	263,307
U.S. government and agency securities	263,068	23,584	—	286,652
Municipal bonds	—	8,747	—	8,747
Fixed income funds	221,228	—	—	221,228
Equity funds and securities	246,596	—	—	246,596
Real estate	—	365	—	365
Other	—	9,905	—	9,905
Total investments in fair value hierarchy	$ 770,585	$ 306,615	$ —	1,077,200
Investments measured at NAV				310,907
Investments carried at equity				3,026
Total investments				$ 1,391,133
Self-insurance trust funds:				
Money market funds	$ 932	$ —	$ —	$ 932
Corporate bonds and notes	—	2,919	—	2,919
U.S. government securities	12,002	217	—	12,219
Total self-insurance trust funds	$ 12,934	$ 3,136	$ —	$ 16,070
Deposits with trustees:				
Money market funds	$ 47,281	$ —	$ —	$ 47,281
U.S. government agency securities	—	115,456	—	115,456
Total deposits with trustees	$ 47,281	$ 115,456	$ —	$ 162,737
Funds held in trust by others				
Funds held in trust by others	$ —	$ —	$ 68,036	$ 68,036
Beneficial interest in assets held by Episcopal Foundation	—	—	22,836	22,836
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	44,769	44,769
Total funds held in trust by others	$ —	$ —	$ 135,641	$ 135,641

June 30, 2016		Level 1		Level 2		Level 3		Total
Pension plans:								
Money market funds	$	7,551	$	—	$	—	$	7,551
Fixed income funds		63,312		—		—		63,312
Equity funds and securities		61,164		—		—		61,164
Total pension plans in fair value hierarchy	$	132,027	$	—	$	—		132,027
Pension plans measured at NAV								45,555
Total pension plans							$	177,582
Postretirement plans:								
Money market funds	$	6,974	$	—	$	—	$	6,974
Equity funds and securities		133,884		—		—		133,884
Total postretirement plans in fair value hierarchy	$	140,858	$	—	$	—		140,858
Postretirement plans measured at NAV								142,947
Total postretirement plans							$	283,805

Temple assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within the fair value hierarchy as a result of changes in, among other things, inputs used, liquidity, or valuation methodologies. Temple did not have any other transfers between levels within the fair value hierarchy during the years ended June 30, 2017 and 2016.

The following table is a reconciliation of the changes in fair value of Temple's financial assets, which have been classified in Level 3 in the fair value hierarchy:

		Funds Held in Trust by Others
Balance, June 30, 2015	$	142,716
Purchases		2,329
Realized and unrealized losses, net		(9,404)
Balance, June 30, 2016		135,641
Purchases		419
Realized and unrealized gains, net		15,549
Balance, June 30, 2017	$	151,609

Detailed information for investments whose fair value is estimated using its net asset value practical expedient (or its equivalent) at June 30, 2017 and 2016 is as follows:

June 30, 2017†	Fair Values			Redemption	
	Investments	Pensions	Post-retirement	Frequency	Notice Period
Cash‡	$ 3,835	$ 288	$ 1,805	Quarterly	90 days
Multi-strategy hedge funds [a]	95,399	19,059	31,020	Daily-Annual	0-95 days
Distressed debt hedge funds[b]	8,610	676	4,214	Quarterly	65-90 days
Private equity[c]	2,259	144	903	Various[c]	Various[c]
Global/Macro hedge funds[d]	16,754	1,295	8,086	Quarterly	90 days
Real asset funds[e]	50,470	7,288	8,550	Monthly-Quarterly	30-45 days
Fixed income funds[f]	52,972	—	67,169	Daily	2-6 days
Equity funds[g]	114,658	8,605	25,752	Daily-Monthly	0-60 days
Stock funds[h]	116	—	—	N/A	N/A
Total value	$ 345,073	$ 37,355	$ 147,499		

June 30, 2016†	Fair Values			Redemption	
	Investments	Pensions	Post-retirement	Frequency	Notice Period
Cash‡	$ 2,675	$ 361	$ 1,385	Quarterly	90 days
Multi-strategy hedge funds [a]	78,973	18,958	29,996	Daily-Annual	0-95 days
Distressed debt hedge funds[b]	6,682	939	3,563	Various[b]	Various[b]
Private equity[c]	1,010	59	227	Various[c]	Various[c]
Global/Macro hedge funds[d]	13,841	1,931	7,346	Quarterly	90 days
Real asset funds[e]	51,602	7,343	8,392	Monthly-Quarterly	30-45 days
Fixed income funds[f]	51,670	—	67,457	Daily	2-6 days
Equity funds[g]	104,351	15,964	24,581	Daily	0 days
Stock funds[h]	103	—	—	N/A	N/A
Total value	$ 310,907	$ 45,555	$ 142,947		

† Unfunded commitments at June 30, 2017 and 2016 are as follows: Private equity funds of $149 and $156, respectively, and real estate funds of $52 and $51, respectively.

‡ Cash holdings of underlying managers.

a. Multi-strategy hedge funds include investments in long/short equity, event-driven, capital structure and fixed income arbitrage, distressed credit, restructuring and underpriced companies and derivative instruments including, futures contracts, call options, warrants and structured products.

b. Distressed debt hedge funds include investments in hedge funds that invest in debt obligations of distressed companies at a discount and sell the obligations following reorganization or restructuring of the companies. In September 2010, TUHS was notified that one of its distressed debt funds had begun to liquidate its holdings, resulting in investors no longer being eligible for voluntary redemptions. The value of this fund at June 30, 2016 totaled $25, and the fund was fully liquidated during 2017. The remaining funds in distressed debt holdings have a quarterly redemption frequency and notice period ranging from 65 to 90 days.

c. Private equity is held by Temple's hedge fund of funds managers and may include real estate, loans, and non-public company equity and debt securities. At June 30, 2017 and 2016 approximately 15% and 55%, respectively, of the private equity funds investment balance cannot be redeemed. The remaining funds in private equity holdings have a quarterly redemption frequency and notice period of 90 days.

d. Global/Macro hedge funds include investments in a broad diversity of asset classes and geographic markets. They may invest in the equity, global fixed income, currency and commodity sectors.

e. Real asset funds include investments in natural resources, Treasury Inflation Protected Securities (TIPs) and commodities through public and private investments whose value is driven by economic activity and which may act as a hedge against unexpected inflation.

f. Fixed income funds include investments in intermediate and long U.S. government securities and credit securities and U.S. fixed income index funds and commingled funds. The funds seek a high level of current income while preserving principal by investing primarily in a diversified portfolio of debt securities with a dollar-weighted average maturity between three and ten years.

g. Equity funds include investments in U.S., International Developed Markets and Emerging Markets equities via commingled funds and index funds. The funds seek to balance the long-term growth of capital with income and high total return.

h. Stock funds include investments (typically through traditional, long-only stock managers) that maintain (beta) exposure to stocks and achieve (alpha) value added of at least 2% per year over a passive portfolio. Investments in this category are not currently eligible for redemption.

11. Endowment Funds

Endowment funds include a portfolio of actively managed donor-restricted funds established to provide a source of operating funds, scholarships and awards, academic leadership funds, and master facility plan funds. Endowment funds are established by donor-restricted gifts and bequests to provide either (i) a permanent endowment, which is to provide a permanent source of income or (ii) a term endowment, which is to provide income for a specified period. Alternatively, the board of trustees may earmark a portion of unrestricted net assets as a board-designated endowment fund.

Board-Designated Endowment Funds — Board-designated endowment funds are quasi-endowment funds created by the board of trustees by designating a portion of Temple's unrestricted net assets to be invested to provide income for an intended purpose. Board-designated endowment fund assets and the excess or shortfall of the spending rule on these assets are recognized in unrestricted net assets.

Interpretation of Relevant Law — ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA, but rather has enacted Pennsylvania Act 141. The board of trustees has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Temple classifies as permanently restricted net assets (i) the original value of gifts donated to the permanent endowment and (ii) the original value of subsequent gifts to the permanent endowment. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Temple in a manner consistent with Temple's spending policy.

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value", while other endowment funds are unaffected and maintain or exceed the level required to be retained as a perpetual fund. The aggregate amounts of deficiencies are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. The aggregate amount of deficiencies at June 30, 2017 and 2016 totaled $406 and $3,407, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred subsequent to the investment of permanently restricted contributions. Subsequent investment gains are used to restore the balance up to the fair value of the original gift.

Endowment Investment Policy — Temple has adopted an investment policy that is intended to provide a predictable stream of funding to programs from its endowment while seeking to maintain the purchasing power of the endowment assets. Under this approach, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that equal the total of the amount drawn annually for operations plus the rate of inflation and investment management fees. To satisfy its long-term rate-of-return objectives, Temple relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment Spending Policy — Annually, the board of trustees approves a spending rule distribution percentage that is consistent with the long term preservation of the real value of the assets, but in no event shall the percentage be less than 2.00% nor more than 7.00% per year. During the years ended June 30, 2017 and 2016, Temple's spending rule limited the spending of endowment resources to 4.50% of the average fair value of endowment funds for the prior twelve fiscal quarters. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use. These endowment funds include scholarship funds, awards funds, academic leadership funds, and master facility funds. The draw to operations under the spending policy for the years ended June 30, 2017 and 2016 totaled $28,255 and $20,945, respectively.

Temple's endowment balances, including board-designated endowment funds, by net asset classification at June 30, 2017 and 2016 are as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds*	$ (406)	$ 68,411	$ 296,653	$ 364,658
Board-designated endowment funds	250,694	—	—	250,694
Total endowment funds	$ 250,288	$ 68,411	$ 296,653	$ 615,352

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds*	$ (3,407)	$ 52,676	$ 282,884	$ 332,153
Board-designated endowment funds	200,998	—	—	200,998
Total endowment funds	$ 197,591	$ 52,676	$ 282,884	$ 533,151

* Excludes temporarily and permanently restricted funds held in trust by others of $619 and $72,265, respectively, at June 30, 2017 and $720 and $67,316, respectively, at June 30, 2016 (see Notes 10 and 14).

In March 2015, the University's Board of Trustees approved the designation of up to $150,000 of the University's operating funds into a board-designated quasi-endowment fund available for longer-term investment strategies. During the years ended June 30, 2017 and 2016, contributions into this quasi-endowment fund totaled $30,000 and $120,000, respectively.

The changes in Temple's endowment assets (excluding changes in funds held in trust by others, see Notes 10 and 14) for the years ended June 30, 2017 and 2016 are as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 197,591	$ 52,676	$ 282,884	$ 533,151
Investment return:				
Investment income	—	6,712	665	7,377
Net realized gain	13,632	16,569	—	30,201
Net unrealized gain	12,577	15,393	—	27,970
Total investment return	26,209	38,674	665	65,548
Contributions and transfers:				
Donor contributions	2,238	131	14,805	17,174
Board-designated quasi-endowment	30,120	—	—	30,120
Other	—	(685)	(1,701)	(2,386)
Total contributions and transfers	32,358	(554)	13,104	44,908
Funds with deficiencies	3,001	(3,001)	—	—
Appropriation of endowment assets for expenditure (spending rule)	(8,871)	(19,384)	—	(28,255)
Endowment net assets, end of the year	$ 250,288	$ 68,411	$ 296,653	$ 615,352

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 86,268	$ 72,283	$ 265,294	$ 423,845
Investment return:				
Investment income (loss)	—	5,934	(73)	5,861
Net realized gain	221	1,064	—	1,285
Net unrealized loss	(2,900)	(13,932)	—	(16,832)
Total investment return	(2,679)	(6,934)	(73)	(9,686)
Contributions and transfers:				
Donor contributions	2,334	330	17,257	19,921
Board-designated quasi-endowment	120,000	—	—	120,000
Other	—	(390)	406	16
Total contributions and transfers	122,334	(60)	17,663	139,937
Funds with deficiencies	(3,125)	3,125	—	—
Appropriation of endowment assets for expenditure (spending rule)	(5,207)	(15,738)	—	(20,945)
Endowment net assets, end of the year	$ 197,591	$ 52,676	$ 282,884	$ 533,151

12. Professional Liability Insurance

Temple purchases primary commercial claims-made insurance coverage for professional liability claims from a commercial insurer, which in turn reinsures all of the risk with Temple's wholly-owned captive insurance companies domiciled in Bermuda. Temple is self-insured through its captive insurance companies up to certain amounts. In addition, Temple obtains $500 ($1,500 aggregate) coverage for its physicians from the Medical Care Availability and Reduction of Error fund ("Mcare") and also purchases excess coverage from unaffiliated commercial insurers.

The Mcare Act was enacted by the Pennsylvania legislature in 2002. The Mcare Act created the Mcare Fund, which is the state-mandated funding mechanism for the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by Temple's physicians and other health care providers practicing in the state. The Mcare Fund is funded on a pay-as-you-go basis. The Mcare Fund levies health care provider surcharges, calculated as a percentage of the premiums established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency) for basic coverage, to pay claims and administrative expenses on behalf of Mcare Fund participants. The Mcare Act legislation provides for the gradual phase-out of Mcare Fund coverage; however, this has been deferred by the Pennsylvania legislation and will be considered in the future.

During fiscal year 2015, the Pennsylvania Medical Society, the Hospital and HealthSystem Association of Pennsylvania, and the Pennsylvania Podiatric Medical Association settled litigation with the Commonwealth of Pennsylvania regarding the Mcare Fund (the "Settlement"). The Settlement required certain prior overpayments to the Mcare Fund be returned to physicians, hospitals, and other health care providers who contributed to the overpayment. The Commonwealth of Pennsylvania agreed to continue to operate the Mcare Fund on a pay-as-you-go basis, to use any projected year-end balance to reduce the subsequent year assessment, and that the Mcare fund will not be considered the general revenue of the Commonwealth of Pennsylvania. In June 2016, Temple collected its portion of the cash refund totaling $5,091, which was recorded as a reduction to the 2016 Mcare premium assessment in the 2016 consolidated statement of activities.

Self-insured professional liabilities include amounts for reported claims, which, depending on occurrence and aggregate limits, are either retained by Temple's insurance captives, the University, or TUHS, and claims incurred but not reported, which are retained by the University and TUHS. The gross carrying amount of accrued asserted and unasserted actuarially determined professional liability claims, includes self-insured professional liabilities plus amounts retained by Mcare and commercial insurers. Professional liabilities discounted at 1.75% at June 30, 2017 and 1.25% at June 30, 2016 and related recoveries are as follows:

	June 30, 2017	June 30, 2016
Accrued professional liability claims	$ 233,961	$ 207,538
Less: Estimated insurance recoveries	(37,488)	(29,673)
Accrued professional liability claims, net	$ 196,473	$ 177,865

Professional liability claims are included in *Accrued expenses* with the corresponding estimated insurance recoveries recorded in *Accounts, loans, and contributions receivable, net* in Temple's consolidated balance sheets.

13. Commitments and Contingencies

From time to time, claims are made against Temple based on a variety of theories of liability, including without limitation alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on Temple's future financial position or change in net assets. See Note 9 for commitments under capital and operating leases and Note 10 for unfunded investment commitments.

14. Net Assets

A summary of Temple's net assets is as follows:

	June 30, 2017	June 30, 2016
Unrestricted net assets	$ 1,922,192	$ 1,675,850
Temporarily restricted net assets:		
Term endowments, life income funds, and accumulated endowment gains	$ 68,411	$ 52,676
Contributions for instruction, research, and support	48,182	40,503
Contributions for property, plant, and equipment	8,806	11,762
Funds held in trust by others	619	720
Total temporarily restricted net assets	$ 126,018	$ 105,661
Permanently restricted net assets:		
Corpus of contributions for endowments	$ 296,653	$ 282,884
Corpus of contributions for student loans	215	215
Funds held in trust by others	72,265	67,316
Beneficial interest in Episcopal Foundation	27,348	22,836
Beneficial interest in Fox Chase Cancer Center Foundation	51,377	44,769
Total permanently restricted net assets	$ 447,858	$ 418,020
Total net assets	$ 2,496,068	$ 2,199,531

15. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30, 2017 and 2016 consist of the following:

	June 30, 2017	June 30, 2016
Accounts payable	$ 195,417	$ 211,157
Accrued interest payable	22,292	22,807
Accrued payroll	35,197	42,660
Accrued vacation	28,560	23,414
Claim based liabilities, professional (Note 12), worker's compensation, general liability, and health and welfare benefits	270,795	249,251
Conditional asset retirement obligation (Note 8)	11,606	11,767
Student and other deposits	7,020	5,951
Estimated retroactive adjustments, third-party payors	9,887	21,815
Other	67,228	46,945
Total accounts payable and other accrued expenses	648,002	635,767
Less: Current portion	(378,858)	(390,746)
Non-current, accounts payable and other accrued expenses	$ 269,144	$ 245,021

16. Patient Care Activities

Temple provides health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. Temple serves a disproportionately high number of poor or indigent patients and accordingly, derives a substantial portion of its patient care revenues from the Federal Government (Medicare) and the Commonwealth of Pennsylvania (Medical Assistance) programs. At June 30, 2017 and 2016, Temple had net accounts receivable from Medicare of $42,235 and $29,928, respectively, and from Medical Assistance of $50,580 and $46,462, respectively (see Note 4).

Patient accounts receivables are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and Temple ceases collection efforts. Overall, the total of self-pay write-offs for the year ended June 30, 2017 has not changed significantly from the year ended June 30, 2016. Temple has not experienced significant changes in write-off trends nor has Temple changed its charity care policy (see Note 17).

Patient care activities revenue recognized by major payor sources based on primary insurance designation is as follows:

	Year Ended June 30,	
	2017	2016
Medicare and Medicaid	$ 1,165,715	$ 1,082,514
Self-pay	23,061	22,211
Other third-party payors	711,151	688,295
Patient care activities revenue, gross	1,899,927	1,793,020
Less: Provision for bad debt expense	(42,657)	(45,055)
Total patient care activities revenue, net	$ 1,857,270	$ 1,747,965

As discussed in Note 2, *Patient care activities* revenue includes estimates of reimbursement from third-party payors. During the years ended June 30, 2017 and 2016, *Patient care activities* revenue increased by $17,295 and $3,003, respectively, as a result of settlements or changes in estimates related to prior years TUHS cost reports.

17. Charity Care

Temple maintains detailed records to identify and monitor the level of charity care it provides to its patients. Charity care costs are estimated by applying an overall cost to charge ratio to charity care charges. The cost to charge ratio is calculated by dividing total expenses by total gross patient service revenue before allowance for doubtful accounts.

The estimated costs incurred to provide charity care, net of payments from Medical Assistance (Medicaid), were $263,830 and $238,523 for the years ended June 30, 2017 and 2016, respectively (see Note 18).

18. Commonwealth of Pennsylvania Grants and Other Support

Temple receives support from the Commonwealth of Pennsylvania primarily in the form of the Commonwealth of Pennsylvania appropriation, grants and contracts, and medical assistance supplemental funding. Medical assistance supplemental funding is to provide accessibility to health care services, including care for the uninsured and indigent population of Pennsylvania (see Note 17). Patient care supplemental funding provided by the Commonwealth of Pennsylvania is included in *Patient care activities* revenue in the consolidated statements of activities. To the extent that patient care support received is dependent on a provider tax from the hospitals, such expense is included in *Patient care activities* expense in the consolidated statements of activities. There is no guarantee that funding from the Commonwealth of Pennsylvania will continue consistent with historical levels in future years. Under certain circumstances, the Temple could be required to repay certain of the support received from the Commonwealth.

Support received from the Commonwealth of Pennsylvania for the years ended June 30, 2017 and 2016 is as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Commonwealth of Pennsylvania support:		
Patient care related:		
Base supplemental funding	$ 140,840	$ 118,583
State and local hospital assessment program:		
Assessment revenues	94,311	87,900
Assessment expenses	(46,787)	(48,160)
Net state and local hospital assessment program	47,524	39,740
Academic Health Center funding	6,229	6,210
Total patient care support	194,593	164,533
Non-patient care related:		
Appropriation	150,586	146,913
Share of appropriation used to support matching funds under the Commonwealth of PA Medical Assistance Program	(31,291)	(10,558)
Appropriation, net	119,295	136,355
Grants and contracts	12,820	10,105
Grants for property, plant, and equipment	28,200	15,134
Total non-patient care support	160,315	161,594
Total Commonwealth of Pennsylvania support	$ 354,908	$ 326,127

19. Goodwill and Other Intangible Assets

At June 30, 2017 and 2016, goodwill and other intangible assets totaled $21,044 and $21,875, respectively. Intangible assets primarily relate to our affiliation with American Oncologic Hospital ("AOH") and acquisitions of community-based primary care practices by Temple Physicians, Inc.

Details of intangible assets as of June 30, 2017 and 2016 are as follows:

	Amortizing				Non-Amortizing
June 30, 2017	**Gross Carrying Amount***	**Accumulated Amortization**	**Impairment**	**Net Book Value**	**Book Value***
Intellectual property	$ 5,615	$ (2,059)	$ —	$ 3,556	$ —
Contracts and agreements	1,860	(725)	—	1,135	—
Physician contracts	2,410	(1,681)	(146)	583	—
Other	619	(357)	—	262	—
Goodwill	—	—	—	—	524
Trade name - AOH	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,984
Total intangible assets	$ 10,504	$ (4,822)	$ (146)	$ 5,536	$ 15,508

* Net of impairments recorded in prior years.

	Amortizing				Non-Amortizing
June 30, 2016	**Gross Carrying Amount***	**Accumulated Amortization**	**Impairment**	**Net Book Value**	**Book Value***
Intellectual property	$ 5,615	$ (1,648)	$ —	$ 3,967	$ —
Contracts and agreements	1,860	(580)	—	1,280	—
Physician contracts	2,283	(1,364)	(108)	811	—
Other	619	(310)	—	309	—
Goodwill	—	—	—	—	524
Trade name - AOH	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,984
Total intangible assets	$ 10,377	$ (3,902)	$ (108)	$ 6,367	$ 15,508

* Net of impairments recorded in prior years.

Amortization expense for the years ended June 30, 2017 and 2016 was $920 and $946, respectively.

Amortization expense in future years is estimated as follows:

2017	$	874
2018		820
2019		647
2020		548
2021		536
Thereafter		2,111
	$	5,536

The changes in the carrying amount of goodwill and other intangible assets for the years ended June 30, 2017 and 2016 are as follows:

		Goodwill		Other Intangibles		Total
Balance, June 30, 2015	$	524	$	21,891	$	22,415
Acquisitions (physician contracts)		—		514		514
Amortization		—		(946)		(946)
Impairment (physician contract)		—		(108)		(108)
Balance, June 30, 2016		524		21,351		21,875
Acquisitions (physician contracts)		—		235		235
Amortization		—		(920)		(920)
Impairment (physician contract)		—		(146)		(146)
Balance, June 30, 2017	$	524	$	20,520	$	21,044

During 2017 and 2016, intangible asset acquisitions relate to community-based primary care practices acquired by Temple Physicians, Inc. of $235 and $514, respectively, and have a weighted average life of 3.9 years and 3.4 years, respectively.

20. Subsequent Events

Temple has evaluated subsequent events through October 26, 2017, the date the consolidated financial statements were available to be issued. There were no additional events requiring adjustments to or disclosure in the consolidated financial statements.

* * * * *

Supplemental Schedules

The following schedules reflect the changes in unrestricted net assets for the University and its controlled entities. The columnar classification reflects the various budgetary categories and operations of Temple. The University's Clinical Faculty Practice Plans include TUP and certain School of Dentistry clinical activities. Other long-term net assets include the net book value of property, plant, and equipment, net assets set aside to retire debt, University matching of federal loan programs, and the unfunded liability for pensions and postretirement benefits.

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Unrestricted Net Assets — For the Year Ended June 30, 2017 (in thousands)

	Unrestricted Net Assets										
			University, Excluding Temple Educational Support Services								
	Temple University Health System (1)	Temple Educational Support Services (2)	Clinical Faculty Practice Plans (3)	Educational and General (4)	Quasi - Endowment (5)	Externally Sponsored Activities (6)	Unexpended Capital (7)	Other Long-term (8)	Total University (9)	Consolidating Eliminations (10)	Total Unrestricted Net Assets (11)
Revenues:											
Tuition and fees, net of discounts of $141,536	$ —	$ 26,793	$ —	$ 771,222	$ —	$ —	$ —	$ —	$ 771,222	$ (1,800)	$ 796,215
Commonwealth of Pennsylvania appropriation	—	—	—	119,295	—	—	—	—	119,295	—	119,295
Grants and contracts	35,189	—	—	41,705	—	125,541	—	—	167,246	—	202,435
Contributions for operations and endowments	11,251	—	—	2,735	2,238	16,487	—	—	21,460	—	32,711
Investment return	7,736	—	—	17,021	—	16,979	632	1,920	36,552	—	44,288
Sales of educational activities	—	—	—	10,290	—	—	—	—	10,290	—	10,290
Auxiliary enterprises	—	—	—	112,836	—	—	—	—	112,836	—	112,836
Patient care activities, net of bad debt of $42,657	1,655,667	—	198,707	2,896	—	—	—	—	201,603	—	1,857,270
Other sources	42,483	—	—	9,407	—	1,292	693	—	11,392	—	53,875
Net assets released from restrictions	6,960	—	—	(111)	—	10,984	—	—	10,873	—	17,833
Total revenues	1,759,286	26,793	198,707	1,087,296	2,238	171,283	1,325	1,920	1,462,769	(1,800)	3,247,048
Expenses:											
Educational and general	42,067	26,161	—	810,413	—	145,025	14,398	76,078	1,045,914	(1,800)	1,112,342
Auxiliary enterprises	—	—	—	88,718	—	625	1,235	41,027	131,605	—	131,605
Patient care activities	1,710,092	—	187,732	5,705	—	—			193,437	123	1,903,652
Total expenses	1,752,159	26,161	187,732	904,836	—	145,650	15,633	117,105	1,370,956	(1,677)	3,147,599
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	(605)	(16,544)	—	(3,817)	(122,181)	143,147	—	—	—
Retirement of indebtedness	—	—	—	(45,157)	—	—	2,024	43,133	—	—	—
Capital replacement and expansion	—	—	—	(54,087)	—	1	54,086	—	—	—	—
Transfer from TUP	—	—	(11,104)	11,104	—	—	—	—	—	—	—
Other transfers	—	—	—	(72,352)	30,120	(15,366)	60,257	(2,659)	—	—	—
Total transfers	—	—	(11,709)	(177,036)	30,120	(19,182)	(5,814)	183,621	—	—	—
Excess (deficit) of revenues over expenses and internal transfers	7,127	632	(734)	5,424	32,358	6,451	(20,122)	68,436	91,813	(123)	99,449
Other changes in net assets:											
Investment return	15,535	—	—	(5,279)	17,338	—	(532)	(2,699)	8,828	—	24,363
Commonwealth grants for PP&E	—	—	—	—	—	—	28,200	—	28,200	—	28,200
Contributions for PP&E	—	—	—	—	—	—	(824)	—	(824)	—	(824)
Loss (gain) on disposal of PP&E, net	(261)	—	—	144	—	—	3,843	(2,609)	1,378	—	1,117
Actuarial change in accrued pensions and postretirement	31,087	—	—	—	—	—	—	57,879	57,879	—	88,966
Transfer from TUHS	(7,822)	—	1,470	6,229	—	—	—	—	7,699	123	—
Currency translation adjustment	—	338	—	—	—	—	—	—	—	—	338
Net assets released from restrictions for PP&E	1,728	—	—	—	—	—	3,005	—	3,005	—	4,733
Total other changes in net assets	40,267	338	1,470	1,094	17,338	—	33,692	52,571	106,165	123	146,893
Change in net assets	47,394	970	736	6,518	49,696	6,451	13,570	121,007	197,978	—	246,342
Unrestricted Net assets, beginning of year	180,802	497	15,341	284,652	200,998	79,007	201,930	712,623	1,494,551	—	1,675,850
Unrestricted Net assets, end of year	$ 228,196	$ 1,467	$ 16,077	$ 291,170	$ 250,694	$ 85,458	$ 215,500	$ 833,630	$1,692,529	$ —	$ 1,922,192

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Unrestricted Net Assets — For the Year Ended June 30, 2016 (in thousands)

	Unrestricted Net Assets										
			University, Excluding Temple Educational Support Services								
	Temple University Health System (1)	Temple Educational Support Services (2)	Clinical Faculty Practice Plans (3)	Educational and General (4)	Quasi - Endowment (5)	Externally Sponsored Activities (6)	Unexpended Capital (7)	Other Long-term (8)	Total University (9)	Consolidating Eliminations (10)	Total Unrestricted Net Assets (11)
Revenues:											
Tuition and fees, net of discounts of $119,578	$ —	$ 23,220	$ —	$ 718,540	$ —	$ —	$ —	$ —	$ 718,540	$ (1,800)	$ 739,960
Commonwealth of Pennsylvania appropriation	—	—	—	136,355	—	—	—	—	136,355	—	136,355
Grants and contracts	32,036	—	—	38,740	—	115,103	—	—	153,843	—	185,879
Contributions for operations and endowments	5,628	—	—	2,119	2,335	13,926	—	—	18,380	—	24,008
Investment return	7,398	—	—	13,003	—	16,228	656	1,611	31,498	—	38,896
Sales of educational activities	—	—	—	10,278	—	—	—	—	10,278	—	10,278
Auxiliary enterprises	—	—	—	109,001	—	—	—	—	109,001	—	109,001
Patient care activities, net of bad debt of $45,055	1,558,863	—	186,059	3,043	—	—	—	—	189,102	—	1,747,965
Other sources	39,844	—	—	10,237	—	1,262	693	—	12,192	—	52,036
Net assets released from restrictions	5,483	—	—	2	—	10,583	—	—	10,585	—	16,068
Total revenues	1,649,252	23,220	186,059	1,041,318	2,335	157,102	1,349	1,611	1,389,774	(1,800)	3,060,446
Expenses:											
Educational and general	39,976	22,305	—	787,640	—	135,482	16,275	76,799	1,016,196	(1,800)	1,076,677
Auxiliary enterprises	—	—	—	89,701	—	587	1,341	41,737	133,366	—	133,366
Patient care activities	1,591,899	—	180,457	6,058	—	—	—	147	186,662	—	1,778,561
Total expenses	1,631,875	22,305	180,457	883,399	—	136,069	17,616	118,683	1,336,224	(1,800)	2,988,604
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	(649)	(19,593)	—	(1,900)	(73,279)	95,421	—	—	—
Retirement of indebtedness	—	—	—	(46,647)	—	—	2,656	43,991	—	—	—
Capital replacement and expansion	—	—	—	(45,104)	—	(532)	45,636	—	—	—	—
Transfer from TUP	—	—	(5,089)	5,089	—	—	—	—	—	—	—
Other transfers	—	—	—	(104,940)	120,000	(15,462)	(2,429)	2,831	—	—	—
Total transfers	—	—	(5,738)	(211,195)	120,000	(17,894)	(27,416)	142,243	—	—	—
Excess (deficit) of revenues over expenses and internal transfers	17,377	915	(136)	(53,276)	122,335	3,139	(43,683)	25,171	53,550	—	71,842
Other changes in net assets:											
Investment return	(5,163)	—		4,844	(7,887)	—	148	4,356	1,461	—	(3,702)
Commonwealth grants for PP&E	—	—	—	—	—	—	15,134	—	15,134	—	15,134
Contributions for PP&E	—	—	—	—	—	—	(728)	1,881	1,153	—	1,153
Loss on extinguishment of debt	—	—	—	—	—	—	—	(1,263)	(1,263)	—	(1,263)
Loss on disposal of PP&E, net	(221)	(12)	—	—	—	—	—	(747)	(747)	—	(980)
Actuarial change in accrued pensions and postretirement	(33,964)	—	—	—	—	—	—	(38,662)	(38,662)	—	(72,626)
Change in conditional asset retirement obligation cash	—	—	—	—	—	—	—	6,364	6,364	—	6,364
Transfer from TUHS	(6,680)	—	1,470	5,210	—	—	—	—	6,680	—	—
Currency translation adjustment	—	(432)	—	—	—	—	—	—	—	—	(432)
Net assets released from restrictions for PP&E	7,452	—	—	—	—	—	938	—	938	—	8,390
Total other changes in net assets	(38,576)	(444)	1,470	10,054	(7,887)	—	15,492	(28,071)	(8,942)	—	(47,962)
Change in net assets	(21,199)	471	1,334	(43,222)	114,448	3,139	(28,191)	(2,900)	44,608	—	23,880
Unrestricted Net assets, beginning of year	202,001	26	14,007	327,874	86,550	75,868	230,121	715,523	1,449,943	—	1,651,970
Unrestricted Net assets, end of year	$ 180,802	$ 497	$ 15,341	$ 284,652	$ 200,998	$ 79,007	$ 201,930	$ 712,623	$1,494,551	$ —	$ 1,675,850

The following is a summary of Temple's subsidiary organizations included in the consolidated financial statements and their tax-exempt status. Unless otherwise indicated, all exempt organizations are such under Internal Revenue Code Section 501(c)(3).

- Temple University — Of The Commonwealth System of Higher Education ("Temple"), exempt
  - Good Samaritan Insurance Co. Ltd. ("GSIC"), non-exempt (Bermuda)
  - Temple Educational Support Services, Ltd. ("TESS"), non-exempt (Japan)
  - TUMP Offices, Inc. ("TUMP"), exempt 501(c)(2)
  - Global Technology Management Corp., non-exempt (inactive)

  - Temple University Health System, Inc. ("TUHS"), exempt
    - Temple University Hospital, Inc. ("TUH"), exempt
      - Temple University Health System Foundation ("TUHSF"), exempt
    - Temple Physicians, Inc. ("TPI"), exempt
    - Jeanes Hospital ("JH"), exempt
    - Episcopal Hospital ("EH"), exempt
    - TUHS Insurance Co., Ltd. ("TUHIC"), non-exempt (Bermuda)
    - Temple Health System Transport Team, Inc. ("T3"), exempt
    - Temple Center for Population Health, LLC ("TCPH"), exempt
    - American Oncologic Hospital ("AOH"), exempt (doing business as, The Hospital of the Fox Chase Cancer Center)
      - Fox Chase Limited ("FC"), non-exempt
      - Institute for Cancer Research ("ICR"), exempt (doing business as, The Research Institute of Fox Chase Cancer Center)
      - Fox Chase Cancer Center Medical Group, Inc. ("MGI"), exempt
      - Fox Chase Network, Inc. ("Network"), exempt