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, 2016 and 2015, 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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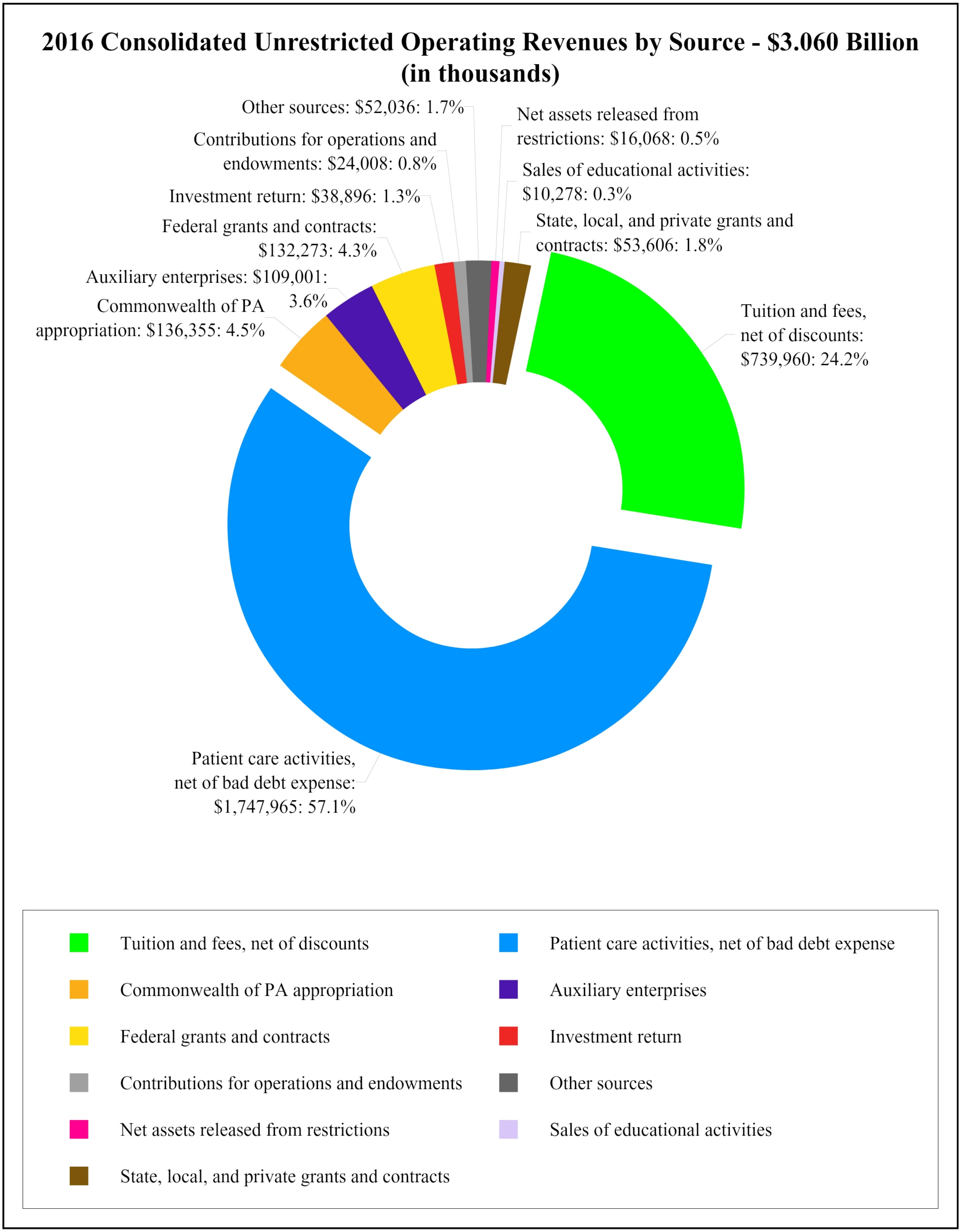
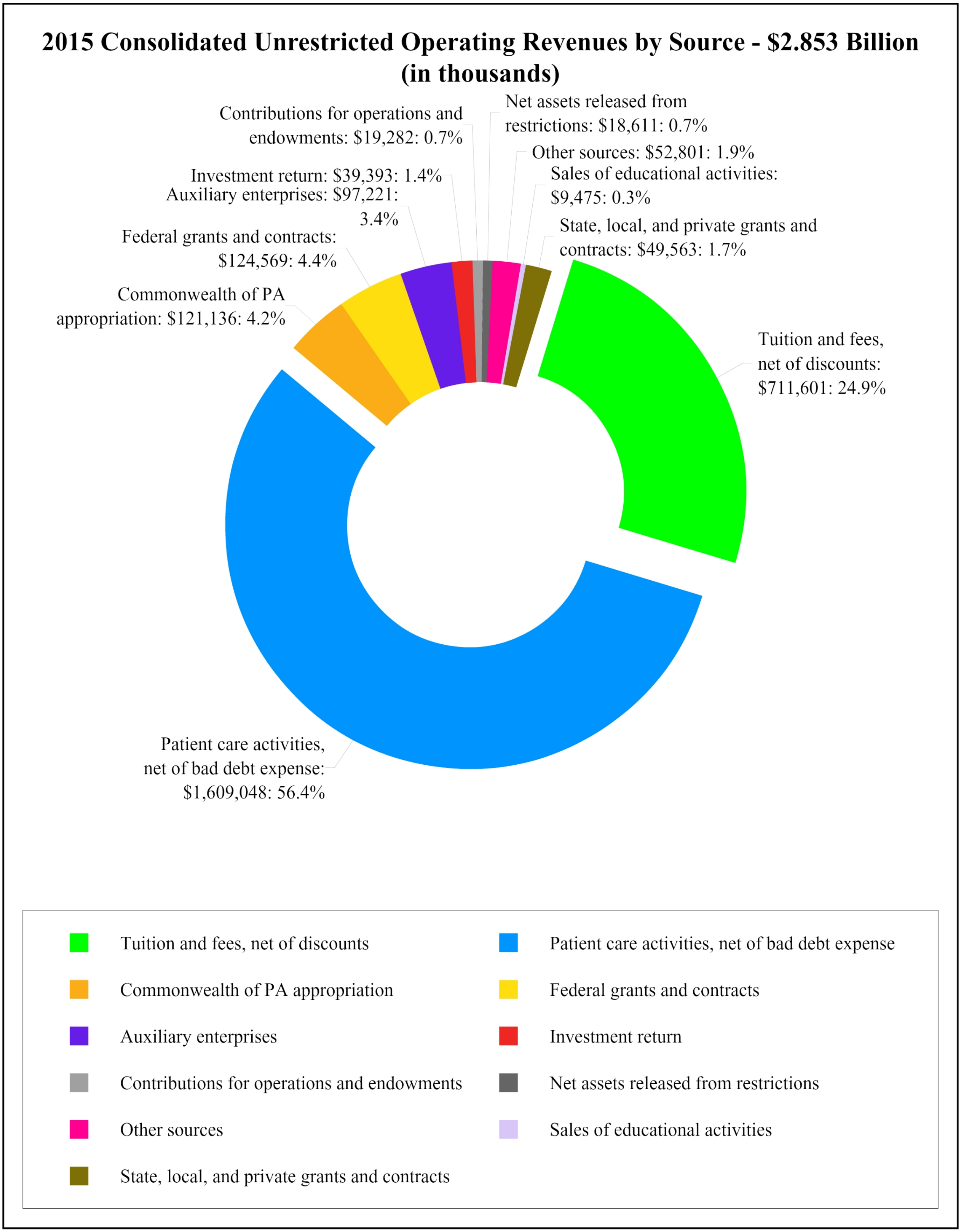
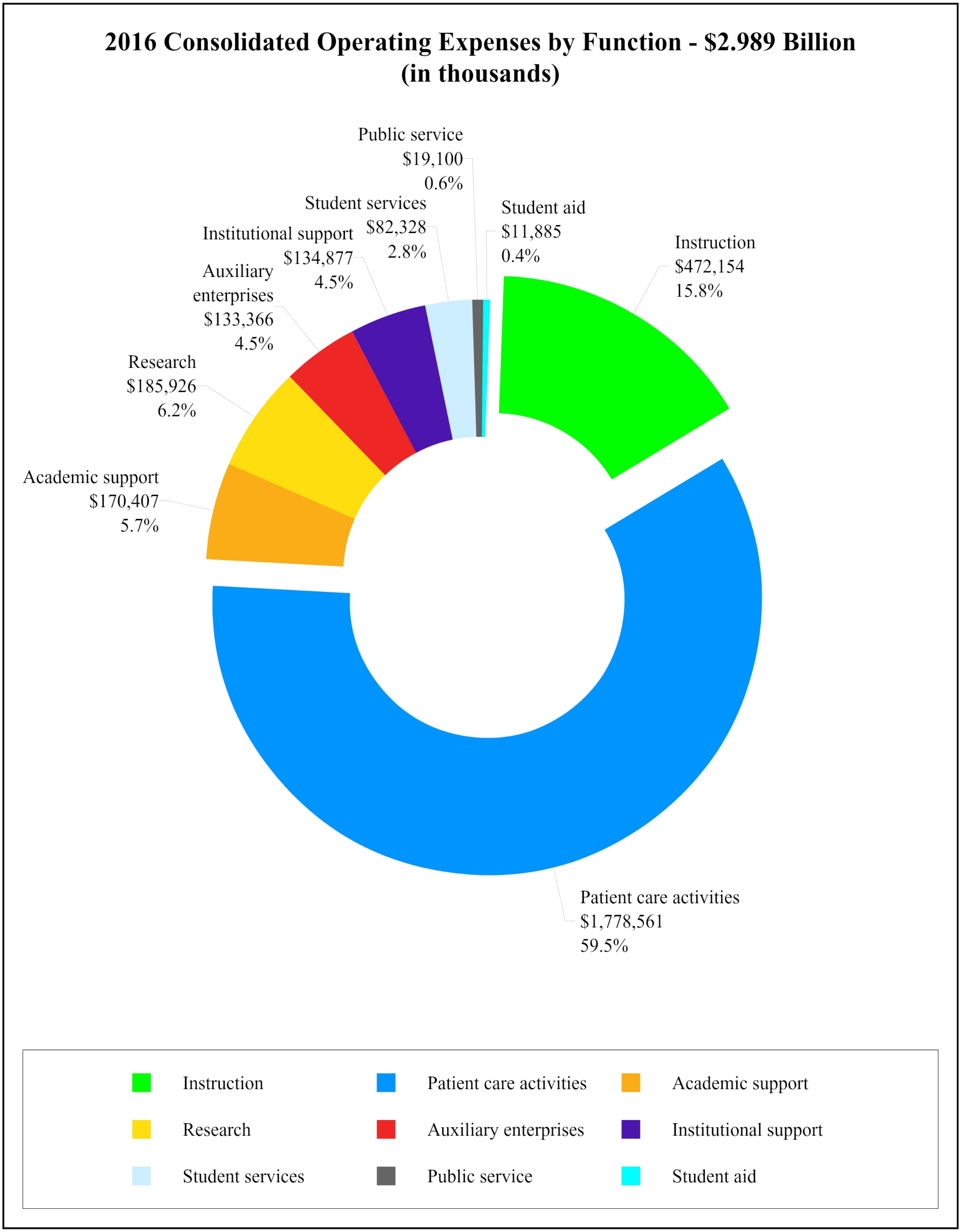
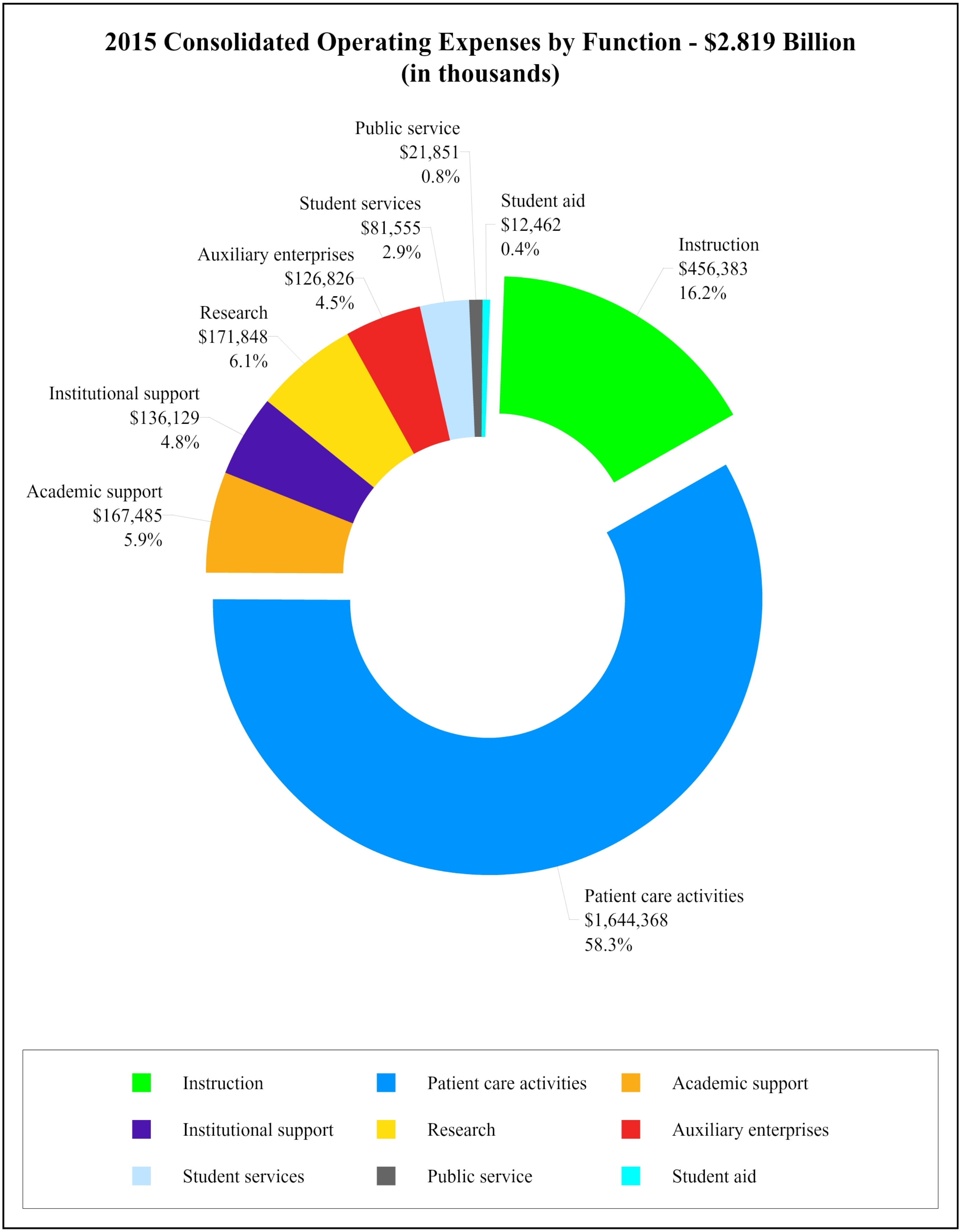

2016 Consolidated Unrestricted Operating Revenues by Source - $3.060 Billion (in thousands)
Other sources: $52,036: 1.7%
Net assets released from restrictions: $16,068: 0.5%
Contributions for operations and endowments: $24,008: 0.8%
Sales of educational activities: $10,278: 0.3%
Investment return: $38,896: 1.3%
State, local, and private grants and contracts: $53,606: 1.8%
Federal grants and contracts: $132,273: 4.3%
Auxiliary enterprises: $109,001: 3.6%
Commonwealth of PA appropriation: $136,355: 4.5%
Tuition and fees, net of discounts: $739,960: 24.2%
Patient care activities, net of bad debt expense: $1,747,965: 57.1%
Tuition and fees, net of discounts
Patient care activities, net of bad debt expense
Commonwealth of PA appropriation
Auxiliary enterprises
Federal grants and contracts
Investment return
Contributions for operations and endowments
Other sources
Net assets released from restrictions
Sales of educational activities
State, local, and private grants and contracts


2015 Consolidated Unrestricted Operating Revenues by Source - $2.853 Billion (in thousands)
Contributions for operations and endowments: $19,282: 0.7%
Net assets released from restrictions: $18,611: 0.7%
Other sources: $52,801: 1.9%
Sales of educational activities: $9,475: 0.3%
Investment return: $39,393: 1.4%
Auxiliary enterprises: $97,221: 3.4%
State, local, and private grants and contracts: $49,563: 1.7%
Federal grants and contracts: $124,569: 4.4%
Commonwealth of PA appropriation: $121,136: 4.2%
Tuition and fees, net of discounts: $711,601: 24.9%
Patient care activities, net of bad debt expense: $1,609,048: 56.4%
Tuition and fees, net of discounts
Patient care activities, net of bad debt expense
Commonwealth of PA appropriation
Federal grants and contracts
Auxiliary enterprises
Investment return
Contributions for operations and endowments
Net assets released from restrictions
Other sources
Sales of educational activities
State, local, and private grants and contracts


2016 Consolidated Operating Expenses by Function - $2.989 Billion
(in thousands)
Public service
$19,100
0.6%
Student services
$82,328
2.8%
Student aid
$11,885
0.4%
Institutional support
$134,877
4.5%
Instruction
$472,154
15.8%
Auxiliary
enterprises
$133,366
4.5%
Research
$185,926
6.2%
Academic support
$170,407
5.7%
Patient care activities
$1,778,561
59.5%
Instruction
Patient care activities
Academic support
Research
Auxiliary enterprises
Institutional support
Student services
Public service
Student aid


2015 Consolidated Operating Expenses by Function - $2.819 Billion
(in thousands)
Public service
$21,851
0.8%
Student services
$81,555
2.9%
Student aid
$12,462
0.4%
Instruction
$456,383
16.2%
Auxiliary enterprises
$126,826
4.5%
Research
$171,848
6.1%
Institutional support
$136,129
4.8%
Academic support
$167,485
5.9%
Patient care activities
$1,644,368
58.3%
Instruction
Patient care activities
Academic support
Institutional support
Research
Auxiliary enterprises
Student services
Public service
Student aid

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

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, 2016 and 2015, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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, 2016 and 2015, 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 information 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 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 24, 2016

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

Consolidated Balance Sheets
(in thousands)

	June 30, 2016	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 249,512	$ 189,008
Investments and self-insurance trust funds	714,551	894,418
Accounts, loans, and contributions receivable, net	446,450	379,796
Inventories and other assets	54,518	51,437
Deposits with trustees	24,951	31,743
Total current assets	1,489,982	1,546,402
Non-current assets:		
Accounts, loans, and contributions receivable, net	135,946	138,806
Investments and self-insurance trust funds	692,652	573,771
Deposits with trustees	137,786	79,694
Other assets	24,942	19,472
Property, plant, and equipment, net	1,797,237	1,771,339
Goodwill and other intangible assets, net	21,875	22,415
Funds held in trust by others	135,641	142,716
Total non-current assets	2,946,079	2,748,213
Total assets	$ 4,436,061	$ 4,294,615
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 390,746	$ 381,635
Deferred revenue	56,003	53,494
Current portion of long-term debt	41,573	34,626
Current portion of accrued pensions and postretirement benefits	535	598
Total current liabilities	488,857	470,353
Non-current liabilities:		
Accrued expenses and other liabilities	245,021	266,239
Long-term debt	1,216,699	1,158,387
Refundable federal student loans	51,398	51,252
Accrued pensions and postretirement benefits	234,555	163,733
Total non-current liabilities	1,747,673	1,639,611
Total liabilities	2,236,530	2,109,964
Net assets:		
Unrestricted	1,675,850	1,651,970
Temporarily restricted	105,661	125,279
Permanently restricted	418,020	407,402
Total net assets	2,199,531	2,184,651
Total liabilities and net assets	$ 4,436,061	$ 4,294,615

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	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 expense 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	(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 Statement of Activities
For the Year Ended June 30, 2015
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Tuition and fees, net of discounts of $97,120	$ 711,601	$ —	$ —	$ 711,601
Commonwealth of Pennsylvania appropriation	121,136	—	—	121,136
Federal grants and contracts	124,569	—	—	124,569
Commonwealth of Pennsylvania grants and contracts	12,636	—	—	12,636
Local grants and contracts	3,043	—	—	3,043
Private grants and contracts	33,884	—	—	33,884
Contributions for operations and endowments	19,282	16,793	37,688	73,763
Investment return	39,393	4,219	(142)	43,470
Sales of educational activities	9,475	—	—	9,475
Auxiliary enterprises	97,221	—	—	97,221
Patient care activities, net of bad debt expense of $52,248	1,609,048	—	—	1,609,048
Other sources	52,801	57	—	52,858
Net assets released from restrictions	18,611	(18,611)	—	—
Total revenues	2,852,700	2,458	37,546	2,892,704
Expenses:				
Educational and general:				
Instruction	456,383	—	—	456,383
Research	171,848	—	—	171,848
Public service	21,851	—	—	21,851
Academic support	167,485	—	—	167,485
Student services	81,555	—	—	81,555
Institutional support	136,129	—	—	136,129
Student aid	12,462	—	—	12,462
Total educational and general	1,047,713	—	—	1,047,713
Auxiliary enterprises	126,826	—	—	126,826
Patient care activities	1,644,368	—	—	1,644,368
Total expenses	2,818,907	—	—	2,818,907
Excess of revenues over expenses	33,793	2,458	37,546	73,797
Other changes in net assets:				
Investment return	(11,585)	(10,881)	(2,629)	(25,095)
Commonwealth grants for property, plant, and equipment (PP&E)	20,510	—	—	20,510
Contributions for PP&E	567	308	—	875
Loss on disposal of PP&E	(953)	—	—	(953)
Actuarial change in accrued pensions and postretirement benefits	(37,591)	—	—	(37,591)
Currency translation adjustment and foreign exchange realized gain, net	77	—	—	77
Net assets released from restrictions for PP&E	4,175	(4,175)	—	—
Total other changes in net assets	(24,800)	(14,748)	(2,629)	(42,177)
Change in net assets	8,993	(12,290)	34,917	31,620
Net assets, beginning of year	1,642,977	137,569	372,485	2,153,031
Net assets, end of year	$ 1,651,970	$ 125,279	$ 407,402	$ 2,184,651

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, 2016	Year Ended June 30, 2015
Cash flows from operating activities:		
Change in net assets	$ 14,880	$ 31,620
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Currency translation adjustment and foreign exchange realized loss (gain), net	432	(77)
Provision for bad debts	49,937	57,288
Depreciation	140,616	137,996
Amortization and accretion	718	1,081
Impairment of intangibles	108	—
Realized and unrealized loss (gain) on investments	18,264	(1,702)
Loss on extinguishment of debt	1,263	—
Actuarial change in accrued pensions and postretirement benefits	72,626	37,591
Change in conditional asset retirement obligation cash flows	(6,364)	222
Loss on disposal of property, plant, and equipment (PP&E)	980	953
Noncash contributions received	(1,020)	(2,184)
Proceeds from sale of noncash contributions	1,020	2,184
Contributions, grants, and investment income restricted of and for PP&E and long-term investment	(49,892)	(61,205)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(104,079)	(65,644)
Inventories and other assets	(12,383)	(10,326)
Accounts payable and accrued expenses	(15,829)	(1,392)
Deferred revenue	2,509	(1,413)
Accrued pensions and postretirement benefits	449	993
Net cash provided by operating activities	114,235	125,985
Cash flows from investing activities:		
Purchases of investments, deposits with trustees, and self-insurance trusts	(1,111,043)	(928,547)
Sales and maturities of investments, deposits with trustees, and self-insurance trusts	1,107,016	939,651
Purchases of PP&E	(152,614)	(198,231)
Proceeds from sale of PP&E	3,792	305
Loans to students	(9,651)	(9,959)
Proceeds from collections on student loans	9,050	9,561
Net cash used in investing activities	(153,450)	(187,220)
Cash flows from financing activities:		
Proceeds from contributions, grants, and investment income restricted for PP&E and long-term investment	38,265	91,125
Refundable federal student loans	146	458
Change in split interest agreements	(613)	(371)
Proceeds from long-term debt	384,911	3,743
Repayment of long-term debt	(322,932)	(27,161)
Proceeds from short-term borrowings (line of credit)	175,000	—
Repayment of short-term borrowings (line of credit)	(175,000)	—
Net cash provided by financing activities	99,777	67,794
Effect of exchange rate changes on cash and cash equivalents	(58)	(63)
Net change in cash and cash equivalents	60,504	6,496
Cash and cash equivalents, beginning of the year	189,008	182,512
Cash and cash equivalents, end of the year	$ 249,512	$ 189,008
Supplemental disclosure of cash flow information:		
Cash paid for interest	60,465	62,656
PP&E acquired through capital leases	7,192	392
Amounts accrued related to PP&E	21,662	9,821

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 seven 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 schedules for a complete listing of the University's subsidiaries. A summary of the University'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 market 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. 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 and 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 or market, with cost being determined on the first-in, first-out, or average cost method. Inventories at June 30, 2016 and 2015, totaled $28,829 and $26,990, respectively, and are included in *Inventories and other assets* in the consolidated balance sheets.

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. In 2015, Temple recorded an impairment loss totaling $1,144 related to the write-down to fair value of an asset held for sale, which was subsequently sold in 2016 (see *Assets held for sale*). No impairment of long-lived assets occurred during 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. Both disposal groups are under active discussions with prospective purchasers, and neither are under agreement of 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.

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* in the 2016 consolidated statement of activities. At June 30, 2015, the long-lived asset was written down to $1,650, or its fair value less cost to sell. As a result, an impairment charge of $1,144 was recorded in 2015 related to this asset.

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 2016 or 2015. 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 most recent annual impairment test completed as of June 30, 2016, Temple recorded an impairment write-down of $108 related to a physician contract intangible asset associated with one its community-based primary care practices. The impairment charge is included in *Patient care activities* expense in the 2016 consolidated statement of activities. There was no impairment loss recognized on intangible assets with determinable lives during 2015 (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 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 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 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. Investments valued using the net asset value practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date. For investments that are redeemable with the investee at a future date, Temple takes into account the length of time until those investments become redeemable to determine the classification within the fair value hierarchy (see 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, they are not reported as patient care activities revenue in the 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 $19,304 and $14,313 in 2016 and 2015, 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 activity related to property, plant, and equipment (including grants and contributions, gains (losses) on disposals, and net assets released from restrictions), as well as 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 Temple's captive insurance companies domiciled in Bermuda, TESS, 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.

Reclassification — The allowance for doubtful patient accounts receivables previously disclosed in Temple's 2015 consolidated financial statements included $18,321 of fully reserved patient receivables, which TUHS had ceased collection efforts as of June 30, 2015. Since collection of these patient receivables was unlikely, this amount should have been removed equally from the June 30, 2015 gross patient accounts receivables and allowance for doubtful patient accounts. Accordingly, the June 30,2015 gross patient accounts receivables and allowance for doubtful patient accounts disclosed in Note 4 have both been reduced by this amount, as compared to the amount disclosed in the prior year. This revision had no impact on Temple's June 30, 2015 net account receivable balance nor did it have any impact Temple's consolidated balance sheet as of June 30, 2015, or its consolidated statements of activities or cash flows for the year then ended.

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, and accounting for pension and other postretirement benefits. Actual results could differ materially from these estimates.

Recently Adopted Accounting Pronouncements — In April 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that all costs incurred to issue debt be presented on the balance sheet as a direct deduction from the carrying value of the debt. The amortization of these costs will remain under the interest method and will continue to be reported as interest expense. On August 16, 2015, the FASB issued ASU 2015-15, Interest – *Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,* to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff stated they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 requires retrospective application and represents a change in accounting principle. Effective June 30, 2016, Temple elected to early adopt ASU 2015-03. The adoption of ASU 2015-03 resulted in $7,917 of unamortized deferred issuance costs at June 30, 2015, that was previously recorded as an asset, being presented as a direct deduction from the carrying value of the debt. At June 30, 2016 and 2015, Temple did not have any unamortized debt issuance costs related to line-of-credit arrangements.

Recently Issued Accounting Pronouncements — 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. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, 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*. 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 January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although ASU 2016-01 retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments, including eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted as of the fiscal years beginning after December 15, 2017. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.

In May 2015, the FASB issued the ASU 2015-07*, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent).* 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 disclosures in 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, 2015. Early adoption is permitted and ASU 2015-07 should be applied retrospectively to all periods presented. 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, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Investments:		
Money market funds	$ 40,400	$ 56,806
Corporate bonds and notes	263,307	290,857
U.S. government and agency securities	286,652	302,015
Municipal bonds	8,747	7,922
Fixed income funds	272,898	355,987
Equity funds and securities	350,948	311,325
Limited partnerships, corporations, and joint ventures	132,960	99,704
Alternative funds	21,925	15,252
Real estate	365	3,665
Other*	12,931	10,203
Total investments	$ 1,391,133	$ 1,453,736

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

The carrying values of self-insurance trust funds at June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Self-insurance trust funds:		
Money market funds	$ 932	$ 1,009
Corporate bonds and notes	2,919	3,537
U.S. government securities	12,219	9,907
Total self-insurance trust funds	$ 16,070	$ 14,453

Investment return reported in the statements of activities for the years ended June 30, 2016 and 2015 is as follows:

	Year Ended June 30,	
	2016	2015
Investment income:		
Interest and dividends	$ 27,621	$ 16,673
Realized gains, net	3,110	4,259
Unrealized losses, net	(21,374)	(2,557)
Total investment income	$ 9,357	$ 18,375

4. Accounts, Loans and Contributions Receivable

Accounts receivable, net of allowances are as follows:

	June 30, 2016	June 30, 2015
Student	$ 41,850	$ 40,562
Patients	239,796	224,490
Health care programs	87,188	37,856
Grants and contracts	35,504	35,981
Commonwealth construction	8,080	2,806
Recoveries from insurance providers	36,229	37,271
Pennsylvania Department of Welfare Access to Care	9,445	9,525
Other	31,691	33,577
Accounts receivable, gross	489,783	422,068
Less: Allowance for doubtful patient accounts (Note 16)	(25,542)	(25,851)
Less: Allowance for doubtful student and other accounts	(12,811)	(12,214)
Total accounts receivable, net	$ 451,430	$ 384,003

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, 2016 and 2015, funds advanced by the federal government totaled $51,398 and $51,252, 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 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, 2016	June 30, 2015
Federal government loan programs:		
Perkins loan program	$ 41,582	$ 40,709
Health professional and disadvantaged student loans	18,279	18,392
Nursing student loans	276	361
Federal government loan programs	60,137	59,462
Institutional loan programs	1,401	1,488
Student loans receivable, gross	61,538	60,950
Less: Allowance for doubtful federal government loan programs	(8,653)	(8,666)
Less: Allowance for doubtful institutional loan programs	(306)	(306)
Total student loans receivable, net	$ 52,579	$ 51,978

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 only when they are deemed to be permanently uncollectible.

The aging of student loans receivable is as follows:

	June 30, 2016	June 30, 2015
30 days or less	$ 46,175	$ 45,704
31 through 59 days past due	2,337	2,088
60 through 89 days past due	310	446
90 days and greater past due	3,757	3,740
Total student loans receivable, net	$ 52,579	$ 51,978

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, 2016	June 30, 2015
In one year or less	$ 26,080	$ 25,695
One to five years	23,858	28,198
Greater than five years	50,663	49,356
Contributions receivable, gross	100,601	103,249
Less: Allowance for doubtful contributions	(6,240)	(3,588)
Less: Present value discount	(15,974)	(17,040)
Total contributions receivable, net	78,387	82,621
Less: Current portion of contribution receivable, net	(21,490)	(24,647)
Non-current portion of contribution receivable, net	$ 56,897	$ 57,974

Changes to net contributions receivable during the year ended June 30, 2016 are as follows:

Balance, beginning of the year	$ 82,621
New pledges	19,802
Collection of pledges	(22,016)
Pledges written off	(434)
Change in allowance	(2,652)
Change in discount to present value	1,066
Balance, end of the year	$ 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 0.45% and 1.99% for contributions made during the year ended June 30, 2016 and 0.28% and 6.0% for contributions made during the year ended June 30, 2015. The discount rates for contributions made during the years ended June 30, 2014 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 2016 and 2015 were $63,857 and $59,845, 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 $7,398 and $6,608 in 2016 and 2015, respectively.

The activity of the defined benefit pension and postretirement benefit plans for the years ended June 30, 2016 and 2015 is as follows:

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 217,368	$ 208,017	$ 418,618	$ 406,635
Service cost	2,353	2,662	15,378	15,957
Interest cost	9,881	8,831	18,376	17,320
Plan participant contributions	205	189	2,273	2,408
Actuarial loss (gain)	22,275	6,992	17,127	(6,045)
Benefits paid	(8,832)	(7,984)	(17,163)	(17,657)
Plan expenses	(1,358)	(1,339)	—	—
Settlement	(24)	—	—	—
Benefit obligation, end of year	$ 241,868	$ 217,368	$ 454,609	$ 418,618
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 183,303	$ 187,287	$ 290,465	$ 301,555
Actual return on plan assets	1,604	450	(5,170)	(3,600)
Employer contributions	2,660	4,700	13,400	7,759
Plan participant contributions	205	189	2,273	2,408
Benefits paid	(8,832)	(7,984)	(17,163)	(17,657)
Plan expenses	(1,358)	(1,339)	—	—
Fair value of plan assets, end of year	$ 177,582	$ 183,303	$ 283,805	$ 290,465
Net funded status:				
Funded status, end of year	$ (64,286)	$ (34,065)	$ (170,804)	$ (128,153)

The accumulated benefit obligation for the pension plans at June 30, 2016 and 2015 was $239,479 and $214,592, respectively.

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
The funded status recognized in the balance sheets:				
Assets, non-current	$ —	$ 2,113	$ —	$ —
Liabilities, current	—	—	(535)	(598)
Liabilities, non-current	(64,286)	(36,178)	(170,269)	(127,555)
Net amount recognized, funded status	$ (64,286)	$ (34,065)	$ (170,804)	$ (128,153)

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Accumulated amounts recognized in unrestricted net assets:				
Unrecognized prior service cost	$ —	$ —	$ (2,740)	$ (9,655)
Unrecognized net loss	117,680	91,256	111,041	71,529
Net amount recognized	$ 117,680	$ 91,256	$ 108,301	$ 61,874

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	$7,863	$9,802
Prior service credit	—	(2,491)

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Changes in plan assets and benefit obligations recognized in other changes in net assets:				
Actuarial loss	$ 33,035	$ 18,500	$ 43,915	$ 19,861
Amortization of prior service credit	—	(1)	6,915	8,092
Amortization of net actuarial loss	(6,355)	(5,650)	(4,403)	(2,718)
Recognition of settlement loss	(256)	—	—	—
Total recognized in other changes in net assets	$ 26,424	$ 12,849	$ 46,427	$ 25,235

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 has accounted for this change as a change in accounting estimate and it will be applied prospectively starting in fiscal 2017.

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Components of net periodic cost:				
Service cost	$ 2,353	$ 2,662	$ 15,378	$ 15,957
Interest cost	9,881	8,831	18,376	17,320
Expected return on plan assets	(12,386)	(11,959)	(21,617)	(22,308)
Amortization of prior service credit	—	1	(6,915)	(8,092)
Amortization of net actuarial loss	6,355	5,650	4,403	2,718
Net periodic cost	$ 6,203	$ 5,185	$ 9,625	$ 5,595

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions used to determine the benefit obligations at end of year:				
Discount rate(s)	3.36%-4.02%	4.35%-4.65%	3.83%	2.95%-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 next year	N/A	N/A	6.59% / 7.87%	6.75% / 6.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50% / 4.44%	5.00% / 5.00%
Year that ultimate rate is reached	N/A	N/A	2023 / 2025	2021 / 2021

	Pensions		Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions used to determine net periodic cost at beginning of year:				
Discount rate(s)	4.35%-4.65%	4.25%-4.50%	4.50%	2.65%-4.35%
Expected long-term rate of return on plan assets	6.50%-7.00%	6.50%-7.50%	7.50%	7.50%
Rate of compensation increase	3.00%-4.00%	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	6.57% / 7.76%	7.00% / 6.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50% / 4.44%	5.00% / 5.00%
Year that ultimate rate is reached	N/A	N/A	2023 / 2025	2021 / 2021

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, 2016:

	Decrease	Increase
Incremental effect on service cost and interest cost components of net periodic postretirement benefits cost	$ (4,323)	$ 5,348
Percentage of incremental effect in relation to current year service cost and interest cost	(12.81)%	15.84%
Incremental effect on benefit obligation, end of year	$ (50,013)	$ 59,454
Percentage of incremental effect in relation to current year benefit obligations, end of year	(10.89)%	12.95%

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, 2016 and 2015 is as follows (see Note 10 for plan asset fair value disclosures):

	Pensions			Postretirement Benefits		
	Target	2016	2015	Target	2016	2015
Asset class:						
Equity funds and securities	30% - 90%	60%	76%	75%	74%	73%
Fixed income and cash	10% - 70%	40%	24%	25%	26%	27%

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	$ 14,028	$ 20,933
Employee	N/A	2,302
Estimated future benefit payments reflecting expected future service for fiscal years ending June 30:		
2017	$ 10,075	$ 18,426
2018	10,798	19,277
2019	11,144	20,483
2020	11,592	21,546
2021	12,048	22,675
2022 through 2026	67,009	124,976

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 $1,589 and $1,916 at June 30, 2016 and 2015, 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, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Construction funds:		
PAID, Second Series of 2016	$ 56	$ —
PAID, First Series of 2015	65,888	—
PHEFA, First Series of 2012	—	7,581
PHEFA, First Series of 2010A	—	1,694
THHEFAP, First Series of 2012 (TUHS)	20,933	26,962
Total construction funds	86,877	36,237
Debt repayment funds:		
THHEFAP, First Series of 2012 (TUHS)	45,885	45,475
THHEFAP, First Series of 2007 (TUHS)	29,975	29,725
Total debt repayment funds	75,860	75,200
Total deposits with trustees	$ 162,737	$ 111,437

7. Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2016 and 2015 is summarized as follows:

	June 30, 2016	June 30, 2015
Land and land improvements	$ 112,732	$ 109,264
Buildings and building improvements	2,173,058	2,108,502
Equipment and library books	1,139,107	1,098,099
Construction in progress	97,911	78,103
Property, plant, and equipment, gross	3,522,808	3,393,968
Less: Accumulated depreciation	(1,725,571)	(1,622,629)
Total property, plant, and equipment, net	$ 1,797,237	$ 1,771,339

Depreciation expense was $140,616 and $137,996 in 2016 and 2015, 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, 2016 and 2015 are as follows:

	2016	2015
Balance, beginning of the year	$ 20,059	$ 18,352
Liabilities incurred	—	1,000
Accretion expense	748	1,116
Revision of estimated cash flows	(6,364)	222
Liabilities settled	(2,743)	(559)
Foreign currency translation	67	(72)
Balance, end of the year	$ 11,767	$ 20,059

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

9. Debt and Leases

Long-term debt consists of the following at June 30, 2016 and 2015:

	Maturity	Interest Rate†	Effective Rate 2016	June 30, 2016	June 30, 2015
Long-term debt:					
University bond issuances:					
PAID Revenue Bonds, First Series of 2016, net of unamortized premium of $12,715	April 1, 2029	5.00%	3.79%	$ 146,040	$ —
PAID Revenue Bonds, Second Series of 2016, net of unamortized premium of $12,966	April 1, 2036	5.00%	3.85%	91,076	—
PAID Revenue Bonds, First Series of 2015, net of unamortized premium of $13,233	April 1, 2045	5.00%	4.17%	140,964	—
PHEFA Revenue Bonds, First Series of 2012, net of unamortized premium of $22,369 and $23,373	April 1, 2042	4.00%-5.00%	3.94%	207,239	211,788
PHEFA Revenue Bonds, First Series A of 2010, net of unamortized premium of $2,750 and $2,803	April 1, 2021	4.00%-5.00%	3.91%	18,470	21,258
PHEFA Revenue Bonds, First Series B of 2010, net of unamortized premium of $0 and $0	April 1, 2040	4.46%-6.29%	3.88%	139,940	143,590

PHEFA Revenue Bonds, First Series of 2006, net of unamortized premium of $0 and $4,247	April 1, 2036‡	4.50%-5.00%	N/A	—	293,362
Total University bond issuances				743,729	669,998
TUHS bond issuances:					
THHEFAP Hospital Revenue Bonds, Series A and B of 2012, net of unamortized discount of $3,638 and $3,269	July 1, 2042	5.00%-6.25%	5.79%	299,266	307,837
THHEFAP Hospital Revenue Bonds, Series A and B of 2007, net of unamortized discount of $567 and $609	July 1, 2034	5.00%-5.50%	5.35%	203,418	205,815
Total TUHS bond issuances				502,684	513,652
Other long-term debt:					
Equipment financing arrangements (TUHS)	Various	1.34%-3.80%		8,910	11,358
Loan payable to Episcopal Healthcare Foundation (TUHS)	December 31, 2020	4.00%		2,748	3,294
Capital leases				8,311	2,628
Deferred financing costs				(8,110)	(7,917)
Total long-term debt, net of deferred financing costs				1,258,272	1,193,013
Less: Current maturities of long-term debt				(41,573)	(34,626)
Non-current maturities of long-term debt, net of deferred financing costs				$1,216,699	$1,158,387

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

‡ First Series of 2006 was refunded during 2016 with proceeds from the First and Second Series of 2016 and the First Series of 2015 bond issues.

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 year ended June 30, 2016 was $2,652.

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 year ended June 30, 2016 was $1,279.

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 year ended June 30, 2016 was $5,864.

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, 2016 and 2015 was $8,308 and $8,484, 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, 2016 and 2015 was $805 and $1,022, 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, 2016 and 2015 was $5,539 and $5,564, 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. Interest expense on the First Series of 2006 Bonds during the years ended June 30, 2016 and 2015 was $6,101 and $13,925, respectively. 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 consolidated statement of activities.

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, 2016 and 2015 was $27,024 and $27,028, respectively.

Temple has complied with all financial debt covenants during the years ended June 30, 2016 and 2015.

Lines of Credit — In July 2015, the University obtained a $100,000 revolving line of credit (the "Revolver") from PNC Bank, National Association ("PNC"). The Revolver expires on July 13, 2018, and amounts borrowed accrue interest at a rate of the one-month London Interbank Offered Rate 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 2016, the University borrowed against the Revolver to fund seasonal working capital requirements and no amount was outstanding at June 30, 2016. Interest expense on the Revolver during the year ended June 30, 2016 was $210.

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, 2017 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. No amount was borrowed during the years ended June 30, 2016 and 2015 and no amount was outstanding at June 30, 2016 and 2015.

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, 2016 are as follows:

	Capital Leases	Operating Leases
2017	$ 1,928	$ 31,544
2018	2,010	22,012
2019	1,921	17,529
2020	1,714	17,265
2021	733	13,784
Thereafter	37	32,909
Total minimum lease payments	8,343	$ 135,043
Amounts representing interest on capital leases	(32)	
Present value of net minimum capital lease payments	$ 8,311	

At June 30, 2016 and 2015, property, plant, and equipment with respect to capital leases had a net book value of $7,492 and $1,519, respectively. Interest expense on capital leases during the years ended June 30, 2016 and 2015 was $284 and $76, 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, 2016 and 2015 was $44,164 and $47,185, respectively.

Interest — Total interest expense incurred was $57,802 and $56,031 for the years ended June 30, 2016 and 2015, respectively. Temple capitalizes interest cost on qualifying assets. Temple's plant assets included capitalized interest of $2,751 and $5,142 at June 30, 2016 and 2015, respectively.

Fair Value and Maturity — As of June 30, 2016 and 2015, the fair value of Temple's long-term debt (excluding unamortized premium of $59,827 and $26,545, respectively, deferred financing costs of $8,110 and $7,917, respectively, accrued interest of $22,807 and $22,430, respectively, capital leases of $8,311 and $2,628, Episcopal Healthcare Foundation loan of $2,748 and $3,294, respectively, and equipment financing arrangements of $8,910 and $11,358, respectively) with a principal value of $1,186,586 and $1,157,105, respectively, was approximately $1,349,000 and $1,219,000, respectively, and was 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:

2017	$ 36,051
2018	35,432
2019	34,696
2020	35,182
2021	35,092
Thereafter	1,021,791
Total principal payments	1,198,244
Deferred financing costs	(8,110)
Unamortized premium	59,827
Capital leases	8,311
Total long-term debt	$ 1,258,272

10. Fair Value Measurements

Temple applies the provisions of FASB Accounting Standard Codification ("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.

Classification within the fair value hierarchy of assets that are measured using the net asset value per share practical expedient, includes consideration of Temple's ability to redeem its investment with the investee at net asset value per share at the measurement date. Temple considers a redemption period of 60 days or less from the measurement date to be "near term" in evaluating the fair value hierarchy classification. If Temple has the ability to redeem its investment with the investee at net asset value per share within 60 days or less from the measurement date, the fair value measurement of the investment is categorized as a Level 2 fair value measurement, whereas if Temple will never have the ability to redeem its investment, or cannot redeem its investment in the "near term" the fair value is categorized as a Level 3 fair value measurement (see below).

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, real estate, and equity and fixed income funds that are measured using the net asset value per share practical expedient that can be redeemed in the near term.
>
> 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 primarily consist of equity and fixed income funds that are measured using the net asset value per share practical expedient that cannot be redeemed in the near term and perpetual trusts administered by third parties for which Temple does not have the ability to manage or redeem.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2016 and 2015:

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	51,670	—	272,898
Equity funds and securities	246,596	104,352	—	350,948
Limited partnerships, corporations, and joint ventures	—	51,369	81,591	132,960
Alternative funds	—	11,403	10,522	21,925
Real estate	—	365	—	365
Other	—	9,905	—	9,905
Total investments carried at fair value	$ 770,585	$ 525,409	$ 92,113	1,388,107
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	19,877	—	81,041
Limited partnerships	—	—	11,689	11,689
Alternative funds	—	2,488	11,501	13,989
Total pension plans	$ 132,027	$ 22,365	$ 23,190	$ 177,582
Postretirement plans:				
Money market funds	$ 6,974	$ —	$ —	$ 6,974
Fixed income funds	—	67,457	—	67,457
Equity funds and securities	133,884	24,581	—	158,465
Limited partnerships	—	8,392	42,517	50,909
Total postretirement plans	$ 140,858	$ 100,430	$ 42,517	$ 283,805

June 30, 2015	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 55,675	$ 1,131	$ —	$ 56,806
Corporate bonds and notes	—	290,857	—	290,857
U.S. government and agency securities	219,801	82,214	—	302,015
Municipal bonds	—	7,922	—	7,922
Fixed income funds	319,202	36,785	—	355,987
Equity funds and securities	213,094	98,231	—	311,325
Limited partnerships, corporations, and joint ventures	—	27,023	72,681	99,704
Alternative funds	—	7,700	7,552	15,252
Real estate	—	3,665	—	3,665
Other	—	7,332	—	7,332
Total investments carried at fair value	$ 807,772	$ 562,860	$ 80,233	1,450,865
Investments carried at equity				2,871
Total investments				$ 1,453,736
Self-insurance trust funds:				
Money market funds	$ 1,009	$ —	$ —	$ 1,009
Corporate bonds and notes	—	3,537	—	3,537
U.S. government securities	8,591	1,316	—	9,907
Total self-insurance trust funds	$ 9,600	$ 4,853	$ —	$ 14,453
Deposits with trustees:				
Money market funds	$ 41,436	$ —	$ —	$ 41,436
U.S. government agency securities	—	70,001	—	70,001
Total deposits with trustees	$ 41,436	$ 70,001	$ —	$ 111,437
Funds held in trust by others				
Funds held in trust by others	$ —	$ —	$ 69,754	$ 69,754
Beneficial interest in assets held by Episcopal Foundation	—	—	23,773	23,773
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	49,189	49,189
Total funds held in trust by others	$ —	$ —	$ 142,716	$ 142,716

June 30, 2015	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	$ 6,117	$ —	$ —	$ 6,117
Fixed income funds	54,399	—	—	54,399
Equity funds and securities	85,708	14,695	—	100,403
Limited partnerships	—	2,264	16,661	18,925
Alternative funds	—	—	3,459	3,459
Total pension plans	$ 146,224	$ 16,959	$ 20,120	$ 183,303
Postretirement plans:				
Money market funds	$ 5,798	$ —	$ —	$ 5,798
Fixed income funds	—	73,459	—	73,459
Equity funds and securities	134,386	30,623	—	165,009
Limited partnerships	—	—	46,199	46,199
Total postretirement plans	$ 140,184	$ 104,082	$ 46,199	$ 290,465

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. During the year ended June 30, 2016, as a result of changes in liquidity, $4,413 of alternative fund pension assets were transfered from level 2 to level 3 of the fair value hierarchy. Temple did not have any other transfers between levels within the fair value hierarchy during the years ended June 30, 2016 and 2015.

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:

	Investments	Funds Held in Trust by Others	Pension Plans	Postretirement Plan
Balance, June 30, 2014	$ 61,671	$ 145,432	$ 22,151	$ 28,610
Purchases	19,200	—	886	15,750
Withdrawals	(4,705)	—	(4,092)	—
Realized and unrealized gains, net	4,067	(2,716)	1,175	1,839
Balance, June 30, 2015	80,233	142,716	20,120	46,199
Purchases	19,102	2,329	—	—
Withdrawals	(510)	—	(250)	—
Realized and unrealized gains, net	(6,712)	(9,404)	(1,093)	(3,682)
Transfers into level 3	—	—	4,413	—
Balance, June 30, 2016	$ 92,113	$ 135,641	$ 23,190	$ 42,517

Detailed information of the fair value of assets within Levels 2 and 3 at June 30, 2016 and 2015, valued using net asset value practical expedient (or its equivalent) is as follows:

	Fair Values			Redemption	
June 30, 2016†	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		

June 30, 2015†	Fair Values Investments	Pensions	Post-retirement	Redemption Frequency	Notice Period
Cash‡	$ 1,952	$ 203	$ 1,276	Quarterly	90 days
Multi-strategy hedge funds [a]	66,080	21,899	33,368	Daily-Annual	0-95 days
Distressed debt hedge funds[b]	5,707	589	3,676	Various[b]	Various[b]
Private equity[c]	1,154	44	273	Various[c]	Various[c]
Global/Macro hedge funds[d]	11,720	1,219	7,606	Quarterly	90 days
Real asset funds[e]	27,472	6,677	—	Monthly-Quarterly	30-45 days
Fixed income funds[f]	36,785	—	73,459	Daily	2-6 days
Equity funds[g]	98,231	3,927	30,623	Daily	0 days
Stock funds[h]	871	—	—	N/A	N/A
Total value	$ 249,972	$ 34,558	$ 150,281		

† Unfunded commitments at June 30, 2016 and 2015 are as follows: Private equity funds of $156 and $147, respectively, and real estate funds of $51 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 and 2015 totaled $25 and $35, respectively, and is included in the distressed debt hedge funds investment classification. 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, 2016 and 2015 approximately 55% and 62%, 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, 2016 and 2015 totaled $3,407 and $282, 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, 2016 and 2015, 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, 2016 and 2015 totaled $20,945 and $17,243, respectively.

Temple's endowment balances, including board-designated endowment funds, by net asset classification at June 30, 2016 and 2015 are as follows:

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

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds*	$ (282)	$ 72,283	$ 265,294	$ 337,295
Board-designated endowment funds	86,550	—	—	86,550
Total endowment funds	$ 86,268	$ 72,283	$ 265,294	$ 423,845

* Excludes temporarily and permanently restricted funds held in trust by others of $720 and $67,316, respectively, at June 30, 2016 and $815 and $68,939, respectively at June 30, 2015 (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 year ended June 30, 2016, contributions into this quasi-endowment fund totaled $120,000.

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, 2016 and 2015 are as follows:

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 (loss) income	—	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

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 81,289	$ 82,579	$ 227,749	$ 391,617
Investment return:				
Investment income	—	6,929	(143)	6,786
Net realized gain	1,789	—	—	1,789
Net unrealized loss	(2,518)	(2,791)	—	(5,309)
Total investment return	(729)	4,138	(143)	3,266
Contributions and transfers:				
Donor contributions	7	(93)	36,864	36,778
Board-designated quasi-endowment	8,603	—	—	8,603
Other	—	—	824	824
Total contributions and transfers	8,610	(93)	37,688	46,205
Funds with deficiencies	(272)	272		—
Appropriation of endowment assets for expenditure (spending rule)	(2,630)	(14,613)	—	(17,243)
Endowment net assets, end of the year	$ 86,268	$ 72,283	$ 265,294	$ 423,845

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 1.25% at June 30, 2016 and 1.50% at June 30, 2015 and related recoveries are as follows:

	June 30, 2016	June 30, 2015
Accrued professional liability claims	$ 207,538	$ 231,766
Less: Estimated insurance recoveries	(29,673)	(17,531)
Accrued professional liability claims, net	$ 177,865	$ 214,235

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.

14. Net Assets

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

	June 30, 2016	June 30, 2015
Unrestricted net assets	$ 1,675,850	$ 1,651,970
Temporarily restricted net assets:		
Term endowments, life income funds, and accumulated endowment gains	$ 52,676	$ 72,283
Contributions for instruction, research, and support	40,503	44,999
Contributions for property, plant, and equipment	11,762	7,182
Funds held in trust by others	720	815
Total temporarily restricted net assets	$ 105,661	$ 125,279
Permanently restricted net assets:		
Corpus of contributions for endowments	$ 282,884	$ 265,294
Corpus of contributions for student loans	215	207
Funds held in trust by others	67,316	68,939
Beneficial interest in Episcopal Foundation	22,836	23,773
Beneficial interest in Fox Chase Cancer Center Foundation	44,769	49,189
Total permanently restricted net assets	$ 418,020	$ 407,402
Total net assets	$ 2,199,531	$ 2,184,651

15. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30, 2016 and 2015 consist of the following:

	June 30, 2016	June 30, 2015
Accounts payable	$ 211,157	$ 193,227
Accrued interest payable	22,807	22,430
Accrued payroll	42,660	33,327
Accrued vacation	23,414	22,548
Claim based liabilities, professional (Note 12), worker's compensation, general liability, and health and welfare benefits	249,251	271,516
Conditional asset retirement obligation (Note 8)	11,767	20,059
Student and other deposits	5,951	5,198
Estimated retroactive adjustments, third-party payors	21,815	31,034
Other	46,945	48,535
Total accounts payable and other accrued expenses	635,767	647,874
Less: Current portion	(390,746)	(381,635)
Non-current, accounts payable and other accrued expenses	$ 245,021	$ 266,239

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, 2016 and 2015, Temple had net accounts receivable from Medicare of $29,928 and $29,517, respectively, and from Medical Assistance of $46,462 and $45,413, 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, 2016 has not changed significantly from the year ended June 30, 2015. 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 payer sources based on primary insurance designation is as follows:

	Year Ended June 30,	
	2016	**2015**
Medicare and Medicaid	$ 1,082,514	$ 1,012,368
Self-pay	22,211	21,609
Other third-party payers	688,295	627,319
Patient care activities revenue, gross	1,793,020	1,661,296
Less: Provision for bad debt expense	(45,055)	(52,248)
Total patient care activities revenue, net	$ 1,747,965	$ 1,609,048

As discussed in Note 2, *Patient care activities* revenue includes estimates of reimbursement from third-party payors. During the years ended June 30, 2016 and 2015, *Patient care activities* revenue increased (decreased) by $3,003 and $(410), 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 $238,523 and $207,244 for the years ended June 30, 2016 and 2015, respectively (see Note 18).

18. Commonwealth of Pennsylvania Grants and Other Support

Temple receives grants and 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 in future years. Under certain circumstances, Temple could be required to repay certain of the support received from the Commonwealth. Management believes that the likelihood of such repayment is remote.

Support received from the Commonwealth of Pennsylvania for the years ended June 30, 2016 and 2015 is as follows:

	Year Ended June 30,	
	2016	**2015**
Commonwealth of Pennsylvania support:		
Patient care related:		
Base supplemental funding	$ 118,583	$ 131,414
State and local hospital assessment program:		
Assessment revenues	87,900	64,337
Assessment expenses	(48,160)	(45,839)
Net state and local hospital assessment program	39,740	18,498
Academic Health Center funding	6,210	6,210
Total patient care support	164,533	156,122
Non-patient care related:		
Appropriation	136,355	121,136
Grants and contracts	10,105	12,636
Grants for property, plant, and equipment	15,134	20,510
Total non-patient care support	161,594	154,282
Total Commonwealth of Pennsylvania support	$ 326,127	$ 310,404

19. Goodwill and Other Intangible Assets

At June 30, 2016 and 2015, goodwill and other intangible assets totaled $21,875 and $22,415, 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, 2016 and 2015 are as follows:

	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.

	Amortizing				Non-Amortizing
June 30, 2015	**Gross Carrying Amount***	**Accumulated Amortization**	**Impairment**	**Net Book Value**	**Book Value***
Intellectual property	$ 5,615	$ (1,236)	$ —	$ 4,379	$ —
Contracts and agreements	1,860	(435)	—	1,425	—
Physician contracts	1,769	(1,021)	—	748	—
Other	619	(264)	—	355	—
Goodwill	—	—	—	—	524
Trade name - AOH	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,984
Total intangible assets	$ 9,863	$ (2,956)	$ —	$ 6,907	$ 15,508

* Net of impairments recorded in prior years.

Amortization expense for the years ended June 30, 2016 and 2015 was $946 and $1,171, respectively.

Amortization expense in future years is estimated as follows:

2017	$	893
2018		893
2019		806
2020		593
2021		536
Thereafter		2,646
	$	6,367

The changes in the carrying amount of goodwill and other intangible assets for the years ended June 30, 2016 and 2015 are as follows:

		Goodwill		Other Intangibles		Total
Balance, June 30, 2014	$	524	$	22,464	$	22,988
Acquisitions (physician contracts)		—		598		598
Amortization		—		(1,171)		(1,171)
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

During 2016 and 2015, intangible asset acquisitions relate to community-based primary care practices acquired by Temple Physicians, Inc. of $514 and $598, respectively, and have a weighted average life of 3.4 years and 4.0 years, respectively.

20. Subsequent Events

Temple has evaluated subsequent events through October 24, 2016, the date the consolidated financial statements were 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. 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 (Unaudited) — 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	(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 flows	—	—	—	—	—	—	—	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

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

Changes in Unrestricted Net Assets (Unaudited) — For the Year Ended June 30, 2015 (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 $97,120	$ —	$ 20,319	$ —	$ 692,782	$ —	$ —	$ —	$ —	$ 692,782	$ (1,500)	$ 711,601
Commonwealth of Pennsylvania appropriation	—	—	—	121,136	—	—	—	—	121,136	—	121,136
Grants and contracts	29,565	—	—	36,028	—	108,539	—	—	144,567	—	174,132
Contributions for operations and endowments	4,813	—	—	1,531	7	12,931	—	—	14,469	—	19,282
Investment return	13,456	—	—	8,662	—	14,662	416	2,197	25,937	—	39,393
Sales of educational activities	—	—	—	9,475	—	—	—	—	9,475	—	9,475
Auxiliary enterprises	—	—	—	97,221	—	—	—	—	97,221	—	97,221
Patient care activities, net of bad debt of $52,248	1,432,806	—	173,235	3,007	—	—	—	—	176,242	—	1,609,048
Other sources	40,652	—	—	10,216	—	1,242	693	—	12,151	(2)	52,801
Net assets released from restrictions	6,236	—	—	147	—	12,228	—	—	12,375	—	18,611
Total revenues	1,527,528	20,319	173,235	980,205	7	149,602	1,109	2,197	1,306,355	(1,502)	2,852,700
Expenses:											
Educational and general	36,967	19,751	—	773,276	—	131,292	15,251	72,676	992,495	(1,500)	1,047,713
Auxiliary enterprises	—	—	—	83,266	—	464	1,103	41,993	126,826	—	126,826
Patient care activities	1,467,833	—	171,325	5,998	—	—	—	174	177,497	(962)	1,644,368
Total expenses	1,504,800	19,751	171,325	862,540	—	131,756	16,354	114,843	1,296,818	(2,462)	2,818,907
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	(668)	(14,052)	—	(1,818)	(37,219)	53,757	—	—	—
Retirement of indebtedness	—	—	—	(42,043)	—	—	2,175	39,868	—	—	—
Capital replacement and expansion	—	—	—	(58,388)	—	(24)	58,412	—	—	—	—
Transfer from TUP	—	—	(4,276)	4,276	—	—	—	—	—	—	—
Other transfers	—	—	—	5,295	8,603	(12,842)	5,911	(6,967)	—	—	—
Total transfers	—	—	(4,944)	(104,912)	8,603	(14,684)	29,279	86,658	—	—	—
Excess (deficit) of revenues over expenses and internal transfers	22,728	568	(3,034)	12,753	8,610	3,162	14,034	(25,988)	9,537	960	33,793
Other changes in net assets:											
Investment return	(7,014)	—	—	(927)	(3,359)	—	265	(550)	(4,571)	—	(11,585)
Commonwealth grants for PP&E	—	—	—	—	—	—	20,510	—	20,510	—	20,510
Contributions for PP&E	—	—	—	—	—	—	354	213	567	—	567
Loss on disposal of PP&E	(331)	—	—	—	—	—	—	(622)	(622)	—	(953)
Actuarial change in accrued pensions and postretirement	(18,619)	—	—	—	—	—	—	(18,972)	(18,972)	—	(37,591)
Transfer from TUHS	(8,720)	—	3,470	6,210	—	—	—	—	9,680	(960)	—
Currency translation adjustment	—	77	—	—	—	—	—	—	—	—	77
Net assets released from restrictions for PP&E	3,002	—	59	—	—	—	1,114	—	1,173	—	4,175
Total other changes in net assets	(31,682)	77	3,529	5,283	(3,359)	—	22,243	(19,931)	7,765	(960)	(24,800)
Change in net assets	(8,954)	645	495	18,036	5,251	3,162	36,277	(45,919)	17,302	—	8,993
Unrestricted Net assets, beginning of year	210,955	(619)	13,512	309,838	81,299	72,706	193,844	761,442	1,432,641	—	1,642,977
Unrestricted Net assets, end of year	$ 202,001	$ 26	$ 14,007	$ 327,874	$ 86,550	$ 75,868	$ 230,121	$ 715,523	$1,449,943	$ —	$ 1,651,970

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

Subsidiary Organizations
June 30, 2016

The following is a summary of Temples'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)
  - Virtual Temple, Inc., non-exempt (inactive)
  - 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