Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Dominican University of California

June 30, 2015 (with summarized financial information for June 30, 2014)

Contents

Grant Thornton

Report of Independent Certified Public Accountants

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Board of Directors
Dominican University of California

Report on the financial statements

We have audited the accompanying financial statements of Dominican University of California (the "University"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating supplementary information on page 5, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on 2014 summarized comparative information

We have previously audited the University's 2014 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

San Francisco, California
November 12, 2015

Statement of financial position

	Year ended June 30, 2015 Operating	2015 Capital	2015 Total	2014
	Consolidating supplementary information			
Assets				
Current assets:				
Cash and cash equivalents	$ 5,856,505	$ -	$ 5,856,505	$ 11,547,233
Accounts receivable, less allowance for doubtful accounts of $430,503 in 2015 and $679,071 in 2014	1,578,279	-	1,578,279	1,568,492
Contributions receivable, current portion	392,931	-	392,931	341,953
Prepaid expenses and other assets	973,823	-	973,823	905,472
Total current assets	8,801,538	-	8,801,538	14,363,150
Noncurrent assets:				
Bond reserve funds	-	2,997,333	2,997,333	3,062,524
Cash held for non-current purposes	-	1,057,051	1,057,051	466,521
Investments	-	31,060,794	31,060,794	31,680,605
Contributions receivable, net of current portion	-	15,403,198	15,403,198	10,900,509
Notes receivable, less allowance for doubtful accounts of $479,745 in 2015 and $657,207 in 2014	1,312,854	-	1,312,854	1,226,640
Beneficial interest in trusts and bequests	-	573,033	573,033	5,000
Bond issuance costs	-	459,561	459,561	484,393
Property, plant and equipment - net	-	85,903,734	85,903,734	79,417,650
Total assets	$ 10,114,392	$ 137,454,704	$ 147,569,096	$ 141,606,992
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	$ 3,626,408	$ 1,612,903	$ 5,239,311	$ 5,037,588
Deferred revenues, current portion	1,534,189	1,333,334	2,867,523	1,558,232
Capital lease, current portion	-	44,228	44,228	-
Bonds payable, current portion	-	698,320	698,320	658,320
Mortgage payable, current portion	-	113,506	113,506	108,521
Total current liabilities	5,160,597	3,802,291	8,962,888	7,362,661
Long-term liabilities:				
Deferred revenues, net of current portion	-	1,000	1,000	1,334,334
Capital lease, net of current portion	-	100,150	100,150	-
Asset retirement obligation	-	280,624	280,624	299,881
Federal grants refundable	572,488	-	572,488	628,678
Bonds payable, net of current portion	-	26,250,354	26,250,354	26,948,673
Mortgage payable, net of current portion	-	5,033,080	5,033,080	5,218,539
Total liabilities	5,733,085	35,467,499	41,200,584	41,792,766
Net assets:				
Unrestricted				
Undesignated	3,366,780	-	3,366,780	9,535,308
Scholarship quasi-endowments	-	1,525,667	1,525,667	1,525,667
Accumulated quasi-endowment gains	-	752,938	752,938	849,141
Invested in plant	-	49,979,878	49,979,878	43,287,603
Total unrestricted	3,366,780	52,258,483	55,625,263	55,197,719
Temporarily restricted				
Gifts and allocated endowment income	1,014,527	16,774,768	17,789,295	12,204,343
Accumulated donor endowment gains	-	6,169,850	6,169,850	7,341,117
Total temporarily restricted	1,014,527	22,944,618	23,959,145	19,545,460
Permanently restricted - endowment	-	26,784,104	26,784,104	25,071,047
Total net assets	4,381,307	101,987,205	106,368,512	99,814,226
Total liabilities and net assets	$ 10,114,392	$ 137,454,704	$ 147,569,096	$ 141,606,992

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

Statement of activities

	Year ended June 30, 2015				
	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Operating revenue and gains:					
Tuition and fees	$ 64,265,863	$ -	$ -	$ 64,265,863	$ 66,046,863
Less - scholarships and financial aid	(21,958,040)	-	-	(21,958,040)	(23,141,911)
Net tuition and fees	42,307,823	-	-	42,307,823	42,904,953
Private gifts and grants	330,975	1,144,631	-	1,475,606	1,185,073
Government grants and programs	962,442	-	-	962,442	1,376,634
Endowment income allocation for operations	118,740	1,336,243	-	1,454,983	1,300,926
Interest Income	28,768	-	-	28,768	32,674
Sales and services of auxiliary enterprises	6,395,017	-	-	6,395,017	6,728,788
Other revenue	2,932,423	-	-	2,932,423	2,797,208
Net assets released from restrictions	1,993,911	(1,993,911)	-	-	-
Total operating revenue and gains	55,070,099	486,963	-	55,557,062	56,326,255
Expenses:					
Program services:					
Instruction	22,083,049	-	-	22,083,049	22,106,806
Academic support	3,828,850	-	-	3,828,850	3,855,549
Student services	8,270,335	-	-	8,270,335	8,035,253
Auxiliary enterprises	1,989,453	-	-	1,989,453	2,114,081
Total program services	36,171,687	-	-	36,171,687	36,111,689
Support services:					
Institutional support	8,430,452	-	-	8,430,452	7,902,744
Advancement	1,896,410	-	-	1,896,410	1,688,881
Plant and maintenance	3,901,953	-	-	3,901,953	3,784,656
Depreciation and amortization	3,278,731	-	-	3,278,731	3,285,621
Interest on indebtedness	1,414,031	-	-	1,414,031	1,680,127
Total support services	18,921,577	-	-	18,921,577	18,342,029
Total expenses	55,093,264	-	-	55,093,264	54,453,718
Net increase(decrease) from operations	(23,165)	486,963	-	463,798	1,872,537
Nonoperating revenue and gains:					
Private gifts and grants	206,486	5,317,738	1,713,057	7,237,281	13,766,602
Endowment income allocation for operations	(118,740)	(1,336,243)	-	(1,454,983)	(1,300,926)
Net investment income	20,133	293,062	-	313,195	4,669,866
Loss on sale of long lived assets	(5,005)	-	-	(5,005)	-
Net assets released from restrictions	347,835	(347,835)	-	-	-
Total nonoperating revenue and gains	450,709	3,926,722	1,713,057	6,090,488	17,135,542
Change in net assets	427,544	4,413,685	1,713,057	6,554,286	19,008,079
Net assets - Beginning of year	55,197,719	19,545,460	25,071,047	99,814,226	80,806,147
Net assets - End of year	$ 55,625,263	$ 23,959,145	$ 26,784,104	$ 106,368,512	$ 99,814,226

Statements of cash flows

	Year ended June 30, 2015	Year ended June 30, 2014
Operating activities:		
Change in net assets	$ 6,554,286	$ 19,008,079
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,253,900	3,260,790
Loss on sale of long lived assets	5,005	-
Gifts of investment securities	(109,505)	(1,571,924)
Amortization of bond issuance costs	24,832	24,831
Amortization of bond premium	(13,320)	(13,320)
Provision for (reduction in) accounts reserve	292,893	(59,780)
Realized and unrealized (gain) loss on investments	234,970	(4,064,212)
Contributions restricted to endowment	(1,698,007)	(4,254,370)
Contributions restricted to capital asset acquisition	(5,429,768)	(7,565,857)
Asset retirement obligation	(19,255)	36,408
Change in:		
Accounts receivable	(480,142)	1,147,515
Contributions receivable	568,032	576,746
Prepaid expenses and other assets	(68,353)	(484,502)
Beneficial interest in trusts	(568,033)	29,316
Accounts payable and accrued liabilities	186,164	(410,589)
Deferred revenues	(24,043)	(89,661)
Net cash provided by operating activities	2,709,657	5,569,470
Cash flows from investing activities:		
Acquisition of plant assets	(9,729,430)	(5,922,609)
Purchases of investments	(17,346,568)	(11,148,553)
Proceeds from sales of investments	17,731,408	10,648,423
Net change in cash designated/restricted for other purposes or long term	(525,339)	525,587
Payments for notes receivable	(206,588)	(99,236)
Collections from notes receivable	297,835	192,589
Net cash used in investing activities	(9,778,682)	(5,803,799)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	679,845	1,311,824
Investment in plant	1,435,738	2,345,025
Other financing activities:		
Change in Federal Grants Refundable	(56,190)	(28,075)
Retirement of indebtedness	(825,474)	(786,353)
Capital leases	144,378	-
Net cash provided by financing activities	1,378,297	2,842,421
Net increase(decrease) in cash and cash equivalents	(5,690,728)	2,608,092
Cash and cash equivalents, beginning of year	11,547,233	8,939,141
Cash and cash equivalents, end of year	$ 5,856,505	$ 11,547,233
Supplemental cash flow information:		
Interest paid	$ 1,640,271	$ 1,704,378
Non-cash investing activities:		
Noncash adjustment for the change in accounts payable included in acquisition of plant assets	$ 15,559	$ 404,331
Acquisition of equipment under capital leases	$ 241,715	$ -

Notes to financial statements

Note 1 – Organization and significant accounting policies

Dominican University of California ("Dominican") is an independent University of Catholic heritage. Founded in 1890 by the Dominican Sisters of San Rafael, Dominican enjoys a century-long reputation for excellence in scholarship, research, and community outreach. The mission of Dominican is to educate and prepare students to be ethical leaders and socially responsible global citizens who incorporate the Dominican values of study, reflection, community, and service into their lives. Guided by its Catholic heritage, Dominican is committed to diversity, sustainability, and the integration of the liberal arts, the sciences, and professional programs. Dominican derives no direct support from church or state and depends upon tuition, gifts and grants to fund its operating expenses.

Basis of presentation

Dominican's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United Stated of America ("GAAP") for not-for-profit organizations.

Dominican utilizes unrestricted, temporarily restricted and permanently restricted net asset classifications for presentation purposes.

Operating and capital classifications

Plant and related debt, net assets restricted or designated for capital purposes and permanently restricted, temporarily restricted and board designated endowment, are reflected as capital assets, liabilities and net assets. All other assets, liabilities and net assets relate to operations.

Cash and cash equivalents

Cash and cash equivalents includes operating cash held in demand deposits and savings accounts, cash designated for acquisition of plant assets and cash reserved for debt service. All cash and cash equivalents in banks and other financial institutions have original maturities of less than three months. For purposes of the statement of cash flows, cash and cash equivalents do not include donor restricted cash held for long-term investment in permanently restricted endowment, for investment in property plant and equipment, or designated for other long-term purposes.

Investments

All debt and equity securities with readily determinable fair values are carried at estimated fair value based on quoted market prices in order to reflect the impact of current market conditions. Transfers into and out of the levels are recognized on the last day of the reporting period. Investments received as gifts are recorded at estimated fair value at the date of the donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur.

Note 1 – Organization and significant accounting policies (continued)

Investments, continued

Realized gains or losses resulting from sales or maturities are calculated on adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or at the cost purchased during the year. Dividend and interest income are accrued when earned.

Dominican has a policy of appropriating for distribution each year five percent of the endowment market value as of July 1 or the previous year's spending level, whichever is greater, provided that retained earnings are sufficient to allow expenditure without drawing upon the historical cash value of the original principal contribution.

Bond issuance costs

Assets include unamortized bond issuance costs which are amortized through the maturity date on a straight-line basis, which approximates the effective interest method.

Receivables and government funds

Accounts receivable primarily represents the unpaid balance of student tuition and fees. Receivables are reported net of an allowance for doubtful accounts which is calculated as a percentage of the outstanding receivable. The provision for tuition accounts receivable bad debts charged to expense for the years ended June 30, 2015 and 2014 was $470,355 and $128,865, respectively.

A student's account is considered past due if any portion of the receivable balance is outstanding for more than 30 days after the billing date. Interest and late fees are charged on all past due accounts and revenue is recognized at the time the fees are billed.

Contributions receivable represents the unpaid balance of donor pledges.

Notes receivable primarily represents the unpaid balance on student loans including institutional loans and loans financed by the Federal Government. At June 30, 2015 and 2014, student loans represented approximately 1% of total assets.

At June 30, student loans consisted of the following:

	As of June 30,	
	2015	2014
Federal government programs	$ 1,132,347	$ 1,269,228
Institutional programs	550,877	566,174
Less allowance for doubtful accounts	(479,745)	(657,207)
Net student loan receivable	$ 1,203,479	$ 1,178,195

Note 1 – Organization and significant accounting policies (continued)

Receivables and government funds, continued

The University participates in the Perkins and Nursing federal revolving loan programs. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $572,488 and $628,678 at June 30, 2015 and 2014, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2015 and 2014, the following amounts were past due under student loan programs:

	1-60 days past due	61-90 days past due	90 days past due	Total past due
2015	$ 1,954	$ 3,233	$ 422,549	$ 427,736
2014	$ 2,739	$ 3,591	$ 377,953	$ 384,283

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. The provision (reduction) for student loan bad debts charged (credited) to expense for the years ended June 30, 2015 and 2014 was $(177,461) and $(8,439), respectively.

Notes receivable additionally represents the unpaid balance on employee loans. As part of a program to attract and retain excellent faculty and senior staff, Dominican provides relocation/housing loans, doctoral development loans, and home mortgage financing assistance. Notes receivable of $109,375 and $48,445 were outstanding at June 30, 2015 and 2014, respectively. The relocation/housing and doctoral development loans are forgivable after specific criteria are met. The home mortgage financing loans are collateralized by deeds of trust on properties concentrated in the region surrounding the University. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection or forgiveness history.

At June 30, 2015 and 2014, employee loan notes receivable represented approximately 0.1% of total assets. At June 30, 2015 and 2014, there were no amounts past due for employee loan notes receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost, if purchased, or fair market value at date of acquisition, if donated. Depreciation is recorded on assets using the straight-line method over the following useful lives:

Building and improvements	25-50 years
Equipment, automobiles, fixtures and library books	5-10 years

Unrestricted net assets

Unrestricted net assets represent unrestricted resources available to support Dominican's operations and temporarily restricted resources which become available for use by Dominican in accordance with the intentions of Dominican's donors.

Note 1 – Organization and significant accounting policies (continued)

Temporarily restricted net assets

Temporarily restricted net assets represent contributions that are limited in use by Dominican in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of Dominican according to the terms of the contributions. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently restricted net assets

Permanently restricted net assets represent contributions and other assets to be held as investments in perpetuity as directed by donors. The income from these investments is available to support activities of Dominican as designated by such donors. The majority of the permanently restricted net assets have been restricted by donors to provide student financial aid.

Revenue recognition

Student tuition accounts receivable are recorded when students are billed. Tuition revenue is recorded as earned, on a pro rata basis over the applicable teaching period. Tuition and other services which have not been earned at the statement of financial position date are reported as deferred revenue.

Revenue from auxiliary enterprises is recognized when goods or services are provided.

Contract and grant revenue which has been awarded to Dominican is recognized as an exchange transaction when the related expenditures are incurred.

Contributions by donors, including unconditional promises to give, are recognized as revenue when the promise is made. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments that are supported by verifiable documentation and contain no ambiguous conditions. If these contributions are to be received after a year and/or over a number of years, they are discounted at a risk-adjusted rate. The discount is amortized and recorded as additional contribution revenue in accordance with the donor imposed restrictions, if any. In addition, an allowance for uncollectible promises, based on past collection experience, is recorded.

Operating activities

Operating revenue and gains include tuition and fees (net of scholarships and financial aid), unrestricted gifts and grants, gifts and grants restricted for programs and scholarships, investment income and net realized gain from operating and project funds and allocated endowment income under the spending policy, and revenue from auxiliary enterprises. Operating expenses include program and support services, interest on indebtedness, and investment management fees.

Nonoperating revenue and gains (losses)

Nonoperating revenue and gains (losses) include gifts and grants designated for endowment or plant and the related investment income and net realized gain, and unrealized gains on investments in excess of the spending policy.

Note 1 – Organization and significant accounting policies (continued)

Functional expense allocations

Certain expenses, such as depreciation and amortization, interest, and plant maintenance operations, are allocated among program services and supporting services based primarily on direct payroll charges. Depreciation and amortization, interest, and plant maintenance operations are reflected separately on the statement of activities and are allocated to functional areas as detailed in the functional expense allocation footnote.

Income taxes

Dominican operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to the Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and has also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Tax Code Section 23701d on its income other than unrelated business income. Dominican has a tax net operating loss carryover from unrelated activities of $129,465 and $121,442 as of June 30, 2015 and June 30, 2014, respectively. A deferred tax asset has not been recorded for the loss carryover as it is uncertain whether the loss would be utilized against future unrelated income.

As required by GAAP, Dominican has identified and evaluated its significant tax positions for which the statute of limitations remain open and determined that there is no material unrecognized benefit or liability to be recorded. The open tax years are the years ended June 30, 2012 through June 30, 2015 for federal tax purposes and the years ended June 30, 2011 through June 30, 2015 for California tax purposes. In addition, the tax years June 30, 2007 through June 30, 2015 are also open to the extent of the net operating loss for each year. There have been no material changes in unrecognized benefits as of June 30, 2015 and 2014, nor are any material changes anticipated in the twelve months following June 30, 2015. There have been no related tax penalties or interest, which would be classified as a tax expense in the statement of activities.

Advertising costs

Dominican expenses all advertising costs, including direct response advertising, as they are incurred. Advertising costs for the years ending June 30, 2015 and 2014 were $557,333 and $549,585, respectively.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Note 1 – Organization and significant accounting policies (continued)

Fair value of financial instruments

The table below is a summary of fair value estimates for financial instruments, excluding short-term financial assets and liabilities because carrying amounts approximate fair value, and excluding financial instruments recorded at fair value on a recurring basis such as investments. Contributions receivable are recorded at net present value which approximates fair value. Estimated fair value is determined using Level 3 inputs in the fair value hierarchy such as rate and time to maturity.

	2015		2014	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Notes receivable	$ 1,312,854	$ 1,028,915	$ 1,226,640	$ 961,364
Long-term debt	$ 26,740,000	$ 28,017,594	$ 27,385,000	$ 32,441,916

Summarized financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Dominican's financial statements for the year ended June 30, 2014, from which the summarized information is derived.

Note 2 – Cash held for capital purposes

A portion of the Dominican's cash balance represents donations or endowment income held for capital purposes. At June 30, cash held for investment in capital assets was:

	As of June 30,	
	2015	2014
Francoise Lepage Center for Global Innovation	$ 510,118	$ 260,118
Barowsky Hall Construction	507,079	-
Science equipment	31,584	36,175
Campus Ministry chapel items	7,270	7,270
San Marco Gallery	1,000	-
Softball Field Upgrade	-	100,000
Library Improvements	-	62,958
	$ 1,057,051	$ 466,521

Note 3 – Investments

Dominican's investments are carried at fair value. Total net investment income and net realized/unrealized gains for the year ended June 30, 2015 was comprised of a nonoperating component $313,195. Total net investment income and net realized/unrealized gains for the year ended June 30, 2014 was comprised of a nonoperating component of $4,669,866. Investment expenses of $134,281 and $130,343 and interest income of $682,447 and $735,997 for the years ended June 30, 2015 and 2014, respectively, were components of total net investment income.

Note 3 – Investments (continued)

Under Dominican's endowment spending policy, $1,583,069 and $1,427,341 were allocated for use during the years ended June 30, 2015 and 2014, respectively.

For financial assets and liabilities that are re-measured and reported at fair value at each reporting period, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchal disclosure framework prioritizes and ranks the level of market price observability used in measuring investments at fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities. Dominican does not adjust the quoted price for these investments even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level III – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair values for these investments are estimated by management using valuation methodologies that consider a range of factors, including but not limited to the price at which each investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition and financing transactions subsequent to the acquisition of the investment. Investments that are included in this category generally are privately held debt and equity securities.

The following table summarizes the valuation of Dominican's investments by the above fair value hierarchy levels as of June 30, 2015:

	Level I	Level II	Total
Equity securities			
Large cap funds	$ 8,006,162	$ -	$ 8,006,162
Small cap funds	3,351,036	-	3,351,036
International funds	8,407,199	-	8,407,199
Other equity funds	1,201,582	-	1,201,582
Total equity funds	20,965,979	-	20,965,979
Fixed income funds	8,943,058	22,153	8,965,211
Money market funds	1,053,666	-	1,053,666
Subtotal investments	30,962,703	22,153	30,984,856
Cash	-	-	75,938
Total investments	$ 30,962,703	$ 22,153	$ 31,060,794

Note 3 – Investments (continued)

The following table summarizes the valuation of Dominican's investments by the above fair value hierarchy levels as of June 30, 2014:

	Level I	Level II	Total
Equity securities			
Large cap funds	$ 9,362,948	$ -	$ 9,362,948
Small cap funds	3,193,026	-	3,193,026
International funds	8,039,851	-	8,039,851
Other equity funds	1,095,942	-	1,095,942
Total equity funds	21,691,767	-	21,691,767
Fixed income funds	8,843,283	22,768	8,866,051
Money market funds	880,048	-	880,048
Subtotal investments	31,415,098	22,768	31,437,866
Cash	-	-	242,739
Total investments	$ 31,415,098	$ 22,768	$ 31,680,605

Note 4 – Endowment funds

Dominican's endowment consists of approximately 110 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which became a law in California on January 1, 2009, replacing Uniform Management of Institutional Funds Act ("UMIFA"), 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 the interpretation, Dominican classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Dominican in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 4 – Endowment funds (continued)

Interpretation of relevant law, continued

In accordance with UPMIFA, Dominican considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) Duration and preservation of the fund
2) Purposes of Dominican and the donor-restricted endowment fund
3) General economic conditions
4) Possible effect of inflation and deflation
5) Expected total return from income and the appreciation of investments
6) Other resources of Dominican
7) Investment policies of Dominican

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 6,169,850	$ 26,784,104	$ 32,953,954
Board designated endowment funds	2,278,605	-	-	2,278,605
Total funds	$ 2,278,605	$ 6,169,850	$ 26,784,104	$ 35,232,559

Changes in endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 2,374,809	$ 7,341,117	$ 25,071,047	$ 34,786,973
Investment return:				
Investment income	39,315	511,253	-	550,568
Net appreciation(loss) (realized and unrealized)	(16,779)	(218,191)	-	(234,970)
Total investment - return	22,536	293,062	-	315,598
Contributions	-	-	1,713,057	1,713,057
Appropriation of endowment assets for expenditure	(118,740)	(1,464,329)	-	(1,583,069)
Endowment net assets, end of year	$ 2,278,605	$ 6,169,850	$ 26,784,104	$ 35,232,559

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 7,341,117	$ 25,071,047	$ 32,412,164
Board designated endowment funds	2,374,808	-	-	2,374,808
Total funds	$ 2,374,808	$ 7,341,117	$ 25,071,047	$ 34,786,972

Note 4 – Endowment funds (continued)

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 2,125,621	$ 4,344,112	$ 20,790,254	$ 27,259,987
Investment return:				
Investment income	46,978	562,344	-	609,322
Net appreciation (realized and unrealized)	313,344	3,750,867	-	4,064,211
Total investment - return	360,322	4,313,211	-	4,673,533
Contributions	-	-	4,280,793	4,280,793
Appropriation of endowment assets for expenditure	(111,135)	(1,316,206)	-	(1,427,341)
Endowment net assets, end of year	$ 2,374,808	$ 7,341,117	$ 25,071,047	$ 34,786,972

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment funds only).

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Dominican to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions received. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 or June 30, 2014.

Return objectives and risk parameters

Dominican has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Dominican must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to earn returns higher than its target benchmark index. The target benchmark is based upon the actual asset allocation and the applicable investment style. The following guidelines are used to evaluate the endowment performance:

Equities – the total rate of return of the equity portion of the portfolio should exceed the return of the S&P 500 Index on a risk-adjusted basis over a full market cycle (typically defined as a three to five year period).

Strategies employed for achieving objectives

Fixed income – the total rate of return of the fixed portion of the portfolio should exceed the return of Barclays Capital Aggregate Bond Index on a risk-adjusted basis over a full market cycle (typically defined as a three to five year period).

Note 4 – Endowment funds (continued)

Strategies employed for achieving objectives, continued
To satisfy its long-term rate of return objectives, Dominican 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). Dominican targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
Dominican has a policy of appropriating for distribution each year five percent of the endowment market value as of July 1 or the previous year's spending level, whichever is greater, provided that retained earnings are sufficient to allow expenditure without drawing upon the historical cash value of the original principal contribution. In establishing this policy, Dominican considers the long-term expected return on its endowment. In order to reconcile both, the overall qualitative objective and the spending policy, the endowment shall seek to earn (net of fees) over a reasonably long time frame, a total return equal to the sum of inflation plus the spending rate. This is consistent with Dominican's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Dominican appropriated for distribution five percent and five and a half percent of the endowment market value as of July 1 for the years ended June 30, 2015 and 2014, respectively.

Note 5 – Contributions receivable

Contributions receivable consist of the following:

	As of June 30,	
	2015	2014
Due within one year	$ 1,381,361	$ 511,783
Due in one to five years	4,832,173	291,292
Due in more than five years	16,492,921	17,250,000
	22,706,455	18,053,075
Less: discount for present value	(5,775,003)	(5,727,428)
	16,931,452	12,325,647
Less: allowance for doubtful accounts	(1,135,323)	(1,083,185)
Net contributions receivable	$ 15,796,129	$ 11,242,462

The receivable balance is comprised of a current portion of $392,931 and a non-current portion of $15,403,198 at June 30, 2015, and a current portion of $341,953 and a non-current portion of $10,900,509 at June 30, 2014. All contributions receivable associated with capital projects are shown as non-current on the statement of financial position. Dominican recorded the long-term portion of contributions receivable based on the discounted value of the receivable using a discount rate ranging from 0.41% to 3.34%.

Note 6 – Beneficial interest in trust

Dominican is named as a beneficiary of a trust and will receive its portion of the remaining trust upon the death of the beneficiary. Dominican recorded the long-term portion of the remainder trust based on the discounted value of the trust assets using a discount rate of 2.83% and the life expectancy of beneficiary. Life expectancy value was obtained using the Annuity 2000 Mortality Tables published by the NCHS. The trust is managed by a third party trustee, is recorded at fair value and is classified within Level 3 of the fair value hierarchy.

Note 7 – Property, plant and equipment

Property, plant and equipment consist of the following:

	As of June 30,	
	2015	2014
Building and improvements	$ 88,070,071	$ 87,692,167
Equipment, automobiles and fixtures	18,734,209	17,156,420
Library books	2,795,353	2,730,822
Total	109,599,633	107,579,409
Less: accumulated depreciation	(41,652,771)	(38,421,379)
Net depreciation assets	67,946,862	69,158,030
Land	4,405,137	4,405,137
Construction in progress	13,551,735	5,854,483
Property, plant and equipment - net	$ 85,903,734	$ 79,417,650

Depreciation expense for the years ended June 30, 2015 and 2014 was $3,253,900 and $3,260,790, respectively.

Note 8 – Asset retirement obligation

Dominican recognizes the cost associated with the eventual remediation and abatement of asbestos utilized within construction of certain buildings located on campus. The cost of the abatement was estimated following a campus-wide assessment. At June 30, 2015 and 2014, the asset retirement obligation was $280,624 and $299,881, respectively. For the years ended June 30, 2015 and 2014, the accretion of interest associated with the conditional asset retirement obligation totaled $13,871 and $14,823, respectively.

Note 9 – Capital lease obligations

Dominican has entered into a lease arrangement for fitness equipment that is classified as a capital lease. Future minimum lease commitments are as follows:

Year ending June 30:		
2016	$	56,600
2017		56,600
2018		56,600
Total		169,800
Less: amount representing interest		(25,421)
Present value of lease obligation		144,379
Less: current portion		(44,228)
Capital lease, net of current portion	$	100,151

The cost of the fitness equipment under capital leases is included in the statement of financial position as property, plant and equipment and was $241,715 at June 30, 2015. Accumulated amortization of the leased equipment at June 30, 2015 was $40,737.

Note 10 – Bonds payable

Dominican is obligated under the following commitments:

	As of June 30, 2015		As of June 30, 2014	
California Educational Facilities Authority ("CEFA 07") bond (5.00%) maturing through February 2031 (including premium)	$	7,893,674	$	8,446,993
California Educational Facilities Authority ("CEFA 06") bond (5.00%) maturing through December 2036		19,055,000		19,160,000
Total		26,948,674		27,606,993
Less: current portion, including premium		(698,320)		(658,320)
Bonds payable, net of current portion	$	26,250,354	$	26,948,673

Principal payments on the CEFA bonds are due as follows:

Year ending June 30:		CEFA 07		CEFA 06		CEFA 07 premium		Total
2016	$	410,000	$	275,000	$	13,320	$	698,320
2017		430,000		290,000		13,320		733,320
2018		455,000		305,000		13,320		773,320
2019		475,000		320,000		13,320		808,320
2020		500,000		335,000		13,320		848,320
Thereafter		5,415,000		17,530,000		142,074		23,087,074
	$	7,685,000	$	19,055,000	$	208,674	$	26,948,674

Note 10 – Bonds payable (continued)

A portion of Dominican's property, plant and equipment is pledged as collateral for the CEFA bonds payable, along with a general pledge of gross revenues. The CEFA bond agreements contain covenants which require, among other things, that Dominican maintain certain financial ratios, certain enrollment levels and its accreditation with the Western Association of Schools and Colleges. As of June 30, 2015 and 2014, Dominican was in compliance with the required bond covenants.

Total interest expense incurred for CEFA bond debt service was $1,341,290 and $1,371,882 for the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2015 and 2014, Dominican held funds from the bond issuances of $2,997,333 and $3,062,524, respectively. These funds are designated based on the requirements of the bond agreements for capital improvements and future bond payments.

Note 11 – Mortgage payable

In July 2007, Dominican entered into a mortgage with Wells Fargo Bank on the Magnolia House in the amount of $4,000,000. Remaining principal balances at June 30, 2015 and 2014 were $3,537,388 and $3,609,341, respectively. The 30-year note is interest-only for the first 10 years. The interest rate is 6.26%. Fully amortized payments of $29,260 per month begin in 2017. Dominican began interest payments in September 2007, and opted to make interest and principal payments beginning in April 2008.

In July 2011, Dominican entered into a mortgage with First Republic Bank on the Barowsky House in the amount of $2,000,000. Remaining principal balances at June 30, 2015 and 2014 were $1,609,198 and $1,717,720, respectively. The interest rate is 4.5% on this 15-year note. The amortized payments of $15,300 per month began in September 2011.

Principal payments on the First Republic mortgage are due as follows:

Year ending June 30:		
2016	$	113,506
2017		118,722
2018		124,175
2019		129,880
2020		135,846
Thereafter		987,070
Total	$	1,609,199

Note 12 – Line of credit

Dominican has a $2,000,000 unsecured revolving credit agreement that matures in November 2015. As of June 30, 2015 and 2014, no amounts were outstanding on this line of credit.

Note 13 – Agency funds

Certain receipts of financial aid funds from government grants and programs are treated as pass-through agency funds and are therefore not included as revenues or financial aid in the statement of activities. The receipt and use of these pass-through funds are as follows:

	As of June 30, 2015	As of June 30, 2014
Federal Pell grant program:		
Revenue	$ 1,814,585	$ 2,092,839
Less expenses	(1,814,585)	(2,092,839)
Total	-	-
California grant program:		
Revenue	2,617,267	2,797,877
Less expenses	(2,617,267)	(2,797,877)
Total	$ -	$ -

Note 14 – Unrestricted net assets

The Board has unrestricted net assets for the following purposes:

	As of June 30, 2015	As of June 30, 2014
Invested in plant	$ 49,979,878	$ 43,287,603
Accumulated quasi-endowment gains	752,938	849,141
Scholarship quasi-endowments	1,525,667	1,525,667
Total designated	52,258,483	45,662,411
Undesignated	3,366,780	9,535,308
Total unrestricted	$ 55,625,263	$ 55,197,719

Note 15 – Temporarily and permanently restricted net assets

Temporarily restricted net assets are available for the following purposes:

	As of June 30, 2015	As of June 30, 2014
Education (purpose and time-restricted)	$ 1,014,527	$ 527,565
Plant, equipment, construction in progress and deferred maintenance (purpose and time restricted)	16,774,768	11,676,778
Accumulated donor endowment earnings (purpose restricted)	6,169,850	7,341,117
Total temporarily restricted	$ 23,959,145	$ 19,545,460

Note 15 – Temporarily and permanently restricted net assets (continued)

Permanently restricted net assets are invested in perpetuity as follows:

	As of June 30,	
	2015	2014
Endowments	$ 26,784,104	$ 25,071,047

Earnings on permanently restricted endowments are restricted for use in providing scholarships and financial aid to students, for education and general expenses, and for specific capital improvements.

Note 16 – Net assets released from restrictions

Temporarily restricted net assets were released from donor restrictions or by the passage of time and recorded in operating and nonoperating activities during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	Year ended June 30,	
	2015	2014
Scholarship and financial aid	$ 1,251,758	$ 959,380
Expended for plant, equipment and deferred maintenance	347,835	96,297
Utilized for the following purposes:		
Instruction	447,136	748,146
Academic support	107,970	253,153
Student services	83,448	69,772
Instructional support	103,599	70,544
Total released from restriction	$ 2,341,746	$ 2,197,292

Note 17 – Operating leases

Dominican has outstanding operating leases for facilities computer equipment and automobiles. At June 30, 2015, the future minimum payments under non-cancelable operating leases are as follows:

Year ending June 30:	
2016	$ 28,588
2017	27,501
2018	3,078
Total	$ 59,167

Total rental expense incurred was $74,730 and $75,343 for the years ended June 30, 2015 and 2014, respectively.

Note 18 – Functional expense allocation

Plant and maintenance, depreciation and amortization and interest expense for the years ended June 30, 2015 and 2014 are reported separately on the statement of activities. If plant and maintenance, depreciation and amortization and interest expense was allocated to functional expense classifications based on direct payroll charges, the program and support services would have increased as follows:

	Year ended June 30, 2015				
	Expenses	Plant and maintenance	Depreciation and amortization	Interest expense	Total
Program services:					
Instruction	$ 22,083,049	$ 2,214,304	$ 1,860,634	$ 802,443	$ 26,960,430
Academic support	3,828,850	299,477	251,644	108,528	4,488,499
Student services	8,270,335	608,004	510,893	220,335	9,609,567
Auxiliary enterprises	1,989,453	15,397	12,938	5,580	2,023,368
Support services:					
Institutional support	8,430,452	599,126	503,433	217,118	9,750,129
Advancement	1,896,410	165,645	139,189	60,027	2,261,271
Total	$ 46,498,549	$ 3,901,953	$ 3,278,731	$ 1,414,031	$ 55,093,264

	Year ended June 30, 2014				
	Expenses	Plant and maintenance	Depreciation and amortization	Interest expense	Total
Program services:					
Instruction	$ 22,106,806	$ 2,196,541	$ 1,906,911	$ 975,113	$ 27,185,371
Academic support	3,855,549	302,511	262,622	134,294	4,554,976
Student services	8,035,253	557,524	484,010	247,502	9,324,289
Auxiliary enterprises	2,114,081	15,101	13,110	6,704	2,148,996
Support services:					
Institutional support	7,902,744	571,331	495,997	253,632	9,223,704
Advancement	1,688,881	141,648	122,971	62,882	2,016,382
Total	$ 45,703,314	$ 3,784,656	$ 3,285,621	$ 1,680,127	$ 54,453,718

Note 19 – Retirement plan

Dominican provides retirement benefits through TIAA/CREF, a multi-employer defined contribution plan (the "Plan"). All eligible employees, as defined by the Plan document, are qualified to participate. Dominican's contribution to the Plan for the years ended June 30, 2015 and 2014 was $1,502,741 and $1,619,844, respectively.

Note 20 – Related parties

The Dominican Sisters of San Rafael provided personnel to Dominican for instruction and administration. For the years ended June 30, 2015 and 2014, Dominican paid these costs directly to the individual Sisters providing the services, in the amount of $214,102 and $213,965, respectively.

Note 20 – Related parties (continued)

Notes receivable at June 30, 2015 and 2014 includes $109,375 and $48,445, respectively, which represents the amounts due from staff and faculty for relocation advances and loans under a doctoral development program. Loans do not contain interest provisions, unless there is a default of terms or repayment, if applicable.

Dominican receives contributions from board trustees and members of management, who are considered related parties. Contribution revenue from related parties was $1,348,254 and $8,265,718 for the years ending June 30, 2015 and 2014, respectively. Contribution receivable balances were $12,508,994 and $8,444,982 from related parties at June 30, 2015 and 2014, respectively.

Note 21 – Commitments and contingencies

Dominican has various commitments and is contingently liable in connection with claims and contracts arising in the normal course of its activities. In addition, Dominican receives funds from and administers various federal and state government funded programs which are subject to audit by the cognizant governmental agencies. Dominican management believes that the outcome of such matters will not have a significant effect on the financial position or results of activities of Dominican. At June 30, 2015, Dominican had approximately $1,109,118 in commitments related to the Meadowlands Hall renovation. At June 30, 2014, Dominican had approximately $6,500,000 in commitments related to the Meadowlands Hall renovation.

Note 22 – Concentrations of risk

To address concentration of market risk in the investment area, Dominican maintains a formal investment policy which sets out performance criteria, investment guidelines and requires review of the investment managers' performance. Investments are maintained by a bank trust department and are managed by two investment managers, who have the responsibility for investing the funds in various investment alternatives.

Financial instruments which potentially subject Dominican to concentrations of credit risk consist principally of cash and investments. During the year, Dominican regularly maintained cash balances in excess of federally insured limits. Dominican has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Concentrations of credit risk with respect to accounts receivable and notes receivable are limited due to the larger number of students comprising Dominican's current and former students. Dominican maintains an allowance for potential credit losses and such losses have been within management's expectation.

Note 23 – Conditional promises to give

Conditional promises to give made by donors are not included as support until the conditions are substantially met. There were conditional promises to give of $3,850,003 and $6,150,000 at June 30, 2015 and 2014, respectively. Dominican has also been named as a beneficiary of certain revocable wills and trusts, where the amount and date of expected future contributions to be received is not determinable. Accordingly, these conditional promises to give are not included in total support, revenue, and gains on the accompanying statement of activities at June 30, 2015 and 2014.

Note 24 – Subsequent events

Dominican has evaluated subsequent events for the period from June 30, 2015 through November 12, 2015, the date the financial statements were issued. The following event and transaction occurred subsequent to June 30, 2015:

In August, 2015, Dominican ended their contract with Bon Appétit, their current provider of campus dining and catering services. Dominican and Bon Appétit entered into a Food Services Agreement effective July 1, 2008. Within this agreement Bon Appétit agreed to fund certain improvements to the cafeteria facility, Caleruega, with an investment of $2,000,000. Dominican held the $2,000,000 cash received from Bon Appétit as deferred revenue and amortized it over the 21 year term of the agreement, beginning in fiscal year 2008-2009 at $95,238 per year. Due to the early termination of the agreement, the unamortized portion of $1,290,385 was paid to Bon Appétit in August of 2015. As a result of the repayment, Dominican moved this balance from long term to short term in the June 30, 2015 financial statements.