Yeshiva University

Consolidated Financial Statements
June 30, 2017 and 2016

Yeshiva University
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Yeshiva University
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues								
Tuition and fees, net of scholarships of $75,379 in 2017 and $79,105 in 2016 (Note 13)	$ 98,299	$ -	$ -	$ 98,299	$ 102,861	$ -	$ -	$ 102,861
Grants and contracts	2,779	-	-	2,779	30,358	-	-	30,358
Contributions	9,109	-	-	9,109	4,780	-	-	4,780
Investment support utilized	24,164	-	-	24,164	25,268	-	-	25,268
Interest income	697	-	-	697	7,714	-	-	7,714
Auxiliary enterprises	17,084	-	-	17,084	19,904	-	-	19,904
Other revenue	15,741	-	-	15,741	19,910	-	-	19,910
Gain on sale of properties (Note 7)	61,568	-	-	61,568	-	-	-	-

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

Yeshiva University
Consolidated Statement of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands of dollars)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 35,980	$ (589,342)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Transfer of net assets/reduction, net in connection with the Transaction (Note 3)	-	493,772

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

1. The University and its Operations

Yeshiva University (the ñUniversityò) is a private, nonprofit institution of higher education primarily

The Yeshiva Endowment Foundation, Inc. (the ñFoundationò) was f

part of a transition services agreement, AECOM, Inc. will pay the University for the University's ongoing activities benefitting medical students and the medical school during the transition period.

The University's fiscal year 2016 consolidated financial statements reflect the operations of Einstein for the two month period until the effed ŷ γ A ℵ ti ᵀ M

As a result of these financial and operational challenges the University has been implementing certain strategic and operational initiatives to effect a short-term and long-term, comprehensive strategic business plan for a sustainable Yeshiva University. During fiscal 2017 the University completed certain liquidity transactions to provide additional operating support, and included

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Generally, gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated by the University. Net investment returns subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as investment support utilized under operating revenues when the donor-imposed restrictions are met.

Contributions subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as operating revenues when the donor-imposed restrictions are met.

Operating and Nonoperating Activities
The Consolidated Statements of Activities present the changes in net assets by distinguishing between operating and nonoperating activities.

Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Investment returns utilized included in operating revenues consist of appropriated endowment spending on pooled endowed funds and investment income on nonendowed funds, as well as nonpooled endowed funds, that were used to support operating activities in accordance with the University's endowment spending policy (Note 5). Gain on sale of properties included in operating revenues consists of the net proceeds from the sale of certain University owned assets which were sold during the fiscal year (Note 7). Operating revenues also include the release of temporarily restricted net assets which include prior year contributions for which the donor-spe ¢ al v Dal п - M ome o " e

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Note receivable

As part of the Joint Collaboration Agreement (Note 3), the University received a promissory note (ñNoteò) from AECOM, Inc. as additional consideration for the transfer to AECOM, Inc. of property

Land, Buildings and Equipment
Land, buildings and equipment (Note 7) are stated substantially at cost, except for those received by contribution, which are stated at appraised value at date of contribution. Equipment, furniture and fixtures having a useful life of one year or more and an acquisition cost of three thousand dollars or more per unit are capitalized.

In the opinion of management, the University has title to all equipment purchased with grant funds, except for

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, provided by independent sources that are actively involved in the relevant market, and not proprietary. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Consolidated Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated Net Asset Value ("NAV"), which all require significant management judgment or estimation.

As a practical expedient, the University is permitted, under the pronouncement, to estimate the fair value of an investment in an investment company at the measurement date using the reported NAV. Adjustment is required if the University expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with GAAP. All investments for which fair value is measured using NAV are excluded within the fair value hierarchy, as long as no adjustment is required to NAV and the investment manager has reported a NAV at the measurement date. Investments are categorized as Level 3 i

liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of investments, provision for uncollectible receivables, the present value of multi-year pledges, and the allocation of expenses to functional classifications.

New Accounting Pronouncements

In May 2014, the FASB issued an Accounting Standards Update (ñASUò) 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction prices to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact this standard will have on the fiscal year 2019 consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements ï Going Concern, that will require management of public and nonpublic companies to evaluate and disclose where there is substantial doubt about an entityôs ability to continue as a going concern. The amendments are effective for annual periods ending after December 15, 2016, and for annual

In February 2016, the FASB issued ASU 2016-02, Leases that will require lessees to report most leases on their statement of financial position, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. Lessors in operating leases continue to recognize the underlying asset and recognize lease income on either a straight-line basis or another systematic and rational basis. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the financial reporting requirements in Topic 958, Not-for-Profit Entities. Changes include revisions to the classification of net assets and expanded liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2019 consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The ASU provides guidance on certain cash receipts and states that cash payments should be classified in the Statement of Cash Flows. The ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. The ASU provides guidance on the presentation, disclosure, and cash flow classification of restricted cash. The ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In January 2017, the FASB issued ASU 2017-02, Not-for-Profit Entities ï Consolidation. The ASU clarifies the model used by not-for-profit entities to evaluate the consolidation in limited partnerships. The guidance maintains the status quo for general partners and clarifies the guidance to be applied by a limited partner. The ASU is effective for f ' @ ä ä l financial statements. f

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3. Joint Collaboration Agreement – AECOM, Inc.

As described in Note 1, on Sept

The Consolidated Statements of Activities incorporate the activities of two months of Einstein for the year ended June 30, 2016. Such activities include total operating revenues of approximately $46,000, total operating expenses of approximately $65,000, and

endowments, endowment appreciation, and other restricted funds relating to Einstein as part of the Transaction.

4. Investments

The University manages substantially all of its investments and those of certain Consolidated Organizations and Unconsolidated Organizations in three investment groups ï the Long Term Pool (ñLTPoolò) for long-term investments, the Operational Investment Funds (ñOIFundsò) for shorter-term investments, and Segregated Investments.

The Investment Oversight Committee of the Board of Trustees oversees the Universityôs investment strategy for the LTPool in accordance with established guidelines, which cover, among other criteria, asset allocation, diversification, liquidity and performance return objectives. The overall investment objective of the University is to invest the LTPool in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after accounting for inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and managers.

In anticipation of the Joint Collaboration Agreement regarding Einstein (Note 3), the University split the LTPool into two unitized pools, both of which are included as part of the LTPool in the schedule below. The remaining portion of Einsteinôs investments of $61,736 and $73,770 at June 30, 2017 and 2016, respectively, represents investments held for AECOM, Inc. that are being transferred over time due to illiquidity and other regulatory reasons. These amounts are shown separately on я

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	2016				
Investment Strategy	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Cash and cash equivalents	$ 60,772	$ -	$ -	$ -	$ 60,772
Fixed income					
U.S. Government obligations	50,650	-	-	-	50,650
Mutual funds (fixed income)	1,264	-	-	-	1,264
Corporate debt	-	17,419	-	-	17,419
State of Israel bonds	-	-	176	-	176
Equities					
Corporate stocks	39,800	-	-	-	39,800
Mutual funds (equities)	52,612	-	-	-	52,612
Long-only equities	-	-	-	94,120	94,120
Long-short equities	-	-	-	117,296	117,296
Private equity	-	-	-	53,635	53,635
Venture capital	-	-	-	10,540	10,540
Marketable alternatives					
Multi-strategy/event-driven	-	-	-	135,730	135,730
Real assets	-	-	-	5,852	5,852
Real estate	-	-	10,551	10,031	20,582
Investment receivables	-	-	-	8,228	8,228
Investment payables	-	-	-	(568)	(568)
Other investments	879	-	1,380	-	2,259
	$ 205,977	$ 17,419	$ 12,107	$ 434,864	670,367
Less: Unconsolidated Organizations' interests in the investments portfolio					(135,336)
Less: Investments held for AECOM, Inc.					(73,770)
Total investments, at fair value					$ 461,261

The unconsolidated organizations' interests in the investment portfolio and investments held for AECOM, Inc. and their related liabilities in the Consolidated Statements of Financial Position are stated at fair value. The fair value hierarchy of the unconsolidated organizations' interest in the investment portfolio, and its related liability, as a percentage of the University's fair value hierarchy is as follows: 18.7% in Level 1, 5.4% in Level 2, 10.8% in Level 3 and 18.2% in NAV as of June 30, 2017 and 20.6% in Level 1, 5.7% in Level 2, 12.7% in Level 3 and 20.8% in NAV as of June 30, 2016. The fair value hierarchy of investments held for AECOM, Inc., and its related liability, as a percentage of the University's fair value hierarchy is as follows: 9.2% in Level 1, 3.3% in Level 2, 49.6% in Level 3 and 6.7% in NAV as of June 30, 2017 and 12.9% in Level 1, 11.0% in Level 2, 46.4% in Level 3 and 9.1% in NAV as of June 30, 2016.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other highly liquid investments having an

The following table summarizes quantitative inputs and assumptions used for Level 3 investments for which fair value is based on unobservable inputs at June 30, 2017 and 2016:

2017

Investment Strategy	Fair Value	Valuation Technique	Significant Unobservable Input	Range
State of Israel bonds	$ 160	Face value	N/A	N/A
Real estate	6,730	Discounted Cash Flow	Discount Rate	12.0% -15.0%
			Capitalization Rate	5.5% - 10.4%

2016

Investment Strategy	Fair Value	Valuation Technique	Significant Unobservable Input	Range
State of Israel bonds	$ 176	Face value	N/A	N/A
Real estate	10,551	Discounted Cash Flow	Discount Rate	12.0% - 15.5%
			Capitalization Rate	5.8% - 9.5%

For the State of Israel bonds, the University utilized a discounted cash flow method, which includes significant unobservable input for counter party risk and a range of 2% - 3%, to determine that face value approximates fair value.

Excluded from the above table are ñOther investmentsò classified in Level 3. These investments include life insurance policies, valued at policy surrender value, and directly held real estate properties, held at carrying value.

The following table presents the Universityõs fiscal 2017 activity for those assets classified as Level 3 within the fair value hierarchy:

	June 30, 2016	Purchases	Sales	Transfers to AECOM, Inc.	Net Realized and Unrealized Gain (Loss)	June 30, 2017
State of Israel bonds	$ 176	$ -	$ (18)	$ -	$ 2	$ 160
Real estate	10,551	-	(4,165)	-	344	6,730
Other investments	1,380	-	-	-	29	1,409
Total Level 3 investments	12,107	-	(4,183)	-	375	8,299
Trusts and split-interest agreements held by others	11,623	-	-	-	519	12,142
Total Level 3 assets	$ 23,730	$ -	$ (4,183)	$ -	$ 894	$ 20,441

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Notes to Consolidated Financial Statements
June 30, 2017 and 2016
(in thousands of dollars)

	Monthly and More	Semi-A	Greater	Notice

	2016				
		Remaining Years of Investments			
Investment Strategy	Unfunded Commitment	0–3 Years	4–5 Years	Greater Than 5	Total
Equities					
Private equity	$ 33,663	$ 44,319	$ -	$ 9,316	$ 53,635
Venture capital	577	10,540	-	-	10,540
Real assets	2,473	251	-	5,601	5,852
Real estate	2,581	20,582	-	-	20,582
Total	$ 39,294	$ 75,692	$ -	$ 14,917	$ 90,609

The net movement of cash and cash equivalents within the investments balance is included in proceeds from sales of investments in the Consolidated Statements of Cash Flows as of June 30, 2017 and 2016.

Net Investment Return
Net investment return for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Investment income	$ 4,532	$ 9,620
Investment expenses	(2,070)	(1,878)
Net realized and unrealized gains (losses)	49,401	(24,608)
Net investment return	$ 51,863	$ (16,866)

Investment Support Appropriated From LTPool
In fiscal 2017 investment support appropriated from the LTPool was $26,432, inclusive of appropriation from endowments of $23,686, of which $24,164 was utilized. In fiscal 2016 investment support appropriated from the LTPool was $32,227, inclusive of appropriation from endowments of $28,651, of which $25,268 was utilized.

5. Endowment

The University's endowment consists of approximately 1,200 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as permanently restricted net assets: (a) the original values of contributions donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. Appreciation related to donor-restricted endowment funds is classified as temporarily restricted net assets and reclassified as unrestricted net assets when those amounts are appropriated for expenditure and utilized.

The following represents the University's endowment net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (10,667)	$ 127,581	$ 381,169	$ 498,083
Board-designated endowment funds	4,061	4,036	-	8,097
Total endowment net assets	$ (6,606)	$ 131,617	$ 381,169	506,180
Other investments, net				100,553
Total investments				$ 606,733

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (13,270)	$ 110,663	$ 372,647	$ 470,040
Board-designated endowment funds	3,869	4,324	-	8,193
Total endowment net assets	$ (9,401)	$ 114,987	$ 372,647	478,233
Other investments, net				(16,972)
Total investments				$ 461,261

The tables above do not include pledge receivables, loan funds and other permanently restricted funds of $58,704 and $54,392 for the years ended June 30, 2017 and 2016, respectively.

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	$ (9,401)	$ 114,987	$ 372,647	$ 478,233
Endowment income, net of expenses	18	2,106	23	2,147
Net realized and unrealized gains (losses) on endowments	377	42,784	490	43,651
Net endowment return	395	44,890	513	45,798
Contributions	1	235	5,342	5,578
Appropriation of endowment assets per spending policy	(204)	(23,217)	(265)	(23,686)
Transfers, withdrawals and other changes	-	(2,675)	2,932	257
Reclassifications	2,603	(2,603)	-	-
Endowment net assets at June 30, 2017	$ (6,606)	$ 131,617	$ 381,169	$ 506,180

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2015	$ (6,720)	306,813		

Alternatives to expenditure of the endowment fund

The investment policy of the Institution

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of University funds have elected this option. Moreover, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law.

Certain of the University's funds are governed by such restrictions. Thus the University has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the governing gift instrument.

The investment objectives for the University's endowment are to preserve the principal value of those funds (noting guidance above regarding appropriation), in both absolute as well as real terms, and to maximize over the long-term the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy.

The University's spending policies are consistent with the University's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. Under these policies, [illegible]

earned [illegible] suits [illegible] the

	2016		
	Receivable	Allowance	Net Receivable
Federal revolving loans	$ 7,345	$ (1,324)	$ 6,021
Institutional loans	32,198	(7,042)	25,156
Accrued interest	4,835	(3,508)	1,327
Total student loans receivable	44,378	(11,874)	32,504
Total student tuition receivable	8,358	(5,130)	3,228
Total student receivables	$ 52,736	$ (17,004)	$ 35,732

	2017					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	$ (1,324)	$ (7,042)	$ (3,508)	$ (11,874)	$ (5,130)	$ (17,004)
Current year recovery (provisions)	12	(66)	(396)	(450)	(719)	(1,169)
Allowance at end of year	$ (1,312)	$ (7,108)	$ (3,904)	$ (12,324)	$ (5,849)	$ (18,173)

	2016					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	$ (1,415)	$ (8,213)	$ (3,196)	$ (12,824)	$ (4,303)	$ (17,127)
Current year recovery (provisions)	91	1,171	(312)	950	(827)	123
Allowance at end of year	$ (1,324)	$ (7,042)	$ (3,508)	$ (11,874)	$ (5,130)	$ (17,004)

Write-offs of a student loan receivable are based primarily on the age of the receivable and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment.

Other Assets and Receivables

Other assets consist of grant receivables, prepaid expenses, deposits with bond trustees, donated fractional interests in real estate, cash deposits required by vendors, due to/from related entities, rent receivables, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 8).

The University has a lease agreement with Montefiore, whereby exclusive occupation, management, and control of Jack D. Weiler Hospital of Albert Einstein College of Medicine ("WHAECOM") is with Montefiore. This lease was amended as part of the Transaction (Note 3), and the revenue from the lease is now allocated to Manhattan Campuses instead of Einstein. The lease term was extended and the annual lease payment was increased to $2,500, effective as of September 9, 2015, with annual increases thereafter of 2% compounded annually through 2114. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of $18,105 and $13,030 is included in other assets and receivables in the Consolidated Statements of Financial Position at June 30, 2017 and 2016, respectively.

8. Retirement Plans

Defined Contribution and Deferred Compensation Plans

The University has several defined contribution retirement plans in which most full-time and many part-time employees participate. The University's contributions are based on specified percentages of each employee's annual salary. It is the University's policy to fund retirement plan costs currently. Total retirement plan expense for the years ended June 30, 2017 and 2016 was $2,881 and $5,172, respectively.

The University has a 457(b) deferred compensation plan, which is offered to select management employees. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in other assets and receivables in the Consolidated Statements of Financial Position and amounted to $12,023 and $11,582 as of June 30, 2017 and 2016, respectively. The assets primarily consist of mutual funds and guaranteed interest accounts that have been reported in the tables below with the appropriate investment leveling based on the fair value hierarchy described in Note 4.

	2017			
Investment type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds at fair value	$ 8,389	$ -	$ -	$ 8,389

In connection with the Joint Collaboration Agreement (Note 3), substantially all 1199 union employees of Einstein have been hired by AECOM, Inc. As a result, the Transaction did not result in any withdrawal liability for the University. As required by ERISA, in the event that AECOM, Inc. withdraws from the plan during the first five years and fails to pay its withdrawal liability, the University will be secondarily liable. AECOM, Inc. has assumed all obligations under the plan and as part of the Transaction agreed to make the required plan contributions.

The University contributed $1,031 and $1,682 in cash and recorded expenses for the multi-employer plan for fiscal 2017 and 2016, respectively. The University's contributions to the 1199 Pension Fund represent less than 5% of total plan contributions.

The following table includes additional disclosure information related to the 1199 Pension Fund.

Plan Name	EIN Plan Number /Pension	Pension Protection Act Zone Status 2017	Pension Protection Act Zone Status 2016	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	September 30, 2018

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d. In April 2017, in connection with the refinancing of the aforementioned taxable bonds, the University transferred ownership of the mortgaged properties to Y Properties, a special purpose entity of which the University is the sole member (Note 1). Y Properties entered into a secured loan agreement with certain lenders whereby it issued notes in the aggregate principal amount of $140,000 which are secured by a mortgage on the five properties owned by Y Properties. The term of the notes are for 15 years, and the notes bear interest at a rate of 4.324% per annum. Until June 2021, Y Properties will make interest only payments; subsequent payments will include a portion of the principal amount outstanding, using a 30 year amortization table. Y Properties distributed the net proceeds of the loan (less debt issuance costs), in the amount of approximately $136,800, to the University in April 2017, and the University used the proceeds to repay the outstanding taxable bonds.

As part of the loan, the University entered into a unitary lease with Y Properties, whereby the University will continue to use the mortgaged properties as a tenant pursuant to a long term operating lease and make monthly rent payments to Y Properties, initially in the approximate amount of $1,590. As of June 30, 2017, payments in excess of debt service and certain operating costs of Y Properties are distributed to the University as the sole member, on a monthly basis. As controlling member, the University includes the operations of Y Properties in its consolidated financial statements, and accordingly all intercompany revenue, expenses, equity transfers and distributions are eliminated in consolidation.

Projected debt service payments on the bonds, mortgages payable and notes are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2018	$ 8,672	$ 13,799	$ 22,471
2019	6,528	13,486	20,014
2020	5,272	13,207	18,479
2021	5,725	12,924	18,649
2022	8,151	12,504	20,655
Thereafter	269,583	87,783	357,366
	303,931	$ 153,703	$ 457,634
Unamortized premium	812		
Unamortized issuance costs	(5,105)		
Total projected debt service payments	$ 299,638		

Interest expense on the bonds and other debt for the years ended June 30, 2017 and 2016 was $16,445 and $22,743, respectively.

The sale of the property on the Brookdale campus in October 2016 reduced the University's bonds and mortgages payable by approximately $5,000; going forward, the University's corresponding debt service payments for such bonds will no longer be required to be made.

10. Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient

Expenses by functional classification, after allocating operations and maintenance, depreciation, and interest, are as follows for the years ended June 30, 2017 and 2016:

	2017					
	Before Allocation	Operations and Maintenance	Depreciation and Amortization	Interest	After Allocation	2016 Total
Instruction	$ 75,036	$ 9,565	$ 4,649	$ 6,819	$ 96,069	$ 114,943
Research and training	2,855	364	177	259	3,655	36,619
Academic support	27,294	3,480	1,691	2,480	34,945	40,423
Student services	18,612	2,373	1,153	1,691	23,829	25,904
Institutional support	45,098	5,749	2,794	4,098	57,739	61,774
Auxiliary enterprises	4,554	5,490	2,011	1,098	13,153	17,344
Year ended June 30, 2017	$ 173,449	$ 27,021	$ 12,475	$ 16,445	$ 229,390	
Year ended June 30, 2016	$ 224,029	$ 36,768	$ 13,467	$ 22,743		$ 297,007

Fundraising expenses are included in institutional support. For the years ended June 30, 2017 and 2016, such costs were $10,449 and $11,870, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office. Institutional support includes approximately $2,000ly ! in v sts = γ A Я سخ m iqa

In January 2014, the University's (and the High Schools') motion to dismiss the case brought against them (and others) in federal court in July 2013 by former students of the High Schools was granted, based upon the fact that the statute of limitations on such claims had run, among other defenses. The case was dismissed with prejudice by the trial judge. The litigation alleged abuse during the 1970s and 1980s ® ɹ ṅ udeB n > φ ¾ τ Ma¾ я ҽ ¾ ad $ ʻ] φ ȳ r