2015 FINANCIAL REPORT

VANDERBILT UNIVERSITY

Contents

Letter from the Chancellor

The heart of an academic research university beats in time with the creativity, productivity, and scholarly excellence of its faculty, physicians, and scientists. In turn, this vibrant environment of learning and discovery attracts the best and brightest students, as well as patients from around the corner and across the globe. Vanderbilt University's culture of service and caring combined with an incredible bandwidth of intellectual power has positioned the university among the world's best.

This is not a distinction that we take lightly or with complacency. Our success — which stems from a combination of vision, philanthropy, responsible stewardship, and prudent fiscal management —enables Vanderbilt to aspire boldly and invest in the people who breathe life into our mission. In FY 2015, we launched a $50 million Trans-Institutional Initiative Program (TIPS) to support cross-disciplinary research and collaborative projects. The goal with this new funding is to support innovative and creative ideas that will help solve pressing problems facing society. As part of this effort, a new Engineering and Science Building, serves as a great visual marker of the progress of the program. As the building's construction takes shape, we are inspired to know that it will soon provide a place for students, faculty, staff, and visiting entrepreneurs to gather in an environment dedicated to discovery and innovation.

Vanderbilt's deep commitment to supporting research and scholarship is exemplified in a significant investment made this year in the inaugural class of 14 Chancellor Faculty Fellows, a diverse group of proven leaders and innovators in fields ranging from patent law and public policy - to astronomy - to mental health, to support their research and scholarship. And, Opportunity Vanderbilt, which remains one of the most generous financial aid programs in the country, has made a top-tier college education possible for thousands of deserving students.

To fully appreciate Vanderbilt University's tremendous financial and institutional strength, one must also consider the challenges facing healthcare across our nation and the broader state of discourse in higher education. Dwindling federal support for research; decreased reimbursements in funding for health care; uneven economic growth; intense scrutiny and criticism of the high cost of education; and ballooning student debt are serious concerns that we must contend with on a daily basis and throughout the year.

Vanderbilt could not achieve and maintain such a high level of excellence without continually looking ahead and creating strategies to manage impending challenges. Recent changes in the education and health care fields have led us to explore a restructure of the way we conduct the activities and endeavors of Vanderbilt University Medical Center. We are giving careful consideration to how we can best allow the clinical enterprise the flexibility required to remain competitive in today's rapidly changing health care environment while simultaneously buffering the University from the business risks inherent with today's health care landscape. Although legally and financially distinct, the two institutions will remain connected by our shared missions of research and education.

Our story, which began with Cornelius Vanderbilt's $1 million gift and dream of founding a great university to reconnect a country torn apart by war, tells the tale of what can be achieved when vision, strategy, and philanthropy combine. Of all of the many inventions and investments made by the Commodore that helped build this great nation, I strongly believe if he visited his eponymous university today, he would declare this institution his greatest investment of all time. While his steamboats and railroads have gone the way of the passenger pigeon, Vanderbilt University thrives! We are honored and privileged to carry forward this legacy.

Sincerely,

Nicholas S. Zeppos
Chancellor

Vanderbilt University Statistics

	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
STUDENTS					
Undergraduate	6,851	6,835	6,796	6,817	6,879
Graduate and professional	5,835	5,922	5,914	6,019	5,835
Total fall enrollment	12,686	12,757	12,710	12,836	12,714
Undergraduate admissions					
Applied	29,518	31,099	28,348	24,837	21,811
Accepted	3,865	3,963	4,034	4,078	3,914
Enrolled	1,605	1,613	1,608	1,601	1,600
Selectivity	13.1%	12.7%	14.2%	16.4%	17.9%
Yield	41.5%	40.7%	39.9%	39.3%	40.9%
Degrees conferred					
Baccalaureate	1,644	1,663	1,675	1,673	1,735
Master's	1,497	1,416	1,421	1,432	1,252
M.D.	120	91	111	99	97
Other doctoral	598	580	551	516	556
Total degrees conferred	3,859	3,750	3,758	3,720	3,640
Undergraduate six-year graduation rate	92.0%	92.9%	92.5%	92.2%	91.9%
Undergraduate tuition	$ 42,768	$ 41,928	$ 41,088	$ 40,320	$ 38,952
% increase over prior year	2.0%	2.0%	1.9%	3.5%	3.5%
HOSPITALS AND CLINICS					
Licensed beds	1,025	1,025	1,019	985	916
Inpatient days	314,288	310,119	307,292	285,270	282,547
Discharges	59,026	59,112	57,768	53,818	52,453
Average daily census	861	850	842	782	774
Average length of stay (days)	5.3	5.2	5.3	5.3	5.4
Average occupancy level (licensed beds)	84.0%	82.9%	83.3%	83.6%	84.5%
Hospital surgical operations - inpatient	21,573	22,601	22,396	22,183	22,246
Hospital surgical operations - outpatient	33,575	30,867	30,023	28,815	25,650
Ambulatory visits	1,885,068	1,834,856	1,833,337	1,725,901	1,586,395
Emergency visits	121,663	118,590	119,225	114,051	109,987
LifeFlight (helicopter) missions	1,547	2,313	2,359	2,550	2,203
Case mix index	1.96	1.90	1.93	1.90	1.93
FACULTY AND STAFF					
Full-time faculty	3,740	3,742	3,672	3,551	3,448
Full-time staff	19,305	19,671	19,967	20,119	19,192
Part-time faculty	439	405	430	439	396
Part-time staff	692	709	763	768	798
Total headcount	24,176	24,527	24,832	24,877	23,834
GRANT AND CONTRACT FUNDING (in thousands)					
Government sponsors	$ 348,356	$ 358,632	$ 377,839	$ 397,555	$ 399,440
Private sponsors	74,142	69,466	61,714	54,768	53,494
Facilities and administrative costs recovery	137,626	140,051	142,609	147,806	145,295
Total grants and contracts	$ 560,124	$ 568,149	$ 582,162	$ 600,129	$ 598,229
ENDOWMENT					
Market value (in thousands)	$ 4,093,388	$ 4,046,250	$ 3,635,343	$ 3,360,036	$ 3,375,153
Endowment return	3.7%	13.3%	9.3%	1.3%	13.6%
Endowment per student	$ 322,670	$ 317,179	$ 286,022	$ 261,767	$ 265,467
Endowment payout	4.1%	4.1%	4.3%	4.4%	4.8%

Financial Overview

In the face of continuing pressures on research funding and health care reimbursements, Vanderbilt experienced sustained financial success in the year ending June 30, 2015. The university's total net assets increased $132 million to $5,975 million, driven by overall positive operating results and favorable investment performance. While Vanderbilt's financial position continues to strengthen, our strategic metrics hold strong. Selectivity for the undergraduate schools remained steady and professional school application volumes reflected continued growth. Vanderbilt demonstrated its continued commitment to ensuring that students of every background can attend the university with increased scholarship support through Opportunity Vanderbilt.

Vanderbilt continues to address the ever-changing health care environment's challenges. The expansion of health care coverage through enrollment in public insurance exchanges, private sector coverage, and Medicaid Expansion is expected to, over time, reduce the cost of uncompensated care provided by Vanderbilt to uninsured individuals. While providers in Medicaid expansion states benefited from a greater population of insured patients, Tennessee has not yet expanded its Medicaid program. Vanderbilt continues to focus on strategic initiatives to increase overall revenue realization and prudent management of expenses to ensure continued financial strength in times of uncertainty.

Given the challenges facing both higher education and health care, Vanderbilt remains increasingly committed to innovation and efficiency to preserve and strengthen the university's financial health in support of our mission.

Financial Position

As of June 30, 2015, Vanderbilt's financial position consisted of assets totaling $8,271 million and liabilities totaling $2,296 million, resulting in net assets of $5,975 million.

Summary of Financial Position
as of June 30, in millions

	2015	2014
ASSETS		
Working capital cash and investments	$ 1,230	$ 1,119
Endowment and other cash and investments	4,639	4,456
Accounts and contributions receivable	562	569
Property, plant, and equipment, net	1,748	1,765
Prepaid expenses and other assets	92	89
Total assets	**$ 8,271**	**$ 7,998**
LIABILITIES		
Payables and accrued liabilities	$ 599	$ 600
Deferred revenue	100	93
Interest rate exchange agreements	175	169
Securities sold short	187	-
Taxable debt for liquidity	250	250
Project and equipment-related debt	985	1,043
Total liabilities	**2,296**	**2,155**
NET ASSETS		
Unrestricted net assets	3,279	3,180
Temporarily restricted net assets	1,461	1,467
Permanently restricted net assets	1,235	1,196
Total net assets	**5,975**	**5,843**
Total liabilities and net assets	**$ 8,271**	**$ 7,998**

Vanderbilt's assets, totaling $8,271 million as of June 30, 2015, increased $273 million, or 3.4%, from the prior year. Total assets increased primarily due to positive net operating results. The endowment, net of securities sold short, earned a return of 3.7% and its value (after the impact of distributions in support of operations and the addition of new gifts and unrestricted quasi-endowments) increased to $4,093 million at the end of fiscal 2015 from $4,046 million at the end of fiscal 2014.

Total liabilities increased $141 million, or 6.5%, to $2,296 million as of June 30, 2015, from $2,155 million as of June 30, 2014. This was attributable largely to the $187 million of securities sold short, partially offset by the $58 million decrease in long-term debt as a result of scheduled principal payments and net premium amortizations for the year. Interest rate exchange agreement liabilities increased $6 million as a result of the mark-to-market adjustment offset in part by the termination of fixed-payer interest rate exchange agreements. Payables and other accrued liabilities remained consistent with the prior year.

Cash and Liquidity

Vanderbilt's working capital cash and investments, which include highly liquid operating accounts, amounts posted as collateral (related primarily to interest rate exchange agreements), and amounts invested in the long-term investment pool alongside the endowment, totaled $1,230 million as of June 30, 2015.

Vanderbilt continues to invest operating assets in a conservative, diversified manner to ensure adequate security and liquidity under a variety of stress scenarios. During fiscal 2015, operating and endowment assets available within 30 days increased to $2,247 million from $2,158 million in fiscal 2014 (4.1% increase), while same day liquidity increased to $1,375 million from $1,133 million in fiscal 2014 (21.4% increase). A higher level of endowment assets with same day liquidity drove this increase as of June 30, 2015. Based largely on this very strong liquidity position, Vanderbilt maintains the highest short-term ratings from the major credit rating agencies.

To provide supplemental liquidity support, Vanderbilt maintains an agreement with one bank to provide a general operating line of credit with a maximum available commitment totaling $100 million. In addition, Vanderbilt carries $400 million of revolving credit facilities with two additional banks to provide dedicated self-liquidity support for the debt portfolio; one of these lines, totaling $200 million, includes a general use provision.

Debt

Vanderbilt's debt portfolio includes fixed-rate debt, variable-rate debt, and commercial paper, along with interest rate exchange agreements used for hedging interest rate exposure within the university's debt portfolio.

For the sixth consecutive year, Vanderbilt did not issue new-money debt. Scheduled principal payments on long-term debt and elective reductions of commercial paper reduced total outstanding debt by $58 million to a balance of $1,235 million as of June 30, 2015. This amount consisted of $985 million of capital project-related debt and $250 million of taxable debt for liquidity support.

During fiscal 2015, Vanderbilt terminated $60 million notional of fixed-payer interest rate exchange agreements in order to reduce the university's aggregate collateral exposure and eliminate ongoing settlement costs. Over the past six fiscal years, Vanderbilt terminated $510 million of fixed-payer interest rate exchange agreements and incurred net amortization of $18 million, reducing its fixed-payer portfolio notional balance to $483 million at the end of fiscal 2015 as compared to $1,011 million at the end of fiscal 2009.

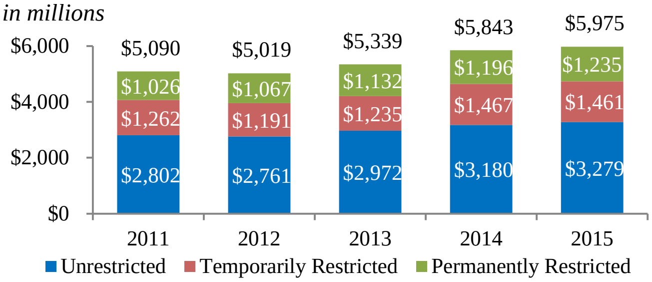
Statements of Activities

Vanderbilt's total operating and nonoperating activity resulted in a $132 million increase in net assets in fiscal 2015, compared to a $504 million increase in fiscal 2014.

Summary of Changes in Net Assets
in millions

	2015	2014
Revenues and expenses:		
Unrestricted operating revenues	$ 4,067	$ 3,833
Unrestricted operating expenses	(3,933)	(3,754)
Unrestricted operating activity	134	79
Contribution activity in temporarily restricted and permanently restricted net assets	(22)	(4)
Investment income and endowment distributions in temporarily restricted and permanently restricted net assets	78	91
Other changes in net assets:		
Change in appreciation of endowment, net of distributions	(29)	322
Change in interest rate exchange agreements	(28)	6
Change in net assets related to noncontrolling interests	(39)	(37)
Contributions for plant	8	10
Other nonoperating activity	30	37
Increase in net assets	**$ 132**	**$ 504**
Ending balance of net assets	**$ 5,975**	**$ 5,843**

Vanderbilt University
Net Assets fiscal 2011 - fiscal 2015
in millions



During fiscal 2015, total net assets increased due primarily to strong net operating results. In comparison, the increase in fiscal 2014 was due primarily to strong net operating results and endowment returns.

In fiscal 2015, permanently restricted net assets increased $39 million, or 3.3%, to $1,235 million, as compared to $1,196 million in fiscal 2014, due primarily to new true endowment corpus additions. Temporarily restricted net assets decreased $6 million, or 0.4%, to $1,461 million in fiscal 2015 as compared to $1,467 million in fiscal 2014, primarily as a result of decreased market values of assets held in permanently restricted funds. All accumulated market gains on both permanently and temporarily restricted net assets are temporarily restricted until appropriated for use. Unrestricted net assets increased $99 million, or 3.1%, to $3,279 million in fiscal 2015 as compared to $3,180 million in fiscal 2014, as a result of $134 million in unrestricted operating results offset by a $39 million decrease in net assets related to noncontrolling interests and $4 million increase due to other changes in net assets.

Consolidated Operating Revenues

Consolidated operating revenues increased $202 million, or 5.2%, to $4,122 million in fiscal 2015, as compared to $3,920 million in fiscal 2014. The primary driver of this increase was a $203 million, or 7.8%, increase in health care services revenue to $2,816 million in fiscal 2015 from $2,613 million in fiscal 2014 due largely to increases in hospital acuity, realization rate, and increases in retail, specialty, and contract managed pharmacy revenues. The health care section of the financial overview includes further details of Vanderbilt's health care services.

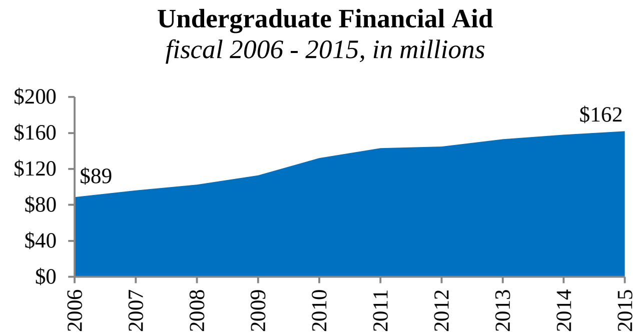
To facilitate Vanderbilt's commitment to student access and affordability, the university provides significant financial aid to students and their families. In fiscal 2015, Vanderbilt provided $250 million in support to its students for tuition and room and board as shown in the table below.

Tuition, Room and Board, and Financial Aid – Fiscal 2015
in millions

	Undergraduate (6,851 students)	Graduate and Professional (5,835 students)	Total
Tuition and fees	$ 307	$ 182	$ 489
Financial aid	(129)	(88)	(217)
Tuition and fees, net	**$ 178**	**$ 94**	**$ 272**
Room and board	$ 78	$ -	$ 78
Financial aid	(33)	-	(33)
Room and board, net	**$ 45**	**$ -**	**$ 45**
Total	**$ 223**	**$ 94**	**$ 317**

The financial aid number above excludes Pell Grants of $4 million. Generally Accepted Accounting Principles (GAAP) financial statements exclude Pell Grants, which are agency funds.

Over the past decade, Vanderbilt nearly doubled its level of support for undergraduate aid, as shown in the graph below.



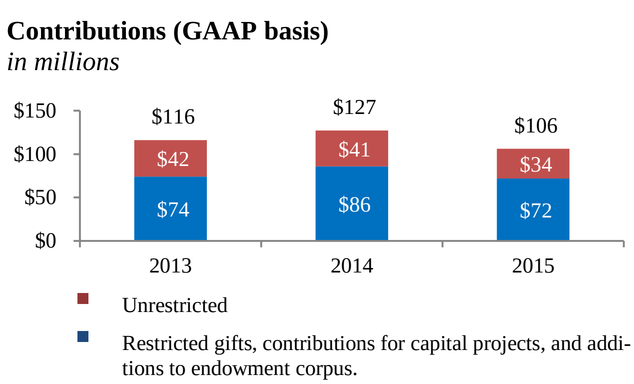
For undergraduates, aid as a percentage of gross tuition, room and board, and educational fees in fiscal 2015 was 42%. A portion of operations ($98 million), endowments ($57 million), external agencies ($4 million), working capital investments ($2 million), and gifts ($1 million) funded this aid. Critical to this support is the university's Opportunity Vanderbilt fundraising initiative that began in fiscal 2009 to support undergraduate financial aid. Through June 30, 2015, this initiative raised $213 million.

Vanderbilt reports contributions revenue within the consolidated financial statements based on GAAP. This basis for measurement differs from guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines represent the development reporting standard for colleges and universities and focus on philanthropic distributions of private resources (primarily gifts and foundation grants) to benefit the public.

GAAP to CASE Reconciliation
in millions

		2015
Total consolidated GAAP contributions	$	106
Grants and similar agreements meeting CASE guidelines (gifts per CASE standards)		28
Net decrease in contributions receivable (fiscal 2014 to 2015)		(8)
Other		(3)
CASE reported gifts (cash basis)	**$**	**123**

On a GAAP basis, in fiscal 2015, Vanderbilt recorded $106 million in contributions revenue, including pledges, a 16.5% decrease compared to the $127 million recorded in fiscal 2014.



Consolidated Operating Expenses

Consolidated operating expenses increased $179 million, or 4.8%, to $3,933 million in fiscal 2015, as compared to $3,754 million in fiscal 2014. The primary driver of this increase was a $123 million, or 9.9%, increase in supplies, services, and other expenses to $1,364 million in fiscal 2015 from $1,241 million in fiscal 2014. This increase was primarily due to hospital and clinic pharmaceutical expenses. Additionally, increased outpatient volumes drove increases in salaries, wages, and benefits.

Other Changes in Net Assets

Other changes in net assets included changes in appreciation of endowment, net of distributions totaling a decrease of $29 million in fiscal 2015 and an increase of $322 million in fiscal 2014. The change in appreciation for the endowment resulted from a 3.7% investment return offset by 4.1% of the endowment utilized for distributions during fiscal 2015, compared to a 13.3% investment return offset by 4.1% of the endowment utilized for distributions during fiscal 2014.

In fiscal 2015, Vanderbilt incurred net losses of $28 million on interest rate exchange agreements compared to net gains of $6 million in fiscal 2014. Included in these net losses and gains are costs associated with the termination of interest rate exchange agreements of $22 million in fiscal 2015 compared to $32 million in fiscal 2014. Further, Vanderbilt experienced unrealized gains of $2 million in fiscal 2015 compared to $25 million in fiscal 2014 as a result of mark-to-market valuation adjustments. These adjustments resulted from the positive effect of the termination of agreements in the respective periods, offset slightly by the negative effect of decreased long-term LIBOR rates. Additionally, fiscal 2015 results were impacted by an $8 million unrealized loss resulting from a decreased discount rate to reflect counterparty risk (the risk that Vanderbilt will default), compared to a $13 million unrealized gain in fiscal 2014. During fiscal 2015, improvement to the estimated AA Higher Education credit spread and a decreased average remaining life of interest rate exchange agreements indicated a lower risk of Vanderbilt default as compared to fiscal 2014. Vanderbilt's calculated credit risk and the corresponding adjustment decreased accordingly, resulting in the aforementioned $8 million unrealized loss and an increase to the interest rate exchange agreement liability.

Net assets related to noncontrolling interests decreased $39 million due to distributions of $49 million offset slightly by $8 million of appreciation and $2 million of cash contributions during fiscal 2015. Net, other nonoperating activity totaled $38 million in fiscal 2015 compared to $47 million in fiscal 2014. The decrease in other nonoperating activity resulted primarily from net endowment losses and losses on derivative financial instruments, partially offset by a $30 million gain on sale of business.

Unrestricted Operating Activity

The change in unrestricted net assets from operating activity is the measure of the university's *operating results*. This unrestricted operating activity totaled $134 million in fiscal 2015 and $79 million in fiscal 2014.

Unrestricted Operating Revenues

Unrestricted operating revenues increased $234 million, or 6.1%, to $4,067 million in fiscal 2015 as compared to $3,833 million in fiscal 2014.

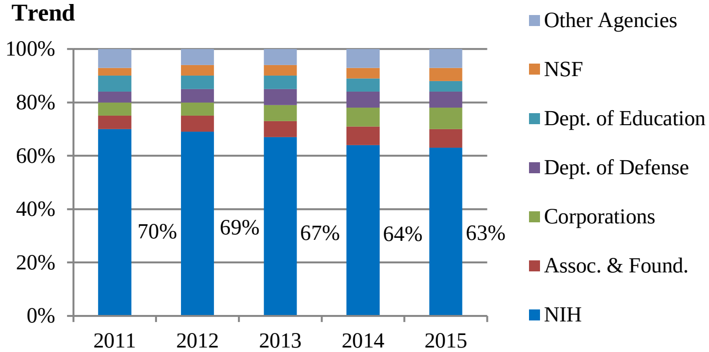
Operating Revenues by Source
Unrestricted net assets, in millions

	2015	2014
Tuition and educational fees, net of financial aid	$ 272	$ 265
Government grants and contracts	348	359
Private grants and contracts	74	69
F&A costs recovery	138	140
Contributions, including net assets released from restrictions	120	122
Endowment distributions	86	77
Investment income	18	18
Health care services	2,816	2,613
Room, board, and other auxiliary services, net of financial aid	127	112
Other sources	68	58
Total operating revenues	**$ 4,067**	**$ 3,833**

Due largely to governmental budgetary constraints, government and private grants and contracts revenue, predominantly for research activities, declined 1.4% from fiscal 2014 to 2015 (to $422 million from $428 million). Within the pool of direct grant revenues, while government grants and contracts direct revenue declined by 3.1% from fiscal 2014 to 2015 (to $348 million from $359 million), private grants and contracts direct revenues increased 7.2% over the same time period (to $74 million from $69 million).

As shown in the next graph, the largest source of direct grant and contract revenue was the Department of Health and Human Services (National Institutes of Health, or NIH, funding source). Other external sources included state and local governments, industry, foundations, and private sources.

Five-year Grants and Contracts by Revenue Source Trend



Grants and Contracts Revenues by Funding Source
in millions

	2015	%
Dept. of Health and Human Services	$ 265	63%
Associations and foundations	29	7%
Corporations	36	8%
Dept. of Defense	24	6%
Dept. of Education	18	4%
National Science Foundation	20	5%
Other government and private agencies	30	7%
Total grants and contracts revenues by funding source	**$ 422**	**100%**

Sponsored research and project awards (awards represent research funding commitments that have not yet been expended by Vanderbilt), which include multiple-year grants and contracts from government sources, foundations, associations, and corporations, totaled $682 million in fiscal 2015 and $657 million in fiscal 2014.

Sponsored Research and Project Awards
in millions

	2015	2014
Government awards	$ 510	$ 493
Private awards	172	164
Total sponsored research and project awards	**$ 682**	**$ 657**

Government awards accounted for 75% of the total sponsored funding during fiscal 2015 and increased $17 million, or 3.4%, to $510 million in fiscal 2015 from $493 million in fiscal 2014. Private awards increased $8 million, or 4.9%, to $172 million in fiscal 2015 from $164 million in fiscal 2014. The growth in government awards is particularly impressive given the pressures on federal funding, while the growth in private awards signals Vanderbilt's continued success in diversifying its research award pipeline.

Unrestricted Operating Expenses

Operating expenses increased $179 million, or 4.8%, to $3,933 million in fiscal 2015 as compared to $3,754 million in fiscal 2014.

Operating Expenses by Natural Classification
in millions

	2015	2014
Salaries, wages, and benefits	$ 2,332	$ 2,272
Supplies, services, and other	1,364	1,241
Interest expense	60	65
Depreciation and amortization	177	176
Total operating expenses	**$ 3,933**	**$ 3,754**

The increase in total operating expenses was due largely to a 9.9% increase in supplies, services, and other expenses and a 2.6% increase in salaries, wages, and benefits consistent with increases in health care revenues.

During fiscal 2015, the health care landscape continued to evolve. Enrollment in public insurance exchanges increased to approximately 10 million effectuated enrollees nationwide. As of June 30, 2015, thirty states and the District of Columbia had expanded their Medicaid programs resulting in decreased uncompensated care percentages and many health care providers in those states experiencing improved profitability. Despite a special session of the Tennessee legislature in February 2015 to consider the Medicaid expansion program known as "Insure Tennessee," Tennessee remains one of the states that has not yet expanded its Medicaid program (TennCare). Vanderbilt University Medical Center's (VUMC) uncompensated care (defined as charity, bad debt, and unreimbursed cost of TennCare/Medicaid) decreased $8 million to a total of $225 million in cost-based write-offs in fiscal 2015 from $233 million in fiscal 2014.

To compete in a dynamic health care market, VUMC continues to develop strategies to increase revenue realization and reduce operating costs. During fiscal 2015, VUMC continued to focus on revenue cycle improvements, increasing overall revenue realization through improved back-office processes, charge capture, and data analytics. These activities introduced new technology and workflow that resulted in an improvement to net revenue of $25 million in fiscal 2015.

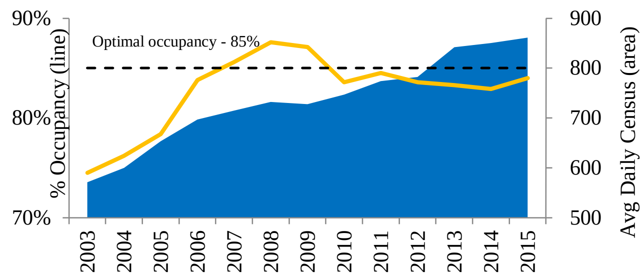
Health care services revenue increased $203 million, or 7.8%, to $2,816 million in fiscal 2015 from $2,613 million in fiscal 2014. This increase was due largely to outpatient volume increases, expansion of the retail pharmacy program and increased acuity of patients. Inpatient days increased 1.3%, due to increased length of stay resulting from increased acuity of patients, and outpatient visit volumes increased 2.7% in fiscal 2015 from fiscal 2014. Gross revenue from the retail pharmacy program increased $78.2 million, or 51.7%, to $229.7 million in fiscal 2015 from $151.5 million in fiscal 2014.

Health care services expenses increased $111 million, or 4.6%, to $2,500 million in fiscal 2015 from $2,389 million in fiscal 2014. This increase was due largely to an overall increase in patient days, continued expansion of the retail pharmacy program, and overall growth in ambulatory visits.

In fiscal 2015, VUMC continued to prudently manage salaries, wages, and benefits. As a result, salaries, wages, and benefits as a percent of net revenue for fiscal 2015 decreased to 38.3% compared to 39.9% for fiscal 2014. Paid Full-Time Equivalent (FTE) clinical employees were 9,697 for fiscal 2015 as compared to 9,473 for fiscal 2014. Clinical FTEs per adjusted occupied bed (AOB) for Vanderbilt University Hospital (VUH) were 5.2 in fiscal 2015 as compared to 4.7 in fiscal 2014. The increase of .5 Clinical FTEs per AOB relates to an increase in acuity of patients. As a result, the Case Mix Index (CMI) for VUH increased to 2.09 from 2.04 in the prior year. CMI-adjusted FTEs per AOB was 3.37 in fiscal 2015 and fiscal 2014. Monroe Carell Jr. Children's Hospital at Vanderbilt (MCJCHV) FTEs per adjusted occupied bed for fiscal 2015 were 5.0 as compared to 5.3 in fiscal 2014.

The following graph illustrates the overall hospital occupancy rate for inpatients based on licensed beds as compared to average daily census.

Percentage Occupancy and Average Daily Census



VUMC's overall hospital occupancy rate for inpatients based on licensed beds was 84.0% in fiscal 2015, a slight increase from 82.9% in fiscal 2014, due to the increased acuity of patients. The increased acuity of patients resulted in an increase in the average length of stay to 5.3 in fiscal 2015 from 5.2 days in fiscal 2014.

VUMC's internal measure of occupancy based on beds available and adjusted for outpatient utilization of bed capacity yielded an occupancy rate of 95% in fiscal 2015, an increase of 2% from an occupancy rate of 93% in fiscal 2014. Thus, VUMC continues to operate above optimal occupancy of 85% when total utilization of capacity is measured.

In October 2014, the Tennessee Health Services and Development Agency approved VUMC's master Certificate of Need for the relocation of the obstetrical program, the newborn nursery, and the neonatal unit from VUH to new space at MCJCHV and renovation of the vacated area in VUH. This planned project will add 23 new obstetrical beds, 24 neonatal/pediatric critical care beds, 61 adult acute care beds, and 63 observation beds. The bed expansions are necessary to avoid overcrowding and long wait times for patients in the emergency room, recovery rooms, and other procedural staging areas.

VUMC continues to maintain strong inpatient and outpatient volumes. While experiencing an increase in inpatient days, discharges in fiscal 2015 decreased slightly to 59,026 in fiscal 2015 from 59,112 in fiscal 2014. Total VUH and MCJCHV surgical operations increased 3.1% in fiscal year 2015. Volumes continued to shift from inpatient to outpatient surgeries as inpatient surgeries decreased by 4.5% and outpatient surgeries grew by 8.8%.

Overall hospital ambulatory visits (outpatient visits) increased 2.7% to 1.9 million in fiscal 2015 as VUMC continued its expansion of health care services offered outside the medical center's main campus. Approximately 45% of outpatient visits occurred at off-campus locations. Physician practice expansions in obstetrics, gynecology, and pediatrics in nearby communities contributed to the growth in ambulatory visits.

VUMC's overall CMI increased to 1.96 in fiscal 2015 from 1.90 in fiscal 2014. The CMI increase resulted from the increased acuity of patients and aligns with VUMC's continued focus on serving as Middle Tennessee's only tertiary/quaternary medical center while supporting patients receiving less intensive medical services in outpatient settings or community hospitals. VUH and MCJCHV continued to see an increase in medical patients, which comprised 54.2% of total discharges in fiscal 2015 compared to 52.8% in fiscal 2014, with the medical CMI increasing to 1.35 in fiscal 2015 from 1.30 in fiscal 2014. The largest increase in acuity was in the surgical specialties with the surgical case mix index increasing to 3.57 in fiscal 2015 as compared to 3.42 in fiscal 2014.

The following table presents payer mix percentages based on gross charges for Vanderbilt's hospitals and clinics in fiscal 2015 and fiscal 2014.

Payer Mix
Vanderbilt hospitals and clinics (% of gross charges)

	2015	2014
Commercial/Managed Care	47.8%	47.2%
Medicare/Managed Medicare	29.5%	29.5%
TennCare/Medicaid	18.0%	17.2%
Uninsured (self-pay)	4.7%	6.1%
Total payer mix	**100.0%**	**100.0%**

Overall uninsured patients decreased while governmental payers TennCare/Medicaid and commercial/managed care increased 80 and 60 basis points, respectively. The commercial/managed care increase primarily resulted from the growth in the retail pharmacy service line, which has a higher commercial/managed care payer mix than other service lines.

VUMC remains committed to providing high-quality health care services that meet key community needs, including providing substantial charity care for members of the community who otherwise would not be able to secure needed services.

VUMC maintains a charity care policy that sets forth the criteria for health care services provided without expectation of payment, or at a reduced payment rate, to patients who meet income criteria based on federal poverty limit guidelines. Vanderbilt does not report charity care services as revenue. These services represented 4.5% and 5.7% of total gross patient services revenue in fiscal 2015 and 2014, respectively.

Uncompensated Care
in millions

	2015	2014
Unreimbursed charity care cost	$ 103	$ 127
Unreimbursed cost of TennCare/Medicaid	103	76
Unreimbursed bad debt cost	19	30
Total uncompensated care	**$ 225**	**$ 233**
Charity care as % of total uncompensated care	*45.8%*	*54.5%*

In addition to the uncompensated care described above, the medical center provides a number of other services to benefit the economically disadvantaged for which the medical center receives little or no payment. This includes public health education and training for new health professionals and provides, without charge, services to the community at large, together with support groups for many patients with special needs.

The following table provides a summary of costs for the community benefit activities, reported in Vanderbilt's Form 990 filing (Return of Organization Exempt from Income Taxes).

Charity Care Assistance, Community Benefits, and Other Unrecovered Costs
in millions

	2015	2014
Charity care and community benefits		
Unreimbursed charity care cost	$ 103	$ 127
Resident and Allied Health education	84	91
Unreimbursed cost of TennCare/ Medicaid	103	76
Other community health programs	4	1
Clinical and laboratory research support	128	107
Total costs of charity care and community benefits	422	402
Other unrecovered costs using IRS Form 990 Schedule H guidelines but not includable as community benefits		
Unreimbursed cost of Medicare	65	86
Unreimbursed bad debt costs	19	30
Unreimbursed cost of TRICARE	7	7
Total other unrecovered costs	91	123
Total cost of charity care, community benefits, and other unrecovered costs	**$ 513**	**$ 525**

In the preceding table, clinical and laboratory expense of $128 million included sponsored research, primarily from the NIH as well as other federal and nonfederal agencies, for the support of basic and clinical research. In addition, institutional funds provided support for unfunded research such as bridge funds for faculty members between grant periods, and for new ideas or new science that may receive funding in future years.

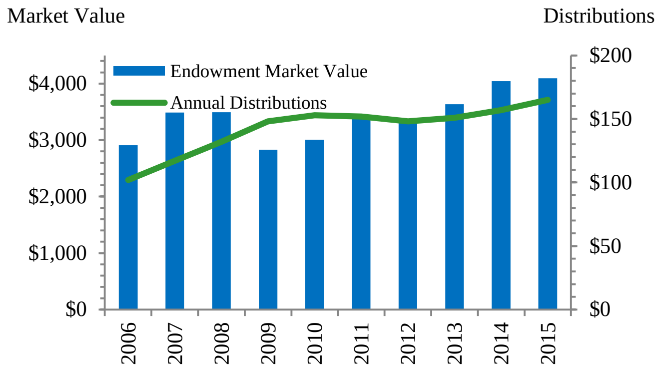
Endowment

For fiscal 2015, Vanderbilt's endowment portfolio returned 3.7%. The endowment ended fiscal 2015 with a total market value of $4,093 million, compared to $4,046 million at the end of fiscal 2014. The difference between the investment return and change in absolute value of the endowment was attributable to the net impact of new endowment gifts, additions to institutional endowments (quasi-endowments), investment returns, costs for managing the endowment, and the distribution of endowment funds to support university operations. During fiscal 2015, the university added $76 million to the endowment portfolio through new gifts and additions to institutional endowments. Endowment distributions totaled $165 million in fiscal 2015, compared to $158 million in fiscal 2014. These distributions support the university's education, research, and public service missions.

The past year witnessed a choppy capital market environment relative to the appreciation in risk-based assets over each of the prior five fiscal years. Global equity markets were up only 1%, with wide dispersion across the U.S. (up 7%), non-U.S. developed markets (up 4%), and emerging markets (down 5%). U.S. bond markets were sanguine (up 2%), a relatively small return attributable to historically low yields and credit spreads. Commodity prices crashed (down 37%), and in a related move the U.S. dollar appreciated (by 19%).

Given this environment, Vanderbilt's endowment held up well. Looking into the future, significant headwinds could still lie ahead. U.S. equity valuations are reasonably full, European equity markets are challenged by the volatility of the European Union and "Grexit" dynamics, and Asian markets are struggling in the midst of excessive leverage. And globally, markets are wrestling with government intervention, changing regulatory pressures, and slow-growth economies. In addition, conversations about when the U.S. Federal Reserve will normalize monetary policy and increase the Fed Funds rate continue to contribute to market volatility. That said, these challenges will from time to time present chances to be opportunistic in deploying new investments. Meanwhile, Vanderbilt is laying a strong foundation for the endowment by collaborating with some of the world's best investment managers across all asset classes.

Endowment Market Value and Annual Distributions
in millions



Endowment Asset Allocation
As of June 30, 2015 (% of portfolio)

	Allocation
Global equities	22.3%
Hedged strategies	20.4%
Commodities	2.2%
Fixed income	5.0%
Cash and cash equivalents	9.2%
Total public investments	**59.1%**
Private capital	29.8%
Real estate	4.5%
Natural resources	6.6%
Total nonmarketable	**40.9%**
Total endowment	**100.0%**

Looking forward

As FY15 comes to a close, Vanderbilt's financial foundation remains strong despite a year of continued economic challenges including pressured health care reimbursements and declining federal support for research. Despite this environment, the health care enterprise continues to generate strong operating results while the academic and research areas demonstrate sustained stability.

The legal reorganization of Vanderbilt University Medical Center currently being explored will position both entities to better achieve their strategic priorities while remaining focused on a shared mission of scholarship, teaching, and creative experimentation. Vanderbilt made significant progress towards the legal separation over the past year and will maintain this momentum in FY16. Included in the pages that follow are Vanderbilt's audited financial statements, financial ratios, and other key financial metrics for fiscal 2015.

Financial Ratios

Expendable Net Assets to Debt

Expendable Net Assets / Project Debt and Lease Commitments

2011	2012	2013	2014	2015
2.3x	2.4x	2.7x	3.1x	3.1x

Expendable net assets to debt measures the university's leverage. Debt used for calculating this ratio consists of all project-related debt, the net present value of lease commitments, and debt guarantees.

Vanderbilt's expendable net assets to debt ratio for fiscal 2015 remained fairly stable. Vanderbilt's expendable net assets to debt improved in fiscal 2014 as the result of a net increase in endowment market value and a decline in outstanding debt. Vanderbilt aims to maintain expendable net assets to debt of at least 2.0.

Debt Service Coverage Ratio

Unrestricted Operating Results before Interest and Depreciation / Normalized Annual Debt Service

2011	2012	2013	2014	2015
4.0x	4.1x	2.1x	3.5x	4.3x

The *debt service coverage ratio* measures the university's ability to pay annual debt service obligations from current year operating activities. In this context, annual debt service is normalized to calculate long-term (25 years) level principal and interest payments that would be required based on the portfolio's then-prevailing weighted average interest rates inclusive of the effects of interest rate exchange agreements. The scope for this ratio is all outstanding debt, except for taxable commercial paper used for short-term liquidity support prior to fiscal 2012.

In fiscal 2015, better net operating results and slightly less normalized annual debt service resulted in an increase in the debt service coverage ratio. In fiscal 2014, net operating results increased from fiscal 2013, while normalized annual debt service decreased slightly resulting in an increased debt service coverage ratio. Vanderbilt aims to maintain a debt service coverage ratio of at least 2.0.

Debt Service Burden

Normalized Annual Debt Service / Unrestricted Operating Expenses

2011	2012	2013	2014	2015
2.9%	2.8%	2.6%	2.4%	2.2%

The *debt service burden* measures the percent of the annual operating budget devoted to servicing outstanding debt.

Consistent with the trend noted since fiscal 2011, Vanderbilt's debt service burden decreased in fiscal 2015 and 2014 due to increases in operating expenses, strengthened by decreases in normalized annual debt service. Vanderbilt aims to maintain a debt service burden below 5.0%.

Operating Cash Flow Margin

Unrestricted Operating Results before Interest and Depreciation / Unrestricted Operating Revenues

2011	2012	2013	2014	2015
11.1%	10.9%	5.5%	8.4%	9.1%

The *operating cash flow margin* measures the cash flow generated from each dollar of operating revenue. The resulting net cash flows may occur in the current or future years depending on changes in receivables and payables.

In fiscal 2015, Vanderbilt's unrestricted operating results before interest and depreciation increased 15.9% to $371 million from $320 million in fiscal 2014. Fiscal 2015 unrestricted operating revenues at $4,067 million represented a 6.1% increase from $3,833 million in fiscal 2014. The fiscal 2014 operating cash flow margin increased in comparison to fiscal 2013 due in part to the $121 million change in estimate of net realizable value of patient receivable in fiscal 2013.

Capital Intensiveness Ratio

Acquisitions of Property, Plant, and Equipment / Unrestricted Operating Revenues

2011	2012	2013	2014	2015
3.6%	3.9%	6.2%	4.0%	4.2%

The *capital intensiveness ratio* measures the university's annual investments in property, plant, and equipment as a percentage of the university's annual operating revenues.

In fiscal 2015, the capital intensiveness ratio remained fairly stable with similar increases to both PP&E additions and operating revenues as compared to fiscal 2014. Vanderbilt's capital spending activity in fiscal 2014 decreased to $153 million from fiscal 2013 capital spending of $224 million as several large projects approached completion in fiscal 2014 (e.g., Warren College and Moore College, Vanderbilt Recreation and Wellness Center, and Alumni Hall).

Average Age of Plant

Accumulated Depreciation / Depreciation Expense

2011	2012	2013	2014	2015
10.2 yrs	11.2 yrs	11.8 yrs	12.6 yrs	12.5 yrs

The *average age of plant* metric provides a sense of the age of the university's facilities. A low average age of plant indicates that an institution has made significant recent investments in its plant.

The retirement of $150 million of fully depreciated equipment in fiscal 2015 resulted in a slightly improved ratio. Decreased capital spending combined with normal growth of accumulated depreciation (primarily in buildings and movable equipment categories) increased average age of plant to 12.6 years in fiscal 2014 from 11.8 years in fiscal 2013.

VANDERBILT UNIVERSITY

Consolidated Financial Statements

pwc

Independent Auditor's Report

Board of Trust
Vanderbilt University

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the University'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 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 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 Vanderbilt University at June 30, 2015 and 2014, 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.

PricewaterhouseCoopers LLP

October 22, 2015

PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (813)236 6000, www.pwc.com/us

Vanderbilt University
Consolidated Statements of Financial Position

As of June 30, 2015 and 2014 (in thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,291,631	$ 1,244,720
Accounts receivable, net	404,145	414,565
Prepaid expenses and other assets	92,296	89,192
Contributions receivable, net	82,418	74,820
Student loans and other notes receivable, net	35,438	40,251
Investments	4,465,738	4,179,606
Investments allocable to noncontrolling interests	110,954	150,067
Property, plant, and equipment, net	1,748,410	1,765,244
Interests in trusts held by others	40,154	39,790
Total assets	**$ 8,271,184**	**$ 7,998,255**
LIABILITIES		
Accounts payable and accrued liabilities	$ 251,670	$ 212,167
Accrued compensation and withholdings	174,115	216,117
Deferred revenue	100,511	92,985
Actuarial liability for self-insurance	116,753	113,626
Actuarial liability for split-interest agreements	33,757	35,667
Government advances for student loans	22,356	22,366
Commercial paper	263,454	209,845
Long-term debt and capital leases	971,415	1,083,285
Fair value of securities sold short	187,431	-
Fair value of interest rate exchange agreements	174,713	168,451
Total liabilities	**2,296,175**	**2,154,509**
NET ASSETS		
Unrestricted net assets controlled by Vanderbilt	3,167,702	3,029,763
Unrestricted net assets related to noncontrolling interests	110,954	150,067
Total unrestricted net assets	3,278,656	3,179,830
Temporarily restricted net assets	1,461,162	1,467,482
Permanently restricted net assets	1,235,191	1,196,434
Total net assets	**5,975,009**	**5,843,746**
Total liabilities and net assets	**$ 8,271,184**	**$ 7,998,255**

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

Vanderbilt University
Consolidated Statement of Activities

Year Ended June 30, 2015 (in thousands)

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES				
Tuition and educational fees	$ 489,018	$ -	$ -	$ 489,018
Less student financial aid	(216,815)	-	-	(216,815)
Tuition and educational fees, net	272,203	-	-	272,203
Grants and contracts:				
Government sponsors	348,356	-	-	348,356
Private sponsors	74,142	-	-	74,142
Facilities and administrative costs recovery	137,626	-	-	137,626
Total grants and contracts	560,124	-	-	560,124
Contributions	30,602	29,047	37,880	97,529
Endowment distributions	86,369	77,426	1,036	164,831
Investment income	17,517	119	(1,215)	16,421
Health care services, net	2,816,116	-	-	2,816,116
Room, board, and other auxiliary services, net	126,215	-	-	126,215
Other sources	68,381	-	-	68,381
Net assets released from restrictions	89,463	(89,463)	-	-
Total revenues and other support	**4,066,990**	**17,129**	**37,701**	**4,121,820**
EXPENSES				
Salaries, wages, and benefits	2,331,715	-	-	2,331,715
Supplies, services, and other	1,364,217	-	-	1,364,217
Interest expense	60,034	-	-	60,034
Depreciation	177,176	-	-	177,176
Total expenses	**3,933,142**	**-**	**-**	**3,933,142**
Change in unrestricted net assets from operating activity	**133,848**			
OTHER CHANGES IN NET ASSETS				
Change in appreciation of endowment, net of distributions	(10,454)	(18,242)	-	(28,696)
Change in appreciation of self-insurance assets	1,975	-	-	1,975
Change in appreciation of other investments	(1,985)	-	-	(1,985)
Change in appreciation of interest rate exchange agreements	(27,728)	-	-	(27,728)
Contributions for plant	3,145	4,866	-	8,011
Net assets released from restrictions for plant	16,752	(16,752)	-	-
Nonoperating net asset reclassifications	(7,735)	6,679	1,056	-
Other	30,121	-	-	30,121
Total other changes in net assets	**4,091**	**(23,449)**	**1,056**	**(18,302)**
Increase (decrease) in net assets controlled by Vanderbilt	**137,939**	**(6,320)**	**38,757**	**170,376**
Decrease in net assets related to noncontrolling interests	**(39,113)**	**-**	**-**	**(39,113)**
Total increase (decrease) in net assets	**$ 98,826**	**$ (6,320)**	**$ 38,757**	**$ 131,263**
Net assets, June 30, 2014	**$ 3,179,830**	**$ 1,467,482**	**$ 1,196,434**	**$ 5,843,746**
Net assets, June 30, 2015	**$ 3,278,656**	**$ 1,461,162**	**$ 1,235,191**	**$ 5,975,009**

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

Vanderbilt University
Consolidated Statement of Activities

Year Ended June 30, 2014 (in thousands)

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES				
Tuition and educational fees	$ 478,320	$ -	$ -	$ 478,320
Less student financial aid	(213,543)			(213,543)
Tuition and educational fees, net	264,777	-	-	264,777
Grants and contracts:				
Government sponsors	358,632	-	-	358,632
Private sponsors	69,466	-	-	69,466
Facilities and administrative costs recovery	140,051	-	-	140,051
Total grants and contracts	568,149	-	-	568,149
Contributions	38,182	23,980	55,551	117,713
Endowment distributions	76,525	79,900	1,135	157,560
Investment income	18,264	3,268	6,655	28,187
Health care services, net	2,613,441	-	-	2,613,441
Room, board, and other auxiliary services, net	111,925	-	-	111,925
Other sources	58,517	-	-	58,517
Net assets released from restrictions	83,582	(83,582)	-	-
Total revenues and other support	**3,833,362**	**23,566**	**63,341**	**3,920,269**
EXPENSES				
Salaries, wages, and benefits	2,271,831	-	-	2,271,831
Supplies, services, and other	1,241,393	-	-	1,241,393
Interest expense	65,478	-	-	65,478
Depreciation	175,779	-	-	175,779
Total expenses	**3,754,481**	**-**	**-**	**3,754,481**
Change in unrestricted net assets from operating activity	**78,881**			
OTHER CHANGES IN NET ASSETS				
Change in appreciation of endowment, net of distributions	128,449	193,706	-	322,155
Change in appreciation of self-insurance assets	10,049	-	-	10,049
Change in appreciation of other investments	27,237	-	-	27,237
Change in appreciation of interest rate exchange agreements	6,352	-	-	6,352
Contributions for plant	3,235	6,445	-	9,680
Net assets released from restrictions for plant	6,405	(6,405)	-	-
Nonoperating net asset reclassifications	(15,778)	15,104	674	-
Total other changes in net assets	**165,949**	**208,850**	**674**	**375,473**
Increase in net assets controlled by Vanderbilt	**244,830**	**232,416**	**64,015**	**541,261**
Decrease in net assets related to noncontrolling interests	**(36,834)**	**-**	**-**	**(36,834)**
Total increase in net assets	**$ 207,996**	**$ 232,416**	**$ 64,015**	**$ 504,427**
Net assets, June 30, 2013	**$ 2,971,834**	**$ 1,235,066**	**$ 1,132,419**	**$ 5,339,319**
Net assets, June 30, 2014	**$ 3,179,830**	**$ 1,467,482**	**$ 1,196,434**	**$ 5,843,746**

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

Vanderbilt University
Consolidated Statements of Cash Flows

Years Ended June 30, 2015 and 2014 (in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	**$ 131,263**	**$ 504,427**
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Change in net assets related to noncontrolling interests	39,113	36,834
Realized and unrealized gain on investments, net	(164,715)	(426,297)
Contributions for plant and endowment	(47,540)	(75,606)
Contributions of securities other than for plant	(13,082)	(20,717)
Proceeds from sale of donated securities	2,590	2,773
Depreciation	177,176	175,779
Amortization of bond discounts and premiums	(4,600)	(5,210)
Payments to terminate interest rate exchange agreements	21,467	31,930
Gain on sale of business	(28,932)	-
Loss from disposals of property, plant, and equipment	6,635	1,670
Net change in fair value of interest rate exchange agreements	6,262	(38,282)
Change in:		
Accounts receivable, net of accrued investment income	10,921	(1,271)
Prepaid expenses and other assets	(3,104)	(3,517)
Contributions receivable	(7,598)	(4,518)
Interests in trusts held by others	-	(908)
Change in:		
Accounts payable and accrued liabilities, net of nonoperating items	37,660	(23,014)
Accrued compensation and withholdings	(42,002)	(19,052)
Deferred revenue	7,526	(44)
Actuarial liability for self-insurance	3,127	6,112
Actuarial liability for split-interest agreements	(1,910)	1,699
Net cash provided by operating activities	**130,257**	**142,788**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,240,401)	(2,734,836)
Proceeds from sales of investments	4,306,051	3,122,144
Purchases of investments allocable to noncontrolling interests	(1,478)	(4,004)
Proceeds from sales of investments allocable to noncontrolling interests	48,685	70,668
Change in accrued investment income	(501)	(122)
Payments to terminate interest rate exchange agreements	(21,467)	(31,930)
Acquisitions of property, plant, and equipment	(172,218)	(152,862)
Proceeds from sale of business	36,016	-
Student loans and other notes receivable disbursed	(1,337)	(2,439)
Principal collected on student loans and other notes receivable	6,150	5,770
Net cash (used in) provided by investing activities	**(40,500)**	**272,389**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for plant and endowment	47,540	75,606
Change in government advances for student loans	(10)	314
Payments to retire or defease debt	(112,269)	(43,129)
Proceeds from debt refinancing	58,608	-
Proceeds from sale of donated securities restricted for endowment	10,492	17,944
Proceeds from noncontrolling interests in investment partnerships	1,478	4,004
Payments to noncontrolling interests in investment partnerships	(48,685)	(70,668)
Net cash used in financing activities	**(42,846)**	**(15,929)**
Net change in cash and cash equivalents	**$ 46,911**	**$ 399,248**
Cash and cash equivalents at beginning of year	**$ 1,244,720**	**$ 845,472**
Cash and cash equivalents at end of year	**$ 1,291,631**	**$ 1,244,720**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 65,377	$ 71,657
Donated securities	13,082	20,717

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

Vanderbilt University
Notes to the Consolidated Financial Statements

1. Organization

The Vanderbilt University (Vanderbilt) is a private, coeducational, not-for-profit, nonsectarian institution located in Nashville, Tennessee. Founded in 1873, Vanderbilt owns and operates educational, research, and health care facilities as part of its mission to be a leading center for informed and creative teaching, scholarly research, and public service. Vanderbilt provides educational services to approximately 6,900 undergraduate and 5,800 graduate and professional students enrolled across its 10 schools and colleges.

The consolidated financial statements include the accounts of all entities in which Vanderbilt has a significant financial interest and over which Vanderbilt has control. The patient care enterprise includes Vanderbilt University Hospitals and Clinics (the Hospital); Vanderbilt Medical Group, a physician practice plan; and Vanderbilt Health Services, Inc. (VHS), which includes wholly owned and joint ventured businesses primarily consisting of community physician practices, imaging services, outpatient surgery centers, radiation oncology centers, a home health care agency, a home infusion and respiratory service, an affiliated health network, and a rehabilitation hospital.

Vanderbilt eliminates all material intercompany accounts and transactions in consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation
The consolidated financial statements of Vanderbilt have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). Based on the existence or absence of donor-imposed restrictions, Vanderbilt classifies resources into three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets are free of donor-imposed restrictions. This classification includes all revenues, gains, and losses not temporarily or permanently restricted by donors. Vanderbilt reports all expenditures in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

Temporarily restricted net assets contain donor-imposed stipulations that expire with the passage of time or that can be satisfied by action of Vanderbilt. These net assets may include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments not yet appropriated by the Board of Trust for distribution.

Permanently restricted net assets are amounts held in perpetuity as requested by donors. These net assets may include unconditional pledges, donor-restricted endowments (at historical value), split-interest agreements, and interests in trusts held by others. Generally, the donors of these assets permit Vanderbilt to use a portion of the income earned on related investments for specific purposes.

Vanderbilt reports expirations of temporary restrictions on net assets, i.e., the passage of time and/or fulfilling donor-imposed stipulations, as net assets released from restrictions between the applicable classes of net assets in the consolidated statements of activities.

Cash and Cash Equivalents
Cash and cash equivalents are liquid assets with minimal interest rate risk and maturities of three months or less when purchased. Such assets, reported at fair value, primarily consist of depository account balances, money market funds, and short-term U.S. Treasury securities.

Prepaid Expenses and Other Assets
Prepaid expenses and other assets primarily represent inventories, prepaid expenses, and other segregated investment-related assets managed by third parties related to a legacy deferred compensation program that are earmarked to ultimately settle certain liabilities. Vanderbilt excludes this latter group of assets, reported at fair value, from the investments category since it will not directly benefit from the investment return.

Fair Value Measurements
Fair value measurements represent the price received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Inputs to the valuation techniques used are prioritized to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Vanderbilt gives consideration to certain investment funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. Vanderbilt uses net asset value per share or its equivalent in estimating the fair value of interests in investment companies for which a readily determinable fair value is not available.

Investments
Vanderbilt reports investments at fair value using the three-level hierarchy established under GAAP. After review and evaluation, Vanderbilt utilizes estimates provided by fund managers for certain alternative investments, mainly investments in limited partnerships where a ready market for the investments does not exist.

Vanderbilt has exposure to a number of risks including liquidity, interest rate, counterparty, basis, tax, regulatory, market, and credit risks for both marketable and nonmarketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in Vanderbilt's financial statements.

Vanderbilt sometimes uses derivatives to manage investment market risks and exposure. The consolidated financial statements contain derivatives, which consist of both internally managed transactions and those entered into through external investment managers, at fair value. The most common instruments utilized are futures contracts and hedges against currency risk for investments denominated in other than U.S. dollars. For internally managed transactions, Vanderbilt utilizes futures contracts with durations of less than three months.

Vanderbilt records purchases and sales of securities on the trade dates, and realized gains and losses are determined based on the average historical cost of the securities sold. Vanderbilt reports net receivables and payables arising from unsettled trades as a component of investments.

Unless donor-restricted endowment gift agreements require separate investment, Vanderbilt manages all endowment investments as an investment pool.

Investments Allocable to Noncontrolling Interests and Net Assets Related to Noncontrolling Interests

Vanderbilt reports the respective assets for entities in which other organizations are minority equity participants at fair value as investments allocable to noncontrolling interests on the consolidated statements of financial position.

The balance representing such organizations' minority or noncontrolling interests is recorded based on contractual provisions, which represent an estimate of a settlement value assuming the entity was liquidated in an orderly fashion as of the report date.

Split-Interest Agreements and Interests in Trusts Held by Others

Vanderbilt's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and life income funds for which Vanderbilt serves as trustee. Vanderbilt reports assets held in these trusts in investments at fair value. Vanderbilt recognizes contribution revenue at the dates the trusts are established, net of the liabilities for the present value of the estimated future payments to the donors and/or other beneficiaries. Annually, Vanderbilt records the change in fair value of split-interest agreements based on the assets that are associated with each trust and recalculates the liability for the present value of the estimated future payments to the donors and/or other beneficiaries.

Vanderbilt is also the beneficiary of certain trusts held and administered by others. Vanderbilt records its share of these trust assets at fair value as interests in trusts held by others with any resulting gains or losses reported as investment income.

Property, Plant, and Equipment

Purchased property, plant, and equipment, recorded at cost, includes, where appropriate, capitalized interest on construction financing net of income earned on unspent proceeds. Vanderbilt capitalizes donated assets at fair value on the date of donation, expenses repairs and maintenance costs as incurred, and expenses additions to the library collection at the time of purchase.

Vanderbilt calculates depreciation using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives. Vanderbilt removes property, plant, and equipment from the accounting records upon disposal.

Conditional asset retirement obligations related to legal requirements to perform certain future activities associated with the retirement, disposal, or abandonment of assets are accrued utilizing site-specific surveys to estimate the net present value for applicable future costs, e.g., asbestos abatement or removal.

Vanderbilt reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Vanderbilt recognizes an impairment charge when the fair value of the asset or group of assets is less than the carrying value. Refer to the property, plant, and equipment footnote for further discussion.

Debt Portfolio Financial Instruments

Vanderbilt reports long-term debt and capital leases at carrying value. The carrying value of Vanderbilt's debt is the par amount adjusted for the net unamortized amount of bond premiums and discounts. Vanderbilt employs derivatives, primarily interest rate exchange agreements, to help manage interest rate risks associated with variable-rate debt. The consolidated statements of activities include any gain or loss resulting from recording the fair value of derivative financial instruments as a nonoperating item. In addition to the credit risk of the counterparty owing a balance, Vanderbilt calculates the fair value of interest rate exchange agreements based on the present value sum of future net cash settlements that reflect market yields as of the measurement date and reports periodic net cash settlement amounts with counterparties as adjustments to interest expense on the related debt.

Parties to interest rate exchange agreements are subject to risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. Vanderbilt deals only with high-quality counterparties that meet rating criteria for financial stability and credit worthiness. Additionally, the agreements require the posting of collateral when amounts subject to credit risk under the contracts exceed specified levels.

Revenue Recognition

Vanderbilt's revenue recognition policies are:

Tuition and educational fees, net—Vanderbilt recognizes student tuition and educational fees as revenues in the year the related academic services occur and defers amounts received in advance of services rendered. Vanderbilt reflects financial aid provided for tuition and educational fees as a reduction of tuition and educational fees. Financial aid does not include payments made to students for services provided to Vanderbilt.

Grants and contracts —Vanderbilt recognizes revenues from grants and contracts when allowable expenditures under such agreements occur.

Facilities and administrative (F&A) costs recovery—Vanderbilt recognizes F&A costs recovery as revenue. This activity represents reimbursement, primarily from the federal government, of F&A costs on sponsored activities. Vanderbilt's federal F&A costs recovery rate for on-campus research was 57.0% in fiscal 2015 and 56.0% in fiscal 2014. Vanderbilt's federal F&A costs recovery rate for off-campus research was 28.5% in both fiscal 2015 and 2014.

Health care services—Vanderbilt reports health care services revenue at established rates, net of contractual adjustments, charity care, and provision for bad debt. Vanderbilt accrues third party contractual revenue adjustments under governmental reimbursement programs on an estimated basis in the period the related services occur. Vanderbilt adjusts the estimated amounts for Medicare based on final settlements determined by Vanderbilt's Medicare Administrative Contractor (MAC).

Contributions
Vanderbilt recognizes unconditional promises to give (pledges) as contribution revenue upon receipt of a commitment from the donor. Vanderbilt records pledges with payments due in future periods as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Vanderbilt calculates an allowance for uncollectible contributions receivable based upon an analysis of past collection experience and other judgmental factors.

Vanderbilt records contributions with donor-imposed restrictions as unrestricted revenue if the university meets the restrictions and receives the contribution in the same reporting period. Otherwise, Vanderbilt records contributions with donor-imposed restrictions as increases in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction.

After meeting donor stipulations, Vanderbilt releases contributions recorded as temporarily restricted from restrictions and recognizes these contributions as unrestricted net assets. Vanderbilt releases from restrictions contributions for plant facilities and recognizes these contributions as a nonoperating item only after incurring expenses for the applicable plant facilities or when the related asset is placed in service based on donor intent.

In contrast to unconditional promises as described above, Vanderbilt does not record conditional promises (primarily bequest intentions) until the university substantially meets donor contingencies.

Unrestricted Operating Results
Unrestricted operating results (change in unrestricted net assets from operating activity) in the consolidated statements of activities reflect all transactions that change unrestricted net assets, except for nonoperating activity related to endowment and other investments, changes in the fair value of derivative financial instruments, contributions for plant facilities, and certain other nonrecurring items.

Endowment distributions reported as operating revenue consist of endowment return (regardless of when such income arose) distributed to support current operational needs in the current period. Vanderbilt's Board of Trust approves the distribution amount from the endowment pool on an annual basis, determined by applying a spending rate to an average of the previous three calendar year-end market values. The primary objective of the endowment distribution methodology is to reduce the impact of capital market fluctuations on operational programs.

Operating investment income consists of dividends, interest, and gains and losses on unrestricted, non-endowed investments directly related to core operating activities, as well as investment returns on Vanderbilt's working capital assets. For working capital assets invested in long-term pooled investments managed in conjunction with endowment funds, the amount resulting from pre-established distributions from pooled investments is deemed operating investment income; the difference between total returns for these pooled investments and the aforementioned pre-established distributions is reported as nonoperating activity. Operating investment income excludes investment returns on segregated gift funds and funds set aside for nonoperating purposes such as segregated assets for self-insurance relative to malpractice and professional liability and assets on deposit with trustees.

Vanderbilt allocates management and administrative support costs attributable to divisions that primarily provide health care or auxiliary services based upon institutional budgets. Thus, institutional support expense reported in the functional expense footnote relates to Vanderbilt's other primary programs such as instruction, research, and public service.

Vanderbilt allocates costs related to the operation and maintenance of physical plant, including depreciation of plant assets, to operating programs and supporting activities based upon facility usage. Additionally, the university allocates interest expense to the activities that have benefited most directly from the debt proceeds.

Income Taxes
Vanderbilt is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and generally is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Vanderbilt is, however, subject to federal and state income tax on unrelated business income, and provision for such taxes is included in the accompanying consolidated financial statements.

Use of Estimates
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from management's estimates.

Reclassifications
Vanderbilt made certain reclassifications within endowment distributions, net assets released from restriction, health care services revenue, other sources revenue, and certain functional expense categories to prior year amounts to conform to the current year presentation. These reclassifications were not material to the financial statements.

Gain on Sale of Business
During fiscal year 2015, Vanderbilt sold its air ambulance service, LifeFlight, for $36 million, resulting in a gain of $29 million. Vanderbilt reported the gain on sale as a component of other changes in net assets in the accompanying consolidated statement of activities.

Subsequent Events
Vanderbilt evaluated events subsequent to June 30, 2015, through October 22, 2015, the date of issuance of the consolidated financial statements. During this period, Vanderbilt terminated fixed-payer interest rate exchange agreements with notional values totaling $65 million. Vanderbilt did not identify any other material subsequent events for recognition or disclosure.

Recent Accounting Pronouncements
In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08). Pursuant to ASU 2014-08, only those components of an entity that represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results qualify for treatment as discontinued operations upon disposal. The provisions of ASU 2014-08 are effective prospectively for all disposals or classifications of components of an entity as held for sale that occur within annual periods beginning on or after December 15, 2014. Vanderbilt will adopt ASU 2014-08 for fiscal 2016.

Vanderbilt is in the process of exploring alternative arrangements with Vanderbilt University Medical Center (VUMC) as a not-for-profit academic medical center that is financially distinct from Vanderbilt. As of the time of issuance of the fiscal 2015 financial statements, the arrangement has not been finalized or formally approved by the Board, and therefore does not meet the criteria required for classification as held for sale as of the balance sheet date.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 will require new and enhanced disclosures. ASU 2014-09 will become effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted in periods beginning after December 15, 2017. Vanderbilt is currently evaluating the effect of the new revenue recognition guidance.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments measured at fair value using the net asset value per share practical expedient. The provisions of ASU 2015-07 are effective for fiscal years beginning after December 15, 2016 (with early adoption permitted) and will require retrospective application to all periods presented. Vanderbilt expects to early adopt ASU 2015-07 for fiscal 2016.

3. Accounts Receivable

Accounts receivable as of June 30 were as follows *(in thousands)*:

2015	**Gross Receivable**	**Bad Debt Allowance**	**Net Receivable**
Patient care	$ 378,462	$ (76,720)	$ 301,742
Tuition/fees, grants, other	101,586	(1,885)	99,701
Accrued investment income	2,702	-	2,702
Accounts receivable and related allowance	**$ 482,750**	**$ (78,605)**	**$ 404,145**
Days receivable			*36.2*

2014	**Gross Receivable**	**Bad Debt Allowance**	**Net Receivable**
Patient care	$ 386,271	$ (70,522)	$ 315,749
Tuition/fees, grants, other	98,679	(2,064)	96,615
Accrued investment income	2,201	-	2,201
Accounts receivable and related allowance	**$ 487,151**	**$ (72,586)**	**$ 414,565**
Days receivable			*39.5*

Patient care receivables represented 78.4% and 79.3% of total gross accounts receivables as of June 30, 2015 and 2014, respectively. The largest portion of patient care receivables relates to the Hospital and in turn, the largest component of the Hospital's receivables was from third party payers.

The Hospital provides services to patients in advance of receiving payment and generally does not require collateral or other security for those services. However, the Hospital routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, TennCare, Blue Cross, health maintenance organizations, or other commercial insurance policies).

As of June 30, the Hospital had receivables, net of related contractual allowances, including estimated amounts for cost reports and other settlements with government payers, from the following payers *(in thousands)*:

	2015	**2014**
Medicare	$ 42,959	$ 37,794
TennCare/Medicaid	36,734	34,453
Blue Cross	50,847	68,031
Other commercial carriers	108,726	95,570
Patient responsibility	21,735	34,811
Total Hospital receivables, net	**$ 261,001**	**$ 270,659**

Patient care bad debt charges, reported as a reduction to health care services revenue on the consolidated statements of activities, totaled $59.1 million and $96.6 million as of June 30, 2015 and 2014, respectively (both recorded at gross charge level).

4. Contributions Receivable

Contributions receivable as of June 30 were as follows *(in thousands)*:

	2015	**2014**
Unconditional promises expected to be collected:		
in one year or less	$ 41,072	$ 33,929
between one year and five years	53,058	51,461
in more than five years	502	841
Contributions receivable	94,632	86,231
Less: Discount	1,612	1,404
Less: Allowance for uncollectible promises	10,602	10,007
Contributions receivable, net	**$ 82,418**	**$ 74,820**

Vanderbilt discounts contributions receivable at a rate commensurate with the scheduled timing of receipt. Vanderbilt applied discount rates ranging from 0.5% to 1.5% to amounts outstanding as of June 30, 2015, and June 30, 2014. Vanderbilt's methodology for calculating an allowance for uncollectible promises consists of analyzing write-offs as a percentage of gross pledges receivable along with assessing the age and activity of outstanding pledges.

In addition to pledges reported as contributions receivable, Vanderbilt had cumulative bequest intentions and conditional promises to give of approximately $282.3 million and $242.2 million as of June 30, 2015 and 2014, respectively. Due to their conditional nature, Vanderbilt does not recognize intentions to give as assets.

Contributions receivable, net as of June 30, were as follows *(in thousands)*:

	2015	**2014**
Contributions receivable, net:		
Temporarily restricted	$ 38,933	$ 32,859
Permanently restricted	43,485	41,961
Total	**$ 82,418**	**$ 74,820**

5. Student Loans and Other Notes Receivable

Student loans and other notes receivable as of June 30 were as follows *(in thousands)*:

2015

	Gross Receivable	Bad Debt Allowance	Net Receivable
Federal loans	$ 22,489	$ (2,146)	$ 20,343
Institutional loans	17,095	(6,637)	10,458
Faculty mortgages	4,637	-	4,637
Student loans, other notes receivable and related allowance	**$ 44,221**	**$ (8,783)**	**$ 35,438**

2014

	Gross Receivable	Bad Debt Allowance	Net Receivable
Federal loans	$ 20,077	$ (1,995)	$ 18,082
Institutional loans	19,238	(2,820)	16,418
Faculty mortgages	5,751	-	5,751
Student loans, other notes receivable and related allowance	**$ 45,066**	**$ (4,815)**	**$ 40,251**

Vanderbilt remains committed to “no loans” for its undergraduate students, meaning that the university is meeting full demonstrated financial need with scholarship and grant assistance. For other groups (e.g., professional school students), participation in several federal revolving loan programs, including the Perkins, Nursing, and Health Professionals Student Loan programs, has continued. Vanderbilt carries loans to students at cost, which, based on secondary market information, approximates the fair value of education loans with similar interest rates and payment terms. The availability of funds for new loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Vanderbilt assigns loans receivable from students under governmental loan programs, also carried at cost, to the federal government or its designees. Vanderbilt classifies refundable advances from the federal government as liabilities in the statements of financial position. Outstanding loans cancelled under a governmental program result in a reduction of the funds available for loan and a decrease in the university’s liability to the government.

Vanderbilt establishes bad debt allowances based on prior collection experience and current economic factors which, in management’s judgment, could influence the ability of loan recipients to repay amounts due. When deemed to be uncollectible, Vanderbilt writes off institutional loan balances.

Included in institutional loans as of June 30, 2015, is an outstanding note receivable of $3.6 million from McKendree Village, LLC, an affiliate of Vanderbilt that sold all of its operations in fiscal 2012 and is in the process of dissolving. Because it is unlikely McKendree Village, LLC will repay this debt, it has been fully reserved in the consolidated financial statements.

As part of Vanderbilt’s efforts to attract and retain a world-class faculty, Vanderbilt provides various incentives and historically provided home mortgage financing assistance in select situations. Notes receivable amounting to $4.6 million were outstanding at June 30, 2015. Deeds of trust on properties concentrated in the surrounding region collateralize these notes. Vanderbilt has not recorded an allowance for doubtful accounts against these loans based on their collateralization and prior collection history.

6. Investments

Investments consist of the following as of June 30 *(in thousands)*:

	2015	2014
Derivative contract collateral and short-term securities[1]	$ 82,139	$ 77,839
Global equities[1]	1,094,368	1,205,839
Fixed income [5]	248,978	177,867
Hedged strategies[6]	904,782	781,368
Private capital [3]	1,406,331	1,439,513
Real estate [3]	228,975	279,042
Natural resources [3]	294,298	335,955
Equity method securities	16,010	15,782
Commodities[2]	98,311	-
Trusts [4]	4,258	4,652
Other investments[4]	10,811	11,816
Total value	**$ 4,389,261**	**$ 4,329,673**
Total cost	**$ 3,595,067**	**$ 3,382,507**

[1] Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value.
[2] Quoted prices in active markets determine fair value.
[3] Fund managers provide the net asset value of Vanderbilt’s ownership interests at the fund level to establish fair value.
[4] Carrying value provides a reasonable estimate of fair value for certain components.
[5] Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value. Includes $32 million of equity short positions.
[6] Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value. Includes $155 million of equity short positions.

Included in the amounts reported in the table above are investments allocable to noncontrolling interests (i.e., minority limited partners) reported at fair value. During fiscal 2015, the minority limited partners funded capital commitments totaling $1.5 million. Additionally, Vanderbilt made payments to the minority limited partners of $48.7 million reflecting a distribution of earnings and returned capital from the underlying private fund assets. For the year ended June 30, 2015, the minority limited partners’ interests in the results of the underlying returns from the private fund assets were $248.3 million. The balance of unrestricted net assets related to noncontrolling interests, calculated in accordance with the partnership agreements, was $111.0 million as of June 30, 2015.

Investments, along with cash and cash equivalents, provide liquidity support for Vanderbilt’s operations. Of these combined amounts, based on prevailing market conditions as of June 30, 2015, $1,374.5 million of liquid assets were available on a same-day basis and an additional $872.1 million was available within 30 days.

Derivative contract collateral and short-term securities are composed primarily of amounts posted as collateral in accordance with interest rate exchange agreements and unspent bond proceeds with trustees.

Global equities consist of investment funds globally diversified across public markets including U.S. markets, other developed markets, and emerging and frontier markets. Fund managers of these investments have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

Fixed income includes investments directed towards capital preservation and predictable yield as well as more opportunistic strategies focused on generating return on price appreciation. These investments are primarily public investments such as U.S. Treasuries and other government obligations, investment-grade corporate bonds, high-yield corporate bonds, bank debt, commercial mortgage-backed securities, residential non-agency mortgage-backed securities, asset-backed securities, direct lending, and below investment-grade developed and emerging market sovereign debt. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, and limited partnership interests.

Hedged strategies investments reflect multiple strategies such as event driven, relative value, and equity funds to diversify risks and reduce volatility in the portfolio generally in hedge fund structures. These strategies also include investments in both long and short primarily credit-oriented securities. Investments may include mortgage-backed securities, trade finance, debt and asset-backed securities, repurchase agreements, senior loans, and bank loans. The fair value of open short positions is recorded as a liability and the university records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position. By entering into short sales, the university bears the market risk of increases in the value of the security sold short in excess of the proceeds received. Possible losses from short sales differ from losses that could be incurred from purchases of securities because losses from short sales may be unlimited whereas losses from purchases cannot exceed the total amount invested.

Private capital consists of illiquid investments in buyouts, distressed debt, mezzanine debt, growth equity, and venture capital. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Real estate comprises illiquid investments in residential and commercial real estate assets, projects, publicly traded REITs or land held directly through separately managed accounts, limited partnership interests, and direct investments in properties. The nature of the investments in this category is such that distributions generally reflect liquidation of the underlying assets of the funds.

Natural resources include illiquid investments in timber, oil and gas production, mining, energy, and related services businesses held directly or in commingled limited partnership funds.

Commodities include public investments such as commodity futures, commodity-related equities, and private investments in energy, power, infrastructure, and timber. Investments may be made through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Equity method securities and trusts are investments in joint ventures accounted for under the equity method of accounting and Vanderbilt's split-interest agreements with donors.

7. Investment Return

A summary of investment return, including endowment distributions, by net asset category for the fiscal years ended June 30 follows *(in thousands)*:

	2015	2014
OPERATING		
Unrestricted:		
Endowment distributions	$ 86,369	$ 76,525
Investment income	17,517	18,264
Total operating return	**103,886**	**94,789**
NONOPERATING		
Unrestricted:		
Change in appreciation of institutional endowments, net of distributions	(10,454)	128,449
Change in appreciation of self-insurance assets	1,975	10,049
Investment (loss) income	(1,985)	27,237
Temporarily restricted:		
Endowment distributions	77,426	79,900
Investment income	119	3,268
Change in appreciation of donor-restricted endowments, net of distributions	(18,242)	193,706
Permanently restricted:		
Endowment distributions	1,036	1,135
Investment income	(1,215)	6,655
Total nonoperating return	**$ 48,660**	**$ 450,399**
Total investment return	**$ 152,546**	**$ 545,188**

The components of total investment return for the fiscal years ended June 30 were as follows *(in thousands)*:

	2015	2014
Interest, dividend, and partnership income, net of fees	$ (12,169)	$ 118,891
Net realized gains (losses)	306,477	(63,811)
Change in unrealized appreciation	(141,762)	490,108
Total investment return	**$ 152,546**	**$ 545,188**

In addition to a core group of investment professionals dedicated to the management of Vanderbilt's endowment, Vanderbilt employs external investment managers. Particularly for alternative investments such as hedge funds, investment manager fee structures frequently have a base component along with a performance component relative to the entire life of the investments. Under these arrangements, management fees are frequently subject to substantial adjustments based on cumulative future returns for a number of years hence.

Vanderbilt reports investment returns net of returns attributed to limited partners on investments allocable to noncontrolling interests.

Vanderbilt incurred internal investment management costs of $9.9 million in fiscal 2015 and $11.9 million in fiscal 2014. Fees paid directly to external investment managers (i.e., segregated investment account fees) totaled $13.8 million and $4.5 million in fiscal 2015 and 2014, respectively. Vanderbilt reports investment returns net of these external manager fees.

8. Endowment

Endowment-related assets include donor-restricted endowments and institutional endowments (quasi-endowments). Vanderbilt's endowment does not include gift annuities, interests in trusts held by others, contributions pending donor designation, and contributions receivable.

The Board of Trust's interpretation of its fiduciary responsibilities for donor-restricted endowments under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requirements, barring the existence of any donor-specific provisions, is to preserve intergenerational equity. Under this broad guideline, future endowment beneficiaries should receive at least the same level of real economic support as the current generation. The overarching objective is to preserve and enhance the real (inflation-adjusted) purchasing power of the endowment in perpetuity. Vanderbilt invests assets to provide a relatively predictable and stable stream of earnings to meet spending needs and attain long-term return objectives without the assumption of undue risks.

UPMIFA specifies that unless stated otherwise in a gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, Vanderbilt reports the historical value for such endowments as permanently restricted net assets and the net accumulated appreciation as temporarily restricted net assets. In this context, historical value represents the original value of initial contributions restricted as permanent endowments plus the original value of subsequent contributions and, if applicable, the value of accumulations made in accordance with the direction of specific donor gift agreements.

Specific appropriation for expenditure of Vanderbilt's endowment funds occurs each spring when the Board of Trust approves the university's operating budget for the ensuing fiscal year. For fiscal years 2015 and 2014, Vanderbilt's Board of Trust approved endowment distributions based on 4.5% of the average of the previous three calendar year-end market values. Vanderbilt reinvests actual realized endowment return earned in excess of distributions. For years when the endowment return is less than the distribution, the endowment pool's cumulative returns from prior years cover the shortfall.

Vanderbilt may not fully expend Board-appropriated endowment distributions in a particular fiscal year. In some cases, Vanderbilt will approve endowment distributions for reinvestment into the endowment.

A summary of Vanderbilt's endowment for the fiscal years ended June 30 follows (*in thousands*):

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments at historical value	$ -	$ 22,021	$ 1,123,852	$ 1,145,873
Accumulated net appreciation of donor-restricted endowments	-	1,311,212	-	1,311,212
Reinvested distributions of donor-restricted endowments				
At historical value	95,019	11,696	-	106,715
Accumulated net appreciation	106,541	2,285	-	108,826
Institutional endowments				
At historical value	362,356	-	-	362,356
Accumulated net appreciation	1,058,406	-	-	1,058,406
Endowment net assets as of June 30, 2015	**$ 1,622,322**	**$ 1,347,214**	**$ 1,123,852**	**$ 4,093,388**

2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments at historical value	$ -	$ 24,785	$ 1,080,443	$ 1,105,228
Accumulated net appreciation of donor-restricted endowments	-	1,329,499	-	1,329,499
Reinvested distributions of donor-restricted endowments				
At historical value	94,224	3,783	-	98,007
Accumulated net appreciation	108,417	2,239	-	110,656
Institutional endowments				
At historical value	335,875	-	-	335,875
Accumulated net appreciation	1,066,985	-	-	1,066,985
Endowment net assets as of June 30, 2014	**$ 1,605,501**	**$ 1,360,306**	**$ 1,080,443**	**$ 4,046,250**

The components of the life-to-date accumulated net appreciation of pooled endowments as of June 30 were as follows *(in thousands)*:

	2015	2014
Net realized appreciation less endowment distributions	$ 1,814,157	$ 1,708,468
Net unrealized appreciation	664,287	798,672
Total	**$ 2,478,444**	**$ 2,507,140**

In striving to meet the overarching objectives for the endowment, over the past 20 years the university has experienced an 11% annualized standard deviation in its returns. This level of risk is consistent with that accepted by peer institutions. Currently, the endowment portfolio consists of three primary components designed to serve a specific role in establishing the right balance between risk and return. These three components are global, public, and private equity investments. Vanderbilt expects these three investments, including private capital and many hedge funds, to produce favorable returns in environments of accelerated growth and economic expansion. Vanderbilt expects hedged strategies and fixed income investments to generate stable returns and preserve capital during periods of poor equity performance. Vanderbilt uses real estate and natural resources allocations to provide an inflation hedge.

From time to time, the fair value of assets associated with an endowed fund may fall below the level that a donor or UPMIFA requires in terms of maintenance of perpetual duration endowments. As of June 30, 2015 and 2014, Vanderbilt had deficiencies of this nature of approximately $1.5 million consisting of 66 endowments and $1 million consisting of 50 endowments, respectively. These deficiencies resulted from unfavorable market declines that occurred after the investment of recent permanently restricted contributions. Vanderbilt believes these declines are modest in relation to the total market value for donor-restricted endowments and that these deficiencies will be relatively short-term in nature.

Changes in endowment net assets for the fiscal years ended June 30 were as follows (*in thousands*):

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2014	$ 1,605,501	$ 1,360,306	$ 1,080,443	$ 4,046,250
Endowment investment return:				
Investment income, net of fees	(2,097)	(3,651)	-	(5,748)
Net appreciation (realized and unrealized)	56,383	98,152	-	154,535
Total endowment investment return	54,286	94,501	-	148,787
Gifts and additions to endowment, net	27,291	5,134	43,409	75,834
Endowment distributions	(60,139)	(104,692)	-	(164,831)
Transfers for internal management costs	(3,604)	(6,273)	-	(9,877)
Other	(1,013)	(1,762)	-	(2,775)
Endowment net assets as of June 30, 2015	**$ 1,622,322**	**$ 1,347,214**	**$ 1,123,852**	**$ 4,093,388**

2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2013	$ 1,450,322	$ 1,163,129	$ 1,021,892	$ 3,635,343
Endowment investment return:				
Investment income, net of fees	49,319	74,375	-	123,694
Net appreciation (realized and unrealized)	146,586	221,057	-	367,643
Total endowment investment return	195,905	295,432	-	491,337
Gifts and additions to endowment, net	26,730	3,471	58,551	88,752
Endowment distributions	(62,822)	(94,738)	-	(157,560)
Transfers for internal management costs	(4,754)	(7,170)	-	(11,924)
Other	120	182	-	302
Endowment net assets as of June 30, 2014	**$ 1,605,501**	**$ 1,360,306**	**$ 1,080,443**	**$ 4,046,250**

9. Property, Plant, and Equipment

Vanderbilt reports property, plant, and equipment at cost or, if a gift, at fair value as of the date of the gift, net of accumulated depreciation. Vanderbilt computes depreciation using the straight-line method over the estimated useful lives of the assets.

Property, plant, and equipment as of June 30 were as follows *(in thousands)*:

	2015	2014
Land	$ 78,825	$ 73,897
Buildings and improvements	2,933,333	2,902,231
Moveable equipment	840,582	937,059
Construction in progress	113,750	67,483
Property, plant, and equipment	3,966,490	3,980,670
Less: Accumulated depreciation	2,218,080	2,215,426
Property, plant, and equipment, net	**$ 1,748,410**	**$ 1,765,244**

Purchases for the library collection are not included in the amounts above since Vanderbilt expenses them at the time of purchase. As of June 30, 2015, the estimated replacement cost for library collections, including processing costs to properly identify, catalog, and shelve materials, totaled $375 million. The replacement cost remained flat because some Vanderbilt University libraries are transitioning to e-books.

Vanderbilt did not capitalize interest in either fiscal 2015 or fiscal 2014 due to immateriality.

Vanderbilt capitalized internal-use software development costs of $1.0 million and $6.5 million in fiscal 2015 and 2014, respectively.

Vanderbilt reviews property, plant, and equipment for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The university recognizes an impairment loss only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Vanderbilt booked impairment losses of $6.3 million and $1.3 million in fiscal 2015 and 2014, respectively, related to property, plant, and equipment.

Vanderbilt identified conditional asset retirement obligations, primarily for the costs of asbestos removal and disposal, resulting in liabilities of $17.2 million and $16.5 million as of June 30, 2015 and 2014, respectively. These liability estimates, included in accounts payable and accrued liabilities in the consolidated statements of financial position, use an inflation rate of 4.0% and a discount rate of 5.0% based on relevant factors at origination.

10. Long-Term Debt, Capital Leases, and Commercial Paper

Long-term debt consists of bonds and notes payable with scheduled final maturity dates at least one year after the original issuance date. Outstanding long-term debt, capital leases, and commercial paper (CP) obligations reflected in the financial statements at carrying value as of June 30 were as follows *(in thousands)*:

	Years to Nominal Maturity	Outstanding Fixed Coupon Interest Rates as of June 30, 2015	Fiscal 2015 Effective Interest Rate[2]	Outstanding Principal 2015	Outstanding Principal 2014
FIXED-RATE DEBT					
Series 2008A	4	5.00%	4.0%	$ 94,600	$ 109,600
Series 2008B[1]	4	4.00%-5.00%	4.0%	59,550	78,185
Series 2009A	25	4.00%-5.50%	4.9%	97,100	97,100
Series 2009B[1]	25	5.00%-5.50%	5.0%	232,900	232,900
Series 2009A Taxable	4	5.25%	5.3%	250,000	250,000
Series 2012C	3	3.00%-5.00%	1.4%	17,955	18,620
Series 2012D	23	3.00%-5.00%	3.2%	106,230	106,230
Series 2012E	5	2.00%-5.00%	0.9%	33,550	39,490
Fixed-rate debt			4.4%	**891,885**	**932,125**
VARIABLE-RATE DEBT					
Series 2012A	24		0.5%	-	67,000
Series 2012B			0.7%	67,000	67,000
Variable-rate debt			0.6%	**67,000**	**134,000**
Par amount of long-term debt			4.0%	958,885	1,066,125
Net unamortized premium			-	12,530	17,131
Total long-term debt			4.0%	971,415	1,083,256
Capital leases			2.3%	-	29
Total long-term debt and capital leases			**4.0%**	**971,415**	**1,083,285**
Tax-exempt commercial paper	<1		0.2%	90,000	95,000
Taxable commercial paper	<1		0.3%	173,454	114,845
Total commercial paper			**0.2%**	**263,454**	**209,845**
Total long-term debt, capital leases, and commercial paper			**3.3%**	**$ 1,234,869**	**$ 1,293,130**

[1] Issued under Master Trust Indenture structure.
[2] Exclusive of interest rate exchange agreements. Inclusive of these agreements, the overall portfolio effective interest rate was 4.8%.

The preceding table reflects fixed/variable allocations before the effects of interest rate exchange agreements. A successive note discusses these agreements in more detail.

The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (HEFB) issued Vanderbilt's tax-exempt CP and all of the aforementioned bonds, with the exception of the Series 2009A Taxable notes. As a conduit issuer, the HEFB loans the debt proceeds to Vanderbilt. Pursuant to loan agreements, Vanderbilt's debt service requirements under these loan agreements coincide with required debt service of the actual HEFB bonds.

All debt instruments are general obligations of Vanderbilt. Vanderbilt did not pledge any of its assets as collateral for this debt.

Included in the foregoing table are Hospital bonds, with a $292.5 million principal balance outstanding as of June 30, 2015, that were issued under a Master Trust Indenture (MTI) structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group. Presently, Vanderbilt's hospitals and clinics have no other members participating in the obligated group. Bonds issued under the MTI are payable from hospital revenues. A Vanderbilt debt service guarantee supplements all outstanding MTI bonds.

Trust indentures for certain bond issues contain covenants and restrictions involving the issuance of additional debt, maintenance of a specified debt service coverage ratio, and the maintenance of credit facilities for liquidity purposes. Vanderbilt was in compliance with such covenants and restrictions as of June 30, 2015.

The components of interest for total long-term debt, capital leases, CP, and interest rate exchange agreements follows *(in thousands)*:

	2015	2014
Payments for interest costs	$ 65,377	$ 71,657
Accrued interest expense	$ 60,034	$ 65,478

Payments for interest costs, including amounts capitalized, occur on varying scheduled payment dates for debt, maturity dates for CP, and settlement dates for interest rate exchange agreements. Vanderbilt calculates accrued interest expense for its debt, CP, and interest rate exchange agreements based on applicable interest rates for the respective fiscal year.

Principal retirements and scheduled sinking fund requirements based on nominal maturity schedules for long-term debt due in subsequent fiscal years ending June 30 are as follows *(in thousands)*:

2016	$	54,245
2017		44,875
2018		47,070
2019		342,300
2020		17,165
Thereafter		453,230
Total long-term debt principal retirements	**$**	**958,885**

Requirements in earlier years in the preceding table could be greater if Vanderbilt must purchase either a portion or all of its floating-rate notes or CP in the event of failed remarketings, on mandatory tender dates, or scheduled maturities as described in the following paragraphs.

During fiscal 2015, Vanderbilt redeemed the $67.0 millon 2012A floating rate notes. This redemption was funded by the issuance of two $30.0 million tranches of taxable CP and $7.0 million of operating cash. Vanderbilt had $67.0 million of variable-rate bonds outstanding as of June 30, 2015, consisting entirely of floating-rate notes with a mandatory tender date of October 1, 2017.

As of June 30, 2015, Vanderbilt had $90.0 million of tax-exempt CP outstanding and $173.5 million of taxable CP outstanding. The weighted average duration of Vanderbilt's CP portfolio totaled 92 days as of June 30, 2015, and 97 days as of June 30, 2014.

Vanderbilt's current tax-exempt CP program began on March 29, 2010, with all draws completed by September 30, 2011. The final maturity under the current tax-exempt CP program is May 31, 2036. Vanderbilt can issue an additional $411.5 million under its current taxable CP program.

Debt liquidity support with short-term remarketing periods (CP totaling $263.5 million) is provided by Vanderbilt's self-liquidity. As of June 30, 2015, Vanderbilt estimates that $1,374.5 million of liquid assets were available on a same-day basis and an additional $872.1 million was available within 30 days.

A second tier of debt liquidity support consists of two revolving credit facilities with maximum available commitments totaling $400 million as of June 30, 2015, dedicated to Vanderbilt's debt portfolio liquidity support. One of these lines totaling $200 million includes a general use provision. These commitments expire in March 2016 and April 2017. The maximum repayment period, which may extend beyond the expiration date, ranges from 90 days to three years. Vanderbilt has never borrowed against revolving credit agreements to support redemptions of debt.

Vanderbilt has entered into an agreement with one bank to provide a general use line of credit with a maximum available commitment totaling $100.0 million as of June 30, 2015. This line of credit expires in October 2015. Vanderbilt had no outstanding draws against these credit facilities as of June 30, 2015, or June 30, 2014.

Vanderbilt reports long-term debt at carrying value, which is the par amount adjusted for the net unamortized amount of bond premiums and discounts. The carrying value and estimated fair value of Vanderbilt's long-term debt as of June 30 were as follows (*in thousands*):

	2015	**2014**
Carrying value of long-term debt	$ 971,415	$ 1,083,256
Fair value of long-term debt	$ 1,053,467	$ 1,175,327

Vanderbilt bases estimated fair value of long-term debt on market conditions prevailing at fiscal year-end reporting dates. Besides potentially volatile market conditions, fair value estimates typically also reflect limited secondary market trading. Vanderbilt reports capital leases and commercial paper at carrying value, which closely approximates fair value for those liabilities.

None of Vanderbilt's fixed-rate debt has a mandatory tender date preceding the respective final maturity date. The Series 2008A and 2008B bonds include amortizing principal amounts each year but these bonds are noncallable before their October 2018 final maturity date. The Series 2009A and 2009B bonds include amortizing principal amounts each year beginning fiscal 2016 and a call feature at par beginning October 2019. The Series 2009A Taxable notes do not amortize and include a call feature before the April 2019 maturity date only if Vanderbilt pays a make-whole call provision to the bondholders. The Series 2012C bonds include annual amortizing principal amounts each year, excluding October 2015, until their final maturity in October 2017. The Series 2012D bonds include amortizing principal amounts each year beginning in fiscal 2021 and a call feature at par beginning October 2023. The Series 2012E bonds include annual amortizing principal amounts beginning October 2013, until their final maturity in October 2019.

11. Interest Rate Exchange Agreements

Vanderbilt utilizes interest rate exchange agreements as part of its debt portfolio management strategy. These agreements result in periodic net cash settlements paid to, or received from, counterparties. Adjustments to interest expense for net settlements due to counterparties totaled $18.9 million and $23.0 million in fiscal 2015 and 2014, respectively.

Vanderbilt estimates the fair value of interest rate exchange agreements by calculating the present value sum of future net cash settlements that reflect market yields as of the measurement date and estimated amounts that Vanderbilt would pay, or receive, to terminate the contracts as of the report date. Vanderbilt considers current interest rates and creditworthiness of the interest rate exchange counterparties when estimating termination settlements. The estimated fair value of Vanderbilt's outstanding interest rate exchange agreements represented liabilities of $174.7 million and $168.4 million as of June 30, 2015 and 2014, respectively.

Vanderbilt did not enter into any new interest rate exchange agreements during fiscal 2015 or 2014. During fiscal 2015, Vanderbilt terminated $60.0 million notional of fixed-rate payer interest rate exchange agreements at a cost of $21.5 million to reduce collateral exposure and eliminate ongoing settlement costs. Following the terminations and scheduled amortizations, Vanderbilt had $482.9 million of aggregate fixed-payer interest rate exchange agreements outstanding for which the university receives 68.2% of one-month LIBOR and pays a weighted average fixed rate of 3.86%. Vanderbilt also had $500.0 million of basis interest rate exchange agreements outstanding in fiscal 2015 and 2014 for which the university receives 81.5% of one-month LIBOR and pays SIFMA. Vanderbilt did not terminate any basis interest rate exchange agreements in either fiscal year.

Changes in the fair value of interest rate exchange agreements, reported in the nonoperating section of the consolidated statements of activities, resulted in net losses of $27.7 million in fiscal 2015 and net gains of $6.4 million in fiscal 2014. The $27.7 million change in appreciation of interest rate exchange agreements in fiscal 2015 includes an $8.6 million unrealized loss to adjust the discount rate to reflect counterparty credit risk partially offset by a $2.4 million net unrealized gain from the combination of the positive effect of the termination of fixed-rate payer interest rate exchange agreements and the decrease in the long-term LIBOR rate. The $6.4 million change in appreciation of interest rate exchange agreements in fiscal 2014 includes a $13.4 million unrealized gain resulting from an adjustment to the discount rate to reflect counterparty credit risk and a $24.9 million net unrealized gain from the combination of the positive effect of the termination of fixed-rate payer interest rate exchange agreements and the decrease in the long-term LIBOR rate. LIBOR decreased to 2.9% as of June 30, 2015, from 3.3% as of June 30, 2014. In fiscal 2015 Vanderbilt incurred costs of $21.5 million to terminate interest rate exchange agreements compared to $31.9 million in fiscal 2014. These costs are reflected in the change in appreciation of interest rate exchange agreements in the respective periods.

The interest rate exchange agreements include collateral pledging requirements based on the fair value of the contracts. Collateral held by counterparties as of June 30, 2015 and 2014, totaled $84.4 million and $75.8 million, respectively. Vanderbilt estimates that a decline in long-term LIBOR rates to approximately 1% would result in the fair value of the portfolio being a liability of approximately $390 million and correspondingly increase Vanderbilt's collateral pledging requirements to approximately $260 million. As of June 30, 2015, 30-year LIBOR was 2.9%.

As of June 30, 2015, Vanderbilt's adjusted debt portfolio, after taking into account outstanding fixed-payer interest rate exchange agreements, was fully hedged.

The notional amounts of Vanderbilt's outstanding interest rate exchange agreements as of June 30 were as follows *(in thousands)*:

Description	Rate Paid	Rate Received	Maturity	2015	2014
Fixed-payer interest rate exchange agreements	Avg fixed rate of 3.86%	Avg of 68.2% of one-month LIBOR[1]	16 to 25 years	$ 482,900	$ 544,800
Basis interest rate exchange agreements	SIFMA[2]	Avg of 81.5% of one-month LIBOR[1]	20 to 21 years	$ 500,000	$ 500,000

[1] LIBOR (London Interbank Offered Rate) is a reference rate based on interest rates at which global banks borrow funds from other banks in the London interbank lending market.
[2] SIFMA (Securities Industry and Financial Markets Association) is a seven-day high-grade market index rate based upon tax-exempt variable rate debt obligations.

12. Net Assets

Unrestricted net assets consist of the following internally designated groups:

Designated for operations represents cumulative operating activity. These net assets also reflect the realized losses of derivative financing activities.

Designated gifts and grants include gift and grant funds.

Designated for student loans represents Vanderbilt funds set aside to serve as revolving loan funds for students.

Designated for plant facilities represents (a) Vanderbilt's investment in property, plant, and equipment, net of accumulated depreciation, as well as (b) funds designated for active construction projects and retirement of capital-related debt, offset by (c) Vanderbilt's conditional asset retirement obligation.

Reinvested distributions of donor-restricted endowments at historical value are amounts related to donor-restricted endowments reinvested in the endowment in accordance with donor requests.

Accumulated net appreciation of reinvested distributions represents cumulative appreciation on reinvestments of donor-restricted endowments.

Institutional endowments (quasi-endowments) *at historical value* are amounts set aside by Vanderbilt to generate income in perpetuity to support operating needs.

Accumulated net appreciation of institutional endowments represents cumulative appreciation on institutional endowments.

Fair value of interest rate exchange agreements, net represents the mark-to-market valuation for interest rate exchange contracts.

Net assets related to noncontrolling interests represents minority partners' share of the equity in two partnerships (endowment private equity and real estate partnerships) formed to acquire, hold, and manage private fund assets.

Based on the foregoing designations, **unrestricted net assets** as of June 30 were composed of the following *(in thousands)*:

	2015	2014
Designated for operations	$ 929,122	$ 791,540
Designated gifts and grants	69,450	78,893
Designated for student loans	18,681	22,227
Designated for plant facilities	702,840	700,053
Reinvested distributions of donor-restricted endowments at historical value	95,019	94,224
Accumulated net appreciation of reinvested distributions	106,541	108,417
Institutional endowments at historical value	362,356	335,875
Accumulated net appreciation of institutional endowments	1,058,406	1,066,985
Fair value of interest rate exchange agreements, net	(174,713)	(168,451)
Net assets related to noncontrolling interests	110,954	150,067
Total unrestricted net assets	**$ 3,278,656**	**$ 3,179,830**

Temporarily restricted net assets as of June 30 were composed of the following *(in thousands)*:

	2015	2014
Donor-restricted endowments at historical value	$ 22,021	$ 24,785
Accumulated net appreciation of donor-restricted endowments	1,311,212	1,329,499
Reinvested distributions of donor-restricted endowments at historical value	11,696	3,783
Accumulated net appreciation of reinvested distributions	2,285	2,239
Contributions	92,130	86,153
Interests in trusts held by others	6,916	5,769
Life income and gift annuities	14,902	15,254
Total temporarily restricted net assets	**$ 1,461,162**	**$ 1,467,482**

Temporarily restricted net assets were designated by donors and Vanderbilt for the following purposes as of June 30 *(in thousands)*:

	2015	2014
Student scholarships	$ 466,907	$ 469,118
Endowed chairs	377,934	384,130
Operations	298,565	294,966
Program support	109,039	107,802
Capital improvements	28,709	15,954
Subsequent period operations and other	180,008	195,512
Total temporarily restricted net assets	**$ 1,461,162**	**$ 1,467,482**

Permanently restricted net assets as of June 30 were composed of the following *(in thousands)*:

	2015	2014
Donor-restricted endowments at historical value	$ 1,123,852	$ 1,080,443
Contributions	43,484	41,961
Interests in trusts held by others	33,238	34,021
Life income and gift annuities	34,617	40,009
Total permanently restricted net assets	**$ 1,235,191**	**$ 1,196,434**

Based on relative fair values as of June 30, donor-restricted endowments supported the following:

	2015	2014
Financial aid	35%	35%
Endowed chairs	29%	29%
Operations	21%	21%
Program support	8%	8%
Research, lectureships, fellowships, and other	7%	7%
Total support	**100%**	**100%**

13. Fair Value Measurement

Vanderbilt utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 consist of quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 include inputs other than quoted prices in Level 1 directly or indirectly observable for the assets or liabilities.

Level 3 are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety is classified depends on the lowest level input that is significant to the fair value measurement.

The significance of the unobservable inputs to the overall fair value measurement determines the classification of a financial instrument within level 3.

The consolidated statements of activities reflect: all net realized and unrealized gains and losses on level 3 investments as changes in endowment appreciation or changes in appreciation of other investments; gains and losses on investments allocable to noncontrolling interests as a component of net endowment appreciation; and net realized and unrealized gains and losses on interests in trusts held by others as changes in appreciation of other investments.

Rollforwards of amounts for level 3 financial instruments for the fiscal years ended June 30 follow *(in thousands)*:

	Beginning balance as of June 30, 2014	Net realized gains (losses)	Net change in unrealized gains (losses)*	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2015
LEVEL 3 ASSETS							
Fixed income	$ 19,987	$ 30	$ 657	$ 1,613	$ (5,107)	$ -	$ 17,180
Global equities	112,179	37,801	(37,310)	2,838	(83,170)	-	32,338
Hedge strategies	370,881	(33,170)	(34,486)	5,083	(199,783)	-	108,525
Private capital	1,437,157	235,571	36,543	169,427	(485,962)	-	1,392,736
Real estate	279,042	3,290	19,876	27,333	(100,566)	-	228,975
Natural resources	335,955	4,991	(48,950)	44,032	(41,870)	-	294,158
Trusts	4,652	310	(548)	-	(156)	-	4,258
Other investments	11,224	60	-	207	(3,433)	-	8,058
Interests in trusts held by others	39,790	-	364	-	-	-	40,154
Total Level 3	**$ 2,610,867**	**$ 248,883**	**$ (63,854)**	**$ 250,533**	**$ (920,047)**	**$ -**	**$ 2,126,382**

**Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the University at June 30, 2015 is $24,761 and is reflected in "Net change in unrealized appreciation on investments" in the Consolidated Statements of Cash Flows.*

	Beginning balance as of June 30, 2013	Net realized gains (losses)	Net change in unrealized gains (losses)*	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2014
LEVEL 3 ASSETS							
Fixed income	$ 19,040	$ 5	$ (608)	$ 2,397	$ (847)	$ -	$ 19,987
Global equities	164,301	(1,611)	23,011	5,583	(79,105)	-	112,179
Hedge strategies	650,561	(210,225)	21,853	53,488	(245,784)	100,988	370,881
Private capital	1,260,275	143,299	239,591	171,833	(377,841)	-	1,437,157
Real estate	292,746	8,137	13,763	35,044	(70,648)	-	279,042
Natural resources	286,397	18,411	39,072	48,903	(56,828)	-	335,955
Trusts	4,137	1,613	690	1,710	(3,498)	-	4,652
Other investments	11,176	(38)	-	216	(130)	-	11,224
Interests in trusts held by others	38,091	908	791	-	-	-	39,790
Total Level 3	**$ 2,726,724**	**$ (39,501)**	**$ 338,163**	**$ 319,174**	**$ (834,681)**	**$ 100,988**	**$ 2,610,867**

**Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the University at June 30, 2014 is $337,819 and is reflected in "Net change in unrealized appreciation on investments" in the Consolidated Statements of Cash Flows.*

The tables on the following pages present the amounts within each valuation hierarchy level for those assets and liabilities carried at fair value: cash and cash equivalents; investments; investments allocable to noncontrolling interests (in Vanderbilt-controlled real estate and other partnerships); interests in trusts held by others; and the fair value of interest rate exchange agreements.

Noted in the tables on the following page, as a measure of liquidity, are the redemption terms and restrictions of investments, along with the numbers of days notice required to liquidate these investments. Most investments classified as levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Vanderbilt uses the net asset value reported by the fund as a practical expedient to estimate the fair value of interest therein for the majority of these assets; Vanderbilt's ability to redeem its interest at or near the financial statement date determines the net assets classification as level 2 or level 3. Vanderbilt defines near-term as within 90 days of the financial statement date.

Derivative contract collateral and short-term securities are primarily composed of amounts posted as collateral in accordance with interest rate exchange agreements and unspent bond proceeds with trustees. Vanderbilt deems a redemption or liquidation frequency for these amounts as nonapplicable. Global equities and fixed income provide varying levels of liquidity as defined in the following tables. Hedged strategies include daily, quarterly, and annual redemption frequencies. These strategies allow Vanderbilt to provide notice to the fund managers to exit from the respective funds in the time periods noted. Lockup provisions range from none to five years.

The total asset values for private capital, real estate, natural resources, and other investments are illiquid as of June 30, 2015. These amounts predominantly consist of limited partnerships. Under the terms of these limited partnership agreements, Vanderbilt is obligated to remit additional funding periodically as capital calls are exercised by the general partner. These partnerships have a limited existence and the agreements may provide for annual extensions relative to the timing for disposing portfolio positions and returning capital to investors. Depending on market conditions, the ability or inability of a fund to execute its strategy, and other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may liquidate the fund prematurely. Unforeseen events prevent Vanderbilt from anticipating such changes. As a result, the timing and amount of future capital calls or distributions in any particular year are uncertain and the related asset values are illiquid.

The following tables summarize the fair value measurements and terms for redemptions or liquidations for those assets and liabilities carried at fair value as of June 30 *(in thousands)*:

Assets Reported at Fair Value as of June 30, 2015

	Fair Value Measurements					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption Terms**	**Redemption Restriction**
Cash and cash equivalents	$ 1,291,631	$ -	$ -	$ 1,291,631	**Daily, with same-day to 90 day notice**	**No restrictions**
Derivative contract collateral and short-term securities	82,139	-	-	82,139	**N/A**	**Not redeemable**
Global equities	1,016,529	45,501	32,338	1,094,368	**Daily to annually, with 1 to 90 day notice**	**Lock-up provision ranging from none to 4 years**
Fixed income	231,798	-	17,180	248,978	**Daily with 1 to 5 day notice**	**No restrictions**
Private capital	13,595	-	1,392,736	1,406,331	**N/A**	**Not redeemable**
Hedged strategies	752,434	43,823	108,525	904,782	**Daily to annually, with 1 to 90 day notice**	**Lock-up provision ranging from none to 3 years**
Commodities	98,311	-	-	98,311	**Daily to monthly, with 1 to 30 day notice**	**No restrictions**
Natural resources	140	-	294,158	294,298	**N/A**	**Not redeemable**
Real estate	-	-	228,975	228,975	**N/A**	**Not redeemable**
Trusts	-	-	4,258	4,258	**N/A**	**Not redeemable**
Other investments	2,753	-	8,058	10,811	**N/A**	**Not redeemable**
Interests in trusts held by others	-	-	40,154	40,154	**N/A**	**Not redeemable**
Total assets reported at fair value	**$ 3,489,330**	**$ 89,324**	**$ 2,126,382**	**$ 5,705,036**		

Liabilities Reported at Fair Value as of June 30, 2015

Interest rate exchange agreements	**$ -**	**$ 174,713**	**$ -**	**$ 174,713**

Assets Reported at Fair Value as of June 30, 2014

	Fair Value Measurements Level 1	Level 2	Level 3	Total	Redemption Terms	Redemption Restriction
Cash and cash equivalents	$ 1,244,720	$ -	$ -	$ 1,244,720	**Daily, with same-day to 90 day notice**	**No restrictions**
Derivative contract collateral and short-term securities	77,839	-	-	77,839	**N/A**	**Not redeemable**
Global equities	1,091,046	2,614	112,179	1,205,839	**Daily to annually, with 1 to 90 day notice**	**Lock-up provision ranging from none to 4 years**
Fixed income	157,880	-	19,987	177,867	**Daily, with 2 to 30 day notice**	**No restrictions**
Private capital	2,356	-	1,437,157	1,439,513	**N/A**	**Not redeemable**
Hedged strategies	316,367	94,120	370,881	781,368	**Daily to annually, with 1 to 180 day notice**	**Lock-up provision ranging from none to 2 years***
Natural resources	-	-	335,955	335,955	**N/A**	**Not redeemable**
Real estate	-	-	279,042	279,042	**N/A**	**Not redeemable**
Trusts	-	-	4,652	4,652	**N/A**	**Not redeemable**
Other investments	592	-	11,224	11,816	**N/A**	**Not redeemable**
Interests in trusts held by others	-	-	39,790	39,790	**N/A**	**Not redeemable**
Total assets reported at fair value	**$ 2,890,800**	**$ 96,734**	**$ 2,610,867**	**$ 5,598,401**		

**Certain partnerships not redeemable*

Liabilities Reported at Fair Value as of June 30, 2014

	Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	**$ -**	**$ 168,451**	**$ -**	**$ 168,451**

14. Retirement Plans

Vanderbilt's full-time faculty and staff members participate in defined contribution retirement plans administered by third-party investment and insurance firms. For eligible employees with one year of continuous service, these plans require employee and matching employer contributions. The employee immediately vests in these contributions.

Vanderbilt funds the obligations under these plans through monthly transfers to the respective retirement plan administrators with the corresponding expenses recognized in the year incurred. Vanderbilt's retirement plan contributions for fiscal 2015 and 2014 were $63.8 million and $63.1 million, respectively.

15. Student Financial Aid

Vanderbilt provides financial aid to students based upon need and merit. Institutional resources, contributions, endowment distributions, and externally sponsored programs fund this financial assistance.

For the fiscal years ended June 30, financial aid for tuition and education fees was as follows *(in thousands)*:

	2015	2014
Tuition and educational fees, gross	$ 489,018	$ 478,320
Less: Financial aid for tuition and educational fees	(216,815)	(213,543)
Tuition and educational fees, net	**$ 272,203**	**$ 264,777**

For the fiscal years ended June 30, financial aid for room and board was as follows *(in thousands)*:

	2015	2014
Room and board, gross	$ 77,476	$ 70,809
Less: Financial aid for room and board	(32,663)	(30,303)
Room and board, net	**$ 44,813**	**$ 40,506**

16. Functional Classification of Expenses and Allocations

For the fiscal years ended June 30, operating expenses incurred were as follows *(in thousands)*:

	2015	2014
Instruction	$ 489,383	$ 495,824
Research	419,003	434,009
Health care services	2,500,022	2,389,431
Public service	42,229	41,298
Academic support	158,312	139,026
Student services	107,172	99,969
Institutional support	117,303	61,778
Room, board, and other auxiliary services	99,718	93,146
Total operating expenses	**$ 3,933,142**	**$ 3,754,481**

Natural expense classifications include certain allocations of institutional and other support costs to Vanderbilt's primary programs. Based on the functional uses of space on its campus, Vanderbilt allocated depreciation and interest on indebtedness to the functional operating expense categories as follows *(in thousands)*:

2015

	Depreciation	Interest
Instruction	$ 19,509	$ 2,762
Research	23,340	5,385
Health care services	76,430	38,198
Academic support	11,667	1,325
Student services	8,766	693
Institutional support	12,024	994
Room, board, and other auxiliary services	25,440	10,677
Total	**$ 177,176**	**$ 60,034**

2014

	Depreciation	Interest
Instruction	$ 20,997	$ 3,448
Research	23,792	6,189
Health care services	79,652	40,672
Academic support	8,314	1,122
Student services	6,739	790
Institutional support	11,724	1,107
Room, board, and other auxiliary services	24,561	12,150
Total	**$ 175,779**	**$ 65,478**

17. Charity Care Assistance and Community Benefits

VUMC (including hospitals, clinics, and physician practice units) maintains a policy which sets forth the criteria to provide without expectation of payment or at a reduced payment rate health care services to patients who have minimal financial resources to pay for medical care. VUMC does not report these charity care services as revenue.

The medical center maintains records to identify and monitor the level of charity care it provides, and these records include the amount of gross charges and patient deductibles, co-insurance and co-payments forgone for services furnished under its charity care policy, and the estimated cost of those services. Charity care utilizes a tiered grid to determine the level of assistance based on federal poverty guidelines. State of Tennessee law mandates uninsured patient eligibility for a discount from billed charges for medically necessary services, in addition to charity care assistance. VUMC provides additional discounts based on the income level of the patient household using a sliding scale for those patients with a major catastrophic medical event that do not qualify for full charity assistance.

The total cost of uncompensated care (charity care and bad debt) was $225.0 million and $233.2 million for fiscal 2015 and 2014, respectively. Of the total uncompensated care, charity care represented 45.8% and 54.5% in fiscal 2015 and 2014, respectively.

In addition to the charity care services described above, the medical center provides a number of other services to benefit the economically disadvantaged for which the medical center receives little or no payment. TennCare/Medicaid and state indigent programs do not cover the full cost of providing care to beneficiaries of those programs. As a result, in addition to direct charity care costs, the medical center provided services related to TennCare/Medicaid and state indigent programs and was reimbursed substantially below the cost of rendering such services.

The medical center also provides public health education and training for new health professionals and provides, without charge, services to the community at large, together with support groups for many patients with special needs.

18. Related Parties

Intermittently, members of Vanderbilt's Board of Trust or Vanderbilt employees may be directly or indirectly associated with companies engaged in business activities with the university. Accordingly, Vanderbilt has a written conflict of interest policy that requires, among other things, that members of the university community (including trustees) may not review, approve, or administratively control contracts or business relationships when (a) the contract or business relationship is between Vanderbilt and a business in which the individual or a family member has a material financial interest or (b) the individual or a family member is an employee of the business and is directly involved with activities pertaining to Vanderbilt.

Furthermore, Vanderbilt's conflict of interest policy extends beyond the foregoing business activities in that disclosure is required for any situation in which an applicable individual's financial, professional, or other personal activities may directly or indirectly affect, or have the appearance of affecting, an individual's professional judgment in exercising any university duty or responsibility, including the conduct or reporting of research.

The policy extends to all members of the university community (including trustees, university officials, and faculty and staff and their immediate family members). Each applicable person is required to certify compliance with the conflict of interest policy on an annual basis. This certification includes specifically disclosing whether Vanderbilt conducts business with an entity in which he or she (or an immediate family member) has a material financial interest as well as any other situation that could appear to present a conflict with Vanderbilt's best interests.

When situations exist relative to the conflict of interest policy, Vanderbilt takes active measures to manage appropriately the actual or perceived conflict in the best interests of the university, including periodic reporting of the measures taken to the Board of Trust Audit Committee.

19. Lease Obligations

Vanderbilt primarily classifies certain equipment and real property leases as operating leases with lease terms of up to 15 years. Total operating lease expense in fiscal 2015 and 2014 was $83.2 million and $70.8 million, respectively.

As of June 30, 2015, future committed minimum rentals by fiscal year on significant noncancelable operating leases with initial terms in excess of one year were as follows *(in thousands)*:

2016	$ 53,768
2017	47,783
2018	39,163
2019	29,307
2020	24,764
Thereafter	134,242
Total future minimum rentals	**$ 329,027**

Detail of significant noncancelable operating leases by type:

	% of Minimum Rentals	Minimum Rentals
Property leases (132 leases)	84%	$ 277,895
Equipment leases (142 leases)	16%	51,132
Total future minimum rentals	**100%**	**$ 329,027**

Property leases for One Hundred Oaks (46%) and 2525 West End Avenue (7%) account for approximately 53% of the total future minimum rentals.

20. Commitments and Contingencies

(A) *Construction.* As of June 30, 2015, Vanderbilt had contractual commitments for approximately $115.6 million of projects under construction and equipment purchases. The largest components of these commitments were for the Engineering and Science Building ($71.4 million).

(B) *Litigation.* Vanderbilt is a defendant in several legal actions. One such legal action is a qui tam civil action related to billing and government reimbursement for certain professional health care services provided by the Vanderbilt University Medical Center. The lawsuit was unsealed in the fall of 2013, and the government has decided not to intervene in the litigation at this time. Accordingly, the litigation is currently in the discovery phase with private plaintiffs. Vanderbilt believes that the outcome of these actions will not have a significant effect on its consolidated financial position.

(C) *Regulations*. Vanderbilt's compliance with regulations and laws is subject to future government reviews and interpretations, as well as regulatory actions unknown at this time. Vanderbilt believes that the liability, if any, from such reviews will not have a significant effect on Vanderbilt's consolidated financial position.

(D) *Medical Malpractice Liability Insurance*. Vanderbilt is self-insured for the first level of medical malpractice claims. The current self-insured retention is $5.5 million per occurrence, not to exceed an annual aggregate of $43.0 million. Vanderbilt segregates investments for this self-insured retention. An independent actuarial firm performs studies to determine the funding for these segregated assets. Excess malpractice and professional liability coverage has been obtained from commercial insurance carriers on a claims-made basis for claims above the retained self-insurance risk levels.

(E) *Employee Health and Workers Compensation Insurance.* Vanderbilt is self-insured for employee health insurance and workers compensation coverage. Vanderbilt bases estimated liabilities upon studies conducted by independent actuarial firms.

(F) *Federal and State Contracts and Other Requirements.* Expenditures related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. Amounts of expenditures that granting agencies might disallow cannot be determined at this time. These amounts affect government grants and contract revenue as well as facilities and administrative cost recovery. Vanderbilt would not expect these costs to influence the consolidated financial position significantly.

(G) *Health Care Services*. Revenue from health care services includes amounts paid under reimbursement agreements with certain third-party payers and is subject to examination and retroactive adjustments. Vanderbilt reports any differences between estimated year-end settlements and actual final settlements at the time of final settlement. The financial statements include substantially all final settlements through the year ended June 30, 2010. Vanderbilt expects to receive final settlements relative to periods through June 30, 2011, during fiscal 2016.

(H) *HIPAA Compliance*. Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the federal government has authority to complete fraud and abuse investigations. HIPAA has established substantial fines and penalties for offenders. Vanderbilt maintains policies, procedures, and organizational structures to enforce and monitor compliance with HIPAA, as well as other applicable local, state, and federal statutes and regulations.

(I) *Partnership Investment Commitments.* There were $472.1 million of commitments to venture capital, real estate, and private equity investments as of June 30, 2015. At the request of the general partners, Vanderbilt may draw down funds over the next several years. Vanderbilt expects to finance these commitments with available cash and expected proceeds from the sales of securities. In addition, Vanderbilt is a secondary guarantor for $13.2 million of commitments for certain investment vehicles where minority limited partners in subsidiaries that Vanderbilt controls have the primary obligations.