

LUTHER COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2016 and 2015

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Certain fixed income securities and alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. The College has estimated the fair value of these funds by using the net asset value provided by the investee. The College adopted ASU 2015-07, *Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, during the year ended May 31, 2016. Under the new guidance, investments measured using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy.

Except for the implementation of ASU 2015-7, there have been no changes in the techniques and inputs used as of May 31, 2016 and 2015.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes financial instruments measured at fair value on a recurring basis by the fair value hierarchy as of May 31, 2016:

	Total	Level 1	Level 2	Level 3
ASSETS				
Mutual funds				
U.S. equity funds	\$ 42,959,871	\$ 42,959,871	\$ -	\$ -
Non-U.S. equity funds	35,392,757	35,392,757	-	-
U.S. fixed income funds	17,534,380	17,534,380	-	-
Non-U.S. fixed income funds	2,722,820	2,722,820	-	-
Beneficial interest in funds held in trust	1,990,487	-	-	1,990,487
Subtotal assets by valuation hierarchy	100,600,315	\$ 98,609,828	\$ -	\$ 1,990,487
Investments measured using NAV				
Fixed income securities	15,867,636			
Alternative investments				
Hedge funds	3,695,791			
Private equity funds	6,093,284			
Real estate partnerships	631,988			
Real estate funds (REIT)	136,725			
Funds of funds	12,655,275			
Partnerships, real assets	3,376,662			
Subtotal assets by NAV	42,457,361			
Total assets at fair value	\$ 143,057,676			
LIABILITIES				
Interest rate exchange agreements	\$ 2,146,548	\$ -	\$ 2,146,548	\$ -