THE TRUSTEES OF DAVIDSON COLLEGE

Financial Statements

June 30, 2019
(with summarized information for 2018)

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 400
300 North Greene Street
Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees
The Trustees of Davidson College:

We have audited the accompanying financial statements of The Trustees of Davidson College, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Trustees of Davidson College as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1 to the financial statements, The Trustees of Davidson College adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities; ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, as amended; and *ASU 2018-08, Not-for-Profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received* *and Contributions Made*, during the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited The Trustees of Davidson College's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As part of our audit of the 2019 financial statements, we also audited adjustments described in Note 1 that were applied to adopt ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* retrospectively in the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

Greensboro, North Carolina
October 18, 2019

THE TRUSTEES OF DAVIDSON COLLEGE

Statements of Financial Position

June 30, 2019
(with comparative financial information as of June 30, 2018)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	$ 51,425,176	40,841,435
Short-term investments (note 4)	21,491,735	22,912,920
Accounts receivable, less allowance for doubtful accounts of $13,763 in 2019 and $14,758 in 2018	5,403,648	4,223,472
Contributions receivable, net (note 3)	21,989,914	20,040,968
Other assets	3,585,106	2,781,943
Total current assets	103,895,579	90,800,738
Noncurrent assets:		
Contributions receivable, net (note 3)	46,121,348	36,113,314
Investments (note 4)	863,233,077	807,431,691
Beneficial interest in perpetual trusts	27,819,543	20,281,920
Land, buildings, and equipment, net (note 6)	286,929,622	287,924,057
Total noncurrent assets	1,224,103,590	1,151,750,982
Total assets	$ 1,327,999,169	1,242,551,720
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,485,261	14,601,603
Notes payable (note 8)	12,662,360	14,061,875
Bonds payable (note 8)	879,553	862,610
Postretirement benefits other than pensions (note 10)	954,520	908,934
Total current liabilities	31,981,694	30,435,022
Noncurrent liabilities:		
Notes payable (note 8)	29,685	42,046
Advance payments, deferred revenues, and other liabilities	6,632,153	6,929,137
Bonds payable (note 8)	52,300,524	53,180,077
Postretirement benefits other than pensions (note 10)	19,862,256	20,396,739
Total noncurrent liabilities	78,824,618	80,547,999
Total liabilities	110,806,312	110,983,021
Net assets:		
Without donor restrictions		
Undesignated	15,812,090	23,760,208
Quasi-endowment (note 16)	115,212,147	110,849,448
Investments in plant fund	222,117,890	209,598,106
	353,142,127	344,207,762
With donor restrictions (note 11)	864,050,730	787,360,937
Total net assets	1,217,192,857	1,131,568,699
Total liabilities and net assets	$ 1,327,999,169	1,242,551,720

See accompanying notes to financial statements.

THE TRUSTEES OF DAVIDSON COLLEGE

Statement of Activities

Year ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	2019			
	Without donor restrictions	**With donor restrictions**	**Total**	**2018**
Operating:				
Revenues, gains, and other support:				
Net student revenue (note 12)	$ 66,698,714	—	66,698,714	62,405,082
Private gifts and grants	6,255,613	11,119,270	17,374,883	15,734,199
Governmental grants and contracts	2,262,123	—	2,262,123	4,075,185
Investment income (note 4)	2,948,116	43,467	2,991,583	2,410,701
Endowment income and gains distributed (notes 4 and 16)	26,187,711	7,644,253	33,831,964	32,118,462
Net realized and unrealized (losses) gains on investments (note 4)	(143,154)	—	(143,154)	72,636
Sales and services of auxiliary enterprises	8,910,652	155,359	9,066,011	8,115,570
Other income	4,348,061	173,465	4,521,526	798,012
Total operating revenues and gains	117,467,836	19,135,814	136,603,650	125,729,847
Net assets released from restrictions	20,917,106	(20,917,106)	—	—
Total revenues, gains, and other support	138,384,942	(1,781,292)	136,603,650	125,729,847
Expenses and losses (note 13):				
Instruction and departmental research	55,851,596	—	55,851,596	53,578,258
Student services	31,760,734	—	31,760,734	26,972,248
General services and administration	23,087,109	—	23,087,109	22,600,156
Auxiliary enterprises	25,781,068	—	25,781,068	23,934,198
Total expenses and losses	136,480,507	—	136,480,507	127,084,860
Change in net assets from operating activities	1,904,435	(1,781,292)	123,143	(1,355,013)
Nonoperating:				
Private gifts and grants	3,815,384	50,256,733	54,072,117	29,615,308
Investment (loss) income on charitable remainder trusts (note 4)	(9,036)	64,165	55,129	79,510
Endowment income and gains distributed (notes 4 and 16)	505,325	1,117,575	1,622,900	1,443,145
Net realized and unrealized gains and income on investments net of distributions and fees (note 4)	4,238,315	24,438,856	28,677,171	57,874,279
Net realized and unrealized (losses) gains on charitable remainder trusts (note 4)	(632,257)	1,897,569	1,265,312	1,352,056
Change in value of split-interest agreements (note 4)	(160,028)	566,392	406,364	(604,808)
Periodic postretirement benefit cost other than service cost (note 10)	(928,369)	—	(928,369)	(937,953)
Nonperiodic changes in postretirement benefits	1,090,416	—	1,090,416	874,097
Change in donor intent	(207,847)	207,847	—	—
Other	(681,973)	(78,052)	(760,025)	(1,474,138)
Change in net assets from nonoperating activities	7,029,930	78,471,085	85,501,015	88,221,496
Change in net assets before changes related to collection items not capitalized	8,934,365	76,689,793	85,624,158	86,866,483
Change in net assets related to collection items not capitalized:				
Collection items purchased but not capitalized	—	—	—	(791,715)
Change in net assets	8,934,365	76,689,793	85,624,158	86,074,768
Net assets at beginning of year	344,207,762	787,360,937	1,131,568,699	1,045,493,931
Net assets at end of year	$ 353,142,127	864,050,730	1,217,192,857	1,131,568,699

See accompanying notes to financial statements.

THE TRUSTEES OF DAVIDSON COLLEGE

Statements of Cash Flows

Year ended June 30, 2019
(with comparative financial information for the year ended June 30, 2018)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	85,624,158	86,074,768
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		13,015,537	11,993,108
Accretion of bond premium/amortization of debt issuance costs		(182,610)	(175,044)
Change in allowance for doubtful accounts receivable		(995)	(26,705)
Net realized and unrealized gains on investments		(64,389,971)	(92,799,277)
Private gifts and grants restricted for long-term investments		(28,030,175)	(29,102,415)
Private gifts and grants restricted for capital projects		(1,704,004)	(4,973,680)
Investment income restricted for long-term investments		(1,238,614)	(1,243,147)
Gains restricted for long-term investments		(1,141,068)	(268,494)
Gifts in kind		(7,776,132)	(11,267,936)
Proceeds from sales of donated financial assets		7,358,017	11,970,979
Contribution of beneficial interest in perpetual trusts		(11,880,539)	—
Loss on disposal of assets		3,539	1,529,750
(Increase) decrease in accounts receivable		(1,179,181)	2,230,042
(Increase) decrease in contributions receivable		(11,956,980)	6,272,177
Increase in other assets		(803,163)	(409,850)
Increase in accounts payable and accrued expenses		1,493,207	563,224
Decrease in postretirement benefits other than pensions		(488,897)	(277,368)
Purchase of collection items not capitalized		—	791,715
Net cash used in operating activities		(23,277,871)	(19,118,153)
Cash flows from investing activities:			
Purchases of property and equipment		(10,555,283)	(10,702,059)
Purchase of collection items not capitalized		—	(791,715)
Proceeds from sales and maturities of investments		140,273,804	107,571,672
Purchases of investments		(130,235,031)	(108,742,397)
Distribution of beneficial interest in perpetual trusts		4,721,351	18,774
Increase (decrease) in deposits with bond trustees		10,677	(2,594)
Net cash provided by (used in) investing activities		4,215,518	(12,648,319)
Cash flows from financing activities:			
Principal payments on notes payable		(2,411,876)	(11,411)
Principal payments on bonds payable		(680,000)	(200,000)
Principal payments on capital lease obligations		(133,711)	(129,377)
Proceeds from issuance of notes payable		1,000,000	1,350,000
Decrease in annuities payable		(242,180)	(23,313)
Proceeds from private gifts and grants restricted for long-term investments		28,030,175	29,102,415
Private gifts and grants restricted for capital projects		1,704,004	4,973,680
Investment income restricted for long-term investments		1,238,614	1,243,147
Gains restricted for long-term investments		1,141,068	268,494
Net cash provided by financing activities		29,646,094	36,573,635
Net increase in cash and cash equivalents		10,583,741	4,807,163
Cash and cash equivalents at beginning of year		40,841,435	36,034,272
Cash and cash equivalents at end of year	$	51,425,176	40,841,435
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	2,510,925	2,441,040
Contributions of investment securities		7,488,299	11,267,936
Change in accounts payable attributable to property, plant and equipment purchases		1,469,358	(2,731,254)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of the College

The Trustees of Davidson College (the College), a nonprofit North Carolina corporation based in Davidson, North Carolina, was founded by Presbyterians in 1837. It is a private, four-year coeducational college of the liberal arts with an enrollment of over 1,900 students.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.
- Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time. These net assets include donor restricted endowments, unconditional pledges, split interest agreements, and interests in perpetual trusts held by others. Generally, the donors' imposed restrictions of these assets permit the College to use all or part of the income earned on related investments only for certain general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions which reflect reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year are reported as revenues in net assets without donor restrictions.

Gains and losses on investments restricted by explicit external stipulations are reported as increases or decreases in net assets with donor restrictions. Gains and losses on investments where donor-imposed restrictions are met in the same year are reported as increases or decreases in net assets without donor restrictions. Gains and losses on perpetual trusts held by others are reported as increases or decreases in net assets with donor restrictions.

The College has defined nonoperating activities to include contributions added to endowment, contributions supporting major capital purchases, contributions and other activity related to annuity and unitrust agreements, and endowment income and gains and losses, net of amounts distributed to support operations in accordance with the spending policy.

(c) Cash and Cash Equivalents

Cash and cash equivalents include interest bearing checking and money market accounts and short-term investments with an original maturity of three months or less. At various times throughout the year, the College may have cash balances in financial institutions which exceed the amounts that are federally insured.

Cash and cash equivalents that are part of the College’s investment portfolio are included within investments as these funds are not generally used for short-term operating purposes.

(d) Investments

Investments are recorded at estimated fair value. In the case of certain less marketable investments, principally real estate, venture capital and private investments, value is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to capture and quantify changes in fair value. When applicable, the College has applied a practical expedient and concluded that the net asset value (NAV) reported by the underlying fund approximates the fair value of investments. In some instances, those changes in fair value may require use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed. The estimated values, provided primarily by investment managers, are reviewed and evaluated by College personnel.

The College’s investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College’s financial statements.

Endowment and similar funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Gains are allocated to funds and are utilized in accordance with the same restrictions, if any, imposed by donors on the use of income earned by the endowment and similar funds.

(e) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is calculated on the straight-line method over the estimated useful lives of each class of asset as described in note 6. Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings.

(f) Collections

The College has various works of art, literary works, historical treasures, paintings, and other items. In accordance with accounting for contributions, an entity need not recognize such items in its financial statements if the items are added to collections held for public exhibition, education, or research in furtherance of public service rather than financial gain. If purchased, the collection items are expensed, if donated, they are not reflected in the financial statements. The works of art and historical treasures are subject to a policy that requires proceeds from their sales to be used to acquire other items of works of art or historical treasures. Proceeds from insurance recoveries are reflected as increases in the appropriate net asset class. There were no proceeds from sale of collection items or proceeds from insurance recoveries of collection items in fiscal year 2019 or 2018.

(g) Beneficial Interest in Perpetual Trusts

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights or claims to such assets, including the right to income therefrom. The fair value of these interests is recorded in net assets with donor restrictions and the net realized and unrealized gains of beneficial interest in perpetual trusts is recorded in the net asset class as designated by the donors.

(h) Comparative Data

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. See also note 1p.

(i) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Fair Value of Financial Instruments

The College determines fair value in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. ASC Topic 820 establishes a framework for measuring fair value, a fair value hierarchy which requires an entity to maximize the use of observable inputs and

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minimize the use of unobservable inputs, and disclosure requirements for fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of fair value inputs that may be used to measure fair value under the hierarchy established by the standard are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial assets and liabilities, including estimates of timing and amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to the independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset and may not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include real estate and insurance policies. Inputs used may include the original transaction price or recent transactions in the same or similar market. When observable prices are not available, these investments are valued using one or more valuation techniques described below.

- Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

(k) Governmental grants and contracts

Funds are granted periodically from private and public sources for specific purposes. These funds are deemed to be earned and reported as revenues when the College has incurred expenditures in compliance with the grant agreement and conditions under the agreement are met. Such amounts received, but not yet earned, are reported as deferred revenues. The College has elected the simultaneous release policy available under Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which allows a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restriction if the restriction is met in the same period that the revenue is recognized. The ASU also clarifies that a contribution is conditional if the agreement includes both (a) a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and (b) a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. In accordance with ASU 2014-09, *Revenue from Contracts with Customers*, revenue from exchange grants and contracts is recognized as the College substantially meets the performance obligations contained in the agreement of the sponsor.

(l) Revenue from Contracts with Customers

Student tuition and fees (student revenue) are recorded as revenue during the year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Scholarships and aid provided by the College for tuition and fees is reflected as a reduction of gross tuition and fee revenue.

Sales and services of auxiliary enterprises include the college store, WDAV-FM radio station and certain college housing, which furnish goods and services to students, faculty, staff, and in some cases, the general public. Fees are received and recognized when the performance obligations are met and typically occur in the same fiscal year.

Other income includes revenues generated by the College under contractual arrangements deemed to be exchange transactions. Major revenue streams include athletics ticket sales and sponsorships, media rights, licensing and other contracts which are received and recognized when the goods and services are rendered, and typically occur in the same fiscal year.

(m) Income Taxes

The College is exempt from income tax under Section 501(a) of the Internal Revenue Code of 1986 (the Code) as an organization described in Section 501(c)(3). As such, the College is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements. As of June 30, 2019 and 2018, management has determined there were no material uncertain tax positions.

(n) Notes Payable

Notes payable consist of debt related to land purchases and the taxable commercial paper notes.

(o) Investment Risk

Liquidity risk represents the possibility that the College may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College were forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value.

The College may hold investments denominated in currencies other than the U.S. dollar, and therefore, there may be exposure to currency risk since the value of those investments may fluctuate due to changes in currency exchange rates. This can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

The College's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolios are also subject to risk of the issuer of a security not being able to pay interest or repay principal when it is due.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include, but are not limited to, economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The College attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

(p) Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The provisions of ASU 2014-09, as amended, were adopted by the College as of July 1, 2018 under the modified retrospective method. The adoption of this ASU did not materially impact the timing or amount of revenue recognized by the College in the financial statements. However, the ASU requires that tuition, fees, housing, and dining student revenues be presented in the statement of activities at the transaction price, i.e., net of any scholarships and aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for scholarships and aid. Accordingly, the College's fiscal 2018 financial statements have been revised to the fiscal 2019 presentation.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset classifications from three to two: net assets without donor restrictions, and net assets with donor restrictions. Previously, the net asset classifications were presented as unrestricted, temporarily restricted and permanently restricted. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location. The College adopted ASU 2016-14 as of

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July 1, 2018, and applied the changes retrospectively. Accordingly, the College's fiscal 2018 financial statements have been revised to the fiscal 2019 presentation.

In June 2019, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies when an entity should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The provisions of ASU 2018-08 were adopted by the College as of July 1, 2018 under the modified prospective approach. The adoption of this ASU did not materially impact the financial statements.

(q) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures. The provisions of ASU 2016-02 are effective for the College as of July 1, 2019.

(2) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

Cash and cash equivalents	$	41,541,138
Short-term investments		5,736,064
Accounts receivable		5,403,648
Contributions receivable		5,293,422
Total	$	57,974,272

The College's endowment funds consist of donor-restricted endowments and quasi-endowments. Income from the donor-restricted endowments is restricted for specific purposes and, therefore is not included above as available for general expenditure. However, the specific purposes are aligned with the operations of the College. The total endowment earnings to be appropriated for expenditure within one year of June 30, 2019 are approximately $35 million.

The College manages its financial assets to be available when operating expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is invested in short-term investments. Additionally, the College has $131,558,325 of quasi-endowments. Although the College does not intend to spend from its quasi-endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its quasi-endowment funds could be made available if necessary.

(3) Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30, 2019 and 2018:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	$ 23,421,852	21,372,934
One year to five years	44,097,164	31,498,266
Over five years	21,375,695	19,691,012
	88,894,711	72,562,212
Less allowance for uncollectible contributions receivable	(1,514,034)	(1,435,980)
	87,380,677	71,126,232
Less unamortized discount (discount rates ranging from 3.5% to 8.9%)	(19,269,415)	(14,971,950)
	68,111,262	56,154,282
Less current portion	(21,989,914)	(20,040,968)
Noncurrent portion	$ 46,121,348	36,113,314

At June 30, 2019 and 2018, the ten (10) largest outstanding donor pledge balances represented 75% and 70%, respectively, of the College’s gross contributions receivable.

(4) Investments

Fair value of investments is summarized as follows:

	Fair value as of June 30		June 30, 2019		
	2019	2018	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period (in days)
Money market funds [a]	$ 16,313,909	15,513,735	—	Daily	1 day
Fixed income [b]	27,841,831	32,927,079	—	Daily	1 day
Domestic equity [c]	32,600,591	41,686,262	—	Daily – quarter	1–60 days
International equity and emerging market funds [c]	119,899,530	115,303,626	—	Daily – annually	1–180 days [1]
Hedge funds [d]	349,131,793	349,479,590	2,184,761	Monthly – annually	1–6 months
Real estate investments [e]	48,252,051	48,374,313	24,872,739	N/A	N/A
Venture capital, private equity, private energy, and private debt investments [f]	289,877,550	226,126,489	78,785,390	N/A	N/A
Other investments [g]	807,557	933,517	—	N/A	N/A
	$ 884,724,812	830,344,611	105,842,890		

[1] Within this major category, at June 30, 2019, one fund in the amount of $5 million has a 5% redemption fee within the first year.

(a) This category includes assets that are cash or readily convertible to cash, such as money market funds and certificates of deposit.

(b) This category includes investments in funds that take long positions in publicly traded fixed income securities. Almost all of the investments are in U.S. focused companies. The public nature of the securities makes this category immediately available for liquidation.

(c) This category includes investments in funds that take long positions in publicly traded equity securities. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category available for liquidation within 1-180 days.

(d) This category includes investments in hedge funds that take long and short positions in largely equity securities, credit securities and event driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning, with most equity funds generally maintaining a low net long position (20%–50%) and little or no leverage and most credit funds generally maintaining a moderate net long position (50%–100%) and little or no leverage. Five percent of the assets in this category cannot be redeemed because they are still in an initial lockup period or in illiquid securities. The lockup periods expire in the next 2-3 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the manager.

(e) This category includes investments in private equity funds that take ownership of real estate properties ranging from office, retail, multifamily, land, and hotel. These are private investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4-10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the manager. Certain investments in this category represent a direct investment in real estate held for sale.

(f) This category includes investments in private equity funds that provide growth equity or take full ownership of the companies they invest in and private equity funds that take significant ownership positions in start up or early stage companies largely in the technology or healthcare spaces. These are private investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4-8 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the manager.

(g) This category contains the cash surrender value of life insurance policies for which the College is the sole beneficiary. The insurance companies manage the investments and the College will receive no distributions until the death of the insured. Therefore, the nature of this investment is illiquid.

The College places a substantial portion of the net assets of its endowment into a pool on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of each quarter within which the transaction takes place. At June 30, 2019, a total of 1,417,558 units existed in the pool and the fair value per unit was $621.69. At June 30, 2018, a total of 1,364,954 units existed in the pool and the fair value per unit was $601.92. The annual earnings per unit, exclusive of the net increase in the fair value of investments, amounted to $1.67 for the fiscal year ended June 30, 2019 and $1.03 for the fiscal year ended June 30, 2018.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on equity-based investments to achieve its long-term return objective at an appropriate level of risk and liquidity. Within each asset class, the College achieves diversification through allocations to several investment strategies and market capitalizations.

The College does not issue or trade derivative financial instruments. However, College financial assets are invested on its behalf with various fund managers, some of whom are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position. Not including derivative instruments held by various alternative investment funds, the College had no financial assets invested in derivative instruments as of June 30, 2019 and 2018.

At June 30, 2019, the College's projected capital calls for the next five fiscal years and thereafter for the remaining outstanding commitments to venture capital, private equity, private energy, private debt and real estate funds are summarized in the table below:

	Projected capital calls
Fiscal year:	
2020	$ 30,490,824
2021	19,179,030
2022	12,717,492
2023	9,075,571
2024	4,733,346
Thereafter	29,646,627
Total	$ 105,842,890

(5) Fair Value Measurements

The following is a summary of the levels within the fair value hierarchy for the College's financial instruments that are measured at fair value on a recurring basis as of June 30, 2019 and 2018:

	Fair value as of June 30, 2019				
	Level 1	Level 2	Level 3	Investments measured at NAV[(1)]	Total fair value
Assets:					
Cash and cash equivalents	$ 51,425,176	—	—	—	51,425,176
Investments:					
Money market funds	16,313,909	—	—	—	16,313,909
Fixed income	27,841,831	—	—	—	27,841,831
Domestic equity	25,423,830	—	—	7,176,761	32,600,591
International equity and emerging market funds	1,678,432	—	—	118,221,098	119,899,530
Hedge funds	—	—	—	349,131,793	349,131,793
Real estate investments	—	—	5,967,777	42,284,274	48,252,051
Venture capital, private equity, private energy and private debt	—	—	—	289,877,550	289,877,550
Other investments	—	—	807,557	—	807,557
Investments	71,258,002	—	6,775,334	806,691,476	884,724,812
Beneficial interest in perpetual trusts	—	—	27,819,543	—	27,819,543
Total	$ 122,683,178	—	34,594,877	806,691,476	963,969,531

	Fair value as of June 30, 2018				
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV[1]**	**Total fair value**
Assets:					
Cash and cash equivalents	$ 40,841,435	—	—	—	40,841,435
Investments:					
Money market funds	15,513,735	—	—	—	15,513,735
Fixed income	32,927,079	—	—	—	32,927,079
Domestic equity	28,519,773	—	—	13,166,489	41,686,262
International equity and emerging market funds	1,771,569	—	—	113,532,057	115,303,626
Hedge funds	—	—	—	349,479,590	349,479,590
Real estate investments	—	—	7,508,195	40,866,118	48,374,313
Venture capital, private equity, private energy and private debt	—	—	—	226,126,489	226,126,489
Other investments	—	—	933,517	—	933,517
Investments	78,732,156	—	8,441,712	743,170,743	830,344,611
Beneficial interest in perpetual trusts	—	—	20,281,920	—	20,281,920
Total	$ 119,573,591	—	28,723,632	743,170,743	891,467,966

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Money market funds – Investments in money market funds are classified as Level 1 based on the nature and liquidity of such instruments.

Fixed income securities – Investments in fixed income securities are comprised of U.S. Treasury and other government notes and bonds, mortgage backed securities, municipal bonds and corporate bonds and notes. Corporate bonds and U.S. Treasury notes and bonds are classified as Level 1 if they are included in a bond fund or if they are traded with sufficient frequency and volume to enable the College to obtain pricing information from active markets.

Equity securities – Investments in marketable equity securities are measured at fair value using quoted market prices. They are classified as Level 1 when they are traded in an active market for which closing stock prices are readily available.

Real estate investments – Investments in real estate held for sale for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs.

Beneficial interest in perpetual trusts – The College's beneficial interest in perpetual trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant Level 3 unobservable inputs (entity specific estimates of cash flows). Since the College has an irrevocable right to receive the income earned from the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trusts' assets.

The following tables present a reconciliation of Level 3 financial instruments measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018:

	Balance at June 30, 2018	Net realized and unrealized gains	Purchases/ contributions	Sales/ distributions	Balance at June 30, 2019
Real estate investments	$ 7,508,195	273,400	3,748,339	(5,562,157)	5,967,777
Other investments	933,517	21,138	—	(147,098)	807,557
Beneficial interest in perpetual trusts	20,281,920	378,435	11,880,539	(4,721,351)	27,819,543
Total	$ 28,723,632	672,973	15,628,878	(10,430,606)	34,594,877

	Balance at June 30, 2017	Net realized and unrealized gains	Purchases/ contributions	Sales/ distributions	Balance at June 30, 2018
Real estate investments	$ 9,284,138	57,105	1,621,145	(3,454,193)	7,508,195
Other investments	885,701	47,816	—	—	933,517
Beneficial interest in perpetual trusts	19,854,821	445,873	—	(18,774)	20,281,920
Total	$ 30,024,660	550,794	1,621,145	(3,472,967)	28,723,632

During fiscal 2019 and 2018, there were no transfers between the fair value hierarchy levels. The change in net unrealized gains related to Level 3 assets still held at June 30, 2019 and 2018 was approximately $0.6 million and $0.5 million, respectively. As of June 30, 2019 and June 30, 2018, the change was recorded in net realized and unrealized gains on charitable remainder trusts on the statement of activities.

(6) Land, Buildings, and Equipment

The cost and estimated useful lives of land, buildings, and equipment are as follows at June 30, 2019 and 2018:

	2019	2018	Estimated useful lives
Land and improvements	$ 43,430,652	42,305,093	10–20 years
Buildings and improvements	356,541,978	349,391,223	20–50 years
Equipment	34,973,681	32,232,831	5–20 years
Equipment under capital lease	544,100	544,100	7 years
Construction in progress	6,540,026	6,792,818	—
	442,030,437	431,266,065	
Less accumulated depreciation	(155,100,815)	(143,342,008)	
	$ 286,929,622	287,924,057	

(7) Leases

The College has several noncancelable operating leases, primarily for office equipment, that expire over the next five years. These leases require the College to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the years ended June 30, 2019 and 2018 was $505,387 and $395,629, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and the capital lease as of June 30, 2019 are as follows:

	Operating	Capital
Year ending June 30:		
2020	$ 428,184	138,191
2021	141,542	—
2022	90,517	—
2023	46,942	—
2024	—	—
Thereafter	—	—
Total	$ 707,185	138,191

(8) Bonds and Notes Payable

Bonds payable at June 30, 2019 and 2018 consist of the following:

		2019	2018
Serial bonds (Series 2012), 2% to 5%, maturing annually through March 1, 2042	$	19,020,000	19,500,000
Serial bonds (Series 2014), 3.25% to 5%, maturing annually from March 1, 2018 through March 1, 2045		30,735,000	30,935,000
		49,755,000	50,435,000
Premium on bonds		3,838,268	4,049,089
Debt issuance costs		(413,191)	(441,402)
		53,180,077	54,042,687
Less current portion		(879,553)	(862,610)
Noncurrent portion	$	52,300,524	53,180,077

The College's obligations under the bonds payable are unsecured, unconditional obligations.

A summary of repayments for the redemption of the bonds payable follows:

		Principal, including premium/ debt issue
2020	$	879,553
2021		3,534,517
2022		1,376,210
2023		1,426,383
2024		1,492,327
Subsequent years		44,471,087
	$	53,180,077

Notes payable at June 30, 2019 and 2018 consist of the following:

	2019	2018
$30,000,000, unsecured Taxable Commercial Paper Notes, variable rate (2.5% at June 30, 2019 and 2.35% at June 30, 2018), maturing no later than 270 days after the date of issuance of each note	$ 12,650,000	14,050,000
$190,000 note payable, due in monthly installments plus interest at 4% through September 2022	42,045	53,921
	12,692,045	14,103,921
Less current portion	(12,662,360)	(14,061,875)
Noncurrent portion	$ 29,685	42,046

A summary of repayments for the redemption of the notes payable follows:

Year ending June 30:	
2020	$ 12,662,360
2021	12,863
2022	13,391
2023	3,431
Total	$ 12,692,045

(9) Benefit Plans

Eligible college employees participate in the defined contribution retirement plan after one year of employment in which they complete at least 1,000 hours of service. The College contributes 8.5% of eligible compensation up to the social security earnings base, and 12.5% of any eligible compensation above the social security earnings base, up to the applicable limits of the Internal Revenue Code. In addition, the College will contribute an additional 1% for any employee who makes voluntary contributions to the plan of at least 1% of their eligible compensation. Employees are 100% vested after 3 years of service. Total employer contributions for the years ended June 30, 2019 and 2018 were $5,241,618 and $5,206,638, respectively.

The College also has a tax deferred annuity plan available to all employees. Participants are allowed to defer a portion of their compensation, within the applicable limits of the Internal Revenue Code, on a tax-deferred basis. Contributions are made by the employee to the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) or to Fidelity Investments for the purchase of retirement annuities which are owned by the employee.

(Continued)

The College also has supplemental retirement plans for certain current and former employees. At June 30, 2019 and 2018, the related liability included in accounts payable and accrued expenses in the statement of financial position was $816,464 and $611,938 respectively, and the supplemental annual compensation to the former employee was approximately $20,000 in 2019 and in 2018. The liability and supplemental annual compensation are projected to increase over the vesting period.

(10) Postretirement Benefits Other than Pensions

The College also provides healthcare benefits to retired employees who were hired prior to October 1, 2016, and who meet the eligibility requirements of the Plan. The following table provides a reconciliation of the changes in the Plan's projected benefit obligations and fair value of assets:

	2019	2018
Benefit obligation at beginning of year	$ 21,305,673	21,583,041
Service cost	601,730	636,796
Interest cost	869,495	818,571
Participant contributions	425,211	384,656
Benefit paid	(1,353,791)	(1,362,676)
Actuarial gain	(1,031,542)	(754,715)
Benefit obligation at end of year	20,816,776	21,305,673
Fair value of plan assets	—	—
Funded status	(20,816,776)	(21,305,673)
Less current portion	(954,520)	(908,934)
Noncurrent portion	$ (19,862,256)	(20,396,739)

Net periodic postretirement benefit cost for 2019 and 2018 includes the following components:

	2019	2018
Interest cost	$ 869,495	818,571
Prior service credit	—	—
Loss	58,875	119,382
Periodic postretirement benefit cost other than service cost	928,370	937,953
Service cost	601,730	636,796
Net periodic postretirement benefit cost	$ 1,530,100	1,574,749

The measurement date for the plan is June 30th. For measurement purposes, a 5.8% and 6.1% annual rate of increase in the per capita cost of covered benefits (i.e., healthcare cost trend rate) was assumed for 2019 and 2018, respectively, and the rate was assumed to decrease gradually to 4.5% by the year 2036 and remain at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 2019 and 2018 by $837,298 and $848,198, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years ended June 30, 2019 and 2018 by $75,231 and $76,210, respectively.

As of the June 30, 2019 measurement date, the College adopted the headcount weighted HRP2014 mortality tables and projected generational mortality improvement with MSS-2019 released by the Society of Actuaries regarding observed mortality improvement.

The benefits expected to be paid in each year from 2020-2024 are $954,520, $954,926, $1,028,973, $1,025,078 and $1,070,733 respectively. The aggregate benefits expected to be paid in the five years from 2025-2029 are $6,038,013. The expected benefits to be paid are based on the same assumptions used to measure the College’s benefit obligation at June 30, 2019.

The College did not contribute to the plan in 2018 or 2019 and does not expect to contribute to the plan in 2020. Net losses recognized as changes in net assets without donor restrictions arising from the plan but not yet included in net periodic benefit cost were $1,832,906 and $2,923,322 as of June 30, 2019 and 2018, respectively. The amount of net loss that is expected to be recognized as a component of periodic postretirement benefit cost in 2020 is $0.

The discount rates used in determining the projected postretirement benefit obligation at June 30, 2019 and 2018, respectively, and cost for 2019 and 2018 were as follows:

	2019		2018	
	Obligation	**Cost**	**Obligation**	**Cost**
Assumptions as of the measurement date – discount rate	3.44%	4.17%	4.17%	3.87%

(Continued)

(11) Restrictions and Limitations on Net Asset Balances

At June 30, 2019, net assets consist of gifts and other unexpended revenues and gains available for the following purposes:

	Without donor restriction	With donor restriction	Total
Instruction and operational support	$ 96,382,843	196,726,016	293,108,859
Student scholarships and aid	31,134,551	493,845,904	524,980,455
Professorships	1,140,175	132,938,865	134,079,040
Investment in plant, contributions receivable	222,117,890	9,414,002	231,531,892
Annuity, life income, and similar funds, income to be used for operations	2,366,668	31,125,943	33,492,611
	$ 353,142,127	864,050,730	1,217,192,857

At June 30, 2018, net assets consist of gifts and other unexpended revenues and gains available for the following purposes:

	Without donor restriction	With donor restriction	Total
Instruction and operational support	$ 99,971,350	180,661,531	280,632,881
Student scholarships and aid	31,454,948	444,684,196	476,139,144
Professorships	—	123,376,245	123,376,245
Investment in plant, contributions receivable	209,598,106	14,313,890	223,911,996
Annuity, life income, and similar funds, income to be used for operations	3,183,358	24,325,075	27,508,433
	$ 344,207,762	787,360,937	1,131,568,699

(12) Student Revenues

Student services revenue consists of charges for tuition and fees, housing and dining. Such revenue is presented at transaction prices, which are determined based on standard published rates for the services provided less scholarships and aid awarded by the College to qualifying students.

(Continued)

For the years ended June 30, 2019 and 2018, revenue from student services were as follows:

	2019	2018
Tuition and fees at published rates	$ 96,879,905	92,781,601
Housing and dining at published rates	21,171,725	20,406,398
Scholarships and aid	(51,352,916)	(50,782,917)
Net student revenue	$ 66,698,714	62,405,082

(13) Expense Classification

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program services are instruction and departmental research. Expenses reported as student services, general services and administration, and auxiliary enterprises are incurred in support of these primary program services. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques. Expenses such as depreciation, interest, and operation and maintenance of plant, are allocated on a square-footage basis. Technology and innovation are allocated equally to instruction and research and administrative expenses. General services and administration includes fund raising expenses of $7,700,939 and $7,122,928 in 2019 and 2018, respectively.

Natural expenses for the years ended June 30, 2019 and 2018 were as follows:

	2019					
	Instruction and departmental research	Student services	General services and administration	Auxiliary enterprises	Total	2018
Salaries and benefits	$ 39,150,944	17,032,729	16,152,102	9,994,422	82,330,197	81,346,394
Depreciation expense	4,069,958	3,506,386	689,823	4,749,370	13,015,537	11,993,108
Utilities	513,845	430,875	118,393	2,146,766	3,209,879	3,524,746
Travel, including team travel	1,911,242	2,578,020	368,794	27,952	4,886,008	4,315,071
Contracted/professional services	1,257,945	1,435,830	1,961,232	1,966,253	6,621,260	5,418,574
Technology, hardware and software	1,045,327	107,937	1,266,882	53,554	2,473,700	2,781,239
Cost of merchandise, auxiliaries	—	—	—	3,383,583	3,383,583	2,996,311
Educational and research publications and electronic resources	1,840,255	64,675	123,243	39,109	2,067,282	2,440,161
Interest expense	785,166	676,443	133,079	916,237	2,510,925	2,441,040
Insurance and risk management services	—	159,895	791,224	—	951,119	755,829
Postretirement benefit plan service cost	—	—	601,730	—	601,730	636,796
Other	5,276,914	5,767,944	880,607	2,503,822	14,429,287	8,435,591
	$ 55,851,596	31,760,734	23,087,109	25,781,068	136,480,507	127,084,860

(14) Commitments and Contingencies

At June 30, 2019 and 2018, open contracts for the construction of properties amounted to $3,773,309 and $753,366, respectively.

Federally funded financial aid and other programs are routinely subject to audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities as well as to limit, suspend, or terminate Federal aid programs. While the ultimate liabilities, if any, cannot be determined at this time, management is of the opinion that such amounts, if any, will not have a material adverse effect on the College's financial position.

(15) Related-Party Transaction

During the years ended June 30, 2019 and 2018, the College received pledges and gifts from board of trustee members and their affiliated organizations totaling $11,012,054 and $5,559,904, respectively. Of those amounts, $6,437,191 in 2019 and $2,205,623 in 2018 were for payment on pledges made in prior years.

During the years ended June 30, 2019 and 2018, the College entered into construction transactions totaling $2,301,160 and $1,390,349, respectively, with a business whose president is a member of the board of trustees. Management believes the terms of these transactions with the related party were consistent with those which could have been negotiated with unrelated parties. As of June 30, 2019 and 2018, the College owed $404,258 and $0, respectively, to this business.

As of June 30, 2019 and 2018, the College had investments totaling $6,742,655 and $4,225,494, respectively, in a fund which has a partner whose spouse is a current trustee.

(16) Endowment

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

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as providing, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the College to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility allows an expenditure that lowers the value of the corpus of an endowment fund below its book value. The College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment which are not expendable on a current basis, (b) the original value of subsequent gifts to the permanent endowment which are not expendable on a current basis and (c) accumulations to the permanent endowment, which are not expendable on a current basis, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College

At June 30, 2019, the endowment fund net asset composition was as follows:

	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds:			
Historical value	$ —	395,811,552	395,811,552
Appreciation	—	354,095,195	354,095,195
Total donor-restricted endowment funds	—	749,906,747	749,906,747
Board-designated endowment funds	115,212,147	—	115,212,147
Total endowed net assets	$ 115,212,147	749,906,747	865,118,894

At June 30, 2018, the endowment fund net asset composition was as follows:

	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds:			
Historical value	$ —	365,397,128	365,397,128
Appreciation	—	329,706,144	329,706,144
Total donor-restricted endowment funds	—	695,103,272	695,103,272
Board-designated endowment funds	110,845,985	—	110,845,985
Total endowed net assets	$ 110,845,985	695,103,272	805,949,257

(Continued)

In addition to the endowment fund net assets noted above, there were $16,346,178 and $15,826,336 at June 30, 2019 and 2018, respectively, which management designated for longer term use and invested with the endowment net assets.

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets, June 30, 2018	$	110,845,985	695,103,272	805,949,257
Investment return, net		3,715,008	59,897,181	63,612,189
Contributions and reinvested income		351,333	30,361,158	30,712,491
Appropriation of endowment assets for expenditure		—	(35,454,864)	(35,454,864)
Transfers to create board designated funds		299,821	—	299,821
Endowment net assets, June 30, 2019	$	115,212,147	749,906,747	865,118,894

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets, June 30, 2017	$	102,006,065	614,196,958	716,203,023
Investment return, net		7,378,708	82,426,549	89,805,257
Contributions and reinvested income		385,402	32,041,372	32,426,774
Appropriation of endowment assets for expenditure		—	(33,561,607)	(33,561,607)
Transfers to create board designated funds		1,224,378	—	1,224,378
Appropriation of quasi-endowment assets for expenditure		(148,568)	—	(148,568)
Endowment net assets, June 30, 2018	$	110,845,985	695,103,272	805,949,257

(b) Endowment Spending Policy

The College's spending policy is to appropriate 5% of the average of the December 31 year-end market values for the immediately preceding five years for annual College operations. In establishing the policy, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. Deficiencies of this nature were $3,176 and $3,465 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

(d) Return Objectives and Risk Parameters

The endowment fund exists to provide a consistent and growing stream of financial support to the College's annual budget in perpetuity while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Given this need to preserve long-term purchasing power, the investment objective for the endowed assets is to attain a real total return of at least 5% over long time horizons. Actual returns in any given year may vary from this amount.

(17) Subsequent Events

The College has performed an evaluation of subsequent events through October 18, 2019, which is the date the financial statements were available to be issued, and determined that there are no adjustments or additional items to disclose.