UNION COLLEGE

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

UNION COLLEGE

Financial Statements

June 30, 2019 and 2018

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

We have audited the accompanying financial statements of Union College, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years 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 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 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 entity'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 entity'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 Union College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(n) to the financial statements, during the year ended June 30, 2019, Union College adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 24, 2019

UNION COLLEGE

Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	43,307,663	26,307,109
Deposits with bond trustees		7,571,875	21,328,844
Pledges receivable, net		39,020,546	46,758,183
Notes and accounts receivable, net		11,552,765	10,708,057
Other assets		3,298,292	3,253,830
Investments		484,579,367	489,867,485
Receivable for investments		10,002,375	12,193,634
Beneficial interest in irrevocable trusts		4,351,809	5,601,191
Land, buildings, and equipment, net		255,010,867	229,662,255
Total assets	$	858,695,559	845,680,588
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	16,012,983	16,088,875
Construction costs payable		3,065,818	5,705,355
Deposits and advances		2,667,992	2,644,127
Pooled life income and charitable gift annuities payable		4,255,002	4,641,055
Asset retirement obligations		729,040	1,157,240
Refundable federal student loan funds		1,965,151	1,907,593
Accrued postretirement benefits		9,785,158	9,385,817
Long-term debt, net		168,102,222	170,652,856
Total liabilities		206,583,366	212,182,918
Net assets:			
Without donor restrictions		244,344,308	233,883,928
With donor restrictions		407,767,885	399,613,742
Total net assets		652,112,193	633,497,670
Total liabilities and net assets	$	858,695,559	845,680,588

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

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

	2019 Without donor restrictions	2019 With donor restrictions	2019 Total	2018 Total
Operating activities:				
Revenue:				
Tuition, fees, room and board, net of financial aid	$ 96,237,205	—	96,237,205	92,633,795
Investment return	24,888,381	—	24,888,381	22,812,330
Government grants	2,443,519	71,770	2,515,289	2,550,466
Private gifts and grants	4,548,022	2,451,388	6,999,410	18,232,927
Intercollegiate athletics and other sources	4,275,603	—	4,275,603	2,505,482
Auxiliaries enterprises	3,270,901	—	3,270,901	3,351,282
Net assets released from restrictions	7,009,279	(7,009,279)	—	—
Total revenue	142,672,910	(4,486,121)	138,186,789	142,086,282
Expenses:				
Instructional and departmental research	48,974,412	—	48,974,412	48,007,988
Sponsored research programs	1,042,075	—	1,042,075	917,155
Academic support	12,026,726	—	12,026,726	12,515,785
Student services	9,492,696	—	9,492,696	8,791,572
Institutional support	25,883,363	—	25,883,363	26,335,470
Auxiliaries operations	24,052,169	—	24,052,169	24,464,997
Intercollegiate athletics and other	11,032,660	—	11,032,660	11,197,453
Total expenses	132,504,101	—	132,504,101	132,230,420
Increase (decrease) in net assets from operating activities	10,168,809	(4,486,121)	5,682,688	9,855,862
Endowment and other net assets:				
Investment return	8,380,993	18,905,664	27,286,657	47,720,450
Endowment gains used to meet spending policy	(7,979,371)	(12,443,075)	(20,422,446)	(19,710,196)
Private gifts and grants	16,571	6,927,665	6,944,236	3,455,533
Accrued postretirement benefits	(1,192,334)	—	(1,192,334)	5,200
Other	315,722	—	315,722	171,986
Net assets released from restrictions	749,990	(749,990)	—	—
Increase in endowment and other net assets	291,571	12,640,264	12,931,835	31,642,973
Increase in net assets	10,460,380	8,154,143	18,614,523	41,498,835
Net assets at beginning of year, as restated	233,883,928	399,613,742	633,497,670	591,997,835
Net assets at end of year	$ 244,344,308	407,767,885	652,112,193	633,496,670

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2018

	2018		
	Without donor restrictions	With donor restrictions	Total
Operating activities:			
Revenue:			
Tuition, fees, room and board, net of financial aid	$ 92,633,795	—	92,633,795
Investment return	22,812,330	—	22,812,330
Government grants	2,320,853	229,613	2,550,466
Private gifts and grants	9,039,914	9,193,013	18,232,927
Intercollegiate athletics and other sources	2,505,482	—	2,505,482
Auxiliaries enterprises	3,351,282	—	3,351,282
Net assets released from restrictions	3,243,085	(3,243,085)	—
Total revenue	135,906,741	6,179,541	142,086,282
Expenses:			
Instructional and departmental research	48,007,988	—	48,007,988
Sponsored research programs	917,155	—	917,155
Academic support	12,515,785	—	12,515,785
Student services	8,791,572	—	8,791,572
Institutional support	26,335,470	—	26,335,470
Auxiliaries operations	24,464,997	—	24,464,997
Intercollegiate athletics and other	11,197,453	—	11,197,453
Total expenses	132,230,420	—	132,230,420
Increase in net assets from operating activities	3,676,321	6,179,541	9,855,862
Endowment and other net assets:			
Investment return	16,370,884	31,349,566	47,720,450
Endowment gains used to meet spending policy	(5,348,363)	(14,361,833)	(19,710,196)
Private gifts and grants	23	3,455,510	3,455,533
Accrued postretirement benefits	5,200	—	5,200
Other	171,986	—	171,986
Net assets released from restrictions	152,693	(152,693)	—
Increase in endowment and other net assets	11,352,423	20,290,550	31,642,973
Increase in net assets	15,028,744	26,470,091	41,498,835
Net assets at beginning of year, as restated	218,854,184	373,143,651	591,997,835
Net assets at end of year, as restated	$ 233,882,928	399,613,742	633,496,670

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Increase in net assets	$	18,614,523	41,499,835
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation and change in asset retirement obligations		10,096,346	10,583,988
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net		(27,754,864)	(48,525,413)
Change in gifts of securities		(94,232)	22,208
Change in present value of pooled life income annuities payable		115,114	(229)
Contributions for endowment or long-lived assets		(13,911,771)	(12,942,771)
Loss on disposal of equipment		5,200	38,571
Amortization of discount/premium of long-term debt, net		(311,875)	(311,875)
Changes in assets and liabilities:			
Accounts receivable		(546,208)	1,111,863
Pledges receivable, net		7,737,637	1,982,379
Irrevocable trusts		1,249,382	175,287
Other assets		(44,462)	252,635
Accounts payable and accrued expenses		(75,892)	2,208,539
Deposits and advances		23,865	(68,649)
Accrued postretirement benefits		399,341	(508,626)
Net cash used in operating activities		(4,497,896)	(4,482,258)
Cash flows from investing activities:			
Purchases of investments		(167,573,879)	(242,380,908)
Proceeds from the sales and maturities of investments		204,258,926	247,329,960
Change in deposits with bond trustees		12,400,395	30,129,907
Purchases of land, buildings, and equipment		(38,517,895)	(41,877,655)
Student loans issued		(1,200,615)	(913,899)
Proceeds from collections of student loans		902,115	1,003,734
Net cash provided by (used in) investing activities		10,269,047	(6,708,861)
Cash flows from financing activities:			
Decrease in federal student loan funds		57,558	(185,314)
Payments of long-term debt		(2,238,759)	(2,161,304)
Contributions for:			
Investment in endowment		5,402,351	3,821,319
Investment in long-lived assets		8,486,999	8,755,629
Investment in life income and charitable gift annuity agreements		22,421	365,823
Change in charitable gift annuities payable		(501,167)	247,521
Net cash provided by financing activities		11,229,403	10,843,674
Net increase (decrease) in cash and cash equivalents		17,000,554	(347,445)
Cash and cash equivalents, beginning of year		26,307,109	26,654,554
Cash and cash equivalents, end of year	$	43,307,663	26,307,109
Supplemental data:			
Interest paid	$	7,838,157	6,305,397
Change in construction costs payable		(2,639,537)	4,194,688
Change in receivable for investments sold		(2,191,259)	9,602,781

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts and engineering college located in Schenectady, New York. The College is a scholarly community dedicated to shaping the future and to understanding the past. Faculty, staff and administrators welcome diverse and talented students into the community, work closely with them to provide a broad and deep education, and guide them in finding and cultivating their passions. The College does this with a wide range of disciplines and interdisciplinary programs in Liberal Arts and Engineering, as well as academic, athletic, cultural, and social activities, including opportunities to study abroad and to participate in undergraduate research and community service. The College develops in its students the analytic and reflective abilities needed to become engaged, innovative, and ethical contributors to an increasingly diverse, global and technologically complex society.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified into the following categories:

- With donor restrictions – Net assets whose use by the College is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time and those required to be maintained in perpetuity or until prudently appropriated by the Board of Trustees of the College in accordance with New York State law. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the College's Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as revenues and net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the College satisfies the donor-imposed restriction. Contributions with donor restrictions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Endowment net assets include donor-restricted net assets and certain board restricted net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College's spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

(Continued)

The statement of activities reflects a subtotal for the increase (decrease) in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations and all expenses. Changes in endowment and other net assets reflects all other activity, including, but not limited to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of certain nonmarketable investments, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(d) Cash and Cash Equivalents

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less.

(e) Investments

Investments are reported in the financial statements at fair value. Investment return includes interest income and dividends and net realized and unrealized gains (losses). The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets, or observable prices that are based on inputs not in quoted markets, but corroborated by market data, as applicable. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at net asset value or its equivalent (NAV) provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed.

The College utilizes the NAV reported by the managers of each of the alternative investment funds as a practical expedient for estimating the fair value of each investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Changes to the liquidity provisions of the funds may also significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Investment Committee of the College's Board of Trustees continually monitors investment market conditions and the impact on the College's investment portfolio. 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 statements of financial position.

(f) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

(g) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. The College's policy is to capitalize assets of $2,000 and over. Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	40 years
Equipment:	
Furniture and other improvements	10 years
Vehicles	7 years
Computer equipment	3 years
Library books	10 years

(h) Deposits and Advances

Deposits and advances include student fees related to the College's summer session and other unearned revenue. These amounts are recognized as revenue as the services are provided to the services, generally in the following fiscal year.

(Continued)

(i) Federal Student Loan Funds

This liability represents Perkins Loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

(j) Pooled Life Income and Charitable Gift Annuities Payable

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods.

(k) Revenue Recognition

Tuition, fees, room and board revenue is recognized as services are provided over the academic term to which it relates. These amounts are presented net of financial aid. Revenue from other exchange transactions, generally presented as auxiliaries enterprises on the accompanying statements of activities, is recognized as revenue when goods or services are provided to customers, includes dining services that are not part of student contracts with the College, bookstore, and ice hockey rink.

Revenue from tuition, fees, student housing, and student meal plans is determined based on published rates, and is billed and reported in the statement of activities net of institutional aid. The components of tuition, fees, room and board, net of financial aid include:

		2019	2018
Tuition and fees	$	119,564,502	114,378,319
Room and board		27,190,248	26,097,487
Gross student charges		146,754,750	140,475,806
Less scholarships		(50,517,545)	(47,842,011)
Net student charges	$	96,237,205	92,633,795

Contributions received, including unconditional promises to give, are recognized at fair value as revenue within the appropriate net asset category when the donors' commitments are received. Conditional contributions or promises are recorded when donor-imposed stipulations have been substantially met. Conversely, contributions made by the College, including unconditional promises to give, are recognized as expenses in the period in which the commitments are made.

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations. Sponsored activities revenue related to exchange contracts is recognized as the College fulfills the terms of the agreements, which generally span less than five years, and sponsored activities revenue related to nonexchange contracts is recognized as the related costs are incurred.

(l) Tax Status

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the relevant tax authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(m) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College’s financial statements.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2019 and 2018, the College has recorded a liability of $729,040 and $1,157,240, respectively, representing the estimated present value of these conditional asset retirement obligations.

Other conditional asset retirement obligations may exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence of a range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College’s financial statements.

(n) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14). The primary changes include simplifying and enhancing the presentation of net assets, requiring operating expenses to be report by both natural and functional classifications, and expanding disclosures regarding liquidity and availability of resources. ASU 2016-14 has been adopted during 2019 with retrospective application to the prior period.

(Continued)

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2017 is below:

	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 216,071,218	—	216,071,218
Temporarily restricted	—	206,235,488	206,235,488
Permanently restricted	—	169,691,129	169,691,129
Net assets as previously presented	216,071,218	375,926,617	591,997,835
Reclassification to adopt ASU 2016-14:			
Underwater endowments	2,782,966	(2,782,966)	—
Net assets as reclassified	$ 218,854,184	373,143,651	591,997,835

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 231,527,795	—	231,527,795
Temporarily restricted	—	228,979,955	228,979,955
Permanently restricted	—	172,989,920	172,989,920
Net assets as previously presented	231,527,795	401,969,875	633,497,670
Reclassification to adopt ASU 2016-14:			
Underwater endowments	2,356,133	(2,356,133)	—
Net assets as reclassified	$ 233,883,928	399,613,742	633,497,670

The adoption of ASU 2016-14 also requires adjustment to the statement of activities for the year ended June 30, 2018, including adjusting amounts previously recorded as investment return, net of amounts designated for operations for the impact of the change in underwater endowments noted above.

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the College for the year ended June 30, 2019. The College's retrospective adoption of the ASU did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that tuition, fees, room and board be presented in the statement of activities net of any student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for student aid. Accordingly, the College's 2018 statement of activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. ASU 2018-18 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

(o) Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

(2) Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction expenditures not financed with debt, include the below:

		2019
Financial assets:		
Cash and cash equivalents	$	43,307,663
Notes and accounts receivable, net		5,970,000
Investments, undesignated		14,300,000
Pledges receivable, net, undesignated and collectible within one year		1,338,059
Subsequent year board approved endowment appropriation		23,100,000
Total financial assets available within one year	$	88,015,722

The College's working capital and cash flows have seasonal variations due to the timing of tuition billing as well as a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the College operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the College also has a revolving line of credit of $5,000,000 for working capital needs. The College did not draw upon this line of credit during the years ended June 30, 2019 and 2018.

(Continued)

Additionally, as of June 30, 2019, the College has $138,579,417 in quasi endowment which can be made available for general expenditure with approval from the Board, subject to investment liquidity provisions. The College also anticipates collection of $14,099,905 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

(3) Pledges Receivable, Net

Pledges receivable are expected to be collected as follows at June 30:

		2019	2018
Within one year	$	16,668,500	15,322,500
Between one year and five years		17,704,758	25,224,078
Greater than five years		7,964,195	9,455,785
		42,337,453	50,002,363
Less:			
Present value discount (0.72%–4.92%)		2,077,490	2,052,159
Allowance for doubtful pledges		1,239,417	1,192,021
	$	39,020,546	46,758,183

(4) Notes and Accounts Receivable, Net

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Notes receivable for student loans are expected to be collected within 15 years and interest rates average approximately 7%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Notes and accounts receivable consist of the following at June 30:

		2019	2018
Notes receivable	$	7,640,765	7,463,597
Accounts receivable		5,740,061	4,950,617
		13,380,826	12,414,214
Less allowance for doubtful accounts		1,828,061	1,706,157
	$	11,552,765	10,708,057

(5) Investments and Fair Value

(a) Basis of Reporting

Investments include endowment, charitable gift annuities, pooled life income funds, and unrestricted operating investments. Investments are reported at estimated fair value.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Except for investments reported at NAV as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets and liabilities carried at fair value based on the valuation methodologies employed. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

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

Receivable for investments represents amounts receivable from unsettled sales and is classified as Level 1 in the fair value hierarchy.

The College's investments as of June 30, 2019, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Short-term investments	$ 17,414,343	17,414,343	—	Daily	1
Common stocks and mutual funds	81,000,347	81,000,347	—	Daily	4
Fixed income – bonds	35,005,086	35,005,086	—	Daily	1
Mortgages and other	1,239,404	—	1,239,404	Daily	1
Emerging markets funds	4,790,441	—	4,790,441	Daily	1
Real assets	11,430,702	11,430,702	—	Daily	1
Assets held in beneficial trust	4,141,699	3,749,661	392,038	Illiquid	N/A
Total investments at fair value	155,022,022	$ 148,600,139	6,421,883		
Investments measured at NAV:					
Commingled funds:					
U.S. equities	59,377,190			Annual rolling – 3 years	45–90
International equities	48,487,768			Monthly – Quarterly	10–60
Private equity and venture capital	54,536,954			Illiquid	N/A
Multistrategy funds	27,096,072			Annual – Illiquid	60–N/A
Hedged equity funds	61,339,981			Monthly – Illiquid	60–N/A
Emerging markets funds	31,148,911			Monthly – Quarterly	6–90
Distressed debt	22,381,241			Semi Annual – Illiquid	60–N/A
Real assets	25,189,228			Illiquid	N/A
Total investments measured at NAV	329,557,345				
Total investments	$ 484,579,367				

The College's investments as of June 30, 2018, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Short-term investments	$ 19,919,745	19,919,745	—	Daily	1
Common stocks and mutual funds	40,956,452	40,956,452	—	Daily	4
Fixed income – bonds	46,269,284	46,269,284	—	Daily	1
Mortgages and other	344,545	—	344,545	Daily	1
Debt-related funds	449,644	449,644	—	Daily	15
Emerging markets funds	4,897,051	—	4,897,051	Daily	1
Real assets	11,127,503	11,127,503	—	Daily	1
Assets held in beneficial trust	4,148,737	3,734,004	414,733	Illiquid	N/A
Total investments at fair value	128,112,961	$ 122,456,632	5,656,329		
Investments measured at NAV:					
Commingled funds:					
U.S. equities	71,225,682			Annual rolling – 5 years	30–90
International equities	59,681,437			Monthly – Quarterly	6–60
Private equity and venture capital	50,456,054			Illiquid	N/A
Multistrategy funds	26,364,459			Annual – Illiquid	60–N/A
Debt-related funds	6,033,827			Monthly	30–60
Hedged equity funds	81,412,217			Monthly – Illiquid	60–N/A
Emerging markets funds	19,305,576			Monthly – Quarterly	6–90
Distressed debt	21,576,308			Semi Annual – Illiquid	60–N/A
Real assets	25,698,964			Illiquid	N/A
Total investments measured at NAV	361,754,524				
Total investments	$ 489,867,485				

There were no Level 3 investments, nor were there transfers between Level 1 and Level 2 investments during the years ended June 30, 2019 or 2018.

(b) Liquidity and Commitments

The limitations and restrictions on the College's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests.

Based upon the terms and conditions in effect at June 30, 2019, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:		
Daily	$	150,880,323
Monthly		52,890,610
Quarterly		55,136,096
Semi-annual		25,239,842
Annual		33,930,197
1 year		53,410,632
3 years		28,854,567
Locked-up until liquidated		84,237,100
Total	$	484,579,367

Investment funds that are in the locked-up until liquidated category are primarily related to private equity and venture capital investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable fund's investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds, which date back as far as 2002.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2019, the College had commitments of approximately $47,070,000, due through June 2028, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(c) Investment Return

The College utilizes an endowment spending policy that emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's Board of Trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2019 and 2018, was approximately 6.5% and 11.9%, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities:

		2019	2018
Interest income and dividends	$	4,465,935	3,102,134
Net realized and unrealized gains		27,286,657	47,720,450
Total return on investments		31,752,592	50,822,584
Investment return designated for current operations		24,888,381	22,812,330
Investment return net of amounts designated for current operations	$	6,864,211	28,010,254

Investment management fees (including any incentive fees) were approximately $10,600,000 and $9,100,000 in 2019 and 2018, respectively. Fees paid of approximately $2,990,000 and $1,980,000 in 2019 and 2018, respectively, were netted against interest income and dividends. The remaining fees are netted against net realized and unrealized gains.

(6) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, net assets without donor restrictions designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the laws of the State of New York.

College designated endowment funds are net assets without donor restrictions that may be re-designated for authorized expenditures. At June 30, 2019 and 2018, endowment and similar funds balances are approximately $470,300,000 and $456,500,000, respectively, which includes pooled endowment net assets of approximately $443,200,000 and $427,800,000, respectively.

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College classifies as net assets with donor restrictions (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds, and (d) unspent endowment earnings until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee of the College's Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

Total endowment net assets are classified as follows at June 30:

	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	331,729,699	331,729,699
Board designated	138,579,417	—	138,579,417
Total	$ 138,579,417	331,729,699	470,309,116

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	319,122,608	319,122,608
Board designated	137,404,978	—	137,404,978
Total	$ 137,404,978	319,122,608	456,527,586

The following is a summary of the changes in endowment net assets for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Pooled endowment net assets, June 30, 2018	$ 128,350,208	299,462,695	427,812,903
Gifts and other additions:			
Contributions (excluding pledges)	16,571	6,327,628	6,344,199
Investment income added to principal	849,428	—	849,428
Transfers from (to) other funds	75,417	1,262,988	1,338,405
Subtotal	941,416	7,590,616	8,532,032
Investment income:			
Interest and dividends	416,204	—	416,204
Net realized and unrealized gains	8,347,295	18,905,664	27,252,959
Subtotal	8,763,499	18,905,664	27,669,163
Income distributed for operating purposes:			
Cash and accrued interest and dividends	416,205	—	416,205
Gains used to meet endowment spending	7,979,371	12,443,075	20,422,446
Subtotal	8,395,576	12,443,075	20,838,651
Pooled endowment net assets, June 30, 2019	129,659,547	313,515,900	443,175,447
Other endowment and similar net assets, June 30, 2018	9,054,770	19,659,913	28,714,683
Investment income:			
Interest and dividends	197,263	—	197,263
Net realized and unrealized gains	(246,739)	—	(246,739)
Subtotal	(49,476)	—	(49,476)
Contributions (excluding pledges)	—	22,419	22,419
Actuarial adjustments	83,174	—	83,174
Other changes	(168,598)	(1,468,533)	(1,637,131)
Other endowment and similar net assets, June 30, 2019	8,919,870	18,213,799	27,133,669
Total endowment and similar net assets, June 30, 2019	$ 138,579,417	331,729,699	470,309,116

The following is a summary of the changes in endowment net assets for the year ended June 30, 2018:

		Without donor restrictions	With donor restrictions	Total
Pooled endowment net assets, June 30, 2017	$	119,116,368	278,217,659	397,334,027
Gifts and other additions:				
Contributions (excluding pledges)		23	3,821,296	3,821,319
Investment income added to principal		794,913	—	794,913
Transfers from (to) other funds		(2,331,334)	436,007	(1,895,327)
Subtotal		(1,536,398)	4,257,303	2,720,905
Investment income:				
Interest and dividends		324,001	—	324,001
Net realized and unrealized gains		16,118,601	31,349,566	47,468,167
Subtotal		16,442,602	31,349,566	47,792,168
Income distributed for operating purposes:				
Cash and accrued interest and dividends		324,001	—	324,001
Gains used to meet endowment spending		5,348,363	14,361,833	19,710,196
Subtotal		5,672,364	14,361,833	20,034,197
Pooled endowment net assets, June 30, 2018		128,350,208	299,462,695	427,812,903
Other endowment and similar net assets, June 30, 2017		10,785,566	19,466,960	30,252,526
Investment income:				
Interest and dividends		203,324	—	203,324
Net realized and unrealized gains		17,652	—	17,652
Subtotal		220,976	—	220,976
Contributions (excluding pledges)		—	325,368	325,368
Actuarial adjustments		31,307	—	31,307
Other changes		(1,983,079)	(132,415)	(2,115,494)
Other endowment and similar net assets, June 30, 2018		9,054,770	19,659,913	28,714,683
Total endowment and similar net assets, June 30, 2018	$	137,404,978	319,122,608	456,527,586

(Continued)

(a) Spending Policy

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment based on the three-year average market value as of June 30, with a one-year lag. For the year ended June 30, 2019, the three fiscal years used in the calculation are the fiscal years ended June 30, 2015, 2016, and 2017. For the year ended June 30, 2018, the three fiscal years used in the calculation are the fiscal years ended June 30, 2014, 2015, and 2016.

The total pooled endowment spending was 5.41% and 5.32% for the fiscal years ended June 30, 2019 and 2018, respectively. This rate includes the base spending rate of 4.96% and 4.86% for the fiscal years ended June 30, 2019 and 2018, respectively, as well as additional spending that was undertaken to launch the College's Minerva Houses (the U2K initiative). The Board of Trustees approved in 2001 additional endowment spending to cover the debt service and other costs associated with the Minerva House System project, one of the College's most important academic initiatives.

(b) Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and the preservation of the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee of the College's Board of Trustees meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. Deficiencies of this nature exist in 87 donor-restricted endowment funds, which together have an original gift value of approximately $21,627,000, a current fair value of $19,721,000, and a deficiency of $1,906,000 as of June 30, 2019. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs for which donor permission was received as required by NYPMIFA and as was deemed prudent by the Board of Trustees. As of June 30, 2018, deficiencies of this nature existed in 114 donor-restricted endowment funds, which together have an original gift value of approximately $26,000,000, a current fair value of $23,600,000, and a deficiency of $2,400,000.

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other board designated endowments and accumulated realized gains on these board designated endowments or other funds without donor restrictions.

(7) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

		2019	2018
Land	$	101	101
Buildings		167,907,643	167,907,643
Improvements		126,683,965	120,076,420
Equipment		102,080,976	97,787,942
Library books		41,609,993	40,941,086
Construction in progress		80,650,142	56,737,960
		518,932,820	483,451,152
Less accumulated depreciation		(263,921,953)	(253,788,897)
	$	255,010,867	229,662,255

Capitalized interest was $3,221,406 and $3,063,298 during the years ended June 30, 2019 and 2018, respectively. Depreciation expense $10,096,346 and $10,583,988 for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, fixed assets (original cost) disposed were $396,687 and $470,163, respectively, resulting in losses on disposal of $5,200 and $38,571, respectively.

At June 30, 2019, the College has outstanding contracts totaling approximately $20,885,000, a majority of which relates to the renovation of the Science and Engineering Center. Completion of this project is expected to occur within the next year.

(8) Long-Term Debt

The following is a summary of long-term debt:

	Maturity date	Interest rate		Outstanding at June 30 2019	2018
2012A Issue – Refunding Revenue Bond	2032	Fixed at 3.82%	$	20,298,545	21,530,356
2013 Taxable Bonds – M&T Trust Company	2043	Fixed at 5.642%		39,153,078	39,100,706
2013 Capital Lease – First American	2019	Fixed at 4.006%		66,314	130,073
2015 Taxable Bonds – M&T Trust Company	2036	Fixed at 4.877%		10,047,548	10,037,698
2015A Taxable Bonds – M&T Trust Company	2032	Fixed at 3.95%		25,825,952	26,844,102
2017 Tax-exempt Bond – M&T Trust Company	2047	Fixed at 5.00%		72,710,785	73,009,921
Total debt			$	168,102,222	170,652,856

Interest expense on long-term debt was $4,526,874 and $4,752,284 for 2019 and 2018.

Proceeds of long-term debt have been used by the College to primarily finance building and construction programs. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees on the statements of financial position. Deposits with bond trustees are classified as Level 1 in the fair value hierarchy. Certain debt is collateralized by municipal bond insurance.

In April 2012, the College borrowed $21,640,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. The debt was used to refinance amounts outstanding on prior debt issues. The final maturity of the bond will be July 1, 2032, subject to the College's optional redemption on June 1, 2022.

In November 2013, the College borrowed $40,410,000 through taxable financing, with JPMorgan acting as the underwriter. The debt will be used for the project costs of various building renovation/construction projects through 2019. The final maturity of the bond will be November 15, 2043 with a balloon payment due.

In June 2015, the College borrowed $10,215,000 through taxable financing, with JPMorgan acting as the underwriter. The debt will be used for the project costs of various building renovation/construction projects. The final maturity of the bond will be July 1, 2035 with a balloon payment due.

In October 2015, the College borrowed $28,325,000 through taxable financing, with JP Morgan Chase acting as the underwriter. The debt was used to refinance amounts outstanding on prior debt issue. The final maturity of the bond will be July 1, 2031.

In April 2017, the College borrowed $74,702,514 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. $50,000,000 of the debt will be used toward the financing of the renovation/construction of the Science and Engineering Center. $15,300,000 was used to refund the Series 2010 bonds. The remaining amount of the debt proceeds was used to fund the Capitalized Interest Fund in the amount of $7,900,000, as well as costs of issuance. The final maturity of the bond will be January 1, 2047. The bonds were issued at a premium of approximately $10,000,000.

(Continued)

Principal payments and maturities of long-term debt at June 30, 2019 are summarized as follows:

Year ending June 30:		
2020	$	2,316,313
2021		5,430,000
2022		5,525,000
2023		5,635,000
2024		8,335,000
Thereafter		132,935,000
Principal maturities		160,176,313
Add unamortized bond premium		11,316,022
Less unamortized bond discounts		(1,142,581)
Less deferred cost of issuance		(2,247,532)
Total long-term debt	$	168,102,222

Line of Credit

The College has an unsecured line of credit in the amount of $5,000,000 with Bank of America, which expires March 22, 2021. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 0.70% (adjusted each month). During the years ended June 30, 2019 and 2018, the College had not borrowed against this line of credit.

(9) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees.

The College's contribution expense under this plan was $5,462,995 and $5,662,062 for the years ended June 30, 2019 and 2018, respectively.

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and recognizes changes in that funded status in the year they occur. The College uses a June 30 measurement date for its postretirement healthcare plan (the Plan).

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid as of and for the years ended June 30, 2019 and 2018 are as follows:

		2019	2018
Change in benefit obligations:			
Benefit obligation at beginning of year	$	9,385,817	9,894,443
Service cost		343,910	346,159
Interest cost		339,802	300,085
Actuarial (gain) loss		922,673	(289,647)
Benefits paid		(1,207,044)	(865,223)
Benefit obligation at end of year	$	9,785,158	9,385,817

		2019	2018
Accrued benefit cost:			
Funded status	$	(9,785,158)	(9,385,817)
Weighted average assumptions as of June 30:			
Discount rate – benefit obligation		2.78 %	3.70 %
Discount rate – periodic postretirement benefit cost		3.70	3.07

For measurement purposes, a 6.6% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2019. The rate was assumed to decrease to 6.2% for 2020, and then decrease gradually from 5.5% to 3.9% for 2021 and thereafter.

		2019	2018
Components of net periodic benefit cost:			
Service cost	$	343,910	346,159
Interest cost		339,802	300,085
Amortization of actuarial loss		96,144	130,863
Amortization of prior service credit		(365,805)	(415,310)
Net periodic postretirement benefit cost	$	414,051	361,797

Amounts recorded in net assets without donor restrictions as of June 30, 2019 and 2018, but not yet amortized as components of net periodic benefit costs are as follows:

		2019	2018
Unamortized prior service credit	$	1,799,811	2,165,616
Unamortized actuarial loss		(2,159,411)	(1,332,882)
Amount recognized as a (decreased) increase in net assets without donor restrictions	$	(359,600)	832,734

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2020 is ($204,000).

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in the healthcare trend rates would have the following effect on the postretirement benefit obligation at June 30, 2019:

		One-percentage-point	
		Increase	Decrease
Effect on total of service and interest cost components	$	27,445	(24,738)
Effect on postretirement benefit obligation		291,901	(266,814)

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

		Postretirement benefit payments
2020	$	960,076
2021		931,446
2022		974,756
2023		991,042
2024		976,460
2025–2029		4,506,363
Total	$	9,340,143

(10) Net Assets

Net assets consist of the following at June 30:

		2019	2018
With donor restrictions:			
Pledges for instruction, scholarship, facilities, and other departmental support	$	39,020,546	46,758,183
Capital projects		33,651,445	29,251,647
Pooled term endowments		313,515,900	299,462,695
Life income and annuity agreements		3,085,844	3,290,108
Funds in trust and other nonpooled endowments		15,127,955	16,369,805
Annual restricted scholarships and other funds		3,366,195	4,481,304
Total	$	407,767,885	399,613,742
Without donor restrictions:			
Operating, plant and other	$	105,764,891	96,478,950
Quasi endowments		138,579,417	137,404,978
Total	$	244,344,308	233,883,928

(11) Natural Expenses

Operating expenses presented by natural and functional classification are as follows for the fiscal years ended June 30:

	2019						
	Salaries and wages	Benefits	Supplies, services and other	Depreciation	Interest	Operations and maintenance	Total
Instructional and departmental research	$ 27,592,501	10,522,739	5,587,844	2,901,509	588,514	1,781,305	48,974,412
Sponsored research programs	—	—	1,042,075	—	—	—	1,042,075
Academic support	4,691,368	2,076,288	3,778,740	515,243	646,387	318,700	12,026,726
Student services	4,105,323	1,249,694	2,920,156	662,310	338,952	216,261	9,492,696
Institutional support	12,009,055	4,124,082	7,382,250	1,315,710	238,443	813,823	25,883,363
Auxiliaries operations	5,175,436	761,234	9,972,647	3,717,092	2,473,723	1,952,037	24,052,169
Intercollegiate athletics and other	3,765,053	1,455,481	3,977,844	984,482	240,855	608,945	11,032,660
Total expenses	$ 57,338,736	20,189,518	34,661,556	10,096,346	4,526,874	5,691,071	132,504,101

	2018						
	Salaries and wages	**Benefits**	**Supplies, services and other**	**Depreciation**	**Interest**	**Operations and maintenance**	**Total**
Instructional and departmental research	$ 26,643,145	10,587,990	6,221,097	2,492,214	641,261	1,422,281	48,007,988
Sponsored research programs	—	—	917,155	—	—	—	917,155
Academic support	4,537,204	2,168,705	4,236,572	581,304	657,346	334,654	12,515,785
Student services	4,063,769	1,544,081	1,882,911	709,906	362,225	228,680	8,791,572
Institutional support	12,174,480	4,304,952	7,190,813	1,521,080	268,466	875,679	26,335,470
Auxiliaries operations	5,225,384	848,624	9,603,177	4,155,629	2,562,904	2,069,279	24,464,997
Intercollegiate athletics and other	3,689,622	1,511,850	3,965,046	1,123,855	260,082	646,998	11,197,453
Total expenses	$ 56,333,604	20,966,202	34,016,771	10,583,988	4,752,284	5,577,571	132,230,420

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

Expenses associated with fundraising activities of the College were $4,522,085 and $4,632,056 in 2019 and 2018, respectively, and are included in institutional support. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

(12) Collections

The College’s collections are made up of approximately 19,000 objects and their estimated fair value is approximately $19,400,000. The College’s policy is not to capitalize its collections. The College’s collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College’s collections are held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccession of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2019 and 2018, no objects were deaccessioned.

(13) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2019 and through October 24, 2019, the date on which the financial statements were issued.