

Simmons University
Financial Statements
June 30, 2019 and 2018

Simmons University
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June 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Trustees of
Simmons University

We have audited the accompanying financial statements of Simmons University (the "University"), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities for the year ended June 30, 2019 and of cash flows for the years ended June 30, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Simmons University as of June 30, 2019 and 2018 and the changes in its net assets for the year ended June 30, 2019 and its cash flows for the years ended June 30, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019. Our opinion is not modified with respect to this matter.

Other Matter

We previously audited the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 18, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2018 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 16, 2019

Simmons University
Statements of Financial Position
June 30, 2019 and 2018

(in thousands of dollars)

	2019	2018
Assets		
Cash and cash equivalents	\$ 20,583	\$ 28,432
Accounts receivable, net	13,162	12,705
Contributions receivable, net	1,934	3,094
Investments	196,744	195,453
Beneficial interest in trusts	9,257	8,966
Loans to students, net	1,840	2,269
Other assets	11,006	11,468
Property, plant, and equipment, net	169,321	172,011
Total assets	<u>\$ 423,847</u>	<u>\$ 434,398</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 11,904	\$ 12,826
Deposits payable and deferred revenues	20,413	22,473
Bonds payable	147,091	152,218
U.S. government loan advances	1,746	1,821
Other liabilities	3,111	2,722
Total liabilities	<u>184,265</u>	<u>192,060</u>
Net assets		
Without donor restrictions	<u>75,714</u>	<u>77,012</u>
With donor restrictions		
Time or purpose	7,909	10,549
Endowment returns subject to future appropriation	72,690	73,732
Perpetual	83,269	81,045
Total with donor restrictions	<u>163,868</u>	<u>165,326</u>
Total net assets	<u>239,582</u>	<u>242,338</u>
Total liabilities and net assets	<u>\$ 423,847</u>	<u>\$ 434,398</u>

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

Simmons University
Statement of Activities
Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<i>(in thousands of dollars)</i>				
Total operating revenues and other support				
Student income				
Tuition and fees	\$ 149,202	\$ -	\$ 149,202	\$ 144,988
Residence and dining fees	15,436	-	15,436	15,744
Total student income	164,638	-	164,638	160,732
Investment return in support of operations	2,424	6,610	9,034	8,839
Gifts	1,397	2,596	3,993	7,646
Government and private grants	3,269	-	3,269	2,625
Auxiliary and other operating revenues	13,817	-	13,817	12,055
Net assets released from restriction	11,628	(11,628)	-	-
Total operating revenues and other support	197,173	(2,422)	194,751	191,897
Operating expenses				
Salaries and wages	72,703	-	72,703	69,642
Employee benefits	17,105	-	17,105	15,517
Materials, supplies, and services	36,725	-	36,725	35,960
Partner share of online programs	52,141	-	52,141	51,869
Interest expense	6,163	-	6,163	5,570
Total operating expenses	184,837	-	184,837	178,558
Results from operations before depreciation and accretion	12,336	(2,422)	9,914	13,339
Depreciation and accretion expense	12,232	-	12,232	12,066
Results from operations after depreciation and accretion	104	(2,422)	(2,318)	1,273
Nonoperating revenues, gains, and losses				
Gifts	-	2,266	2,266	1,539
Total investment return, net	1,907	5,103	7,010	13,796
Distribution of investment return in support of operations	(2,424)	(6,610)	(9,034)	(8,839)
Change in value of trusts	-	182	182	385
Loss on disposal of fixed assets	(147)	-	(147)	-
Loss on extinguishment of debt	(715)	-	(715)	(3)
Net assets released due to donor redesignation	(23)	23	-	-
Change from nonoperating activity	(1,402)	964	(438)	6,878
Change in net assets	(1,298)	(1,458)	(2,756)	8,151
Net assets, beginning of year	77,012	165,326	242,338	234,187
Net assets, end of year	\$ 75,714	\$ 163,868	\$ 239,582	\$ 242,338

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

Simmons University
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

(in thousands of dollars)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (2,756)	\$ 8,151
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and accretion expense	12,232	12,066
Amortization of bond premium/discount and bond issuance costs, net	(658)	(308)
Loss on extinguishment of long-term debt	715	-
Noncash contribution securities received	(209)	(316)
Proceeds from sale of contributed securities	123	304
Net realized and unrealized (gain) on investments	(5,565)	(12,276)
Change in beneficial interest in trusts	(182)	(385)
Net realized loss on disposals of property, plant and equipment, including insurance recoveries	147	-
Contributions to be used for long-term purposes	(2,317)	(1,974)
Cash premium received upon issuance of bonds	5,750	-
Change in reserve for bad debt	(226)	405
Changes in assets and liabilities		
Decrease (increase) in receivables and other assets	1,341	(121)
Increase in accounts payable and accrued liabilities	1,641	399
(Decrease) increase in deferred revenues and deposits payable	(2,060)	2,048
Net cash provided by operating activities	<u>7,976</u>	<u>7,993</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(11,677)	(7,457)
Proceeds from the sale and maturities of investments	30,568	57,331
Purchases of investments	(26,389)	(51,026)
Increase in amounts held under agreement with bond trustee	1	48
Student loans advanced	(73)	(87)
Student loans collected	550	519
Net cash used in investing activities	<u>(7,020)</u>	<u>(672)</u>
Cash flows from financing activities		
Repayments of long-term debt	(4,680)	(5,015)
Payment to bondholders for closing of bonds	(47,910)	-
Proceeds from bond issuance	42,385	-
Debt issuance costs	(729)	-
Payments to annuity beneficiaries	(259)	(287)
Contributions to be used for long-term purposes	2,317	1,974
Proceeds from sale of contributed securities for long-term purposes	71	12
Net cash used in financing activities	<u>(8,805)</u>	<u>(3,316)</u>
Net (decrease) increase in cash and cash equivalents	<u>(7,849)</u>	<u>4,005</u>
Cash and cash equivalents		
Beginning of year	<u>28,432</u>	<u>24,427</u>
End of year	<u>\$ 20,583</u>	<u>\$ 28,432</u>
Supplemental data / noncash investing and financing activity		
Cash paid for interest	\$ 6,182	\$ 5,426
Purchases of property, plant, and equipment in accounts payable and accrued liabilities	800	2,858
Noncash contribution securities received	209	316

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

Simmons University

Notes to Financial Statements

June 30, 2019 and 2018

1. Organization

Simmons University (the "University") is a private, nonsectarian institution located in Boston's Back Bay that currently serves approximately 1,700 undergraduate women and over 4,000 men and women in its graduate programs at the master and doctoral levels. In addition, the University also offers Online Graduate Programs in Nursing, Social Work, Business Administration, Healthcare Business Administration, Public Health, Behavioral Analysis, Nutrition and Library and Information Sciences.

The University is a qualified tax-exempt organization under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

2. Accounting Policies

(a) Basis of Presentation

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

(b) Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. The University reports all expenditures in this class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

With donor restrictions: net assets are subject to donor stipulations that expire with the passage of time can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

(c) Nonoperating Revenues, Gains and Losses

The nonoperating revenues, gains and losses include investment income, realized and unrealized investment gains and losses net of amounts distributed in support of operations, change in value of trusts, contributions to net assets with donor intentions that are not available for current operational use, insurance recoveries, loss on extinguishment of debt and nonoperating net assets released due to donor redesignation.

(d) Fundraising Expenses

Expenses associated with fundraising were \$2,837,000 and \$2,331,000 in 2019 and 2018, respectively, and are included in institutional support and advancement expenditures disclosed in Note 15.

(e) Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity date of three months or less. For purposes of the statements of financial position and cash flows, cash and cash equivalents exclude such amounts which are included within the investment accounts.

Simmons University

Notes to Financial Statements

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(f) Investments and Life Income Funds

Investments and life income funds are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Certain investments are not publicly traded and are referred to as alternative investments. The alternative investments are carried at estimated fair values as provided by the investment managers (Notes 7 and 9).

The University invests in various securities, including U.S. government securities, corporate debt instruments, hedge funds, private equities, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

(g) Endowment Investment and Spending Policies

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in Massachusetts. The Trustees of the University have interpreted the Massachusetts enacted version of UPMIFA as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be net assets with donor restrictions until appropriated for expenditure.

The University has adopted investment and spending policies for endowment assets to provide long term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs and operations). The time horizon for the endowment is perpetuity. The assets of the University are managed accordingly by external professional investment managers or invested in professionally managed funds, including funds of funds or managers of managers. The appointment of such managers or funds is the responsibility of the Investment Committee, a standing committee of the Board of Trustees. Investment managers have discretion over their investment programs, subject to appropriate constraints reflected in the University's Investment Policy Statements or in the applicable investment management contracts.

The long-term objective of the University is to achieve a total return equivalent to or greater than the expected return. The expected return is the sum of the annual spending rate, the long-term inflation rate and any growth factor which the Investment Committee may deem appropriate. The spending rate for the years ended June 30, 2019 and June 30, 2018 was 5.0%. The annual spending rate calculation is based on the average of the prior twelve quarter end market values as of December 31. To the extent that current yield is inadequate to meet the spending rate, a portion of cumulative realized and unrealized net gains is also available for current use.

(h) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of receipt. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. The University reports gifts of property and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Simmons University

Notes to Financial Statements

June 30, 2019 and 2018

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The estimated useful lives used in computing depreciation are as follows:

Furniture, fixtures and equipment	3–15 years
Land improvements	10 years
Library books	10 years
Building renovations	20 years
Buildings	40–50 years

Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the remaining lease term. The range of depreciable lives currently included in leasehold improvements is between 5 and 20 years.

The University's policy is not to capitalize collections, primarily art objects, as they are held for educational, research, and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Any proceeds from the sale of collection items are used to acquire other items for the collection.

(i) Asset Retirement Obligations

The University has recognized an asset retirement obligation for the future remediation of asbestos in campus facilities. The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statements of Activities. The accrual balance for this obligation of \$1,919,000 and \$1,848,000 as of June 30, 2019 and 2018 is included in Other liabilities in the Statements of Financial Position.

(j) Fair Value of Financial Instruments Other Than Investments

The carrying amounts of cash equivalents, accounts receivable, accrued interest receivable, accounts payable, and student deposits approximate fair value because of the short maturities of these financial instruments.

Reasonable estimates of the fair values of the notes receivable from students under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designees.

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Notes to Financial Statements

June 30, 2019 and 2018

(k) Tuition and Fees Revenue

The University recognizes tuition and fees revenue in the period in which the educational instruction is performed. Revenue is recognized ratably over the period in which the courses take place. Accordingly, tuition and fees received in advance are deferred until the educational instruction is provided and related expenses incurred. Students receive financial aid to help defray the cost of tuition and fees and reduce the amount of revenue recognized by the University.

The University offers courses during the summer months that span two reporting periods. Deferred revenues related to these summer terms are \$19,070,000 and \$20,704,000 for the years ended June 30, 2019 and 2018, respectively.

Deposits paid by students for future terms are recognized in the term in which the student begins their enrollment. Tuition deposits were \$427,000 and \$431,000 at June 30, 2019 and 2018, respectively.

(l) Residence and Dining Revenue

Residence and dining revenue includes revenue generated as a result of students utilizing University-sponsored housing and meal plans. Certain students receive financial aid that helps defray the costs of these services and reduces the amount of revenue recognized. Performance obligations for housing and dining services are delivered over the academic terms and consequently revenue is recognized ratably as services are rendered.

The University offers residence opportunities during the summer months that span two reporting periods. Deferred revenue related to summer residence is \$49,000 and \$121,000 at June 30, 2019 and 2018, respectively.

Deposits paid by students for housing are held until the conclusion of the student's residency in University-sponsored housing. Residence deposits were \$387,000 and \$366,000 at June 30, 2019 and 2018, respectively.

(m) Student Aid

Student aid reduces the published price of student Tuition and fees for students receiving such aid. Student aid is applied by the University first to Tuition and fees charges and any remainder defrays the cost of their Residence and dining fees, if applicable. As such, student aid is referred to as a discount and is the difference between the published charges and the amount that is billed to the student.

Total student aid awarded was \$50,446,000 and \$47,313,000 for the years ended June 30, 2019 and 2018, respectively.

Financial aid provided to students consisted of aid relative to:

<i>(in thousands of dollars)</i>	2019	2018
Undergraduate and graduate tuition and fees	\$ 48,774	\$ 45,644
Online program tuition and fees	299	459
Residence and dining fees	719	532

Scholarships and other awards paid directly to students totaled \$654,000 and \$678,000 in 2019 and 2018, respectively. These payments are reported within Materials, supplies and services expenses in the Statements of Activities.

Simmons University

Notes to Financial Statements

June 30, 2019 and 2018

(n) Auxiliary and Other Operating Revenues

Auxiliary and Other operating revenues include revenues from contracts with customers to provide space leases, parking services, ticket sales for conferences and athletic events, hosting of conferences and events for third parties, and other miscellaneous activities.

Parking service revenue is recorded ratably over the period for which the parking permits have been sold. For ticket sales, revenue is recognized after the event occurs. Revenues are recorded for the hosting of conferences and events ratably over the duration of the conference or event. Deferred revenue related to these activities was \$370,000 and \$198,000 at June 30, 2019 and 2018, respectively.

The University leases parking garage and office space to third parties. The leases have scheduled annual increases which the University recognizes on a straight-line basis over the lease term beginning with the start of the lease.

Future minimum lease payments due to the University on leases of parking garage and office space are as follows:

(in thousands of dollars)

Year Ending June 30,	
2020	\$ 3,259
2021	2,065
2022	2,127
2023	2,191
2024	1,112
Thereafter	-
	<hr/>
	\$ 10,754

(o) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donors' commitments are received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Conditional promises are recorded at their fair values when donor stipulations are substantially met.

Contributed securities are recorded at their fair value at the date of contribution. Contributed securities that are immediately sold are presented within cash flows from operations if there are no donor imposed restrictions and within cash flows from financing if there are donor imposed restrictions for a long term purpose.

Grant-sponsored activities which are authorized by the sponsor, but for which costs have not yet been incurred, totaled \$2.9 million as of June 30, 2019.

(p) 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Simmons University
Notes to Financial Statements
June 30, 2019 and 2018

(q) New Accounting Pronouncements

On July 1, 2018, the University adopted ASU 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This standard is intended to improve net asset classification requirements and the information presented in the financial statements and notes about a Not-for-Profit’s liquidity, financial performance, and cash flows.

The standard requires the University to reclassify net assets from three categories (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. In addition, the guidance requires enhanced disclosures about governing board designations; composition of net assets with donor restrictions; the University’s liquidity; and expenses by both their natural and functional classification. The University adopted the standard on a retrospective basis.

The effect on the University’s net asset balances at June 30, 2018 as a result of implementing ASU 2016–14 is as follows:

<i>(in thousands of dollars)</i>	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
As previously presented			
Unrestricted	\$ 77,012	\$ -	\$ 77,012
Temporarily restricted	-	84,281	84,281
Permanently restricted	-	81,045	81,045
	\$ 77,012	\$ 165,326	\$ 242,338

On July 1, 2018, the University adopted ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU No. 2014-09 requires new and enhanced disclosures. The University adopted the standard on a retrospective basis and has retrospectively adjusted the presentation of prior year financial statements as a result of the adoption. The adoption did not have a material impact on the University’s financial statements.

On July 1, 2018, the University adopted ASU No. 2018- 08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The University has evaluated and applied the guidance to the financial statements and relevant disclosures. The adoption of this standard did not have a material impact on the University’s financial statements. The University applied the standard on a modified prospective basis.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The University early adopted provisions to eliminate the requirement to disclose the fair value of debt during the fiscal year ended June 30, 2016. The University is evaluating the impact of the new guidance on the financial statements in anticipation of this guidance being effective in fiscal year 2020.

Simmons University
Notes to Financial Statements
June 30, 2019 and 2018

(r) Summarized Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Simmons' financial statements for the year ended June 30, 2018, from which the summarized information was derived.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

(t) Revision

During 2019, management identified a prior period immaterial misstatement and as a result, certain amounts within the 2018 footnotes have been revised to correct the misstatement.

Specifically, three investment funds of \$16,600,000 were misclassified as private equity at NAV and one investment fund of \$1,200,000 was misclassified as equities at NAV within the Investments and Fair value measurements footnotes. As a result of the revision, \$8,700,000 was reclassified to Hedge Funds at NAV and \$7,900,000 was reclassified to equities at NAV. The revision was immaterial to prior period financial statements and had no impact on the 2018 financial position, changes in net assets or cash flows.

3. Accounts Receivable

At June 30 accounts receivable, net consisted of the following:

<i>(in thousands of dollars)</i>	2019	2018
Accounts receivable - student and other	\$ 15,070	\$ 15,087
Accounts receivable for sponsored programs	616	292
Less: Allowance for doubtful accounts	<u>(2,524)</u>	<u>(2,674)</u>
Accounts receivable, net	<u>\$ 13,162</u>	<u>\$ 12,705</u>

4. Contributions Receivable

Contributions receivable as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2019	2018
Due in one year or less	\$ 1,710	\$ 1,578
Due between one year and five years	<u>262</u>	<u>1,683</u>
	1,972	3,261
Less: Allowance for uncollectible contributions	(5)	(32)
Less: Discount to present value (discount rates range from 0.72%–4.7%)	<u>(33)</u>	<u>(135)</u>
Contributions receivable, net	<u>\$ 1,934</u>	<u>\$ 3,094</u>

Fluctuations in the allowance for uncollectible contributions are recorded as a net against the associated gift revenue on the Statement of Activities.

Simmons University
Notes to Financial Statements
June 30, 2019 and 2018

5. Loans to Students

Loans to students are \$1,840,000 and \$2,269,000 as of June 30, 2019 and 2018, respectively, net of an allowance for uncollectible loans of \$570,000 at June 30, 2019 and \$619,000 at June 30, 2018.

The University regularly assesses the adequacy of the allowance for doubtful accounts related to loans to students by performing ongoing evaluations of the student loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The University also performs a detailed review of the aging of the student loan receivable balances in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis. The University considers the allowance recorded at June 30, 2019 and June 30, 2018 to be reasonable and adequate to absorb the potential credit losses inherent in the student loan portfolio.

6. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or fair value at date of gift, less accumulated depreciation, and as of June 30 are summarized as follows:

<i>(in thousands of dollars)</i>	2019	2018
Land	\$ 815	\$ 815
Buildings and improvements	262,954	257,008
Furniture, fixtures, and equipment	56,695	53,917
Library books	10,593	10,593
Construction in progress	5,640	4,892
Leasehold Improvements	<u>14,246</u>	<u>14,246</u>
	350,943	341,471
Less: Accumulated depreciation	<u>(181,622)</u>	<u>(169,460)</u>
Property, plant, and equipment, net	<u>\$ 169,321</u>	<u>\$ 172,011</u>

Depreciation expense was \$12,162,000 and \$11,998,000 for the years ended June 30, 2019 and 2018, respectively.

The University has contractual obligations outstanding, related to various renovations on campus, of \$201,000 and \$1,314,000 at June 30, 2019 and 2018, respectively.

Simmons University
Notes to Financial Statements
June 30, 2019 and 2018

7. Investments

The fair value of investments by type, including investments under split interest agreements and charitable remainder trusts, as of June 30 were as follows:

<i>(in thousands of dollars)</i>	2019	2018
Cash and cash equivalents	\$ 3,978	\$ 5,083
Receivable from investment managers	118	885
Fixed income	29,271	22,331
Equities	118,995	122,936
Private equities	15,719	17,589
Hedge funds	<u>28,663</u>	<u>26,629</u>
Total investments	<u>\$ 196,744</u>	<u>\$ 195,453</u>

The fair value of certain private equity, real estate, natural resource and other equity investments represents the University's ownership interest in the capital account of limited partnerships. The value of these investments is determined by the general partner and is based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the underlying investment, the fair value is determined by the general partner taking into consideration among other things, multiples of comparable companies in the public markets and/or discounted cash flow analyses. The University performs additional procedures with respect to valuation including due diligence reviews on its investments in limited partnerships and including, but not limited to, general partners' compliance with the Fair Value Measurements standard price transparency and valuation procedures in place. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a materially different estimate of fair value at the reporting date.

The University is obligated under certain alternative investment agreements to periodically advance additional funding up to their contractual levels.

Investment return transferred from nonoperating to operating was \$9,034,000 and \$8,839,000 for the years ended June 30, 2019 and 2018, respectively.

8. Beneficial Interest in Trusts

The University is party to various split interest agreements and these agreements include perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. The University's gift annuities and pooled life income funds are included in Investments on the Statement of Financial Position. The University's interest in perpetual trusts and charitable remainder trusts are included in Beneficial interest in trusts. These assets represent the University's share of the fair market value of the trust assets as of the dates of the statements of financial position. Distributions of income from the trusts to the University are recorded as revenue and the carrying value of the assets is adjusted for changes in value over time.

9. Fair Value Measurements

Generally Accepted Accounting Principles (“GAAP”) permits, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value (NAV) per share or its equivalent without adjustment. GAAP requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor’s ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee.

The University establishes the fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques.

As a basis for considering assumptions, the University uses a three-tier fair value hierarchy based upon whether the value of the asset or liability can be readily determined from publicly available data or not. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs mean that the market data is readily available from independent sources to help quantify the valuations, while unobservable inputs mean that the market data is not readily available, and therefore, the value of the asset or liability in the portfolio must be based on other information including the reporting entity’s own assumptions about how market participants would value the asset or liability.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis.

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, 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 same 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 assets or liabilities.

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

The University’s interests in alternative investments are reported at the net asset value (NAV) reported by the investment managers. The University reviews and evaluates the NAVs provided by the investment managers including, but not limited to, managers’ compliance with Fair Value Measurement standards, price transparency and valuation procedures in place, and the ability to redeem NAV at the measurement date. The University believes that these valuations are a reasonable estimate of fair value as of June 30, 2019 and 2018 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed; such differences could be material. The NAV is used as a practical expedient

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to estimate the fair value of these investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

Due to the level of risk associated with certain investment securities and level of uncertainty related to the changes in value of these investments, it is at least reasonably possible that changes in value in the near term could materially impact the amounts reported as the fair market value of these investments at June 30, 2019.

The University's assets measured at fair value are as follows:

Assets at Fair Value at June 30, 2019					
<i>(in thousands of dollars)</i>	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total
Investments					
Cash and cash equivalents	\$ 3,344	\$ -	\$ -	\$ -	\$ 3,344
Receivable from investment managers	118	-	-	-	118
Fixed income securities	29,271	-	-	-	29,271
Equity securities	64,140	-	-	54,682	118,822
Alternative investments - private equity	-	-	-	15,719	15,719
Alternative investments - hedge funds	-	-	-	28,663	28,663
	<u>96,873</u>	<u>-</u>	<u>-</u>	<u>99,064</u>	<u>195,937</u>
Charitable annuities and pooled income funds					
Cash and cash equivalents	634	-	-	-	634
Equity securities	-	-	-	173	173
	<u>634</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>807</u>
	<u>\$ 97,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,237</u>	<u>\$ 196,744</u>

Assets at Fair Value at June 30, 2018					
<i>(in thousands of dollars)</i>	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total
Investments					
Cash and cash equivalents	\$ 5,028	\$ -	\$ -	\$ -	\$ 5,028
Receivable from investment managers	885	-	-	-	885
Fixed income securities	22,050	-	-	-	22,050
Equity securities	66,340	-	-	55,863	122,203
Alternative investments - private equity	-	-	-	17,589	17,589
Alternative investments - hedge funds	-	-	-	26,629	26,629
	<u>94,303</u>	<u>-</u>	<u>-</u>	<u>100,081</u>	<u>194,384</u>
Charitable annuities and pooled income funds					
Cash and cash equivalents	55	-	-	-	55
Fixed income securities	-	-	-	281	281
Equity securities	-	-	-	733	733
	<u>55</u>	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>1,069</u>
	<u>\$ 94,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,095</u>	<u>\$ 195,453</u>

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The University is party to various split interest agreements, including perpetual trusts and charitable remainder trusts. Beneficial interests in trusts are recorded at fair value and total \$9,257,000 and \$8,966,000 as of June 30, 2019 and 2018, respectively. These assets are considered Level 3 by the University.

<i>(in thousands of dollars)</i>	2019	2018
Balances at beginning of year	\$ 8,966	\$ 8,608
Liquidation of trust	-	(27)
Named beneficiary of new trust	109	-
Change in value of trusts	182	385
Balances at end of year	<u>\$ 9,257</u>	<u>\$ 8,966</u>

Included in Other liabilities is \$1,192,000 and \$874,000 as of June 30, 2019 and 2018, respectively, which represents the present value of future payments to beneficiaries of charitable, gift annuities and remainder interest trusts. This liability is recorded at fair value and is considered Level 3 by the University.

<i>(in thousands of dollars)</i>	2019	2018
Balances at beginning of year	\$ 874	\$ 1,400
Payments to annuity beneficiaries	(258)	(287)
Liquidation of annuity accounts	(14)	(103)
Change in valuation of annuities payable	526	(136)
Balances at end of year	<u>\$ 1,128</u>	<u>\$ 874</u>

The following table for June 30, 2019, sets forth a summary of the University's investments with a reported NAV:

<i>(in thousands of dollars)</i>	Fair Value Estimated Using Net Asset Value		
	June 30, 2019		
	Fair Value	Unfunded Commitments	Redemption Frequency
Investment			
Equity securities ^(b)	\$ 54,855	\$ -	Varies from less than 30 days, to 30-60 days
Limited partnerships - NAV ^(c)			Varies from quarterly with 45 days notice, triennial with 60 days notice, to none.
Hedge funds	28,663	-	
Private equity	15,719	13,151	N/A
	<u>\$ 99,237</u>	<u>\$ 13,151</u>	

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The following table for June 30, 2018, sets forth a summary of the University's investments with a reported NAV:

<i>(in thousands of dollars)</i>	Fair Value Estimated Using Net Asset Value		
	June 30, 2018		
	Fair Value	Unfunded Commitments	Redemption Frequency
Investment			
Fixed Income securities ^(a)	\$ 281	\$ -	Daily
Equity securities ^(b)	56,596	-	Varies from 100% daily, less than 30 days, to 30-60 days
Limited partnerships - NAV ^(c)			Varies from quarterly with 30 days notice, semi-annually with 30-180 days notice, to none.
Hedge funds	26,629	-	
Private equity	17,589	9,185	N/A
	<u>\$ 101,095</u>	<u>\$ 9,185</u>	

- a. This category includes investments in funds with the objective to achieve an inflation protected return.
- b. This category includes investments with the objective to achieve long-term growth from a diversified portfolio of equity securities. To achieve this objective the University has selected investment managers that focus on both U.S. and international markets in various business sectors including commodities, industrial material, healthcare, information technology, utilities and others.
- c. This category includes investments with the objective to achieve long-term growth from a diversified portfolio of limited partnerships. The objective is to generate long term returns significantly higher than public equity markets.

10. Donor-Restricted and Board-Designated Endowment Funds

Donor-restricted and board-designated endowment net assets as of June 30, 2019 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
Donor restricted	\$ -	\$ 145,532	\$ 145,532
Board designated	50,142	-	50,142
Total endowment net assets	<u>\$ 50,142</u>	<u>\$ 145,532</u>	<u>\$ 195,674</u>

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Changes in donor-restricted and board-designated endowment net assets for the fiscal year ended June 30, 2019 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2018	\$ 50,652	\$ 144,209	\$ 194,861
Contributions	-	2,367	2,367
Investment income	504	1,455	1,959
Net appreciation	1,410	4,111	5,521
Amounts appropriated for expenditure	<u>(2,424)</u>	<u>(6,610)</u>	<u>(9,034)</u>
Endowment net assets at June 30, 2019	<u>\$ 50,142</u>	<u>\$ 145,532</u>	<u>\$ 195,674</u>

Donor-restricted and board-designated endowment net assets as of June 30, 2018 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
Donor restricted	\$ -	\$ 144,209	\$ 144,209
Board designated	<u>50,652</u>	<u>-</u>	<u>50,652</u>
Total endowment net assets	<u>\$ 50,652</u>	<u>\$ 144,209</u>	<u>\$ 194,861</u>

Changes in donor-restricted and board-designated endowment net assets for the fiscal year ended June 30, 2018 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2017	\$ 49,545	\$ 138,620	\$ 188,165
Contributions	-	2,035	2,035
Change in donor designation	-	50	50
Investment income	332	938	1,270
Net appreciation	3,203	8,977	12,180
Amounts appropriated for expenditure	<u>(2,428)</u>	<u>(6,411)</u>	<u>(8,839)</u>
Endowment net assets at June 30, 2018	<u>\$ 50,652</u>	<u>\$ 144,209</u>	<u>\$ 194,861</u>

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the University may have individual donor-restricted endowment funds that are underwater. The University has a policy that permits spending from underwater funds, unless specifically prohibited by the donor or relevant laws and regulations. At June 30, 2019 and 2018, the aggregate amount by which the University's endowed funds were underwater was \$15,000 each year.

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11. Bonds Payable

Bonds payable as of June 30 consisted of the following:

(in thousands of dollars)

	Par Amount	Final Bond Maturity	Interest Rate	Outstanding Principal	
				2019	2018
Massachusetts Development Finance Agency (MDFA)					
Revenue Bonds					
Simmons College Series G Variable Rate Demand Variable					
Mode Revenue Bonds	49,610	10/1/2035	Variable	\$ -	\$ 47,910
Simmons College Series H	39,885	10/1/2033	5.25%	31,660	33,185
Simmons College Bonds Series 2008 Taxable	18,730	10/1/2022	Variable	7,500	9,020
Simmons College Series J	18,970	10/1/2039	5.125%–5.5%	18,970	18,970
Simmons College Series K-1	34,595	10/1/2036	4%-5%	34,595	34,595
Simmons College Series K-2	9,850	10/1/2022	3.45%-4.1%	4,830	6,465
Simmons University Series L	42,385	10/1/2035	4%-5%	42,385	-
				139,940	150,145
Unamortized bond premium/discount, net				9,417	4,495
Unamortized bond issuance costs				(2,266)	(2,422)
Total MDFA Revenue Bonds				\$ 147,091	\$ 152,218

On August 27, 2018, the University issued \$42,385,000 aggregate principal amount of Series L (2018) Revenue Bonds through the Massachusetts Development Finance Agency. Proceeds were used to refund existing Series G Variable Mode Revenue Bonds of \$47,910,000 and to fund Series L issuance costs.

On June 1, 2017, the University amended the Simmons College Series 2008 (Taxable) Bonds with an outstanding principal of \$10,415,000. The amended Loan Agreement provided for the addition of a Direct Purchase Mode to the 2008 Loan Agreement to allow for the direct purchase of the Bonds by TD Bank, N.A. There were no changes to the principal repayment schedule as a result of this transaction. The direct purchase agreement between Simmons University and TD Bank, N.A. is effective from June 1, 2017 through October 1, 2022, when the outstanding bonds will be fully redeemed. The average interest rate in fiscal year 2019 on these bonds was 2.8%.

Aggregate principal payments related to bonds payable and the loan payable are as follows:

(in thousands of dollars)

Year Ending June 30,	
2020	\$ 4,985
2021	5,200
2022	5,430
2023	5,680
2024	5,950
Thereafter	112,695
	<u>\$ 139,940</u>

Bank Line

The University maintains a committed one year line of credit with a bank in the amounts of \$10,000,000 and \$7,500,000 as of June 30, 2019 and 2018, respectively. There were no draws or amounts outstanding on the line as of and for the years ended June 30, 2019 and 2018.

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Loan Covenants

Certain bond and bank obligations are collateralized by a pledge on the University's tuition receipts and contain limits on the issuance of additional debt. In addition, the University's bank agreements require annual compliance with financial covenants, including a minimum level of debt service coverage and minimum liquidity. The University was in compliance with all debt covenants at June 30, 2019 and 2018.

12. Other Liabilities

Other liabilities as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2019	2018
Present value of charitable annuities payable	\$ 1,128	\$ 874
Present value of remainder interest payable	64	-
Asset retirement obligation liability	<u>1,919</u>	<u>1,848</u>
Total other liabilities	<u>\$ 3,111</u>	<u>\$ 2,722</u>

13. Availability of Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while maximizing the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities.

As of June 30, 2019, the following summarizes financial assets and liquidity resources available over a 12-month period:

<i>(in thousands of dollars)</i>	2019
Financial assets available	
Cash and cash equivalents	\$ 20,583
Accounts receivable, net	13,162
Contributions (without donor restrictions) due in one year or less available for expenditure	317
Investments appropriated for spending in following year	11,055
Investments not subject to donor or board restrictions	<u>76</u>
Total financial assets available within 12 months	45,193
Liquidity resources	
Bank Line of Credit (no balance outstanding at 6/30/19)	<u>10,000</u>
Total financial assets and other liquidity resources	<u>\$ 55,193</u>

The University's governing board has designated a portion of its resources without donor restrictions for endowment purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At June 30, 2019 and 2018, the board designated endowment was approximately \$50,142,000 and \$50,652,000, respectively.

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Approximately 77.3% percent of the University's investment portfolio consists of highly liquid investments (redemption period within 30 days); 14.4% percent of the portfolio's investments may be redeemed either at future specified redemption dates or currently by incurring a penalty. Finally, certain investments (approximately 8.3%) in real estate, private equities, and private investments are subject to constraints that limit the University's ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date. These constraints may limit the University's ability to respond quickly to changes in market conditions.

14. Composition of Net Assets

The composition of the University's net assets as of June 30, 2019 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Board designated endowment	\$ 50,142	\$ -	\$ 50,142
Original principal	-	72,919	72,919
Unspent income and appreciation			
Scholarship support	-	20,073	20,073
Program support	-	19,165	19,165
Unrestricted support	-	33,375	33,375
Total endowment funds	<u>50,142</u>	<u>145,532</u>	<u>195,674</u>
Other invested funds			
Annuity and life income agreements	-	(282)	(282)
Split interest agreements and perpetual trusts	-	9,193	9,193
Student loan funds	1,396	1,909	3,305
Unexpended gifts			
For buildings and equipment	-	158	158
Instruction, research, and institutional support	-	3,603	3,603
Scholarship	-	1,839	1,839
Contributions receivable	-	1,916	1,916
Undesignated	24,176	-	24,176
Total other invested funds	<u>25,572</u>	<u>18,336</u>	<u>43,908</u>
Total net assets	<u>\$ 75,714</u>	<u>\$ 163,868</u>	<u>\$ 239,582</u>

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The composition of the University's net assets as of June 30, 2018 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Board designated endowment	\$ 50,652	\$ -	\$ 50,652
Original principal	-	70,562	70,562
Unspent income and appreciation			
Scholarship support	-	20,454	20,454
Program support	-	19,360	19,360
Unrestricted support	-	33,833	33,833
Total endowment funds	50,652	144,209	194,861
Other invested funds			
Annuity and life income agreements	-	201	201
Split interest agreements and perpetual trusts	-	8,966	8,966
Student loan funds	1,046	2,097	3,143
Unexpended gifts			
For buildings and equipment	-	157	157
Instruction, research, and institutional support	-	4,279	4,279
Scholarship	-	2,423	2,423
Contributions receivable	-	2,994	2,994
Undesignated	25,314	-	25,314
Total other invested funds	26,360	21,117	47,477
Total net assets	\$ 77,012	\$ 165,326	\$ 242,338

15. Functional Classifications of Expenditures

Expenses are presented by functional classification within this footnote. Each functional classification includes all expenses related to the underlying operations by natural classification. The costs of operations and maintenance of plant, depreciation and interest have been allocated across all functional expense categories to reflect the full cost of those activities.

Costs are allocated using the following methods: Depreciation expense is allocated based on the functional use of the University's fixed assets. Operations and maintenance expense are allocated based on the functional split of all other operating costs. Interest expense is allocated based on the functional use of the assets that were constructed using the proceeds from the respective debt series.

The Statements of Activities present operating expenditures by natural classification. The operating expenditures on a functional basis as of June 30 are as follows:

<i>(in thousands of dollars)</i>	Instruction and Academic Support	Student Services	Institutional Support and Advancement	Auxiliary Operations and Other	Sponsored Activities	Total
Salaries and wages	\$ 49,608	\$ 5,478	\$ 15,264	\$ 1,429	\$ 924	\$ 72,703
Employee benefits	10,475	1,338	4,862	340	90	17,105
Materials, supplies, and services	9,974	3,619	11,426	11,270	436	36,725
Partner share of online revenue	52,141	-	-	-	-	52,141
Interest expense	1,563	155	2,904	1,541	-	6,163
Depreciation and accretion expense	5,031	865	3,668	2,661	7	12,232
Total expenses - 2019	\$ 128,792	\$ 11,455	\$ 38,124	\$ 17,241	\$ 1,457	\$ 197,069
Total expenses - 2018	\$ 125,091	\$ 11,144	\$ 36,187	\$ 17,018	\$ 1,184	\$ 190,624

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16. Retirement Plans

The University has a defined contribution retirement plan for substantially all of its employees who are eligible to participate after meeting certain eligibility requirements. The University's contributions to the plan are based upon a percentage of salaries. The majority of employees of the University have retirement savings accounts with the Teachers Insurance and Annuity Association and the University Retirement Equities Fund. Total retirement expense charged to operations was \$4,178,000 and \$3,507,000 for 2019 and 2018, respectively.

17. Commitments and Contingencies

In conducting its activities, the University, from time to time, is the subject of various claims and also has claims against others. In management's opinion, the ultimate resolution of such claims at June 30, 2019, would not have a material effect on the financial position of the University.

The University receives funds from the federal government. Entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially, all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the University.

18. Subsequent Events

The University evaluated the period from June 30, 2019, the date of the financial statements, through October 16, 2019, the date of the issuance of the financial statements for subsequent events. No events were identified that require adjustments to the audited financial statements or disclosures in the notes to the audited financial statements.