Xavier University

Financial Statements as of and for the
Years Ended June 30, 2019 and 2018, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Xavier University
Cincinnati, Ohio

We have audited the accompanying financial statements of Xavier University (the "University"), 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 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 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 auditor's 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 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 the University 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 accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year-ended June 30, 2019. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

September 17, 2019

XAVIER UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018
(Dollars in thousands)

	2019	2018
ASSETS		
CASH	$ 30,291	$ 22,216
SHORT-TERM INVESTMENTS	6,808	9,370
ACCOUNTS AND LOANS RECEIVABLE:		
Student accounts receivable	3,267	3,311
Student loans receivable—less allowance for doubtful loans of $698 and $622 in 2019 and 2018, respectively	2,068	2,608
ACCRUED INCOME RECEIVABLE	463	1,344
CONTRIBUTIONS RECEIVABLE—Net (Note 6)	42,244	43,005
PREPAID EXPENSES, DEFERRED CHARGES—Other assets	7,291	7,035
INVESTMENTS (Note 7)	343,311	317,972
CONSTRUCTION IN PROGRESS	45,152	18,560
INVESTMENT IN PLANT—Net of accumulated depreciation (Note 10)	278,343	278,444
TOTAL	$759,238	$703,865
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 16,202	$ 9,145
Advance payments and deposits	7,477	7,252
Accrued compensation costs	7,467	7,630
Accrued postretirement benefit costs (Note 13)	1,793	3,199
Deferred revenue	9,855	9,375
Interest rate swap	18,035	12,865
Indebtedness (Note 11)	196,682	203,105
Refundable advances (Note 2)	1,997	1,959
Total liabilities	259,508	254,530
NET ASSETS:		
Without donor restrictions (Note 4)	262,547	235,728
With donor restrictions (Note 5)	237,183	213,607
Total net assets	499,730	449,335
TOTAL	$759,238	$703,865

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$214,824	$ -	$214,824
Less student aid	(88,496)	-	(88,496)
Net tuition	126,328	-	126,328
Sales and services of auxiliary enterprises	51,724	-	51,724
Less student aid	(3,949)	-	(3,949)
Net auxiliary enterprises	47,775	-	47,775
Government grants and contracts	2,916	-	2,916
Private gifts, grants and contracts	11,406	9,309	20,715
Endowment income used in operations	87	5,738	5,825
Investment return—operating	3,001	-	3,001
Other sources	4,564	-	4,564
	196,077	15,047	211,124
Net assets released from restriction	10,837	(10,837)	-
Total operating revenues	206,914	4,210	211,124
OPERATING EXPENSES:			
Instruction	73,164	-	73,164
Public service	1,611	-	1,611
Academic support	11,302	-	11,302
Student services	20,730	-	20,730
Institutional support	29,055	-	29,055
Operation and maintenance of plant	14,206	-	14,206
Auxiliary enterprises	45,068	-	45,068
Total operating expenses	195,136	-	195,136
INCREASE IN NET ASSETS FROM OPERATIONS	11,778	4,210	15,988
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	(1,568)	(1,568)
Contributions and change in contributions receivable to endowment funds	-	12,261	12,261
Investment return—net of amounts used in operations	4,761	8,727	13,488
Actuarial change in annuity liability	-	(54)	(54)
Actuarial change in post-retirement health care benefits	1,406	-	1,406
Gain on disposal of property and other	704	-	704
Change in fair value of interest rate swap agreements	(5,170)	-	(5,170)
Contributed capital from affiliated entity	13,340	-	13,340
Increase in net assets from nonoperating activities	15,041	19,366	34,407
INCREASE IN NET ASSETS	26,819	23,576	50,395
NET ASSETS—Beginning of year	235,728	213,607	449,335
NET ASSETS—End of year	$262,547	$237,183	$499,730

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$194,617	$ -	$194,617
Less student aid	(79,264)	-	(79,264)
Net tuition	115,353	-	115,353
Sales and services of auxiliary enterprises	50,214	-	50,214
Less student aid	(2,853)	-	(2,853)
Net auxiliary enterprises	47,361	-	47,361
Government grants and contracts	3,646	-	3,646
Private gifts, grants and contracts	11,943	6,990	18,933
Endowment income used in operations	85	5,450	5,535
Investment return—operating	1,783	-	1,783
Other sources	4,652	-	4,652
	184,823	12,440	197,263
Net assets released from restriction	9,407	(9,407)	-
Total operating revenues	194,230	3,033	197,263
OPERATING EXPENSES:			
Instruction	67,735	-	67,735
Public service	1,563	-	1,563
Academic support	10,988	-	10,988
Student services	18,944	-	18,944
Institutional support	29,859	-	29,859
Operation and maintenance of plant	13,422	-	13,422
Auxiliary enterprises	44,216	-	44,216
Total operating expenses	186,727	-	186,727
INCREASE IN NET ASSETS FROM OPERATIONS	7,503	3,033	10,536
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	(879)	(879)
Contributions and change in contributions receivable to endowment funds	-	4,561	4,561
Investment return—net of amounts used in operations	1,694	3,794	5,488
Loss on disposal of property	(36)	-	(36)
Actuarial change in annuity liability	-	(30)	(30)
Actuarial change in post-retirement health care benefits	(677)	-	(677)
Gain on contract termination	2,948	-	2,948
Net assets released from restriction and other	117	(117)	-
Change in fair value of interest rate swap agreements	4,958	-	4,958
Contributed capital from affiliated entity	4,872	-	4,872
Increase in net assets from nonoperating activities	13,876	7,329	21,205
INCREASE IN NET ASSETS	21,379	10,362	31,741
NET ASSETS—Beginning of year	214,349	203,245	417,594
NET ASSETS—End of year	$235,728	$213,607	$449,335

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Dollars in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 50,395	$ 31,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,794	14,909
Amortization of bond premium and discount	(567)	(574)
Loss (gain) on disposal of property and equipment	(9)	36
Provision for losses on student loans	76	36
Provision for losses on contributions receivable	(86)	1,545
Decrease in accounts receivable	44	248
Decrease in contributions receivable	847	317
Decrease (increase) in accrued income receivable	881	(591)
Decrease (increase) in prepaid expenses, deferred charges, and other assets	(256)	1,364
Increase (decrease) in accounts payable and other accrued liabilities	(708)	4
Increase in deferred revenue	480	990
Contributions to endowment and similar funds	(9,887)	(5,086)
Increase (decrease) in fair value of interest rate swap agreements	5,170	(4,958)
Change in net realized and unrealized gains on investments	(16,801)	(7,495)
Net cash provided by operating activities	45,373	32,486
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	278,943	342,699
Purchases of investments	(284,919)	(351,782)
Purchases of property and equipment	(35,855)	(27,129)
Student loans issued	(244)	(149)
Student loans repaid	708	741
Decrease in unexpended revenue bond proceeds	-	5,959
Net cash used in investing activities	(41,367)	(29,661)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to endowment and similar funds	9,887	5,086
Payments of bonds and notes payable	(5,855)	(5,615)
Grants advanced	37	(865)
Net cash provided by (used in) financing activities	4,069	(1,394)
NET CHANGE IN CASH	8,075	1,431
CASH—Beginning of year	22,216	20,785
CASH—End of year	$ 30,291	$ 22,216
SUPPLEMENTAL DISCLOSURES:		
Property and equipment in accounts payable and accrued expenses	$ 9,211	$ 2,790
Interest paid	$ 8,743	$ 9,232

See notes to financial statements.

1. ORGANIZATION

Xavier University (the "University") is a not-for-profit co-educational institution founded and sponsored by the Society of Jesus ("the Jesuits") located on a 190-acre campus in Cincinnati, Ohio. The University was founded in 1831 and currently enrolls more than 7,000 students in undergraduate and graduate programs. The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (the "Code").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The financial statements of the University are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The financial statements of the University include the consolidated financial information of several entities that it controls which hold title to various parcels of land, primarily on which the University resides. The University fully funds these entities and any related property acquisitions, improvements, and expenses. The University is the sole controlling entity. The University also has a controlling interest in its affiliation with a local healthcare organization for the not-for-profit entity Xavier University Student Health and Wellness Center Corporation ("Center Corp") (see Note 18). As the University has a controlling interest in Center Corp, Center Corp's financial activity is consolidated into the University's financial statements.

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

Net Assets without Donor Restrictions—Net assets that are not subject to explicitly donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or the University, or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. These also include net assets that are to be maintained permanently by the University. Generally, all or part of the income earned on investments with these restrictions may be used by the University for general or specific purposes consistent with the donor imposed stipulations.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction on the statements of activities. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) allows the "Board of Trustees" (the "Board") to appropriate a percentage of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions, unless directed by the donor's intent. The endowment spending policy is based on a spending rate established by the Board. This rate represents the expected long-term return on endowment investments less an allowance for the preservation and growth of principal.

Contributions, including unconditional promises to give (contributions receivable), are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the time period over which payments are to be made. Collectability is reviewed periodically and appropriate reserves are maintained. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Revenue—Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the University expects to receive in exchange for those goods or services. Revenues from contracts with customers is derived primarily from tuition and student program fees and auxiliary activities.

The University disaggregates revenue based on revenue stream and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows.

Tuition and fees are generally collected in advance and are initially recorded as deferred revenue. Tuition and fees are recognized ratably as revenue over the term. Generally, the University offers refunds for classes to students who decide to withdraw from a course prior to the add/drop date. After the add/drop date, no refund is granted. The University does not recognize revenue until after the add/drop date due to uncertainty related to those events. Historically, the University has not had material refunds after the add/drop date.

Tuition scholarships awarded by the University represent a reduction of the tuition transaction price. The University awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year, and are applied to the students' account during each academic term. Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The University's academic terms consist of a Fall, Spring, and Summer terms. Academic terms are determined by start dates, which vary by program and are generally 8-16 weeks in length. Except for certain programs in the Summer term, the academic terms generally have start and end dates that fall within the University's fiscal year.

Auxiliary services revenue consists primarily of fees for room and dining services (board) during the student's education. The University considers that room fees and dining services are each separate performance obligations.

Room fees are charged at different rates depending on the residence hall and room accommodations. Room fees are billed in advance of each academic term, and recognized as revenue during the period over which the housing is provided. While the University believes the residential experience is an integral part of a student's education and experience, the University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first- and second-year students are expected to live on campus, exemptions are possible, primarily for students living with family or married students.

Dining service fees are charged at different rates depending on the level of access to dining services during the term of the agreement. Dining services are generally billed in advance of each academic term, and are recognized as revenue over the period during which the dining services are offered.

Some scholarships may be applied against room and board and therefore represent a reduction of the transaction price. Such awards are generally granted for the academic year, and are applied to the student's account during each academic term. Room and board scholarships of $3,949 were included as a reduction in auxiliary services revenue as of June 30, 2019.

In addition to room and board, auxiliary services include revenue earned from athletic ticket sales, athletic conference distributions, and sponsorships and for various conference services offered by the University. Revenue from these sources is recognized as services are performed or once the performance obligations are complete.

Other operating revenue category consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University including summer rentals, the University's Montessori school and related child care program and other supplemental income. Revenue from these activities is generally recognized as services are performed.

The majority of the University's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The University records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues for revenue from contracts are classified as liabilities on the statements of financial position and as of June 30, 2019 and 2018, were $9,855 and $9,375, respectively.

Use of Estimates—University management has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of assets and liabilities to prepare these financial statements in conformity with US GAAP. Actual results could differ from those estimates.

Cash and Short-Term Investments—Cash consists principally of amounts held in checking and savings accounts in various financial institutions with an original maturity of three months or less. Short-term investments consist of commercial paper, cash equivalents held in managed accounts and US treasuries. All short-term investments are recorded at fair value.

Financial instruments that potentially subject the University to significant concentrations of credit risk consist principally of cash deposits. The University maintains cash balances at financial institutions with strong credit ratings. Generally, amounts invested with financial institutions are in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts and Loans Receivable—Accounts receivable consist of amounts due from students for tuition and fees. Loans receivable consist primarily of loans made to students under US government loan programs. Accounts and loans receivable are recorded at estimated net realizable value. The allowances for doubtful accounts and loans are based on expected collections on these accounts and loans.

Income Taxes—The University is a qualifying organization under Section 501(c)(3) of the Code and is, therefore, exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for years prior to 2015. As of June 30, 2019, the University has no uncertain tax positions.

Investments—The University's investments are reported at fair value and have been categorized based on the fair value hierarchy in accordance with the Accounting Standards Codification 820 (ASC 820), *Fair Value Measurements and Disclosures* (see Notes 7 and 16). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Other investments including real estate are recorded at cost or, if acquired by gift, at fair value at the date of gift. Fair values for certain private equity and real estate investments held through limited partnerships, hedge funds or commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable and are considered by the University as nonmarketable alternative investments. These valuations require the use of assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results. The fair value of nonmarketable alternative investments may be based on historical cost, obtainable prices for similar assets, or other estimates. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are less liquid than the University's other investments.

Investment in Plant—Fixed assets are recorded at cost at the date of acquisition, or fair value at the date of donation, with the estimated useful lives as follows:

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Leasehold improvements	20 years or life of lease (whichever is shorter)
Equipment	5–20 years
Library collection	20 years

Collections—The University's collections of art, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Refundable Advances—Funds provided by the US government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements. The amount of government refundable advances at June 30, 2019 and 2018 was $1,997 and $1,959, respectively. The Federal Perkins Loan Program ended on September 30, 2017 and no new disbursements were made after June 30, 2018.

Operations—The Statement of Activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activities of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of gifts restricted for the acquisition of capital assets and gifts restricted to endowment funds. All revenue from contributions receivable that is considered to be restricted due to a time restriction or a purpose restriction is included in nonoperating activities until the time such restriction has passed or the actual cash is received. At that time, the amounts are deducted from contributions and change in contributions receivable for nonoperating purposes and are included in private gifts, grants, and contracts operating revenues in the Statement of Activities. Nonoperating activities also include realized and unrealized gains or losses on investments, endowment income in excess of the established spending policy, and significant items of an unusual or nonrecurring nature.

Liquidity—Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the notes to the University’s financial statements.

Insurance Reserves—The University is self-insured for certain losses relating to employee medical benefit claims. The University has purchased stop-loss insurance coverage to limit financial exposure in this area. Medical benefit liabilities are based on claims filed and estimates of claims incurred but not reported. Such amounts are determined by considering known trends and projections of future results. Actual claims experience can affect these calculations. To the extent that subsequent claims costs vary from estimates, future earnings could be impacted.

Financial Instruments—As of June 30, 2019 and 2018, certain financial instruments held by the University were subject to enforceable master netting arrangements held by various counterparties. In general, the terms of these agreements provide that, in the event of an early termination, the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. The University’s accounting policy is to offset these positions in the Statements of Financial Position. Depending on the extent of an unrealized loss position on a derivative contract held by the University, certain counterparties may require collateral to secure the University’s derivative contract position. There was no collateral required to secure the University’s derivative contract position as of June 30, 2019 and 2018.

Split Interest Agreements—The University has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the University, as trustee, makes payments to designated beneficiaries in accordance with the applicable donor's trust or annuity agreement. The University is also the beneficiary of charitable trusts held by third-party trustees that are accounted for as promises to give.

At the date of contribution, the University records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques, taking into account historical and projected cash flow and net income, collectability, and default rates.

The University's liability under these agreements represents the present value of estimated payments. This fair value estimate may not be indicative of the actual net realizable value or reflective of future fair values. The University believes its valuation methods are appropriate and consistent with other market participants, and the use of different methodologies or assumptions to determine the fair value of similar liabilities could result in a different fair value measurement at the reporting date (see Note 8).

Recent Accounting Pronouncements—In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in US GAAP on the classification and measurement of financial instruments. The amended guidance requires entities to carry all investments in equity securities at fair value through net income unless the entity has elected the practicability exception to fair value measurement. This standard will be effective for fiscal years beginning after December 15, 2018, and will require a cumulative-effect adjustment to beginning net assets. Management is in the process of evaluating the impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which represents a wholesale change to lease accounting. The standard introduces a lessee model that brings most leases on the balance sheet as well as aligning certain underlying principles of the new lessor model with those in ASC 606, *Revenue from Contracts with Customers*. The new standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Lessees and lessors are required to use a modified retrospective transition method for existing leases or the transition method provided by ASU 2018-11, *"Leases (Topic 842): Targeted Improvements"*. Management is in the process of evaluating the impact on the financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Payments*. It addressed eight specific cash flow issues to clarify the presentation and classification of cash receipts and cash payments in the statement of cash flows where diversity in practice exists. The guidance is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. The amendment should be applied using a retrospective transition method to each period presented. Management is in the process of evaluating the impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Contributions Made*. The standard is issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The standard is effective for annual financial statements issued for fiscal years beginning after December 15,

2019. Early adoption of the amendments in this ASU is permitted. Management is in the process of evaluating the impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update improve the effectiveness of fair value measurement disclosures and modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: *Notes to Financial Statements*, including the consideration of costs and benefits. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management is in the process of evaluating the impact on the financial statements.

In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*. The amendments in this update: (1) align the new guidance with existing guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842, *Leases*; (2) requires lessors within the scope of Topic 942, *Financial Services – Depository and Lending*, to present "all principal payments received under leases" within investing activities; and (3) exempts lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new lease accounting standard. The effective date of these amendments is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2019. Management is in the process of evaluating the impact on the financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit-Entities (Topic 958): Updating the Definition of Collections*. The amendments in this update modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The amendments in this update should be applied on a prospective basis. Management is in the process of evaluating the impact on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance uses a principles based approach for determining revenue recognition and eliminates the transaction and industry specific guidance. The new guidance establishes a five-step approach for the recognition of revenue.

The University's revenue is derived primarily from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Non-tuition related revenue is recognized as services are performed or goods are delivered.

The University adopted ASU No. 2014-09 effective July 1, 2018. The University obtained an understanding of ASU No. 2014-09 and has performed an analysis of the impact of the new guidance on its financial results. The University assessed the various contractual arrangements and performance obligations for major revenue streams, the impacts to internal processes, the control environment, disclosures, and determined that the adoption of ASU No. 2014-09 did not result in a material change to the timing of when revenue is recognized. While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the University may apply this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The University reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio. For example, the University may apply this portfolio approach for purposes of assessing collectability or estimating refunds. The guidance allows for both retrospective and modified retrospective methods of adoption. The University adopted this new guidance using the modified retrospective method applied to contracts that have remaining obligations as of July 1, 2018. Under the modified retrospective approach, the University did not restate comparative periods in the financial statements.

During 2019, the University adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets of $235,728, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $109,063 and permanently restricted net assets of $104,544 as of June 30, 2018. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by their natural and functional classification in one location. The University adopted ASU 2016-14 in 2019 and applied the changes retrospectively. See Notes 3, 4, 5, 9, and 14 for more information.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets due within one year of the balance sheet date for general expenditures as of June 30, 2019 and 2018 are as follows:

	2019	2018
Total assets at year-end	$ 759,238	$ 703,865
Less financial assets not available for general expenditures within one year and non-financial assets:		
Cash with purpose restrictions	4,904	3,863
Student loans receivable—net	2,068	2,608
Accrued income receivable	463	1,344
Contributions receivable with time or purpose restrictions	38,541	38,428
Prepaid expenses, deferred charges—other assets	7,291	7,035
Donor-restricted endowment funds	161,609	145,479
Board or University designated endowment funds	37,666	34,098
Other investments with purpose restrictions	6,644	5,495
Construction in progress	45,152	18,560
Investment in plant—net	278,343	278,444
Financial assets available at year-end for general expenditures	$ 176,557	$ 168,511

The University invests cash in excess of operating requirements in a combination of short, medium and long-term operating investments in accordance with policies approved by its Board of Trustees. The University also maintains a $5,000 line of credit with a bank that can be used to fund short-term liquidity needs. Additionally, amounts from its Board or University designated endowment funds can be made available to fund liquidity requirements upon approval of the Board of Trustees, if necessary; however, the University does not intend to draw from its Board or University designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation. Both designated endowment funds and donor-restricted endowments are held in a unitized pool of investments, and certain of those investments contain lock-up provisions that would reduce the total amount of investments that could be made available to fund liquidity requirements.

The University's endowment funds consist of donor-restricted and Board or University designated endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and some for general University expenditures. See Note 9 for disclosures about endowment funds.

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	2019	2018
Plant operations	$ 132,150	$ 130,728
University operations	74,230	65,748
Board or University designated endowments (see Note 9)	37,666	34,098
Contributed capital from affiliated entity	18,212	4,872
Loans	289	282
Total net assets without donor restrictions	$ 262,547	$ 235,728

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Satisfaction of purpose and time restrictions	$ 10,837	$ 9,524

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	2019	2018
Specific Purpose:		
Student loan funds	$ 1,185	$ 1,009
Awards for students and faculty	1,831	2,020
Capital and capital improvements	15,474	14,871
General endowments and operations	75,691	71,397
Professors and chairs	18,777	17,609
Scholarships	103,370	86,033
Charitable trusts	1,862	1,794
Passage of Time:		
General endowments and operations	18,993	18,874
Total net assets with donor restrictions	$237,183	$213,607

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018 consist of the following:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	$12,306	$10,100
One year to five years	21,602	22,579
Five years and thereafter	11,697	14,670
Total	45,605	47,349
Less allowance for uncollectible contributions	(2,281)	(2,367)
Discount for present value	(1,080)	(1,977)
Total	$42,244	$43,005

Contributions receivable were discounted at rates ranging from 1.75% to 2.00% as of June 30, 2019 and 2.52% to 2.85% as of June 30, 2018, respectively.

7. INVESTMENTS

Investments at June 30, 2019 and 2018 are composed of the following:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Long-term investments:				
US government and agency obligations	$ 21,745	$ 22,148	$ 20,911	$ 20,750
Corporate stocks and stock funds	108,937	140,501	101,148	126,820
Corporate bonds and bond funds	137,962	137,137	144,090	140,475
Mortgage and asset-backed securities	15,650	15,720	3,893	3,873
Real assets	9,780	9,881	10,526	10,037
Alternative investments	14,423	16,134	12,455	14,227
Real estate	1,790	1,790	1,790	1,790
Total long-term investments	310,287	343,311	294,813	317,972
Short-term investments	$ 6,808	$ 6,808	$ 9,370	$ 9,370

Real assets are invested in mutual funds, commingled trusts, and/or partnership structures whose underlying investments include commodities, equities, inflation-indexed fixed income securities, master limited partnerships, and real estate.

Investment activity for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
Dividend, interest, and other investment income	$ 6,201	$ 5,851
Net change in realized and unrealized gains and losses	16,801	7,495
Outside investment management fees	(588)	(470)
Other investment related expenses	(100)	(70)
Total investment income, including net gains (losses)—net of fees and expenses	22,314	12,806
Less endowment income used in operations	5,825	5,535
Less investment return—operating	3,001	1,783
Investment return—net of amounts used in operations	$13,488	$ 5,488

Endowment income used in operations is composed of endowment appropriations for donor-designated or Board or University designated operating purposes such as student scholarships and instructional expenses. Investment income used in operations includes investment income earned on excess operating funds and funds without donor or designated restrictions. Investment income included in nonoperating activities primarily includes accumulated but not yet appropriated endowment earnings and investment income earned on unused funds set aside or restricted by donors for capital purposes.

8. SPLIT INTEREST AGREEMENTS

There were $1,242 in contributions related to split interest agreements for the year ended June 30, 2019. There were no contributions related to split interest agreements for the year ended June 30, 2018. The present value of the trusts is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 2.00% to 2.98%. A summary of assets held and obligations related to split interest agreements as of June 30, 2019 and 2018 follows:

	2019	**2018**
Assets:		
Charitable remainder trusts	$ 1,169	$ 810
Charitable gift annuities and trusts	2,305	1,846
Total	$ 3,474	$ 2,656
Liabilities—split interest agreement obligations	$(1,888)	$(1,290)

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the University. The University maintains reserves of an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts.

9. ENDOWMENT FUNDS

The University's endowment consists of approximately 600 individual funds established for a variety of purposes, such as scholarships, endowed chairs, departmental and operating priorities, and other institutional support. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees or University to function as endowments. Funds designated by the Board of Trustees and the University to function as endowments are treated as net assets without donor restrictions.

The University classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with directions of the applicable donor instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of June 30, 2019	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 161,609	$ 161,609
Board or University designated	37,666	-	37,666
Total funds	$ 37,666	$ 161,609	$ 199,275
Changes in Endowment Net Assets for the Year Ended June 30, 2019			
Endowment net assets—July 1, 2018	$ 34,098	$ 145,479	$ 179,577
Contributions and other additions	-	9,887	9,887
Total investment return—net	3,655	11,981	15,636
Amounts appropriated for expenditure	(87)	(5,738)	(5,825)
Endowment net assets—June 30, 2019	$ 37,666	$ 161,609	$ 199,275

Endowment Net Asset Composition by Type of Fund as of June 30, 2018	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 145,479	$ 145,479
Board or University designated	34,098	-	34,098
Total funds	$ 34,098	$ 145,479	$ 179,577
Changes in Endowment Net Assets for the Year Ended June 30, 2018			
Endowment net assets—July 1, 2017	$ 31,483	$ 137,900	$ 169,383
Contributions and other additions	-	5,086	5,086
Total investment return—net	2,700	7,943	10,643
Amounts appropriated for expenditure	(85)	(5,450)	(5,535)
Endowment net assets—June 30, 2018	$ 34,098	$ 145,479	$ 179,577

Net assets with donor restrictions reflect the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.

The University has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over time. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as Board or University designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to provide for the preservation of capital with an emphasis on long-term growth without significant risk exposure. The University expects its endowment funds, over time, to provide an average total return that exceeds the Consumer Price Index by at least 4.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University utilizes a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The University has adopted a spending policy which appropriates for distribution each year 4.25% of the average fair value of each endowment fund over the rolling prior 12 quarters. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate exceeding the Consumer Price Index.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires be retained as a fund of perpetual duration. The fair value of certain donor-restricted endowment funds of $0 and $2,340 as of June 30, 2019 and 2018, respectively, is less than the historical value of such funds of $0 and $2,424 as of June 30, 2019 and 2018, respectively, resulting in deficiencies of $0 as of June 30, 2019, and $84 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of donor-restricted contributions and are included in net assets with donor restrictions.

10. INVESTMENT IN PLANT

The components of the University's investment in plant at June 30, 2019 and 2018 are as follows:

	2019	2018
Land	$ 31,854	$ 31,854
Land improvements	46,721	46,371
Buildings and building improvements	365,758	353,070
Leasehold improvements	162	162
Equipment	30,233	28,144
Library collection	816	816
	475,544	460,417
Less accumulated depreciation	(197,201)	(181,973)
Investment in plant—net	$ 278,343	$ 278,444

Depreciation expense was $15,794 and $14,909 for the years ended June 30, 2019 and 2018, respectively.

11. INDEBTEDNESS

Indebtedness at June 30, 2019 and 2018 consists of the following:

	2019	2018
State of Ohio Higher Educational Facility Revenue Bonds:		
2013 Series—principal due annually beginning November 2016 through November 2030, interest rate, 2.95%	$ 16,725	$ 17,795
2015 Series C—principal due annually beginning May 2016 through May 2038, interest rate ranges from 3.00% to 5.00% (original issue premium of $5,232)	47,115	49,230
2010 Series—principal due annually beginning May 2013 through May 2040, interest rate ranges from 2.50% to 5.00% (original issue discount of $447)	42,120	43,285
2015 Series B—principal due annually beginning May 2016 through May 2042, variable interest rate, resets monthly, 2.25% at June 30, 2019	43,510	44,600
2016 Series—principal due annually beginning May 2017 through May 2042, interest rate ranges from 3.00% to 5.00% (original issue premium of $189)	23,790	24,205
2015 Series A—principal due annually beginning May 2032 through May 2042, variable interest rate, resets monthly, 2.25% at June 30, 2019	22,575	22,575
	195,835	201,690
Net unamortized premium	2,428	3,075
Unamortized indebtedness issuance costs	(1,581)	(1,660)
Total indebtedness	$ 196,682	$ 203,105

The annual maturities of indebtedness for the years ending June 30 are as follows:

2020	$ 6,115
2021	6,400
2022	6,685
2023	6,990
2024	7,315
Thereafter	162,330
	195,835
Net unamortized premium	2,428
Unamortized indebtedness issuance costs	(1,581)
Total indebtedness	$196,682

The outstanding State of Ohio Higher Educational Facility Revenue Bonds ("Bonds") are secured by a pledge of University revenues. The Pledge Agreement ("Agreement") secures substantially all of the University's indebtedness and the University's obligations to any credit or liquidity facility providers or counterparties to derivative agreements relating to the Bonds. All of these obligations are secured on a parity basis and the Agreement also provides a mechanism for the University to secure future indebtedness on a parity basis. The Bonds include certain financial covenants; as of June 30, 2019, the University was in compliance with these financial covenants.

Interest expense was approximately $8,187 and $8,379 for the years ended June 30, 2019 and 2018, respectively. The University did not capitalize any interest for the years ended June 30, 2019 and 2018.

In 2008, the University entered into interest rate swap agreements with Barclays Capital and Deutsche Bank AG. These swap agreements were amended in 2015 and have the effect of fixing the rate of interest on certain series of the Bonds, as follows:

Bonds	Notional Amount	University Pays	University Receives	Effective Date	Maturity Date
Series 2015A	$22,575	3.316 %	67% of 1 month LIBOR	October 2008	May 2042
Series 2015B	43,510	3.658	67% of 1 month LIBOR	May 2016	May 2042

The University's estimated liability to terminate the swap agreements was $18,035 and $12,865 as of June 30, 2019 and 2018, respectively. These amounts are reflected separately in liabilities in the Statements of Financial Position. The change in the fair value of the interest rate swap agreements of $(5,170) and $4,958 for the years ended June 30, 2019 and 2018, respectively, is included in non-operating activities in the statements of activities.

The University has a $5,000 line of credit with a bank. Balances outstanding are payable on the expiration date with interest due monthly at the London InterBank Offered Rate, plus 2%. There were no balances outstanding on the line of credit as of June 30, 2019 and 2018. The line of credit expires on December 13, 2019.

12. RETIREMENT PLAN

The University has a 403(b) contributory retirement plan through Teachers Insurance and Annuity Association (TIAA) that covers substantially all full-time employees immediately upon employment by the University. University contributions to the plan range from 8.50% to 10.00% of eligible compensation. Plan participants are also required to make contributions to the plan ranging from 2.00% to 5.00% of their compensation.

The University made contributions of approximately $6,300 and $5,949 for the years ended June 30, 2019 and 2018, respectively. All contributions are immediately fully vested.

13. POSTRETIREMENT HEALTH CARE BENEFITS

The University sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is noncontributory for non-faculty employees who retired prior to December 31, 1994, and faculty who retired as of May 13, 1995.

For employees who met certain age and service requirements as of January 1, 1995, the plan has been amended to require employee contributions and establish a maximum monthly benefit to be provided by the University.

Postretirement benefit expense includes the following components as of June 30, 2019 and 2018:

	2019	**2018**
Service cost of benefits earned	$ -	$ -
Interest cost on liability	119	82
Amortization of transition obligation	-	(61)
Net periodic postretirement benefit cost	$119	$ 21

The following table summarizes the amounts reflected on the Statements of Financial Position, as well as the change in fair value of plan assets, and the funded status of the postretirement benefit plan as of June 30, 2019 and 2018:

	2019	**2018**
Changes in projected benefit obligations:		
Benefit obligation—beginning of year	$(3,199)	$(2,522)
Interest cost	(119)	(82)
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Actuarial gain (loss)	1,323	(1,095)
Benefits paid	202	500
Benefit obligation—end of year	$(1,793)	$(3,199)
Change in fair value of plan assets:		
Fair value of plan assets—beginning of year	$ -	$ -
Employer contributions	202	500
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Benefits paid	(202)	(500)
Fair value of plan assets—end of year	$ -	$ -
Reconciliation of funded status:		
Projected benefit obligation in excess of fair value of plan assets	$(1,793)	$(3,199)
Unrecognized transition obligation	-	-
Unrecognized actuarial loss	-	-
Net statement of financial position liability	$(1,793)	$(3,199)

The following weighted-average assumptions were made in determining the postretirement benefit obligation and the postretirement benefit cost as of June 30, 2019 and 2018:

	2019	2018
Weighted-average discount rate used to determine the projected benefit obligation	3.01 %	3.89 %
Weighted-average discount rate assumption used to determine the net periodic benefit cost	3.89 %	3.42 %

The health care cost trend rate assumption has a significant effect on the amounts reported in the financial statements. The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30, 2019 and 2018:

	2019	2018
Health care cost trend rate assumed for the current year	5.00 %	7.00 %
Ultimate health care cost trend rate	3.50 %	4.00 %
Year that rate reaches the ultimate trend rate	2022	2024

A one-percentage point change in the assumed health care cost trend rate would have the following effect on the postretirement benefit obligation and the net periodic benefit cost:

	1% Increase	1% Decrease
Effect on postretirement benefit obligation	$110	$(95)
Effect on net periodic benefit cost	10	(9)

The following benefit payments, net of participants' contributions, and Medicare Part D reimbursements, which reflect expected future service, are expected to be paid:

Years Ending June 30	Benefit
2020	$208
2021	194
2022	179
2023	165
2024	150
2025–2029	563

14. FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall mission of the University. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The University applies various methods to allocate costs among the program and support functions, the most significant of which is by time and effort.

Operating expenses by functional and natural classification for the years ended June 30, 2019 and 2018 were as follows:

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprise	Total 2019
Salaries	$40,527	$ 809	$ 5,025	$ 8,296	$14,447	$ 2,975	$ 9,184	$ 81,263
Benefits	11,784	224	1,479	2,520	5,866	1,101	2,471	25,445
Depreciation, amortization and interest	6,104	130	1,056	2,721	1,551	1,024	11,475	24,061
Office expenses	2,448	151	722	2,120	1,048	406	2,583	9,478
Travel, conference and meetings	1,895	131	881	1,429	1,118	52	5,098	10,604
Cost of sales	-	-	-	-	-	-	9,935	9,935
Repairs and maintenance	60	-	9	52	2,140	5,329	835	8,425
Professional services	1,353	51	278	394	1,484	7	1,779	5,346
Other	8,993	115	1,852	3,198	1,401	3,312	1,708	20,579
Total	$73,164	$1,611	$11,302	$20,730	$29,055	$14,206	$45,068	$195,136

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprise	Total 2018
Salaries	$38,887	$ 766	$ 4,685	$ 7,019	$14,272	$ 3,059	$ 9,319	$ 78,007
Benefits	13,527	261	1,726	2,681	5,068	1,421	2,723	27,407
Depreciation, amortization and interest	5,874	124	1,049	2,638	1,547	1,023	11,112	23,367
Office expenses	2,553	202	570	1,703	2,542	474	3,229	11,273
Travel, conference and meetings	1,905	154	755	1,497	954	41	4,600	9,906
Cost of sales	9	-	-	-	1	-	8,767	8,777
Repairs and maintenance	60	-	7	110	1,968	4,136	1,188	7,469
Professional services	1,375	16	355	625	1,895	24	1,592	5,882
Other	3,545	40	1,841	2,671	1,612	3,244	1,686	14,639
Total	$67,735	$1,563	$10,988	$18,944	$29,859	$13,422	$44,216	$186,727

15. RELATED-PARTY TRANSACTIONS

The Jesuit Community at Xavier University (the "Community"), an Ohio not-for-profit corporation, is an entity separate from the University. Members of the Community serve on the University's faculty and administration and their salaries are paid, in total, to the Community. In the opinion of the University's administration, such salaries are comparable to those of other employees. Members of the Community do not participate in either the University's retirement plan or the federal Social Security program. However, the University pays the Community an amount comparable to such benefits for each Community member employed by the University. Total amounts paid to the Community are not material to the financial statements.

The financial statements include gifts of $463 and contributions receivable of $1,885 from members of the Board and employees, including management, for the year ended June 30, 2019. Gifts of $269 and contributions receivable of $2,045 from these same related parties were recorded in the financial statements for the year ended June 30, 2018.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The University uses various valuation approaches to determine fair value. ASC 820-10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The carrying amount of cash, short-term investments, accounts receivable, accrued interest receivable, accrued compensation costs, and deferred revenue approximate fair value because of the short-term nature of these assets and liabilities.

The carrying value of investments, which is the fair value, is determined by management using inputs provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the student loans receivable 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 US government or its designees.

The carrying amount of contributions receivable approximates fair value as these donations are recorded at the net present value of amount pledged.

The fair value of indebtedness, which consists primarily of bonds payable, was approximately $200,412 as of June 30, 2019, and $196,766 as of June 30, 2018. The methodology for determining fair value of bonds payable consists of a discounted cash flow analysis using a discount rate for each existing bond series. The carrying value was $196,682 as of June 30, 2019, and $203,105 as of June 30, 2018.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical instruments.

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2019 and 2018, the University's assets and liabilities measured at fair value on a recurring basis are summarized in the following table by the type of inputs applicable to the fair value measurement.

Description	**June 30, 2019**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 6,808	$ 6,808	$ -	$ -
US government and agency obligations	22,148	22,148	-	-
Corporate stocks and stock funds	140,501	140,501	-	-
Corporate bonds and bond funds	137,137	14,937	122,200	-
Mortgage and asset-backed securities	15,720	-	15,720	-
Real assets	9,881	-	9,881	-
Alternative investments	16,134	-	-	16,134
Liabilities—interest rate swap agreements	(18,035)	-	(18,035)	-

Description	**June 30, 2018**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 9,370	$ 9,370	$ -	$ -
US government and agency obligations	20,750	20,750	-	-
Corporate stocks and stock funds	126,820	126,820	-	-
Corporate bonds and bond funds	140,475	26,533	113,942	-
Mortgage and asset-backed securities	3,873	-	3,873	-
Real assets	10,037	-	10,037	-
Alternative investments	14,227	-	-	14,227
Liabilities—interest rate swap agreements	(12,865)	-	(12,865)	-

Alternative investments consist of private equity and hedge funds that invest across various asset classes, including leveraged buyouts, distressed debt, venture capital, secondary partnership interests, hedged equity, distressed securities, and merger arbitrage. These investment vehicles are primarily limited partnerships or other investment structures which do not have readily available market valuation information and which may have restrictive redemption provisions. The estimated fair values of investments of these partnerships are determined by the general partner or sponsor of the respective partnerships and may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. These investments in partnerships are classified in Level 3 of the fair value hierarchy. Identified in the table below is a summary of changes in fair value of Level 3 investments for the years ended June 30, 2019 and 2018.

	Private Equity	Hedge Funds	Other	Total
Beginning net asset value—July 1, 2018	$ 6,515	$ 5,862	$ 1,850	$ 14,227
Capital additions or purchases	2,077	-	914	2,991
Capital disbursements or sales	(1,755)	(65)	(477)	(2,297)
Appreciation of investments	822	127	264	1,213
Ending net asset value—June 30, 2019	$ 7,659	$ 5,924	$ 2,551	$ 16,134

	Private Equity	Hedge Funds	Other	Total
Beginning net asset value—July 1, 2017	$ 5,746	$ 10,471	$ 1,559	$ 17,776
Capital additions or purchases	1,954	-	839	2,793
Capital disbursements or sales	(1,389)	(4,992)	(768)	(7,149)
Appreciation of investments	204	383	220	807
Ending net asset value—June 30, 2018	$ 6,515	$ 5,862	$ 1,850	$ 14,227

Identified in the table below is a summary of fair value, unfunded commitments, and redemption provisions:

	Fair Value	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Private equity	$ 7,659	$ 4,450	n/a	n/a	n/a
Hedge funds	5,924	-	Quarterly	n/a	90-95 days
Other	2,551	1,460	n/a	n/a	n/a

Private equity funds are invested in a fund-of-funds structure in which the underlying managers invest primarily in leveraged buyouts, distressed debt, venture capital, and secondary partnership interests.

Hedge funds are invested primarily in a fund-of-funds structure in which the underlying managers invest primarily in hedged equity, distressed securities, and merger arbitrage strategies.

Other includes investments in credit opportunities and real estate funds.

17. LEASE COMMITMENTS

The University leases office space for off-site classrooms, technology equipment, and vehicles under non-cancelable operating arrangements that have original terms greater than one year. Leases expire at varying dates through September 30, 2029, and there are various renewal options. The following table shows the aggregate payments required with these leases in the periods indicated.

Years Ending June 30	
2020	$ 571
2021	540
2022	502
2023	421
2024	346
Thereafter	1,890
	$4,270

The University executed a ground lease with a development company in June 2013. The lease period is for 50 years with five additional nine-year renewals at the developer's option, and the lease gives the development company rights to construct a multi-use development including housing, office, and retail space on approximately 14 acres of land east of the University's main campus. The University receives periodic lease payments from the developer. The University is neither an investor in the development nor a guarantor for any obligations of the development company or the development. The University leases a portion of the retail space for its own use at market rates; this commitment is included in the amounts disclosed above.

18. COMMITMENTS AND CONTINGENCIES

The University is involved in various legal actions arising in the ordinary course of its activities. Management believes that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the University.

The University receives grants and contracts from certain federal, state, and local agencies to fund student aid and other activities. Both direct and indirect costs that have been charged to the grants or contracts are subject to examination and approval by the granting agency. Management believes that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University has agreements with general contractors for the design and renovation of facilities with a current guaranteed maximum price of $57,172 of which approximately $38,703 has been paid or accrued as of June 30, 2019.

In December 2016, the University entered into an exclusive 10-year agreement with a local healthcare organization to jointly develop academic programs and to support campus health and wellness. This agreement included the creation of a new legal entity which would construct and own a new health and recreation center located on the University's campus and is scheduled to open in fiscal year 2020. The new entity, Center Corp, is a qualifying organization under Section 509(a)(3) of the Code; the University owns 51% of this entity. As of June 30, 2019, Center Corp has incurred $37,191 in costs associated with the planning, design and construction of the new facility. The financial activity of Center Corp is fully consolidated into the University's financial statements. The University has contributed capital of $18,979 and the healthcare affiliate has contributed capital of $18,212 as of June 30, 2019.

19. SUBSEQUENT EVENTS

No events have occurred after June 30, 2019, but before September 17, 2019, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

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