Martin, Harps, Syphoe & Co.
Certified Public Accountants

SPELMAN COLLEGE

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Martin, Harps, Syphoe & Co.
Certified Public Accountants

Independent Auditors' Report

The Board of Trustees
Spelman College:

We have audited the accompanying financial statements of Spelman College, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spelman College as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(n) to the financial statements, in fiscal 2019 Spelman College adopted new accounting guidance, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

Martin, Hamps, Syphon + Co.

Atlanta, Georgia
October 25, 2019

SPELMAN COLLEGE

Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	41,833,300	30,568,375
Student accounts receivable (net of allowance for doubtful accounts of $2,896,000 in 2019 and $2,407,000 in 2018)		1,933,615	1,598,648
Grants and other receivables		1,439,497	1,863,374
Contributions receivable, net (note 2)		25,167,022	27,029,428
Student notes receivable (net of allowance for doubtful accounts of $1,200,000 in 2019 and 2018)		932,683	1,100,031
Investments (notes 3 and 9)		390,461,996	389,406,802
Other assets		1,381,908	1,042,811
Property and equipment, net (note 5)		162,470,806	163,192,046
Total assets	$	625,620,827	615,801,515
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	5,631,715	5,602,713
Accrued compensation and related expenses		6,412,867	6,257,941
Deferred revenue		745,346	626,611
Bonds payable (note 6)		70,786,797	75,617,118
Advances from federal government		1,315,273	1,151,592
Total liabilities		84,891,998	89,255,975
Net assets:			
Without donor restrictions:			
Undesignated		2,359,407	1,609,884
Designated by the board of trustees as follows:			
Quasi-endowment, net (note 4)		65,907,963	65,922,907
Student loans		136,784	281,386
Facilities expansion		8,246,753	9,637,635
Investment in property and equipment		83,910,123	77,209,571
Total without donor restrictions		160,561,030	154,661,383
With donor restrictions (notes 4 and 8)		380,167,799	371,884,157
Total net assets		540,728,829	526,545,540
Commitments and contingencies (notes 3, 6, 12, and 13)			
Total liabilities and net assets	$	625,620,827	615,801,515

See accompanying notes to financial statements.

SPELMAN COLLEGE

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
Operating revenue:				
Tuition and fees, excluding student aid	$ 42,557,661	—	42,557,661	38,308,269
Government grants and contracts	407,508	7,238,318	7,645,826	7,839,000
Private gifts and grants	2,628,705	14,634,568	17,263,273	13,073,887
Investment income, net	768,798	13,167	781,965	513,281
Realized and unrealized gains (losses) on investments, net	(64,399)	—	(64,399)	(421)
Endowment spending in accordance with the College's spending rule (note 4)	5,038,465	13,950,571	18,989,036	18,559,554
Sales and services of auxiliary enterprises	23,372,365	—	23,372,365	22,893,231
Other	1,116,841	3,364	1,120,205	1,017,404
Net assets released from restrictions (note 7)	28,854,856	(28,854,856)	—	—
Total operating revenue	104,680,800	6,985,132	111,665,932	102,204,205
Operating expenses (note 10):				
Instruction	33,233,814	—	33,233,814	31,540,239
Research	4,256,126	—	4,256,126	5,723,970
Public service	234,332	—	234,332	309,062
Academic support	9,588,712	—	9,588,712	8,607,411
Student services	12,861,164	—	12,861,164	12,007,669
Institutional support	22,440,700	—	22,440,700	21,490,594
Auxiliary enterprises	16,753,231	—	16,753,231	16,788,050
Total operating expenses	99,368,079	—	99,368,079	96,466,995
Change in net assets from operating activities	5,312,721	6,985,132	12,297,853	5,737,210
Nonoperating activities:				
Contributions	(37,484)	4,402,672	4,365,188	31,365,209
Investment income	(1,461,168)	2,459,888	998,720	1,222,942
Change in present value of split-interest agreements	—	8,221	8,221	(9,754)
Realized and unrealized gains on investments, net	6,045,887	11,012,266	17,058,153	38,775,211
Endowment spending in accordance with the College's spending rule (note 4)	(5,038,465)	(13,950,571)	(18,989,036)	(18,559,554)
Net assets released from restriction for construction (note 7)	2,590,751	(2,590,751)	—	—
Net assets released from restriction for expired term annuities	37,484	(37,484)	—	—
Capital campaign expenditures	(1,550,079)	—	(1,550,079)	(1,281,044)
Other nonoperating income	—	(5,731)	(5,731)	66,680
Change in net assets from nonoperating activities	586,926	1,298,510	1,885,436	51,579,690
Change in net assets	5,899,647	8,283,642	14,183,289	57,316,900
Net assets at beginning of year	154,661,383	371,884,157	526,545,540	469,228,640
Net assets at end of year	$ 160,561,030	380,167,799	540,728,829	526,545,540

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statement of Activities

Year ended June 30, 2018

	2018		
	Without donor restrictions	With donor restrictions	Total
Operating revenue:			
Tuition and fees, excluding student aid	$ 38,308,269	—	38,308,269
Government grants and contracts	496,180	7,342,820	7,839,000
Private gifts and grants	2,873,090	10,200,797	13,073,887
Investment income, net	498,833	14,448	513,281
Realized and unrealized gains on investments, net	(421)	—	(421)
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	4,738,399	13,821,155	18,559,554
Sales and services of auxiliary enterprises	22,893,231	—	22,893,231
Other	1,017,404	—	1,017,404
Net assets released from restrictions (note 7)	30,114,506	(30,114,506)	—
Total operating revenue	100,939,491	1,264,714	102,204,205
Operating expenses (note 10):			
Instruction	31,540,239	—	31,540,239
Research	5,723,970	—	5,723,970
Public service	309,062	—	309,062
Academic support	8,607,411	—	8,607,411
Student services	12,007,669	—	12,007,669
Institutional support	21,490,594	—	21,490,594
Auxiliary enterprises	16,788,050	—	16,788,050
Total operating expenses	96,466,995	—	96,466,995
Change in net assets from operating activities	4,472,496	1,264,714	5,737,210
Nonoperating activities:			
Contributions	—	31,365,209	31,365,209
Investment income, net	(1,425,598)	2,648,540	1,222,942
Change in present value of split-interest agreements	—	(9,754)	(9,754)
Realized and unrealized gains on investments, net	9,614,085	29,161,126	38,775,211
Endowment spending in accordance with the College's spending rule (note 4)	(4,738,399)	(13,821,155)	(18,559,554)
Net assets released from restriction for construction (note 7)	2,603,398	(2,603,398)	—
Capital campaign expenditures	(1,281,044)	—	(1,281,044)
Other nonoperating income	—	66,680	66,680
Change in net assets from nonoperating activities	4,772,442	46,807,248	51,579,690
Change in net assets	9,244,938	48,071,962	57,316,900
Net assets at beginning of year	145,416,445	323,812,195	469,228,640
Net assets at end of year	$ 154,661,383	371,884,157	526,545,540

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	14,183,289	57,316,900
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		4,999,549	5,024,447
Amortization of bond issuance costs		83,197	83,196
Amortization of bond premium		(868,518)	(895,893)
In-kind contribution of property and other		(17,193)	(129,690)
Net realized and unrealized gains on investments		(16,993,754)	(38,774,790)
Private gifts and grants restricted for long-term investment		(6,265,078)	(8,572,020)
(Increase) decrease in student accounts receivable		(334,967)	122,599
Decrease (increase) in grants and other receivables		423,877	(182,264)
Decrease (increase) in contributions receivable, net		1,862,406	(22,793,189)
(Increase) decrease in other assets		(321,904)	100,888
Increase (decrease) in accounts payable and accrued expenses, and accrued compensation and related expenses		108,424	(46,792)
Increase (decrease) in deferred revenue		118,735	(32,560)
Net cash used in operating activities		(3,021,937)	(8,779,169)
Cash flows from investing activities:			
Purchases and acquisitions of property and equipment		(4,202,805)	(6,425,237)
Payments received on student loans		167,348	271,965
Proceeds from sales of investments		175,873,001	184,751,965
Purchases of investments		(159,934,441)	(169,157,269)
Net cash provided by investing activities		11,903,103	9,441,424
Cash flows from financing activities:			
Principal repayments on bonds and notes payable		(4,045,000)	(3,930,000)
Increase (decrease) in advances from federal government		163,681	(464,933)
Proceeds from private gifts and grants restricted for long-term investment		6,265,078	8,572,020
Net cash provided by financing activities		2,383,759	4,177,087
Increase in cash and cash equivalents		11,264,925	4,839,342
Cash and cash equivalents at beginning of year		30,568,375	25,729,033
Cash and cash equivalents at end of year	$	41,833,300	30,568,375
Supplemental disclosures:			
Cash paid for interest	$	3,300,474	3,467,615
In-kind gift – property and other		17,193	129,690
Property and equipment included in accounts payable		267,794	192,290

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Spelman College (the College) is a private, nonprofit institution of higher education located in Atlanta, Georgia. The College provides education and training services for students at the undergraduate level and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations and governmental agencies.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

The College's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College pursuant to those restrictions and/or the passage of time.

Revenue from sources other than contributions is reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are initially recorded at their estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in net assets without restrictions. Net 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. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service and are reported as reclassifications from net assets with donor restriction to net assets without donor restrictions.

(c) Investments

Investments consist of marketable securities, privately held limited partnerships, and real estate.

Marketable securities are stated at fair value based on quoted market prices. The net realized and unrealized gains on investments are reflected in the statements of activities. Net realized and unrealized gains are allocated to net asset classes dependent upon donor restrictions.

Investments in private limited partnership interests are valued using the most current information provided by the general partner. The change in net assets related to limited partnership interests is presented as net realized and unrealized gains based upon the estimated fair value of each partnership as determined by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arm's length transactions. Real estate partnerships and funds are valued based on appraisals of properties held and are conducted by third-party appraisers retained by the general partner or investment manager. General partners of funds invested in marketable securities provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Investment managers are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk, or to attain or hedge a specific financial market position. The College does not have direct investments in such instruments. Management reviews and evaluates valuation information provided by general partners and investment managers, and management believes such values are reasonable estimates of fair value.

The College's investments include various types of investment securities and investment vehicles, which are exposed to various risks, such as liquidity, interest rate, currency, market, and credit risks.

Liquidity risk represents the possibility that the College may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The College invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could contract. As a result, the College could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded. The College's interests in alternative investments are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019 and 2018, the College had no plans or intentions to sell investments at amounts different from NAV.

The College holds investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates, and this can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

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

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

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College's financial statements.

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair value at date of donation, less accumulated depreciation.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives is as follows:

Land improvements	25 years
Buildings	50 years
Furniture and equipment	5 years
Investment in the Robert W. Woodruff library at the Atlanta University Center Consortium, Inc.	7 years

(e) Advances from Federal Government for Student Loans

The College owns a one-tenth interest in its Federal Perkins Loan fund used to advance loans to students. The remaining nine-tenths is distributable to the federal government upon liquidation of the federal loan program and is recorded as a liability in the accompanying statements of financial position.

(f) Income Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The College reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the financial statements at June 30, 2019 or 2018.

(g) Atlanta University Center Consortium, Inc.

The College records as expense an allocated share of expenditures made through Atlanta University Center Consortium, Inc., an affiliated organization, for the benefit of the four affiliated institutions.

(h) Cash Equivalents

Cash equivalents consist primarily of money market accounts, commercial paper, and any other short-term investments with original maturities of three months or less. Cash and cash equivalents that are part of the pooled investments are shown within investments as these funds are generally not used for daily operating needs.

(i) Tuition and Fees

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue From Contracts with Customers*, revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the College expects to be entitled in exchange for those goods or services (i.e., the transaction price). The College's operating revenue is primarily derived from undergraduate academic programs provided to students.

Student tuition and fee revenue is recognized in the reporting period in which the academic programs are delivered. Tuition is charged at different rates depending on the enrollment status of the student. As part of a student's course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations. Tuition and fees received in advance of services to be rendered are categorized as deferred revenue in the accompanying statements of financial position. Educational aid is awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students were $18,061,874 in 2019 and $19,519,517 in 2018. For the year ended June 30, 2019, the approximate $43 million in revenue from tuition and fees reflects aggregate reductions from student aid of $18 million against charges for which the amounts at published rates were approximately $61 million.

(j) Auxiliary Enterprise Revenue

Auxiliary Enterprise services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprise revenue primarily includes activities for student housing and dining facilities, the campus bookstore, and parking services. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

(k) Use of Estimates

Management of the College has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible student receivables and contributions receivable, useful lives of property and equipment, investments without readily determinable fair values, and accrued expenses to prepare the financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(l) Bond Issuance Costs

Bond issuance costs related to the registration and issuance of bonds are carried at cost, less accumulated amortization, and are being amortized over the life of the related bonds. Unamortized bond issuance costs are recorded as a direct deduction from bonds and notes payable on the accompanying statements of financial position.

(Continued)

(m) Conditional Asset Retirement Obligations

The College has identified asbestos and lead paint abatement as conditional asset retirement obligations (ARO). Asbestos and lead paint abatement costs were estimated using a per-square-foot estimate. The College is required to recognize period-to-period changes in an ARO liability resulting from the passage of time (accretion expense) and revisions in cash flow estimates. The College's ARO are included in accounts payable and accrued expenses in the accompanying statements of financial position.

The following table presents the activity of the College's ARO for the years ended June 30, 2019 and 2018:

		2019	2018
Balance at beginning of year	$	1,867,481	1,806,239
Accretion expense		63,759	61,242
Retirements		314,526	—
Balance at end of year	$	1,616,714	1,867,481

(n) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects that consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that tuition, fees, and auxiliary student revenue be presented in the statements of activities at the transaction price that is net of any institutional student aid. Previously, such revenue was presented gross, at published rates, followed by a reduction for institutional student aid. Accordingly, the College's 2018 statement of activities has been revised to conform to the 2019 presentation.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. The College early adopted this provision of ASU 2016-01 as of June 30, 2017. The College will adopt the remaining provisions of the ASU during fiscal year 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2018. The College will implement the provisions of ASU 2016-02 during fiscal year 2020. The College has not yet determined the impact of the new standard on its current policies for lessee accounting.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two, (2) requires the presentation of expenses by functional and natural classification in one location, and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The College adopted the provisions of ASU 2016-14 as of June 30, 2019 and applied the changes retrospectively. As a result of adopting this standard, certain prior year amounts have been reclassified.

Net asset reclassifications as of June 30, 2018, resulting from the adoption of ASU No. 2016-14 are as follows:

	ASU 2016-14 Classifications	
	Without donor restrictions	**With donor restrictions**
Net assets classifications, as previously presented:		
Unrestricted Net assets	$ 154,661,383	—
Temporarily Restricted Net Assets	—	244,124,875
Permanently Restricted Net Assets	—	127,759,282

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improvement current guidance about whether a transfer of assets is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The College has adopted this guidance noting no material impact on the financial statements as of June 30, 2019.

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*. For non-public entities, ASU 2018-13 removes the requirement to disclose a roll-forward of investments classified within level 3 of the fair value hierarchy, and instead requires non-public entities to disclose purchases and issues of level 3 assets and liabilities, as well as transfers into and out of level 3 of the fair value hierarchy. ASU 2018-13 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The College has not yet determined the impact of the new standard on its financial statements.

(2) Contributions Receivable, Net

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

		2019	2018
Unconditional promises expected to be collected in:			
Less than one year	$	10,450,087	10,012,757
One year to five years		19,632,578	21,455,496
Greater than five years		—	—
		30,082,665	31,468,253
Less allowance for uncollectible contributions		1,504,136	1,573,419
Less unamortized discount		3,411,507	2,865,406
	$	25,167,022	27,029,428

Contributions are discounted at rates ranging from 2.71% to 7.71% for the years ended June 30, 2019 and 2018, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions. The College's allowance for uncollectible contributions is estimated by using past collection history as an indication of future collections. At June 30, 2019 and 2018, the College's two largest outstanding donor pledge balances represented 75% and 81%, respectively, of the College's gross contributions receivable. The College has conditional contributions, not recorded, for the promotion of higher education and research of approximately $10.0 million. As of June 30, 2019 conditional contributions are broken out as follows: foundation grants of $5.7 million, Title III of $2.2 million, and other of $2.1 million.

(3) Investments

The fair value of investments is summarized as follows at June 30, 2019 and 2018:

		2019	2018	2019 Unfunded capital commitments	2018 Unfunded capital commitments
Short-term investments	$	10,084,451	13,666,032	—	—
U.S. equity		44,806,772	40,919,219	—	—
Non-U.S. equity:					
Developed markets		9,983,779	16,995,783	—	—
Emerging markets		30,572,989	36,170,554	—	—
		40,556,768	53,166,337	—	—
Marketable alternatives		100,288,717	90,295,740	—	—
Real assets:					
Natural resources		7,187,956	7,009,993	3,230,865	4,086,525
Real estate		11,015,258	12,967,933	126,725	126,725
		18,203,214	19,977,926	3,357,590	4,213,250
Private equity:					
Private and venture capital		124,779,011	129,610,421	44,680,767	50,363,334
Distressed		15,242,770	16,184,086	6,793,721	2,797,728
		140,021,781	145,794,507	51,474,488	53,161,062
Fixed income		36,500,293	25,587,041	4,559,528	9,342,684
Total investments, at fair value	$	390,461,996	389,406,802	59,391,606	66,716,996

The College has investments in certain partnerships, and is obligated under the related partnership agreements to invest additional capital amounts. The College estimates that the additional capital amounts will be paid over the next five years depending on timing of potential investment opportunities identified by investment fund managers.

The following is a summary of the liquidation terms of investments as of June 30, 2019 and 2018:

	2019 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 10,084,451	—	—	—	—	—	10,084,451	1
U.S. equity (b)	10,290,096	437,564	5,158,377	11,934,714	16,986,021	—	44,806,772	1–90
Non-U.S. equity (b)	6,865,637	11,638,871	5,128,519	3,696,195	11,853,567	1,373,979	40,556,768	60–120
Marketable alternatives (c)	—	3,000,000	97,288,717	—	—	—	100,288,717	30–90
Real assets (d)	—	—	—	—	—	18,203,214	18,203,214	—
Private equity (e)	—	—	—	—	—	140,021,781	140,021,781	—
Fixed income (f)	—	7,842,105	—	—	—	28,658,188	36,500,293	3–90
Total	$ 27,240,184	22,918,540	107,575,613	15,630,909	28,839,588	188,257,162	390,461,996	

	2018 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 13,666,032	—	—	—	—	—	13,666,032	1
U.S. equity (b)	12,425,293	419,065	12,045,124	—	16,029,737	—	40,919,219	1–90
Non-U.S. equity (b)	7,657,946	20,668,389	5,649,389	—	15,448,082	3,742,531	53,166,337	60–120
Marketable alternatives (c)	—	5,758,600	71,517,018	5,364,260	5,238,176	2,417,686	90,295,740	30–90
Real assets (d)	—	—	—	—	—	19,977,926	19,977,926	—
Private equity (e)	—	—	—	—	—	145,794,507	145,794,507	—
Fixed income (f)	1,006,087	6,959,457	5,032,667	—	—	12,588,830	25,587,041	3–90
Total	$ 34,755,358	33,805,511	94,244,198	5,364,260	36,715,995	184,521,480	389,406,802	

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

(b) This category includes investments in funds that take long positions in publicly traded equity securities. Approximately 50% of these investments are in U.S. companies and 50% are in non-U.S. companies. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category very liquid.

(c) This category includes investments in hedge funds that take long and short positions largely in equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(d) This category includes investments in real estate equity funds and commodity funds that take ownership of properties ranging from office, retail, multifamily, land, hotel, and various other commodities. These are investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the investment fund manager.

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

(f) This category includes investments in funds that take long positions in publicly traded fixed income securities. Derivatives may be used to replicate securities or change the positioning of the portfolio without the need to buy or sell securities. The public nature of the securities makes this category very liquid.

As of June 30, 2019 and 2018, the College has approximately $348,000,000 and $339,000,000, respectively, of investments that are reported at estimated fair value based on NAV of the funds. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the College has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments. Management estimates of fair value are based upon information provided by general partners and investment managers. At June 30, 2019 and 2018, the College did not have any investments with redemption lock-up provisions.

(4) Endowment Net Assets

The College's endowment consists of approximately 300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), as adopted in Georgia, as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, an institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of a donor restricted endowment fund below its book value, which was previously not allowed.

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

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net assets consisted of the following at June 30, 2019 and 2018:

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:				
Other funds	$	—	327,894,613	327,894,613
Board-designated endowment funds		63,919,082	—	63,919,082
Total endowed net assets	$	63,919,082	327,894,613	391,813,695

		2018		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:				
Other funds	$	—	327,778,672	327,778,672
Board-designated endowment funds		65,922,907	—	65,922,907
Total endowed net assets	$	65,922,907	327,778,672	393,701,579

(Continued)

Endowments are to be utilized for the following purposes as of June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Faculty support	$ —	45,705,795	45,705,795
Program support	—	37,820,081	37,820,081
Scholarship support	—	175,137,021	175,137,021
Research	—	15,180	15,180
Operating	63,919,082	67,757,215	131,676,297
Other	—	1,459,321	1,459,321
Total	$ 63,919,082	327,894,613	391,813,695

Endowments are to be utilized for the following purposes as of June 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Faculty support	$ —	45,681,769	45,681,769
Program support	—	37,792,855	37,792,855
Scholarship support	—	175,103,691	175,103,691
Research	—	15,175	15,175
Operating	65,922,907	67,688,960	133,611,867
Other	—	1,496,222	1,496,222
Total	$ 65,922,907	327,778,672	393,701,579

(Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

		2019		
		Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**
Endowment net assets, June 30, 2018	$	65,922,907	327,778,672	393,701,579
Investment return:				
Investment income, net		(1,461,168)	2,459,888	998,720
Net appreciation		6,045,887	11,012,266	17,058,153
Total investment return		4,584,719	13,472,154	18,056,873
Contributions		—	678,610	678,610
Appropriation of endowment assets for:				
Operations		(3,058,813)	(13,950,571)	(17,009,384)
Support of the College's investments office		(1,979,652)	—	(1,979,652)
Appropriation of endowment assets for campaign support		(1,550,079)	—	(1,550,079)
Transfers – other		—	(84,188)	(84,188)
Transfer of annuity funds, net		—	(64)	(64)
Endowment net asset, June 30, 2019	$	63,919,082	327,894,613	391,813,695

		2018		
		Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**
Endowment net assets, June 30, 2017	$	61,776,935	306,107,195	367,884,130
Investment return:				
Investment income		551,625	2,648,540	3,200,165
Net appreciation		9,614,085	29,161,126	38,775,211
Total investment return		10,165,710	31,809,666	41,975,376
Contributions		—	3,725,008	3,725,008
Appropriation of endowment assets for:				
Operations		(2,851,907)	(13,821,155)	(16,673,062)
Support of the College's investments office		(1,886,492)	—	(1,886,492)
Appropriation of endowment assets for campaign support		(1,281,044)	(30,000)	(1,311,044)
Transfers – other		(295)	—	(295)
Transfer of annuity funds, net		—	(12,042)	(12,042)
Endowment net asset, June 30, 2018	$	65,922,907	327,778,672	393,701,579

(b) Underwater Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in net assets with donor restrictions as of June 30, 2019 and 2018. These deficiencies typically result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 60% of the Russell 3000, 10% of the European and Far East (MSCI) Index, and 30% of the Barclays Aggregate Bond Index, while assuming a moderate level of investment risk. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5% to 6% annually. Actual returns in any given year may vary from this amount.

(Continued)

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, hedge funds, and alternative assets (distressed, real estate, venture capital, and private equities) to achieve its long-term objectives within prudent risk parameters.

(e) Spending Policy

The College utilizes the total return concept (income yield and appreciation) in the management of its endowment. The College has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the College's policy, a predetermined endowment spending rate, consistent with the College's total return objective, has been established. Should the actual return be insufficient to support this policy, the balance is provided from net accumulated appreciation. Should the return exceed the amounts withdrawn in accordance with the spending policy, the balance is reinvested in the endowment.

The College has a policy of appropriating for distribution each year 4.70% of a weighted average of its endowment funds values as of September 30 for each of the four fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The College withdrew an additional 0.39% and 0.35% of the fair value of the endowment as of the beginning of the year for each of the years ended June 30, 2019 and 2018, respectively, in order to support its capital campaign. The actual spending rate used to support the College's operating budget for the years ended June 30, 2019 and 2018, calculated as a percentage of the fair value of the endowment as of the beginning of the year, was 5.28% and 5.42%, respectively.

(5) Property and Equipment

Property and equipment as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Land	$ 14,687,722	14,687,722
Land improvements	22,280,251	22,280,251
Buildings	208,091,583	203,332,295
Furniture and equipment	32,122,417	30,615,006
Robert W. Woodruff Library at the Atlanta University Center Consortium, Inc.	547,000	547,000
Construction in progress	6,158,976	8,147,366
	283,887,949	279,609,640
Less accumulated depreciation	121,417,143	116,417,594
	$ 162,470,806	163,192,046

Depreciation expense totaled $4,999,549, and $5,024,447 in 2019 and 2018, respectively.

(6) Bonds Payable

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

	Interest rates	Maturity (serially)	Original issue	Outstanding as of June 30 2019	2018
Private colleges and universities:					
Authority Revenue Bonds – 2003 Series	2.00%–5.25%	2022	$ 29,780,000	$ 1,820,000	2,375,000
Development Authority of Fulton County:					
Adjustable rate demand:					
Revenue Bonds of 1999	3.31 %	2019	8,000,000	900,000	1,800,000
Fixed rate:					
Revenue Bonds of 2012	2.00%–5.00%	2029	25,145,000	10,630,000	12,840,000
Revenue Bonds of 2012	4.00 %	2029	725,000	345,000	725,000
Revenue Bonds of 2015	3.25%–5.00%	2032	52,080,000	52,080,000	52,080,000
				65,775,000	69,820,000
Unamortized premium				5,791,772	6,660,290
Bond issuance costs				(779,975)	(863,172)
Total bonds payable				$ 70,786,797	75,617,118

Under the terms of the agreements related thereto, the Authority Revenue Bonds of 2003 (the 2003 bonds) are unsecured general obligations of the College. The proceeds of the 2003 bonds were for the purpose of financing or refinancing all or a portion of various projects and advance refunding of the 1994 bonds. In April 2012, $17,010,000 of the proceeds from the issuance of the Revenue Bonds of 2012 was held in escrow for advance refunding of a portion of the 2003 bonds.

Under the terms of the bond financing documents related thereto, the Revenue Bonds of 1999 are general obligations of the College. The bonds were secured by irrevocable, direct-pay letters of credit issued by a commercial bank from the date of the original issuance of the bonds until September 21, 2009. On that date, the bond financing documents were amended to include a tax-exempt bank qualified option. This allowed the bonds to be purchased by the bank, which previously issued the letter of credit. The interest rate on the bonds changed to 0.67% of the sum of LIBOR plus 2.50%. The College continues to pledge revenue without donor restrictions as security for its repayment obligations under the bonds. The maturity dates of the bonds did not change.

Under the terms of the agreements related thereto, the Revenue Bonds of 2012 (the 2012 bonds) are unsecured general obligations of the College. The proceeds of the 2012 bonds were for the purpose of advance refunding a portion of the 2003 bonds and refunding the outstanding principal balances of the 2005 and 2008 notes payable to a commercial bank. Approximately $18,559,000 of the proceeds from the issuance of the 2012 bonds was placed in escrow in order to refund $17,010,000 of the 2003 bonds on June 1, 2012.

Under the terms of the agreements related thereto, the Revenue Bonds of 2015 (the 2015 bonds) are unsecured general obligations of the College. The proceeds of the 2015 bonds were for the purpose of advance refunding a portion of the 2007 bonds. Approximately $59,683,000 of the proceeds from the issuance of the 2015 bonds was placed in escrow in order to refund $53,820,000 of the 2007 bonds based on an amended maturity date of June 1, 2017.

The maturity schedule for bonds payable as of June 30, 2019 is as follows:

	Year ending June 30						
	2020	2021	2022	2023	2024	Thereafter	Total
Revenue Bonds of 1999	$ 900,000	—	—	—	—	—	900,000
Revenue Bonds of 2003	585,000	600,000	635,000	—	—	—	1,820,000
Revenue Bonds of 2012	2,685,000	2,725,000	2,840,000	610,000	600,000	1,515,000	10,975,000
Revenue Bonds of 2015	—	800,000	825,000	4,020,000	4,220,000	42,215,000	52,080,000
	$ 4,170,000	4,125,000	4,300,000	4,630,000	4,820,000	43,730,000	65,775,000

The terms of the bonds provide for certain nonfinancial covenants. The College’s management believes it is in compliance with these requirements at June 30, 2019.

Interest expense related to bonds payable approximated $2,432,000 and $2,572,000 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

(7) Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2019 and 2018, as follows:

		2019	2018
Operating:			
Scholarships and fellowships	$	12,516,109	14,311,053
Instruction		7,126,124	6,074,158
Research		2,577,020	3,876,888
Public service		49,612	95,653
Academic support		1,304,713	947,726
Student services		1,534,539	1,137,257
Institutional support		788,785	716,898
Auxiliary enterprises		56,979	21,233
Other		2,900,975	2,933,640
		28,854,856	30,114,506
Nonoperating:			
Construction		2,590,751	2,603,398
Expired term annuities		37,484	—
	$	31,483,091	32,717,904

(8) Net Assets

Net assets with donor restrictions as of June 30, 2019 and 2018 were available for the following purposes:

		2019	2018
Scholarships and fellowships	$	109,331,432	106,507,457
Programs and other operating purposes		113,408,137	109,780,283
Contributions and purchase of property and equipment		28,990,338	27,837,135
Endowment investment and other		128,437,892	127,759,282
	$	380,167,799	371,884,157

(9) Fair Value

The College’s estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, *Fair Value Measurement*. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 inputs – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly, in active markets.
- Level 3 inputs – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Underlying fund investments made directly by the College whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments may also include listed mutual funds, exchange-traded funds, and money market funds.

In accordance with ASC Subtopic 820-10, *Fair Value Measurement–Overall*, certain investments that are measured at fair value using NAV as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The following tables present, for each level within the fair value hierarchy, the College's recurring and nonrecurring fair value measurements for assets as of June 30, 2019 and 2018:

	June 30, 2019				
	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Recurring:					
Assets:					
Cash and cash equivalents	$ 41,833,300	—	—	—	41,833,300
Investments:					
Short-term investments	10,084,451	—	—	—	10,084,451
U.S. equity	10,727,660	—	—	34,079,112	44,806,772
Non-U.S. equity	6,865,636	—	—	33,691,132	40,556,768
Marketable alternatives	—	—	—	100,288,717	100,288,717
Real assets	—	—	—	18,203,214	18,203,214
Private equity	—	—	—	140,021,781	140,021,781
Fixed income	5,093,162	—	—	31,407,131	36,500,293
Total investments	32,770,909	—	—	357,691,087	390,461,996
	$ 74,604,209	—	—	357,691,087	432,295,296

	June 30, 2018				
	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Recurring:					
Assets:					
Cash and cash equivalents	$ 30,568,375	—	—	—	30,568,375
Investments:					
Short-term investments	13,666,032	—	—	—	13,666,032
U.S. equity	12,844,358	—	—	28,074,861	40,919,219
Non-U.S. equity	7,657,946	—	—	45,508,391	53,166,337
Marketable alternatives	—	—	—	90,295,740	90,295,740
Real assets	—	—	—	19,977,926	19,977,926
Private equity	—	—	—	145,794,507	145,794,507
Fixed income	5,463,187	—	—	20,123,854	25,587,041
Total investments	39,631,523	—	—	349,775,279	389,406,802
	$ 70,199,898	—	—	349,775,279	419,975,177

The carrying amounts of cash and cash equivalents, student accounts receivable, grants, and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Split-interest obligation carrying amounts approximate fair value because these instruments are recorded at estimated net present value of future cash flows determined as of the date of the gift. Investments are reported at fair value as of the date of the financial statements.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at June 30, 2019 and 2018 were approximately $21,800,000 and $25,400,000 respectively.

A reasonable estimate of the fair value of advances from the federal government and student loans could not be made because the notes receivable are not salable and can only be assigned to the federal government or its designees. The carrying value of institutional student notes receivable approximates fair value.

The carrying amounts of accounts payable, accrued compensation and related expenses, and other related accruals approximate fair value because of the relatively short maturity of these financial instruments.

(10) Expenses

Expenses are reported in the accompanying statements of activities in categories recommended by the National Association of College and University Business Officers. The College’s primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. Institutional support includes fund-raising expenses approximating $3,100,000 and $2,700,000 for the years ended June 30, 2019 and 2018, respectively.

The College allocates operation and maintenance of plant, interest and depreciation to the program and support expenses reported in the accompanying statements of activities based on square footage. Other expenses attributable to more than one category are based primarily on time and effort allocation techniques.

The following tables report the amount of these expenses included in the accompanying statements of activities for the year ended June 30, 2019:

	2019				
Functional category	**Compensation and benefits**	**Interest and Depreciation**	**Services and other**	**Operation and Maintenance of plant**	**Total expenses**
Instruction	$ 23,266,166	1,282,161	4,785,699	3,899,788	33,233,814
Research	2,685,657	209,671	1,360,798	—	4,256,126
Public service	201,367	—	32,965	—	234,332
Academic support	4,731,186	90,674	4,410,320	356,532	9,588,712
Student services	8,342,303	519,207	2,389,827	1,609,827	12,861,164
Auxiliary enterprises	2,818,314	3,630,808	9,858,290	445,819	16,753,231
Institutional support	12,081,638	1,802,670	6,942,279	1,614,113	22,440,700
	$ 54,126,631	7,535,191	29,780,178	7,926,079	99,368,079

Operating expenses classified by natural type for the year ended June 30, 2018 were as follows:

	2018
Salaries and wages	$ 40,925,356
Fringe benefits	11,865,135
Depreciation	5,024,447
Interest on indebtedness	2,571,722
Other expenses	36,080,335
Total operating expenses	$ 96,466,995

(11) Liquidity and Availability of Financial Assets

The College's financial assets available for general expenditure within one year of June 30, 2019 are as follows:

		2019
Total assets	$	625,620,827
Less non-financial assets and assets not available for general expenditures:		
Contributions receivable		26,835,578
Endowment funds		391,813,695
Property and equipment		162,470,806
Other assets		1,381,908
Total financial assets available to meet general expenditures within one year	$	43,118,840

The College's working capital and cash flow to fund general expenditures have seasonal variations related to the timing of tuition billings, receipt of gifts, pledge payments, and transfers from the endowment. To manage its resources, the College utilizes a combination of investment strategies to align its cash flows with anticipated outflows in accordance with policies approved by the Board of Trustees. The College's endowment funds consist of donor-restricted endowments and board-designated endowment funds. Board-designated endowments were $63,919,082 as of June 30, 2019. Although the College does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation processes, amounts from its board-designated endowment funds could be made available if necessary.

(12) Pension Plan

The College has a defined-contribution retirement plan with Teacher's Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time employees at the time of employment. Employees are fully vested in the College's contributions after completing three full years of service.

Total pension expense under this plan approximated $2,205,000 and $2,081,000 for the years ended June 30, 2019 and 2018, respectively.

(13) Commitments and Contingencies

(a) Federal Compliance Audits

Certain federally funded financial aid programs are routinely subject to compliance audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the independent auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate federal student aid programs.

(Continued)

These audits could result in claims against the resources of the College. No provision has been recorded for any liabilities that may arise from such audits, since the amounts, if any, cannot be determined at this date. Management believes that any such amounts would not have a material adverse effect on its financial position at June 30, 2019.

(b) Litigation

The College is a defendant in various litigation considered to be in the normal course of business. Although the final results of any litigation cannot be predicted with certainty, the College believes the outcome of pending litigation will not have a material adverse effect on its financial position, changes in net assets, or cash flows.

(c) Operating Leases

The College has several noncancelable operating leases for equipment and real estate with expiration dates through 2027.

Future minimum lease payments for years ending June 30 are as follows:

2020	$	608,000
2021		518,500
2022		325,500
2023		325,500
2024		267,700
	$	2,045,200

Rent expense related to noncancelable operating leases with terms in excess of one year approximated $750,000 and $533,000 for the years ended June 30, 2019 and 2018, respectively.

(14) Subsequent Events

The College evaluated subsequent events from the financial reporting date of June 30, 2019 through October 25, 2019, which is the date the College’s financial statements were available to be issued, and determined that there were no significant subsequent events requiring disclosure.