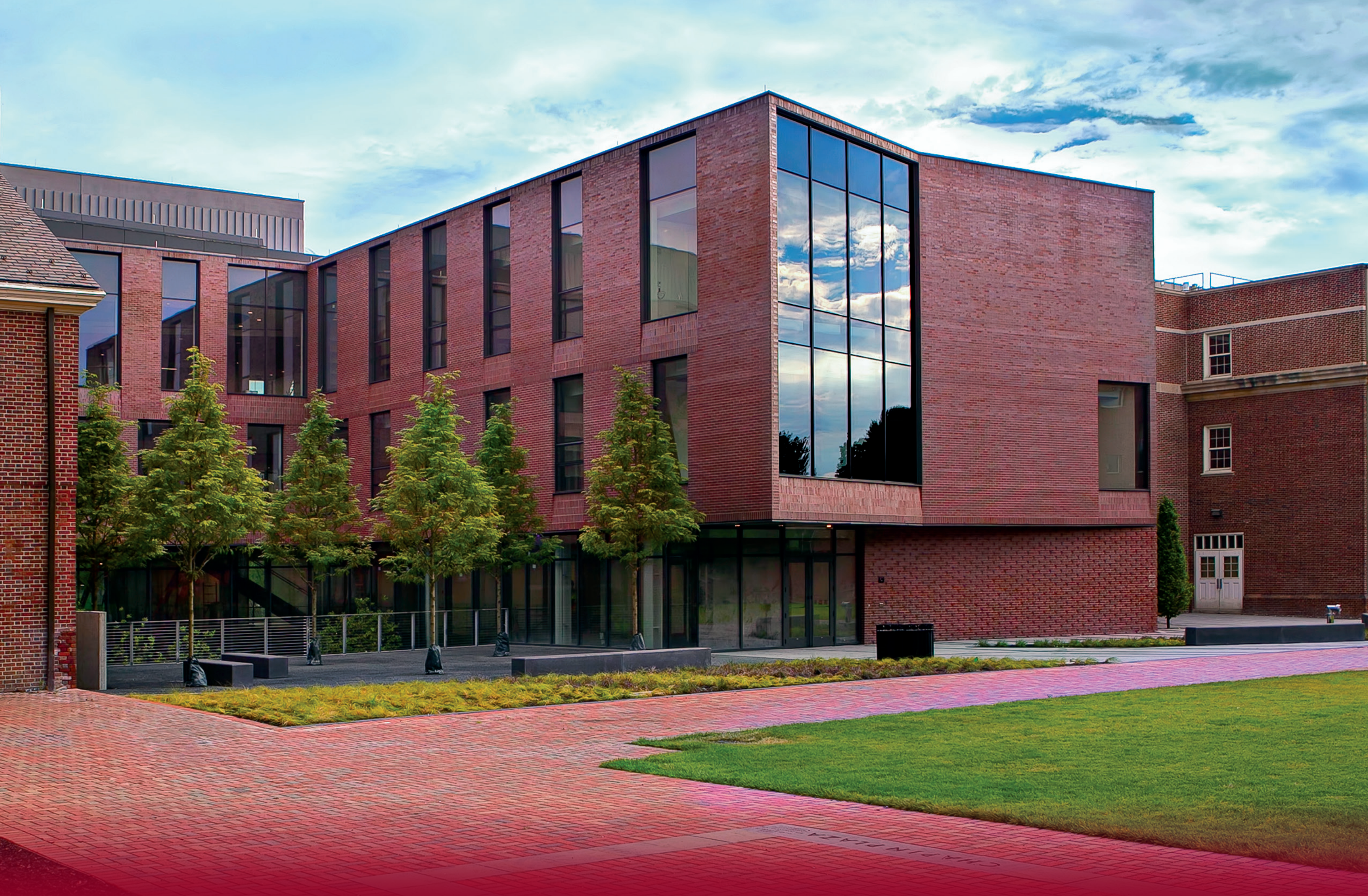

Financial Statements

2019 and 2018

LAFAYETTE COLLEGE

LAFAYETTE COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lafayette College
Easton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette College (the 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 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 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.

Board of Trustees
Lafayette College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 29, 2019

LAFAYETTE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 41,855	$ 24,093
Short-Term Investments (Note 2)	20,781	19,105
Accounts and Loans Receivable, Net (Note 3)	6,604	6,697
Contributions Receivable and Bequests, Net (Note 4)	24,516	27,902
Prepaid Expenses and Other Assets	2,761	2,695
Deposits with Bond and Other Trustees (Note 12)	19,235	60,216
Long-Term Investments (Note 6)	889,646	901,969
Property and Equipment, Net (Note 8)	381,748	333,943
Total Assets	$ 1,387,146	$ 1,376,620
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 20,145	$ 12,445
Deposits and Deferred Revenues	2,730	3,525
Funds Held For Others	3,300	3,064
Annuities Payable (Note 9)	18,319	23,010
Postretirement Benefits (Note 18)	47,478	46,883
Federal Student Loans Refundable	1,279	1,246
Interest Rate Hedge/Swap Agreements (Note 13)	14,265	11,205
Conditional Asset Retirement Obligation (Note 15)	1,750	1,806
Capitalized Lease Obligations (Note 14)	1,947	1,749
Mortgages Payable (Note 11)	2,220	2,340
Bonds Payable, Net (Note 11)	272,341	274,090
Total Liabilities	385,774	381,363
COMMITMENTS AND CONTINGENCIES (Notes 5, 8, and 22)	-	-
NET ASSETS (Note 20)		
Without Donor Restrictions	301,030	305,329
With Donor Restrictions	700,342	689,928
Total Net Assets	1,001,372	995,257
Total Liabilities and Net Assets	$ 1,387,146	$ 1,376,620

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE						
Tuition and Fees, Net	$ 86,997	$ -	$ 86,997	$ 84,084	$ -	$ 84,084
Government Grants	1,143	-	1,143	1,436	-	1,436
Private Gifts and Grants	6,772	-	6,772	6,252	-	6,252
Endowment Support	40,559	-	40,559	39,288	-	39,288
Other	6,114	-	6,114	4,798	-	4,798
Sales and Services of Auxiliaries	36,686	-	36,686	35,512	-	35,512
Net Assets Released from Restriction	1,319	-	1,319	1,167	-	1,167
Total Operating Revenue	179,590	-	179,590	172,537	-	172,537
OPERATING EXPENSES						
Instruction	60,555	-	60,555	59,668	-	59,668
Research	2,073	-	2,073	2,181	-	2,181
Academic Support	11,621	-	11,621	11,661	-	11,661
Student Services	32,783	-	32,783	32,132	-	32,132
Institutional Support	36,160	-	36,160	33,078	-	33,078
Auxiliary Services	32,167	-	32,167	31,493	-	31,493
Total Operating Expenses	175,359	-	175,359	170,213	-	170,213
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	4,231	-	4,231	2,324	-	2,324
NONOPERATING ACTIVITIES						
Long-Term Investment Return	35,242	(10,721)	24,521	39,274	19,914	59,188
Endowment Support	(40,559)	(693)	(41,252)	(39,288)	(671)	(39,959)
Endowment, Capital, and Other Restricted Gifts	5,318	18,012	23,330	6,087	20,910	26,997
Deferred Giving, Net	165	6,149	6,314	1,330	1,438	2,768
Change in Fair Value of Interest Rate Hedge/Swap Agreements	(3,060)	-	(3,060)	3,191	-	3,191
Change in Postretirement Benefits Cost	(1,557)	-	(1,557)	108	-	108
Disposal of Property and Equipment	(823)	-	(823)	17	-	17
Early Retirement Incentive	(2,033)	-	(2,033)	-	-	-
Other Nonoperating	(2,237)	-	(2,237)	-	-	-
Redesignation of Net Assets	-	-	-	(483)	483	-
Net Assets Released from Restriction	1,014	(2,333)	(1,319)	3,322	(4,489)	(1,167)
Change in Net Assets from Nonoperating Activities	(8,530)	10,414	1,884	13,558	37,585	51,143
CHANGE IN NET ASSETS FOR THE YEAR	(4,299)	10,414	6,115	15,882	37,585	53,467
Net Assets - Beginning of Year, 2018 Reclassified	305,329	689,928	995,257	289,447	652,343	941,790
NET ASSETS - END OF YEAR	$ 301,030	$ 700,342	$ 1,001,372	$ 305,329	$ 689,928	$ 995,257

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 6,115	$ 53,467
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,454	16,378
Net Realized and Unrealized Gain on Short-Term Investments	(469)	(119)
Net Unrealized (Gain) Loss on Long-Term Investments	5,170	(17,777)
(Gain) Loss on Conditional Asset Retirement Obligation	(56)	29
Loss on Adjustment for Experience of Postretirement Benefits Cost	846	989
Gain on Property and Equipment Disposals	(17)	(9)
Contributions for Investment in Endowment and Annuities	(22,406)	(26,254)
Changes in Assets and Liabilities:		
Change in Short-Term Investments	(1,206)	(5,317)
Change in Accounts and Loans Receivable, Net	(92)	(221)
Change in Contributions and Bequests, Net	222	71
Change in Prepaid Expenses and Other	(66)	1,235
Change in Issuance Costs	(194)	193
Change in Accounts Payable and Accrued Liabilities	(1,369)	(4,747)
Change in Deposits and Deferred Revenues	(795)	(1,160)
Change in Funds Held for Others	236	22
Change in Postretirement Benefits	(251)	(1,998)
Change in Interest Rate Hedges/ Swaps Agreements	3,060	(3,191)
Net Cash Provided by Operating Activities	3,182	11,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(52,261)	(36,374)
Student Loans Issued	(344)	(366)
Student Loans Repaid, Net	529	721
Change in Contributions and Bequests, Net	3,163	3,280
Purchases of Investments	(523,925)	(516,532)
Proceeds from Sales and Maturities of Investments	531,079	485,052
Change in Deposits with Bond and Other Trustees	40,981	19,796
Net Cash Used by Investing Activities	(778)	(44,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Principal of Debt	(23,909)	(2,995)
Proceeds from Issuance of Debt	21,519	2,400
Change in Deferred Giving Liability	(4,691)	(944)
Change in Federal Student Loans Refundable	33	(821)
Contributions for Investment in Endowment and Annuities	22,406	26,254
Net Cash Provided by Financing Activities	15,358	23,894
CHANGE IN CASH AND CASH EQUIVALENTS	17,762	(8,938)
Cash and Cash Equivalents - Beginning of Year	24,093	33,031
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 41,855	$ 24,093
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Transactions:		
Amounts Included in Accounts Payable for Purchase of Property and Equipment	$ 9,069	$ 4,790
Equipment Acquired through Capital Lease	$ 913	$ -
Cash Paid During the Year for Interest	$ 10,725	$ 11,686

See accompanying Notes to Financial Statements.

THE COLLEGE

Lafayette College (the College) is an independent institution offering undergraduate bachelor of arts, science, and engineering degrees. The College was chartered in 1826 and named for the Revolutionary War hero the Marquis de Lafayette. The College is fully accredited by the Middle States Association of Colleges and Schools. The College is coeducational with approximately 2,620 and 2,565 full-time students in Fall 2018 and Fall 2017, respectively. The College is located in Easton, Pennsylvania and occupies a 110-acre campus. The campus comprises approximately 70 academic, residential, and student activity buildings as well as athletic and playing fields.

The College derives its revenues principally from student tuition, fees, gifts, and investment earnings. Additional support is generated through auxiliary activities, such as dining services and residence facilities. The College expends its resources to meet the College's instructional and educational mission. The College is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and similar Commonwealth of Pennsylvania provisions. Donations to the College qualify for deduction as charitable contributions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the College in the preparation of its financial statements are described below:

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions within the following categories:

Net Assets With Donor Restrictions — Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Net Assets Without Donor Restrictions — Net assets that are available for use in general operations and not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the College's board of trustees.

Revenues are reported as increases in net assets without donor restrictions unless use of the revenue is restricted by donor-imposed restrictions. Revenues with donor restrictions are reported as increases in net assets with donor restrictions. Such revenues are released to net assets without donor restrictions either upon the passage of time or when donor stipulations are met. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is defined by donor-imposed restrictions.

(DOLLARS IN THOUSANDS)

Periodically donor restrictions related to net assets may be clarified or changed, such changes are reflected as transfers at the time they are identified.

Accounting Pronouncements Adopted

As of July 1, 2018, the College has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. The ASU is effective for fiscal years beginning after December 15, 2017. With the exception of the liquidity disclosure, the College retrospectively adopted this standard in fiscal 2019 to ensure comparability with the prior year presented. The update changes presentation and disclosure requirement for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

The standard requires the College to reclassify its net assets from three categories (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. The effect on the College's net asset balances at June 30, 2018 as a result of implementing ASU 2016–14 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As Previously Presented:			
Unrestricted	$ 305,160	$ -	$ 305,160
Temporarily Restricted	-	329,596	329,596
Permanently Restricted	-	360,501	360,501
Net Assets as Previously Presented	305,160	690,097	995,257
Reclassifications to Implement ASU 2016-14 Underwater Endowments	169	(169)	-
Net Assets, as Reclassified	$ 305,329	$ 689,928	$ 995,257
Change in Net Assets			
As Previously Presented:	$ 15,713	$ 37,754	$ 53,467
Reclassifications to Implement ASU 2016-14 Underwater Endowments	169	(169)	-
Change in Net Assets, as Reclassified	$ 15,882	$ 37,585	$ 53,467

As of July 1, 2018, the College adopted the accounting guidance in FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all Generally Accepted Accounting Principles (GAAP) revenue recognition guidance. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The College implemented ASU 2014-09 and its related amendments and have accordingly adjusted the presentation of tuition revenue in the financial statements. Following the adoption of the ASU, the College continues to recognize revenue from students as services are provided which corresponds to the year in which the related academic services are rendered. There was no material impact to the financial statements as a result of adoption. This ASU has been applied retrospectively to all periods presented. No cumulative effect adjustment to net assets was recorded because the adoption did not impact the College's previously reported revenue.

As of July 1, 2018, the College adopted the accounting guidance in FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) assessing whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The College's financial statements reflect the application of this guidance for the fiscal year ending June 30, 2019. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the College's previously reported contributions.

Revenue Recognition

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate category of net assets. Long-term investment return is reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed stipulations or by law, in which case related returns are reported as changes in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, or the stipulated time period has elapsed, are reported as net assets released from restrictions. Because of changes or clarifications in donor-imposed stipulations, certain net assets may be reclassified amongst net assets with or without donor restrictions.

Net assets with donor restrictions which are met in the current fiscal year are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Gifts and Investment return that was initially restricted by donor stipulation and for which the restriction is satisfied in the same fiscal year are recorded as revenue without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Tuition, Fees, and Scholarships – The College recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Tuition and fees for instruction and other educational services, net of scholarships and fellowships, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

The College determines the transaction price based on standard charges for goods and services provided, reduced by "tuition discounts" in the form of scholarships and financial aid grants, including those funded by the College's operating resources, endowment, and gifts. Tuition discounts represent the difference between the stated charge for tuition and fees and the amount that is billed to the student or third parties making payments on behalf of the student. Cash payments to students are reported as expenses in the statements of activities.

Auxiliary Enterprises – The College's auxiliary enterprises consist principally of activities that provide goods and services to the campus community, such as residence and dining halls, retail food services, staff housing, and bookstore operation. These enterprises are managed as self-supporting activities. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions and are recognized over the period in which sales and services are provided. Auxiliary revenues arise primarily from contracts with students. Charges to students for campus residence and dining are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

Contributions – Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value.

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor and nature of fundraising activity. Contributions receivable are written-off in the period deemed uncollectible.

Cash contributions to be used to acquire or construct long-lived assets are reported as revenue and net asset with donor restrictions. The restriction is satisfied when the assets are acquired or constructed and placed in service.

Donations of property, equipment and other long-lived assets are recorded as support at their estimated fair value at the date of donation. Such gifts are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Grants – Support funded by grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the College is entitled to funding. The College recognizes revenues on grants for basic research and other sponsored programs as the College meets the conditions prescribed by the grant agreement, by performing the contracted services or incurring outlays eligible for reimbursement. The expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor. Advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue from exchange contracts for applied research is recognized as the College's contractual performance obligations are substantially met. Indirect cost recovery by the College on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grants and contracts revenue.

Fair Value Measurements

The College has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance U.S. GAAP. 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 hierarchy under U.S. GAAP are described below:

Level 1 – Financial assets and liabilities with values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets, or liabilities.

Level 2 – Financial assets and liabilities with values based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in nonactive markets;
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities with values based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The College's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (for example, changes in market interest rates) and unobservable (for example, changes in unobservable long-dated volatilities) inputs, if any.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the types of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

As a practical expedient, in accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) (NAV)*, the College is permitted to estimate the fair value of an investment in an investment company at the measurement date using the reported NAV. Adjustment is required if the College expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U. S. GAAP. Accordingly, all investments, for which fair value is measured using NAV, are excluded within the fair value hierarchy.

Investments

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Nonmarketable securities, which include alternative investments in hedge funds and private equity funds, are valued using net asset value (NAV), or its equivalent, provided by fund managers as a practical expedient to estimate fair value, 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, the college had no specific plans or intentions to sell investments at amounts different than NAV. These nonmarketable investments often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position and reported based on quoted market prices. Reported fair values for private equities, venture capital limited partnership interests, hedge funds and similar interests (collectively, alternative investments) are estimated by the respective external investment manager if ascertainable fair values are not readily available. Such valuations involve assumptions and methods that are reviewed by the College. Because the College's alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ significantly from the fair value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year and such differences could be material.

Long-term investments include beneficial interests in trusts. A beneficial interest in a limited-term or perpetual trust represents resources neither in the possession of, nor under the control of the College, but held and administered by an outside fiscal agent, with the college deriving income from the trust.

Assets of the Alumni Association of Lafayette College and the Lafayette College Student Investment Club, are included in long-term investments.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with a maturity of three months or less at the time of purchase and debt securities with original maturities of three months or less from the date of purchase, except for those assigned to the College's investment managers as part of the College's long-term investment strategies.

Short-Term Investments

Short-term investments primarily include money market funds and fixed income securities with maturities of up to one year at the time of purchase and are reported at net asset value. Short-term investments are classified as Level 1 in the fair value hierarchy.

Concentrations of Credit Risk

The College's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and deposits with bond and other trustees. These funds are held in various high-quality financial institutions managed by College personnel and outside advisors. The College maintains its cash and cash equivalents in financial institutions that typically, significantly exceed federally insured limits. The College believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, investments, and deposits with bond and other trustees.

Accounts and Loans Receivable

The College's accounts and loans receivable relate to tuition and fees for student attendance and auxiliary activities. Accounts receivable are stated at the amount of consideration from students for which the College has an unconditional right to receive. Accounts receivable are due at the beginning of each semester and are stated at amounts due from students, net of an allowance for doubtful accounts. The College determines its allowance based on the anticipated net realizable value of collections expected. Receivables are written-off in the period in which they are deemed uncollectible.

Student loans receivable represent institutional loans to students and loans issued under federal student loan programs and are reported net of an allowance for doubtful accounts. Certain student loans through the federal Perkins revolving loan program (see Note 3) are guaranteed by the federal government. Allowances for doubtful accounts are established for all student loans receivable, including federal Perkins loans receivable, based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off when they are deemed to be permanently uncollectible.

Deposits with Bond and Other Trustees

Deposits with bond and other trustees represent funds held by bond trustees for capital projects and the collateral obligation to the counterparty under the College's various interest rate hedge/swap agreements. Deposits with bond trustees include highly liquid investments with varying maturities and investment goals of preserving capital and maintaining daily liquidity. Deposits with bond and other trustees and the College's obligation to provide collateral to the counterparty of its various swap agreements are classified as Level 2 in the fair value hierarchy.

Property and Equipment

The College capitalizes assets acquired for greater than $5 thousand and with useful lives greater than one year. Gifts of property and equipment are recorded at fair value at the date of donation as part of unrestricted nonoperating activities, unless explicit donor stipulations specify how the donated assets must be used.

(DOLLARS IN THOUSANDS)

Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the College and the resulting gain or loss, if any, is reflected as part of nonoperating activities.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Infrastructure and Land Improvements	40
Building Acquisition and New Construction	50
Rental Properties and Improvements	25
Building Improvements	25-40
Library Books	10
Furniture, Fixtures, Equipment, and Vehicles	5-25
Software	5-10

As of July 1, 2018, the College adopted a useful life of 50 years on campus building acquisitions and new construction; an increase to the prior useful life of 40 years. The College reviewed the accounting guidance and the useful live policies of peer institutions to determine the appropriate and acceptable useful lives of Lafayette's buildings. The 50-year estimated useful life appears reasonable and consistent with Lafayette's peer group compilation as well as the condition of the College's facilities.

Included in property and equipment is the College's rare works collection. The College carries its rare works collection, works of art, historical treasures, and similar assets at the fair value of the collection items at the date of gift or purchase. These collections are held for public exhibition, education, and research in furtherance of the College's educational and public service mission. The College's collections are not depreciated.

Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease using the straight-line method. Assets under capital leases are amortized on the straight-line method over either the lease term or the estimated useful life of the assets in accordance with current accounting standards.

Capitalized interest is charged to construction in progress or buildings during the period of construction of the capital assets, and is amortized over the useful lives of the associated assets.

The College capitalizes certain computer software costs which are amortized consistent with College policy upon being placed in service. Amortization of capitalized software is included in depreciation expense.

Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The College periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the College's long-lived assets were considered to be impaired as of June 30, 2019 and 2018.

Deposits and Deferred Revenues

Deposits and deferred revenues relate to tuition and matriculation deposits and other payments for future services that are received prior to the end of the current fiscal year. The College apportions revenues and the related expenses of academic semesters which span fiscal years, between the fiscal years to which they pertain. Funds held on behalf of the student organizations and collected for activity fees wherein the College is acting as the fiscal agent are reported as funds held for others.

Annuities Payable

Under the College's charitable gift annuities program, the College has various types of split-interest agreements, including charitable gift annuities, charitable remainder trusts, and pooled life income funds. Liabilities are recorded at the present value of the estimated future payments expected to be made to donors or other designated beneficiaries. Assets pertaining to the College's charitable gift annuities program are measured at fair value, are classified as Level 2 in the fair value hierarchy, and are included in long-term investments.

Contribution revenue is recognized at the date the agreements are established based on the fair value of the assets contributed less a liability of the present value of the expected payments to be made to the beneficiaries, which are actuarially determined. Such revenue is reported as an increase in net assets with and without donor restrictions, based on the existence or absence of donor stipulated use restrictions.

Each year, the College re-evaluates the expected future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. The changes in the value of the agreements are reported as nonoperating on the statements of activities. Changes in the life expectancy, amortization of the discount, and other changes in the estimates of future annuity payments are recognized annually and are reported as change in value of split-interest agreements in the statement of activities. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the College, which may temporarily be restricted based on the existence or absence of donor stipulated use restrictions.

Federal Student Loans Refundable

Funds provided by the federal government under the Perkins Student Loan Program were loaned to qualified students. The amounts due from students are reported as student loans receivable. These funds are ultimately refundable to the U.S. government and are presented in the statement of financial position as a liability (see Note 3).

On September 30, 2017, the Federal Perkins Loan Program expired. No new loans can be issued under this federal program. Student who received their first Perkins Loan before July 1, 2017; however, may be eligible for four more years of loans unless they change their major. As loans are repaid the federal portions are to be returned to the U.S. Department of Education. The Department of Education started collecting these funds as of October 1, 2018. The College is in process of liquidating its loan portfolio in accordance with federal guidelines.

Interest Rate Hedge/Swap Agreements

Interest rate hedge/swap agreements (the Swaps) are recognized as either assets or liabilities in accordance with the netting provisions in the counterparty agreement and are measured at fair value. Gains or losses resulting from changes in the fair values of the Swaps are reported by the College as nonoperating gains or losses.

The Swaps liability is measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of the Swaps, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify the Swaps as Level 2 in the fair value hierarchy.

Conditional Asset Retirement Obligation

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may be within the control of the entity. The assets are depreciated over their remaining useful lives and the conditional asset retirement obligation is adjusted for accretion and payments made, if any, on an annual basis.

Debt - Original Issue Premium or Discount

A premium or discount resulting from the issuance of long-term debt (typically the difference between the par amounts of bonds compared to the proceeds received) is amortized to interest expense over the life of the debt instrument using the straight-line method.

The presentation of net borrowings includes the total premium or discount and cost of issuance such as underwriting, bond rating, and legal fees associated with the debt issuance. The carrying value of debt on the statement of financial position includes the unamortized issuance costs in determining the net premium.

Tax Status

The College is recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College has accrued costs of $250 within its accrued liabilities at June 30, 2019 and 2018 for the estimated income tax liability.

U.S. GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability if the College has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The law (Public Law No. 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions that result in changes to the tax treatment of tax-exempt organizations and their donors. The College has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on the operations of the College.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, loans, and bequests receivable in probate; valuation of investments without a readily determinable fair value; useful lives of fixed assets; conditional asset retirement obligations; actuarial estimates for the College’s postretirement health plan and annuities payable; and the reported fair values of certain of the College’s assets and liabilities. Actual results could differ from those estimates.

Fund Accounting

The College maintains its internal accounts in accordance with the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the College, and to reflect how the College manages its resources. This is the procedure by which resources for various purposes are classified into funds that are in accordance with specified activities or objectives. These financial statements; however, are prepared to focus on the College as a whole and according to the existence or absence of donor-imposed restrictions as required by U.S. GAAP.

Operations

The accompanying statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all operating revenues and expenses that are an integral part of its educational programs, research, and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. Operating revenues include investment return pursuant to the College's endowment spending policy, appreciation earned on working capital funds and unrestricted contributions.

The College has defined nonoperating activities principally to include endowment investment return, net of amounts distributed to support operations in accordance with the endowment spending policy (see Note 7); contributions and bequests added to the endowment, supporting major capital acquisition or construction, or time or purpose restricted and unavailable for current operations; net assets released from restrictions; gains or losses on derivative financial instruments; activity related to split interest agreements; and actuarial adjustments associated with postretirement benefits. Certain other gains and losses considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

Reclassifications

Certain line items in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on total assets, total liabilities, or net assets.

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The College regularly monitors the availability of resources required to meet its general operating expenditures. The College maintains a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Cash inflows are subject to seasonal variations attributable to tuition billing, federal grant reimbursements, and a concentration of contributions received at calendar and fiscal year-end.

To manage liquidity, the College maintains a working capital portfolio conservatively invested across three tiers, the amounts and duration of which correspond with the projected liquidity need. The College also maintains $30 million in lines of credit with financial institutions that may be drawn upon as needed to manage operating cash flow. See Note 10 for additional information on these lines.

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, debt service and capital renewal projects not financed with debt were as follows:

(DOLLARS IN THOUSANDS)

		2019
Financial Assets:		
Cash	$	17,006
Short-Term Investments		20,781
Student and Other Receivables, Net		2,766
Pledge Payments Available for Operations		1,782
Fiscal 2020 Board - Approved Endowment Distribution		38,149
Total Financial Assets Available Within One Year		80,484
Liquidity Resources:		
Bank Lines of Credit Available		30,000
Total Financial Assets and Liquidity Resources Available Within One Year	$	110,484

The College receives significant contributions restricted by donors and considers contributions restricted for activities, which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended June 30, 2019, restricted contributions of $6,680 were included in financial assets available to meet cash needs for general expenditures within one year.

In addition to financial assets available to meet general expenditures within one year, the following amounts are expected to be released from donor-restricted financial assets over the next 12 months and available from bond proceeds to meet expected construction costs:

Deposits with Bond Trustees	$	19,235
Net Assets Restricted for Construction Costs		1,028
Total	$	20,263

The College keeps standby bond purchase agreements (SBPAs) that will fund required purchase of variable rate demand bonds in the event of a failed remarketing. In the event of a failed remarketing the bonds could be put back to College in any given week. See Note 12. In the unexpected event that an SBPA cannot be drawn on, funds would be transferred from (a) operating cash; (b) capital reserve funds; (c) endowment funds; or (d) lines of credit.

Certain long-term investment vehicles utilized by the College may have terms that force the College to transfer committed capital at varying times. The College will transfer any funds needed for capital calls from within the endowment portfolio. As of June 30, 2019, the College's long-term investment portfolio had approximately $410 million that could be liquidated within thirty days.

The College's $862 million endowment consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are unavailable for general expenditure. The endowment is subject to an annual spending rate of 5% as described in Note 7. Although the College does not intend to spend from its board-designated endowment other than amounts appropriated for operations, as of June 30, 2019, the College had $218 million of board-designated endowment available to support operations if necessary with board approval.

(DOLLARS IN THOUSANDS)

3. ACCOUNTS AND LOANS RECEIVABLE, NET

Accounts and other receivables are reported net of allowance for doubtful accounts. Adjustments to the provision are recorded as part of institutional support in the statement of activities.

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government and institutional loan programs, and are reported net of allowance for doubtful loans. Allowances for uncollectible amounts are established based on prior collection experience, student default rates, and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written-off only when they are deemed uncollectible. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Student account and other receivables as of June 30 consist of the following:

	2019	2018
Students	$ 1,390	$ 1,525
Less: Allowance for Doubtful Accounts	(699)	(646)
Total	691	879
Student Loans	3,668	3,856
Less: Allowance for Doubtful Accounts	(902)	(817)
Total	2,766	3,039
Grants	730	1,712
Other	2,417	1,067
Total	$ 6,604	$ 6,697

Student accounts receivable are reported at the estimate net realizable amount and are fully reserved after two years. The allowance for doubtful accounts was established based on prior collection experience. Grants receivable are due primarily from the federal and state agencies and are considered fully collective.

Funds advanced by the federal government, including allocated interest earnings of $1,279 and $1,246 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as federal student loans refundable in the statements of financial position.

(DOLLARS IN THOUSANDS)

4. CONTRIBUTIONS RECEIVABLE AND BEQUESTS, NET

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time. Contributions receivable, net, consists of the following unconditional promises to give and bequests in probate for the years ended June 30:

	2019	2018
Expected to be Collected in:		
Less than One Year, Including Bequests of $66 in 2019 and 2018	$ 10,643	$ 9,998
Between One and Five Years	16,655	21,414
In More than Five Years	554	102
Total	27,852	31,514
Less: Discount to Present Value at Discount Rates Ranging from (0.9% to 3.6%)	(2,222)	(2,351)
Less: Allowance for Uncollectible Amounts	(1,114)	(1,261)
Total Contributions Receivable and Bequests, Net	$ 24,516	$ 27,902

The net present value of the contribution receivable is recorded as follows for the years ended June 30:

	2019	2018
Without Donor Restrictions	$ -	$ 69
With Donor Restrictions (Donor-Imposed Purpose and Time Restrictions)	12,040	14,743
With Donor Restrictions (Donor-Endowment Funds)	12,476	13,090
Total Contributions Receivable and Bequests, Net	$ 24,516	$ 27,902

At June 30, 2019 and 2018, the College had outstanding contributions receivable from related parties (trustees) of $4,441 and $3,764, respectively. Such trustees are not part of the College's management team.

The College has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. The College's share of such bequests is recorded when the College has an irrevocable right to the bequest and the proceeds are measurable.

At June 30, 2019 and 2018, the College had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $1,552 and $1,977, respectively. These intentions and conditional promises are not recognized as assets and, if received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support for a particular department of the College.

(DOLLARS IN THOUSANDS)

5. GRANTS

The College recognized operating revenues based on expenditures and related indirect costs funded by grants as follows for the years ended June 30:

	2019	2018
Provided for:		
Research	$ 840	$ 1,183
Other Sponsored Programs	1,311	1,260
Total Provided for	$ 2,151	$ 2,443
Provided by:		
Federal Agencies	$ 1,039	$ 1,365
State and Local Agencies	114	77
Private Organizations	998	1,001
Total Provided by	$ 2,151	$ 2,443

At June 30, 2019 and 2018, the College had remaining available award balances on federal, state, local, and private conditional grants of $1,985 and $2,819, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. The College has awarded conditional grants to subrecipients related to performance of these sponsored projects, which have outstanding commitments of up to $1,018 and $1,625 as of June 30, 2019 and 2018, respectively.

6. LONG-TERM INVESTMENTS

The following table represents a summary of long-term investments for the years ended June 30:

	2019	2018
Endowment Funds	$ 837,804	$ 839,928
Deferred Giving	49,294	59,651
Funds Held for Others	2,548	2,390
Total	$ 889,646	$ 901,969

The following table presents information about the College's long-term investments measured at fair value and indicates the fair value hierarchy of the valuation techniques utilized by the College to determine such fair value for the years ended June 30:

(DOLLARS IN THOUSANDS)

	2019				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and Cash Equivalents	$ 29,166	$ -	$ -	$ -	$ 29,166
Fixed Income:					
Investments	8,695	-	-	-	8,695
Mutual Funds	36,922	-	-	-	36,922
Institutional Mutual Funds	96,852		-	-	96,852
Total Fixed Income	142,469	-	-	-	142,469
Equity:					
Stocks	142,964	-	-	-	142,964
Mutual Funds	18,684	-	-	-	18,684
Institutional Mutual Funds	-	73,179	-	154,643	227,822
Total Equity	161,648	73,179	-	154,643	389,470
Alternative Investments:					
Event Driven/Distressed	-	-	-	30,567	30,567
Long-Short	-	-	-	101,566	101,566
Multi-Strategy/Absolute Return	-	-	-	85,558	85,558
Real Estate	-	-	-	3,425	3,425
Private Equity	-	-	-	107,425	107,425
Total Alternative Investments	-	-	-	328,541	328,541
Total Long-Term Investments	$ 333,283	$ 73,179	$ -	$ 483,184	$ 889,646

(DOLLARS IN THOUSANDS)

	2018				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and Cash Equivalents	$ 45,875	$ -	$ -	$ -	$ 45,875
Fixed Income:					
Investments	10,193	-	-	-	10,193
Mutual Funds	37,022	-	-	-	37,022
Institutional Mutual Funds	40,917	21,746	-	-	62,663
Total Fixed Income	88,132	21,746	-	-	109,878
Equity:					
Stocks	175,425	-	-	-	175,425
Mutual Funds	31,485	-	-	-	31,485
Institutional Mutual Funds	-	46,956	-	151,437	198,393
Total Equity	206,910	46,956	-	151,437	405,303
Alternative Investments:					
Event Driven/Distressed	-	-	-	48,738	48,738
Long-Short	-	-	-	100,478	100,478
Multi-Strategy/Absolute Return	-	-	-	98,625	98,625
Real Estate	-	-	-	17,064	17,064
Private Equity	-	-	-	76,008	76,008
Total Alternative Investments	-	-	-	340,913	340,913
Total Long-Term Investments	$ 340,917	$ 68,702	$ -	$ 492,350	$ 901,969

The estimated fair value of investments is based on quoted market prices, except for certain investments for which quoted market prices are not available and measured at net asset value. Because certain alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks include, but are not limited to: limited liquidity, dependence upon key individuals, emphasis on speculative investments, nondisclosure of portfolio composition, and absence of oversight. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions (third-party price verifications for example) used in determining the fair value of the alternative investments. The College requests, receives, and reviews the audited financial statements from all investment managers. Under the terms of certain limited partnership agreements, the College is obligated to periodically advance additional funding or capital calls.

(DOLLARS IN THOUSANDS)

The following tables summarize the liquidity, redemption frequency, redemption notice, and unfunded commitments that have not expired of the Long-Term Investments for the years ended June 30:

	2019					Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	Within 30 Days	31-90 Days	91-365 Days	>365	Total			
Cash and Cash Equivalents	$ 29,166	$ -	$ -	$ -	$ 29,166	$ -	None	N/A
Fixed Income:								
Investments	8,695	-	-	-	8,695	-	None	N/A
Mutual Funds	36,922	-	-	-	36,922	-	None	N/A
Institutional Mutual Funds	96,852	-	-	-	96,852	-	None	N/A
Total Fixed Income	142,469	-	-	-	142,469	-		
Equity:								
Stocks	134,741	-	8,223	-	142,964	-	Daily - Qtr	N-A - 90 Days
Mutual Funds	18,684	-	-	-	18,684	-	None	N/A
Institutional Mutual Funds	57,973	129,059	40,790	-	227,822	-	Daily - Qtr	N-A - 90 Days
Total Equity	211,398	129,059	49,013	-	389,470	-		
Alternative Investments:								
Event Driven/Distressed	-	-	15,761	14,806	30,567	-	None-Annual	N/A-90 Days
Long-Short	27,264	22,904	28,327	23,071	101,566	-	None-Annual	30-90 Days
Multi-Strategy/Absolute Return	-	17,519	52,234	15,805	85,558	-	Weekly- Annual	3-60 Days
Real Estate	-	-	-	3,425	3,425	1,804	None	N/A
Private Equity	-	-	-	107,425	107,425	56,569	None	N/A
Total Alternative Investments	27,264	40,423	96,322	164,532	328,541	58,373		
Total Long-Term Investments	$ 410,297	$ 169,482	$ 145,335	$ 164,532	$ 889,646	$ 58,373		

	2018					Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	Within 30 Days	31-90 Days	91-365 Days	>365	Total			
Cash and Cash Equivalents	$ 45,875	$ -	$ -	$ -	$ 45,875	$ -	None	N/A
Fixed Income:								
Investments	10,193	-	-	-	10,193	-	None	N/A
Mutual Funds	37,022	-	-	-	37,022	-	None	N/A
Institutional Mutual Funds	62,663	-	-	-	62,663	-	None	N/A
Total Fixed Income	109,878	-	-	-	109,878	-		
Equity:								
Stocks	175,425	-	-	-	175,425	-	None	N/A
Mutual Funds	31,485	-	-	-	31,485	-	None	N/A
Institutional Mutual Funds	109,592	70,437	-	18,364	198,393	-	Daily - Qtr	N-A - 90 Days
Total Equity	316,502	70,437	-	18,364	405,303	-		
Alternative Investments:								
Event Driven/Distressed	-	-	31,080	17,658	48,738	10,626	None-Annual	N/A-90 Days
Long-Short	25,831	47,708	-	26,939	100,478	-	None-Annual	30-90 Days
Multi-Strategy/Absolute Return	3	16,588	16,850	65,184	98,625	-	Weekly- Annual	3-60 Days
Real Estate	-	-	-	17,064	17,064	11,029	None	N/A
Private Equity	-	-	-	76,008	76,008	48,381	None	N/A
Total Alternative Investments	25,834	64,296	47,930	202,853	340,913	70,036		
Total Long-Term Investments	$ 498,089	$ 134,733	$ 47,930	$ 221,217	$ 901,969	$ 70,036		

The following provides a brief description of the types of financial instruments held in the long-term investments, the methodology for estimating fair value, and the level within the hierarchy of the estimate. As mentioned previously, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fixed Income Investments: U.S. dollar denominated, investment grade fixed income securities with quoted prices in active markets. Fixed income investments are considered a Level 1 in the hierarchy.

Fixed Income – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in publicly traded fixed income securities with quoted prices in active markets. These mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income mutual funds that do not have quoted prices in active markets for which fair value is measured using NAV are excluded within the fair value hierarchy.

Fixed Income – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in publicly traded fixed income securities with quoted prices in active markets. Fixed income institutional mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income institutional mutual funds that do not have quoted prices in active markets for which fair value is measured using NAV are excluded within the fair value hierarchy.

Equity – Stocks: Domestic and/or foreign equity securities with quoted prices in active markets. Equity stocks are considered a Level 1 in the hierarchy.

Equity – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in domestic and/or foreign equity securities with quoted prices in active markets. Equity mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain equity income mutual funds that do not have quoted prices in active markets, for which fair value is measured using NAV are excluded within the fair value hierarchy.

Equity – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in domestic and/or foreign equity securities with quoted prices in active markets. Certain equity institutional mutual funds that do not have quoted prices in active markets, are considered to be Level 2 in the hierarchy unless fair value is measured using NAV which are excluded within the fair value hierarchy.

Alternative Investments: Funds and partnerships that invest in a variety of investments to include: private equity, derivatives, real estate, multi-strategy, long/short equities, distressed, and opportunistic fixed income. These investments for which fair value is measured using NAV are excluded within the fair value hierarchy.

Event Driven/Distressed Funds: This category invests in U.S. dollar denominated securities of distressed global companies.

Long/Short Equity Funds: This category invests directly in long and short positions in U.S. and international equities.

(DOLLARS IN THOUSANDS)

Multi-Strategy/Absolute Return Funds: Investments in this category focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, private equity, long/short equity, and special situations.

Real Estate Funds: This category's investments include any interest in or vehicle relating to real estate assets.

Private Equity Funds: Holdings in this category include private equity, venture capital funds, buyout funds, secondary funds, and direct investments.

The components of long-term investment return from all sources are reflected below for the years ended June 30:

	2019	2018
Endowment Assets:		
Dividends and Interest, Net	$ 7,321	$ 5,950
Realized Gains, Net	24,510	33,468
Change in Unrealized Gains, Net	(7,116)	19,830
Total	$ 24,715	$ 59,248
Deferred Giving Assets:		
Dividends and Interest, Net	$ 1,606	$ 1,437
Realized Gains, Net	(3)	3,834
Change in Unrealized Losses, Net	1,946	(2,053)
Total	$ 3,549	$ 3,218

Investment advisory fees paid by the College to external consultants and custodians included in long-term investment return for the years ended June 30, 2019 and 2018 are $712 and $727, respectively. The long-term investment return above includes approximately $2,399 and $2,147 of internal investment office management expenses for 2019 and 2018, respectively.

7. ENDOWMENT

The College's endowment consists of approximately 1,525 individual funds established primarily for scholarships, academic program support, and facilities maintenance. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period and funds designated by the board of trustees to function as endowments (quasi-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. Net assets of the deferred giving program (investment fair value less annuities payable) primarily designated for the endowment at maturity are also included in the endowment. Some endowment assets are held, controlled, and administered by third-party trustees (funds held in trust by others).

(DOLLARS IN THOUSANDS)

The College has interpreted Commonwealth of Pennsylvania law as requiring the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of preserving the real value (after inflation) of the funds. As a result of this interpretation, the College classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, permanently restricted endowment net assets represent the original corpus of gifts given to the College for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

Total return earned on the corpus of permanently restricted endowment net assets, is spendable and, accordingly, the College classifies the earnings as temporarily restricted net assets, pending appropriation for expenditure by the College's board of trustees.

The fair value of the endowment net assets consists of the following net asset classes:

	2019				
	Without Donor	With Donor Restrictions			Endowment
	Restrictions	Appreciation	Perpetual	Total	Total
Donor-Restricted					
Endowment Funds	$ -	$ 258,929	$ 355,081	$ 614,010	$ 614,010
Underwater Endowment Funds	-	(403)	-	(403)	(403)
Board-Designated					
Endowment Funds	218,461	-	-	-	218,461
Total Managed Endowment Net Assets	218,461	258,526	355,081	613,607	832,068
Annuity Net Assets	394	3,371	5,562	8,933	9,327
Funds Held in Trust by Others	-	-	3,784	3,784	3,784
Pledges and Bequests	-	4,129	12,476	16,605	16,605
Total Endowment and Similar Fund Net Assets	$ 218,855	$ 266,026	$ 376,903	$ 642,929	$ 861,784

	2018				
	Without Donor	With Donor Restrictions			Endowment
	Restrictions	Appreciation	Perpetual	Total	Total
Donor-Restricted					
Endowment Funds	$ -	$ 269,252	$ 336,019	$ 605,271	$ 605,271
Underwater Endowment Funds	-	(169)	-	(169)	(169)
Board-Designated					
Endowment Funds	225,296	-	-	-	225,296
Total Managed Endowment Net Assets	225,296	269,083	336,019	605,102	830,398
Annuity Net Assets	425	8,560	7,372	15,932	16,357
Funds Held in Trust by Others	-	-	3,781	3,781	3,781
Pledges and Bequests	-	6,877	13,090	19,967	19,967
Total Endowment and Similar Fund Net Assets	$ 225,721	$ 284,520	$ 360,262	$ 644,782	$ 870,503

(DOLLARS IN THOUSANDS)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." At June 30, 2019 and 2018, funds with original gift values of $20,076 and $15,362, fair values of $19,673 and $15,193, and deficiencies of $403 and $169, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Much of the College's individual endowments are pooled for investment purposes, each unitized fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the quarter within which the transaction takes place, while others are invested separately in accordance with donor direction. Total managed endowment net assets are invested as follows:

	2019	2018
Endowment Pooled Funds	$ 719,403	$ 717,109
Separately Invested Endowment Funds	112,665	113,289
Total Managed Endowment Net Assets	$ 832,068	$ 830,398

The investment portfolios are managed to achieve a prudent long-term total return. 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Under the College's investment policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to provide an average rate of return, over time that exceeds the endowment spending rate plus inflation, defined as the consumer price index, and related investment costs. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The College's spending policy designed to provide a predictable flow of funds to support annual operations. The spending policy is intended to balance current spending needs and preserve the endowment's future purchasing power. The College applies a 5% spending rate to a 36-month moving average of the endowment's market value ending as of the previous June preceding the year in which expenditure is planned. The use a moving average smooths out wide fluctuations in the fair value of endowment investments. The board of trustees sets the spending rate through the College's annual budget process. Restricted endowment earnings in excess of the spending rate are classified as net assets with donor restrictions until such time that they are appropriated for expenditure. When annual yield is insufficient to support spending appropriations, the balance is provided from net assets with donor restrictions. Special appropriations from the College's quasi-endowment are made for certain purposes in addition to the spending rate, as approved by the College's board of trustees, annually, if determined to be necessary.

(DOLLARS IN THOUSANDS)

In accordance with the spending rate and special appropriations, endowment spending distribution of $41,252 and $39,959 was made available in 2019 and 2018, respectively, to support operations of the College. The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board appropriated for expenditure $815 from underwater endowment funds during the year. Included in the fiscal 2019 and 2018 appropriations were $2,547 and $2,076, respectively, of support for the College's capital campaign and $2,054 and $963, respectively, of additional support for property acquisitions.

The following tables summarize the changes in managed endowment net assets:

	2019				
	Without Donor	With Donor Restrictions			Endowment
	Restrictions	Appreciation	Perpetual	Total	Total
Managed Endowment Net Assets - June 30, 2018	$ 225,127	$ 269,252	$ 336,019	$ 605,271	$ 830,398
Endowment Return	35,170	(10,140)	(753)	(10,893)	24,277
Contributions	583	40	16,638	16,678	17,261
Endowment Support Used in Operations	(40,559)	(693)	-	(693)	(41,252)
Matured Annuity Funds	196	-	2,688	2,688	2,884
Deficiencies in Historical Values	-	-	-	-	-
Transfers and Other Changes	(2,055)	66	489	555	(1,500)
Managed Endowment Net Assets - June 30, 2019	$ 218,462	$ 258,525	$ 355,081	$ 613,606	$ 832,068

	2018				
	Without Donor	With Donor Restrictions			Endowment
	Restrictions	Appreciation	Perpetual	Total	Total
Managed Endowment Net Assets - June 30, 2017	$ 222,384	$ 255,656	$ 312,264	$ 567,920	$ 790,304
Endowment Return	12,782	38,126	8,280	46,406	59,188
Contributions	1,674	25	12,725	12,750	14,424
Endowment Support Used in Operations	(13,274)	(22,096)	(4,589)	(26,685)	(39,959)
Matured Annuity Funds	1,181	-	-	-	1,181
Deficiencies in Historical Values	390	(390)	-	(390)	-
Transfers and Other Changes	(10)	(2,069)	7,339	5,270	5,260
Managed Endowment Net Assets - June 30, 2018	$ 225,127	$ 269,252	$ 336,019	$ 605,271	$ 830,398

(DOLLARS IN THOUSANDS)

8. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following for the years ended June 30:

	2019	2018
Land Improvements	$ 64,140	$ 60,184
Buildings and Building Improvements	402,211	399,974
Library Books	29,443	29,607
Furniture, Equipment, Software, and Other Plant Assets	45,501	43,305
Total	541,295	533,070
Less: Accumulated Depreciation and Amortization	(255,068)	(243,244)
Total	286,227	289,826
Land	8,135	7,734
Works of Art and Historical Treasures	7,490	5,851
Construction-in-Progress	79,896	30,532
Total Property and Equipment, Net	$ 381,748	$ 333,943

Depreciation expense for the years ended June 30, 2019 and 2018 was $14,454 and $16,378, respectively.

No capitalized software was placed in service in 2019 or 2018.

Buildings and building improvements include capitalized conditional asset retirement obligations at a cost of $1,750 and $1,806 at June 30, 2019 and 2018, respectively, with accumulated depreciation of $699 and $793 at June 30, 2019 and 2018, respectively.

Construction in progress is put into service when projects are completed for use. Construction in progress includes $6,009 and $3,126 in capitalized interest at June 30, 2019 and 2018, respectively. Estimated outstanding construction contract commitments at June 30, 2019 were $14,714 and will be funded through contributions, operating resources, or bond financing proceeds.

9. ANNUITIES PAYABLE

For the years ended June 30, 2019 and 2018, the discount rates used to value split-interest agreements ranged between 1.2% and 11.2%, respectively, and represented the applicable Internal Revenue Service discount rate in effect at the time the gift arrangement originated.

At June 30, 2019 and 2018, the fair value of the assets associated with split-interest agreements was $49,294 and $58,651, respectively, and the liability is recorded as annuities payable in the statements of financial position.

(DOLLARS IN THOUSANDS)

The following table summarizes the changes in the College's annuities payable balance for the years ended June 30:

	2019	2018
Beginning of Year	$ 23,010	$ 23,954
New Agreements	592	1,024
Terminations of Life Interest	(4,426)	(417)
Payments to Beneficiaries	(2,957)	(3,370)
Actuarial Valuation Change	2,100	1,819
End of Year	$ 18,319	$ 23,010

10. UNSECURED LINE OF CREDIT

The College has a committed and unsecured line of credit with a financial institution at a maximum borrowing amount of $10,000 for working capital needs. This line of credit is periodically renewed and is scheduled to expire on November 1, 2019. Interest, if funds are drawn, is payable monthly at a floating rate. The College has a depository relationship with this financial institution. The College has a committed and unsecured line of credit with a second financial institution at a maximum borrowing amount of $20,000 for working capital. This line of credit is periodically renewed and is scheduled to expire on February 1, 2020. Interest, if funds are drawn, is payable monthly at a floating rate. The College also has a depository relationship with this financial institution. There were no borrowings against the line in both June 30, 2019 and 2018.

11. BONDS AND MORTGAGE PAYABLE

Bonds payable, net consisting of bonds with varying terms and maturity dates through November 2053 (fiscal 2054) totaled $272,341 and $274,090 at June 30, 2019 and 2018, respectively.

Total interest expense on long-term obligations, including net payments related to swap agreements, and investment income offset from deposits with bond trustee, totaled $7,762 and $7,974 for the years ended June 30, 2019 and 2018, respectively. Cash paid for bond interest totaled $10,608 and $11,535, for the years ended June 2019 and 2018, respectively. Interest expense totaling $2,883 and $2,820 was capitalized to construction projects for years ended June 30, 2019 and 2018, respectively.

The College amortizes on a straight-line basis bond issuance costs and bond discounts and premiums over the life of the bonds. As of June 30, 2019 and 2018, unamortized bond issuance costs were $1,844 and $1,651, respectively, and are included in bonds payable in the College's statements of financial position. Amortization expense for issuance cost was $158 and $193 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, unamortized bond premiums were $19,917 and $21,666, respectively, are also included in bonds payable in the College's statement of financial position. Amortization expense for bond premiums was $1,925 and $2,005 for the years ended June 30, 2019 and 2018, respectively.

The College's Series 2008 bonds were scheduled to come due November 1, 2018. In October 2018, the College refinanced these $21,150 in bonds by issuing a 20-year fixed rate tax-exempt bond matching the remaining life of the underlying assets. The defeasance resulted in a small charge of $20 included in interest expense fiscal 2019.

(DOLLARS IN THOUSANDS)

Bonds payable consist of the following for the years ended June 30:

Description	2019	2018
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2003, bearing a weekly variable market interest rate paid monthly, principal payments due in 2023. Interest rate at June 30, 2019 was 1.87%. The bonds are hedged with an interest rate swap agreement.	$ 10,190	$ 10,190
Northampton County General Purpose Authority Variable Rate Revenue Bonds, Series 2006, bearing a weekly variable market interest rate paid monthly, with principal payment due in 2036. Interest rate at June 30, 2019 was 1.87%. The bonds are hedged with an interest rate swap agreement.	11,000	11,000
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2008, 3.25% to 4.50%, principal payments due in 2018 and 2027.	-	21,150
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2010A, principal payments due in 2030, bearing a weekly variable market interest rate paid monthly. The interest rate at June 30, 2019 was 1.87%. The bonds are hedged with an interest rate swap agreement.	22,290	22,290
Northampton County General Purpose Authority Revenue Bonds, Series 2010B, 5%, with principal payments due in 2022.	4,000	4,000
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2013A, 4.25% to 5%, with principal payments due in 2032 and 2043.	33,715	33,715
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2013B, 5.9%, with principal payment due in 2053.	15,680	15,680
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2017 3.125% to 5%, with principal payments due in 2023, 2027, 2034, and 2047.	136,050	136,050
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2018 4%, with principal payments due in 2038.	21,345	-
Par Value	254,270	254,075
Unamortized Premium	19,915	21,666
Unamortized Bond Issuance Costs	(1,844)	(1,651)
Total Bonds Payable, Net	$ 272,341	$ 274,090

(DOLLARS IN THOUSANDS)

Aggregate principal maturities of bonds obligations are as follows:

Year Ending June 30,	Amount
2020	$ -
2021	-
2022	4,000
2023	-
2024	35,190
Thereafter	215,080
Total	$ 254,270

The College assumed the mortgage on the Student Residence at 512 March Street in November 2017. At June 30, 2019 and 2018, the principal outstanding balance was $2,220 and $2,340, respectively. The mortgage requires payment of $120 in principal and approximately $64 in interest per year through fiscal 2020, and a $1,980 principal payment is due in August 2021.

12. DEPOSITS WITH BOND AND OTHER TRUSTEES

Under the terms of its various debt agreements, the College is required to pledge revenues, maintain certain funding for debt repayment and collateral, and comply with various financial covenants including the maintenance of a specified debt service coverage ratio. Deposits with bond trustees, pursuant to these provisions, as of for the years ended June 30:

	2019	2018
Construction Funds	$ 19,235	$ 60,216
Total	$ 19,235	$ 60,216

Management is unaware of any violations of the covenants as of June 30, 2019.

13. INTEREST RATE HEDGE/SWAP AGREEMENTS

At June 30, 2019, the College has three fixed interest rate exchange agreements (swap contracts) in order to hedge a portion of its interest rate exposure on floating rate tax-exempt bonds. In each swap, the College pays a counterparty a fixed rate, and the counterparty pays the College a variable rate based on an index.

Each of the three swap contracts is used to hedge certain interest rate exposures and is not used for speculative purposes. The net payments either made to or received from the counterparty are reported as interest expense within the operating expenses of the statements of activities. For the years ended June 30, 2019 and 2018, net payments to the counterparty were $1,444 and $1,683, respectively.

(DOLLARS IN THOUSANDS)

The College is required to provide collateral to the counterparty if the fair value liability of the swap contracts in accordance with the valuations calculated by the counterparty is in excess of $15 million in aggregate in the counterparty's favor. The counterparty is required to provide collateral to the College if a fair value in excess of $5 million is in favor of the College. For purposes of these daily collateral calculations, the fair values of the three swap contracts are netted. The thresholds and collateralization requirements can change with ratings of the College's bonds. As of June 30, 2019 and 2018, collateral was not required. The College's fair value liability of the swap contracts was the following for the years ended June 30:

Description	2019	2018
2003 Swap - In December 2002, the College entered into a fixed-payor swap contract to hedge its 2003 Variable Rate Refunding Bonds. The College is paying the counterparty 4.34% and receiving the SIFMA Index on the 2003 Swap. The 2003 Swap terminates in 2023.	$ 1,312	$ 1,174
2006 Swap - In May 2004, the College entered into a fixed-payor Swap Contract to hedge a portion of its Second Series of 2004 Variable Rate Bonds. In August 2008, the College retired the Second Series of 2004 Variable Rate Bonds and subsequently associated the provisions of the 2004 Swap to the 2006 Bonds. The College is paying the counterparty 3.88%, and the College receives a varying percentage of one-month LIBOR. The 2006 Swap terminates in 2034.	3,411	4,789
2010 Swap - In March 2003, the College sold the counterparty an option to enter into a fixed-payor swap contract which the counterparty exercised in May 2010. The College has associated the 2010 Swap to the 2010A Bonds. The College pays the counterparty a fixed rate of 6% and receives the SIFMA Index plus 0.25%. The 2010 Swap terminates in 2030.	9,542	5,242
Total Interest Rate Hedge/Swap Agreements	$ 14,265	$ 11,205

The College has standby bond purchase agreements with two commercial banks to provide liquidity support for the variable rate bonds, which are remarketed weekly. In the event some or all of the bonds were tendered and not remarketed, the facilities provided for the purchase of the un-remarketed bonds by the banks. Any funds provided by this liquidity facility would be payable to the banks by the College. The College pays an annual commitment fee of 0.365% on the 2003 Series, and 0.250% on the Series 2006 and 2010A. The 2003, 2006, and 2010A Series agreements expire December 2, 2019, December 21, 2021, and April 30, 2021, respectively. There have been no bonds purchased by the banks under the agreements as of June 30, 2019.

(DOLLARS IN THOUSANDS)

14. LEASES

The College has entered into various lease agreements for buildings vehicles, computers, and related equipment. The leases expire at various dates through December 31, 2030. For financial reporting purposes, certain minimum lease payments have been capitalized. Capitalized lease obligations were $1,947 and $1,749 at June 30, 2019 and 2018, respectively.

Other capitalized lease obligations are collateralized by related property and equipment. A summary of the total lease payments for the years ended June 30:

	2019	2018
Minimum Lease Payments	$ 714	$ 680
Less: Amount Representing Interest	(117)	(123)
Present Value of Minimum Lease Payments	$ 597	$ 557

Amortization of assets under capital leases is included in depreciation expense and amounted to $782 and $671 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under capital leases at June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	$ 748
2021	670
2022	598
2023	-
2024	-
Thereafter	-
Total	2,016
Amount Representing Interest	(69)
Total, Net	$ 1,947

Future minimum lease payments under operating leases at June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	$ 180
2021	186
2022	191
2023	197
2024	203
Thereafter	589
Total	$ 1,546

In May 2019, the College entered into a ground lease and various other agreements with a developer for a new mixed-used residential facility on a College-owned land parcel adjacent to the College's main campus. The College is leasing the land for 75 years to the developer who will construct, own, and manage the facility. Ownership of the facility will be transferred to the College at the end of ground lease term.

(DOLLARS IN THOUSANDS)

The facility is proposed to be a mixed-used student housing facility consisting of approximately 69,000 square feet for 165 beds, 6,900 square feet intended for a college bookstore, and 5,100 square feet for a dining facility. To facilitate the development of the project, the College demolished existing improvements and consolidated ten separate parcels into one and obtained all sub-approvals necessary to obtain full zoning approval for the project.

Annual rent under the ground lease is initially $32,500 per year and escalates 2% annually. Payments being on the earlier of August 1, 2020 or the date of substantial completion of the project. Except for real estate taxes, which will be paid by the College, the ground lease is an "absolute triple net lease" requiring the developer to be solely responsible for all the costs relating to the facility, including without limitation, insurance, common area maintenance, operating expenses, and all expenditures related to the maintenance, repair, and replacement of the residential building.

The ground lease gives the College a right of first offer to purchase the project in the event that the developer chooses to assign the ground lease or sell the project, unless such proposed assignment or sale is (a) to an affiliate of developer, (b) pursuant to a leasehold mortgage transaction, or (c) that is a transfer of certain ownership interests of a developer as described in the ground lease.

The dining and bookstore spaces were leased by the College for 29 years and six months from the developer and will be operated by the College, and the College is responsible for the tenant improvements. These retail leases will be triple net subleases.

15. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The College has asset retirement obligations (CARO) for asbestos related removal costs. The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. The College applied retrospective application to the inception of the liability using an inflation rate of 3.5% and a discount rate of 4.88%. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and liability amount recorded. The abatement projects, to which the adjustment pertains, are expected to be completed by fiscal 2024.

The following table summarizes the activity for the CARO for the years ended June 30:

	2019	2018
Beginning of Year	$ 1,806	$ 1,778
Obligations Settled During the Period	(93)	(19)
Accretion Expense	37	47
End of Year	$ 1,750	$ 1,806

(DOLLARS IN THOUSANDS)

16. TUITION, FEES, AND STUDENT AID

Tuition and fees revenue are presented net of amounts awarded to students to defray the cost of attending the College based on academic merit, need, leadership, service, athleticism, among other criteria. The following table show the components of Net Student Revenues for the years ended June 30:

	2019	2018
Tuition and Fees	$ 138,757	$ 130,773
Student Financial Aid	(51,760)	(46,689)
Tuition and Fees, Net	$ 86,997	$ 84,084

The College places a priority on financial aid to ensure a diverse student body that brings a variety of talents and experiences to the educational community. In 2019, Lafayette students received over $51 million in scholarships and financial aid grants. The following table shows the sources of financial aid funds and provided to students for the years ended June 30:

	2019	2018
Institutional Support	$ 42,351	$ 37,881
Sponsored Support	9,409	8,808
Total	$ 51,760	$ 46,689

Institutional aid includes scholarships awarded to students from unrestricted operating resources. Sponsored aid includes financial aid and scholarships funded from donor-restricted spendable and endowed gifts and other external sources including federal and state grant programs.

17. AUXILIARY SERVICE REVENUES

Revenues recognized from auxiliary activities are summarized as follows for the years ended June 30:

	2019	2018
Student Housing	$ 22,582	$ 21,892
Student Dining	11,468	10,903
Bookstore	1,863	1,906
Other Activities	773	811
Total	$ 36,686	$ 35,512

18. POSTRETIREMENT BENEFIT OBLIGATIONS

The College maintains a defined contribution retirement plan, the “Lafayette College Retirement Plan” of the “Plan,” which covers substantially all eligible employees. The Plan qualifies under Section 403(b) of the Internal Revenue Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The College contributes approximately 9.5% of full-time employees’ base salary and 8% of eligible part-time employees’ base salary. The Plan is funded concurrently. The College’s contributions to the Plan for the years ended June 30, 2019 and 2018 amounted to $6,165 and $5,909, respectively.

(DOLLARS IN THOUSANDS)

The College provides a postretirement health plan for certain current and former employees. The Plan primarily covers full-time employees who joined the College before July 1, 1996 and have continued on a full-time basis since their start of employment. The College accrues expected medical postretirement benefits over the years that the employees render the necessary service. The College has not funded these benefits.

The College recognizes the difference between the cumulative accrued periodic postretirement benefits expense charged to annual operations and the total Accumulated Postretirement Benefit Obligation (APBO) accrued as the postretirement benefits liability with a corresponding charge to unrestricted operating expenses for service cost and a credit or charge to unrestricted nonoperating postretirement benefit costs. Net periodic postretirement benefit cost for 2019 and 2018 includes the following components:

	2019	2018
Operating Expenses - Service Cost	$ 158	$ 172
Interest Cost	1,808	1,890
Discount Rate Changes	3,464	(1,998)
Experience and Other Assumption Changes	(3,715)	-
Net Periodic Postemployment Benefit Cost - Nonoperating	1,557	(108)
Net Periodic Postretirement Benefit Cost	$ 1,715	$ 64

The following sets forth the Plan status with amounts reported in the College's financial statements at June 30:

	2019	2018
Accumulated Postretirement Benefit Obligation:		
Retirees and Spouses	$ 20,488	$ 18,907
Other Fully Eligible Participants	23,317	23,623
Other Active Plan Participants Not Yet Fully Eligible	3,673	4,353
Accumulated Postretirement Benefit Obligation	$ 47,478	$ 46,883

	2019	2018
Change in Benefit Obligation During the Year:		
Benefit Obligation at Beginning of Year	$ 46,883	$ 47,892
Service Cost	158	172
Interest Cost	1,808	1,890
Experience and Other Actuarial Assumption Changes	(3,715)	-
Discount Rate Changes	3,464	(1,998)
Disbursements	(1,120)	(1,073)
Benefit Obligation at End of Year	$ 47,478	$ 46,883
Change in Plan Assets During the Year:		
Fair Value of Plan Assets at Beginning of Year	$ -	$ -
College Contributions	1,120	1,073
Benefits Paid	(1,120)	(1,073)
Fair Value of Plan Assets at End of Year	$ -	$ -

(DOLLARS IN THOUSANDS)

The College assumed a 7% annual rate of increase in the per capita costs of covered health care benefits for 2016 and all years thereafter. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the medical portion of the APBO as of June 30, 2019 by $8,452 and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for 2019 by $357. The June 30, 2019 and 2018 APBO is based on a discount rate of 3.75% and 4.25%, respectively.

Gains or losses from discount rate changes have been recognized and added or (deducted) from the APBO in the amount of $3,464 and ($1,998) as of June 30, 2019 and 2018, respectively. Lastly, experience and mortality table changes were deducted from the APBO in the amount of ($3,715) and $-0- as of June 30, 2019 and 2018, respectively.

Expected College costs are as follows:

Year Beginning July 1,	Expected College Cost
2020	$ 1,512
2021	1,636
2022	1,763
2023	1,810
2024	1,928
2025-2029	10,830

19. SUMMARY OF EXPENSES CLASSIFICATION

The statements of activities present expenses by functional classification in accordance with the categories recommended by the National Association of College and University Business Officers. The College's primary program services are academic instruction and research. Expenses reported as academic support, student services and auxiliary services are incurred in support of these primary program activities. Institutional support includes general and administrative expenses and other support services. Functional expenses are categorized as follows:

- Instruction includes expenses for all activities that are part of the instructional program.
- Research includes expenses for activities specifically organized to produce research, whether funded by a federal grant or foundation or directly supported by the College.
- Academic support includes expenses for all activities that directly support the instructional programs of the college such as the library, curriculum development, and technology services.
- Student services include activates that contribute to student emotional and physical well-being and intellectual, cultural and social development outside the formal instructional program.
- Auxiliaries include expenses relating to the operation of the auxiliary activities such as housing, dining services, bookstore, and other services.
- Institutional support includes centralized management and administrative support services such as executive management, finance and business operations, administrative technology, general administration, and fundraising activities.

(DOLLARS IN THOUSANDS)

Expenses are directly charged to these functional expenses whenever practical.

Expenses by functional classification, include allocations of operation and maintenance costs, depreciation, and interest. Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based upon square footage corresponding to the use of facilities. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which the equipment is located. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

Expenses, by natural classification, for the years ended June 30:

2019	Instruction	Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and Wages	$ 30,906	$ 860	$ 3,832	$ 11,202	$ 16,434	$ 4,999	$ 5,096	$ 73,329
Benefits	9,808	71	1,144	3,330	5,086	1,329	1,707	22,475
Total Compensation	40,714	931	4,976	14,532	21,520	6,328	6,803	95,804
Operating Costs	8,242	990	2,553	8,524	9,756	12,566	6,933	49,564
Occupancy	7	-	1	251	1,661	756	4,979	7,655
Depreciation and Amortization	3,420	152	1,344	2,146	1,967	2,559	2,866	14,454
Interest	2,454	-	628	1,906	400	1,684	810	7,882
Operations and Maintenance	5,718	-	2,119	5,424	856	8,274	(22,391)	-
Total Expenses	$ 60,555	$ 2,073	$ 11,621	$ 32,783	$ 36,160	$ 32,167	$ -	$ 175,359

2018	Instruction	Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and Wages	$ 29,433	$ 908	$ 3,469	$ 10,782	$ 15,095	$ 5,073	$ 4,707	$ 69,467
Benefits	9,284	131	1,060	3,130	4,623	1,370	1,651	21,249
Total Compensation	38,717	1,039	4,529	13,912	19,718	6,443	6,358	90,716
Operating Costs	8,640	971	2,581	8,059	8,981	12,095	6,396	47,723
Occupancy	29	-	2	207	1,624	757	4,582	7,201
Depreciation and Amortization	4,283	171	1,902	2,834	1,527	2,759	2,902	16,378
Interest	2,552	-	628	1,952	413	1,768	882	8,195
Operations and Maintenance	5,447	-	2,019	5,168	815	7,671	(21,120)	-
Total Expenses	$ 59,668	$ 2,181	$ 11,661	$ 32,132	$ 33,078	$ 31,493	$ -	$ 170,213

Fundraising expenses are included in institutional support in the accompanying statements of activities. For the years ended June 30, 2019 and 2018, fundraising costs total $6,073 and $5,446, respectively. The College includes only those fundraising costs incurred by its development office for purposes of reporting fundraising expenses and does not allocate other College personnel costs or overhead to this category.

20. NET ASSETS

Certain net assets have been designated for specific purposes or uses under various internal operating and administrative arrangements of the College. As a result, substantially all the net assets classified as without donor restrictions in the accompanying statements of financial position as of June 30, 2019 and 2018 have been earmarked for long-term investment, special purposes, or are invested in plant. Net assets without donor restrictions consisted of the following for the years ended June 30:

(DOLLARS IN THOUSANDS)

Without Donor Restrictions	2019	2018
Board-Designated:		
Quasi-Endowment	$ 218,461	$ 225,296
Capital Reserve	12,004	7,409
Total Board-Designated	230,465	232,705
Postretirement Benefits Provision	(47,478)	(46,883)
Hedge/Swap Agreements Provision	(14,265)	(11,205)
Net Investment in Plant	122,725	114,174
Undesignated	9,583	16,538
Total Without Donor Restrictions	$ 301,030	$ 305,329

Net assets with donor restrictions are principally restricted for educational and other donor-stipulated purposes and also include certain gifts for which the donors have not yet articulated their intended purposes.

The composition of the net assets with donor restrictions is as follows for the years ended June 30:

With Donor Restrictions	2019	2018
Subject to Expenditure When a Specified Event Occurs:		
Scholarship and Financial Aid	$ 8,657	$ 8,722
Educational and General Programs	8,957	13,288
Facilities and Maintenance	21,907	17,356
Other - Related to Time and Purpose Restrictions	18,574	16,714
Endowment Returns Subject to Future Appropriation:		
Scholarship and Financial Aid	50,625	51,492
Educational and General Programs	153,807	162,849
Facilities and Maintenance	14,977	15,546
Annuity Funds	24,955	28,818
Contributions Receivable	12,040	14,811
Total Net Assets Restricted by Time or Purpose	314,499	329,596
Amounts with Perpetual Restrictions		
Scholarship and Financial Aid	104,944	94,751
Educational and General Programs	102,528	214,876
Facilities and Maintenance	160,526	30,204
Loan Funds for Students	210	210
Annuity Funds	5,562	7,371
Contributions Receivable	12,476	13,089
Total Net Assets with Perpetual Restrictions	386,246	360,501
Underwater Endowments	(403)	(169)
Total With Donor Restrictions	$ 700,342	$ 689,928

(DOLLARS IN THOUSANDS)

Deferred giving net assets consist of the following for the years ended June 30:

	2019	2018
Without Donor Restrictions	$ 394	$ 425
With Donor Restrictions, Spendable	24,955	28,818
With Donor Restrictions, Perpetual	5,562	7,371
Total	$ 30,911	$ 36,614

21. NET ASSETS RELEASED FROM RESTRICTIONS AND RECLASSIFICATIONS

Net assets released from donor-imposed consist of the following for the years ended June 30:

	2019	2018
Academic Support	$ 348	$ 260
Expiration of Time Restrictions	1,985	4,229
Net Assets Released from Restrictions - Operating	$ 2,333	$ 4,489

From time to time, certain funds may be reclassified from net assets with and without donor restrictions due to clarification of donor stipulations. During fiscal June 30, 2019 and 2018, the College reclassified $489 and $6,993, respectively, from nets assets without donor restrictions to net assets with donor restrictions.

22. CONTINGENCIES

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, would not have a material effect on the financial position, changes in net assets, or cash flows of the College.

The College is, from time to time, subject to routine litigation incidental to its business. College counsel believes that existing insurance policies are sufficient and, as such, management believes that pending litigation will not have a material adverse effect on the financial position, changes in net assets, or cash flows of the College.

23. SUBSEQUENT EVENTS

The College evaluated its June 30, 2019 financial statements for subsequent events through October 29, 2019, the date the financial statements were issued, and determined that all significant events and disclosures are included in the accompanying financial statements.

LAFAYETTE COLLEGE

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