



FAIRFIELD UNIVERSITY

Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

FAIRFIELD UNIVERSITY

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Fairfield University:

We have audited the accompanying financial statements of Fairfield University (the University), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield University as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 27, 2018

FAIRFIELD UNIVERSITY
 Statements of Financial Position
 June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 60,475,210	55,414,181
Accounts receivable – students, less allowance for doubtful collections of \$583,820 in 2018 and \$665,588 in 2017	571,977	222,157
Student loans, less allowance for doubtful collections of \$100,000 in 2018 and \$300,000 2017	2,926,426	2,705,736
Contributions receivable, net	43,625,096	45,221,565
Other assets	7,251,625	7,277,298
Deposits with bond trustees	45,558,683	50,001,935
Investments	390,488,418	382,117,977
Land, buildings, and equipment, net	378,966,110	338,285,609
Total assets	\$ 929,863,545	881,246,458
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 32,515,045	28,415,930
Accrued compensation	11,415,658	12,589,990
Deferred revenue	18,370,347	18,789,703
Government grants refundable – student loans	2,327,481	2,434,466
Long-term debt, net	276,008,029	240,368,885
Total liabilities	340,636,560	302,598,974
Net assets:		
Unrestricted	305,651,390	300,164,086
Temporarily restricted	130,316,218	131,061,654
Permanently restricted	153,259,377	147,421,744
Total net assets	589,226,985	578,647,484
Total liabilities and net assets	\$ 929,863,545	881,246,458

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2018 Total</u>
Operating revenues:				
Educational and general:				
Tuition and fees	\$ 226,278,657	—	—	226,278,657
Less student financial aid	(80,158,441)	—	—	(80,158,441)
Net tuition and fees	146,120,216	—	—	146,120,216
Government grants and contracts	622,620	2,536,110	—	3,158,730
Contributions	4,220,288	6,234,380	—	10,454,668
Investment return designated for current operations	11,726,364	6,157,637	—	17,884,001
Departmental and other revenues	4,681,107	—	—	4,681,107
Net assets released from restrictions	16,187,310	(16,187,310)	—	—
Total educational and general	183,557,905	(1,259,183)	—	182,298,722
Auxiliary services	44,326,804	—	—	44,326,804
Total operating revenues	227,884,709	(1,259,183)	—	226,625,526
Operating expenses:				
Educational and general service:				
Instruction	76,217,188	—	—	76,217,188
Research	1,227,000	—	—	1,227,000
Public service	1,780,265	—	—	1,780,265
Academic support	21,497,554	—	—	21,497,554
Institutional support	43,099,890	—	—	43,099,890
Student services	32,389,271	—	—	32,389,271
Total educational and general services	176,211,168	—	—	176,211,168
Auxiliary services	40,839,631	—	—	40,839,631
Total operating expenses	217,050,799	—	—	217,050,799
Increase (decrease) in net assets from operations	10,833,910	(1,259,183)	—	9,574,727
Nonoperating activities:				
Contributions for nonoperating purposes	27,504	2,620,699	7,123,532	9,771,735
Investment return in excess of amounts designated for current operations	114,800	8,373,517	398,898	8,887,215
Loss on disposals of fixed assets	(9,734,294)	—	—	(9,734,294)
Other nonoperating expenses	(431,730)	346,146	(165,513)	(251,097)
Loss on extinguishment of debt	(6,181,001)	—	—	(6,181,001)
Change in value of split-interest agreements	(6,035)	37,535	(1,519,284)	(1,487,784)
Nonoperating net assets released from restrictions	10,864,150	(10,864,150)	—	—
Total nonoperating activities	(5,346,606)	513,747	5,837,633	1,004,774
Increase (decrease) in net assets	5,487,304	(745,436)	5,837,633	10,579,501
Net assets:				
Beginning of year	300,164,086	131,061,654	147,421,744	578,647,484
End of year	\$ 305,651,390	130,316,218	153,259,377	589,226,985

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statement of Activities

Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2017 Total</u>
Operating revenues:				
Educational and general:				
Tuition and fees	\$ 217,905,771	—	—	217,905,771
Less student financial aid	(75,294,569)	—	—	(75,294,569)
Net tuition and fees	142,611,202	—	—	142,611,202
Government grants and contracts	624,400	2,705,295	—	3,329,695
Contributions	3,920,142	6,443,744	—	10,363,886
Investment return designated for current operations	4,843,351	6,417,116	—	11,260,467
Departmental and other revenues	3,884,151	—	—	3,884,151
Net assets released from restrictions	13,093,723	(13,093,723)	—	—
Total educational and general	168,976,969	2,472,432	—	171,449,401
Auxiliary services	43,476,147	—	—	43,476,147
Total operating revenues	212,453,116	2,472,432	—	214,925,548
Operating expenses:				
Educational and general service:				
Instruction	72,961,508	—	—	72,961,508
Research	988,000	—	—	988,000
Public service	1,872,542	—	—	1,872,542
Academic support	21,063,254	—	—	21,063,254
Institutional support	36,615,310	—	—	36,615,310
Student services	30,111,345	—	—	30,111,345
Total educational and general services	163,611,959	—	—	163,611,959
Auxiliary services	37,753,887	—	—	37,753,887
Total operating expenses	201,365,846	—	—	201,365,846
Increase in net assets from operations	11,087,270	2,472,432	—	13,559,702
Nonoperating activities:				
Contributions for nonoperating purposes	87,104	42,252,353	7,520,641	49,860,098
Investment return in excess of amounts designated for current operations	13,305,661	17,586,783	530,629	31,423,073
Other nonoperating expenses	(1,001,973)	1,603,165	(443,425)	157,767
Loss on disposals of fixed assets	(30,363)	—	—	(30,363)
Change in value of split-interest agreements	(3,297)	37,626	(111,158)	(76,829)
Nonoperating net assets released from restrictions	21,615,525	(21,615,525)	—	—
Total nonoperating activities	33,972,657	39,864,402	7,496,687	81,333,746
Increase in net assets	45,059,927	42,336,834	7,496,687	94,893,448
Net assets:				
Beginning of year	255,104,159	88,724,820	139,925,057	483,754,036
End of year	\$ 300,164,086	131,061,654	147,421,744	578,647,484

See accompanying notes to financial statements.

FAIRFIELD UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 10,579,501	94,893,448
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,690,776	17,649,814
Net loss on disposal of buildings and equipment	9,734,294	30,363
Loss on extinguishment of debt	6,181,001	—
Contributions restricted for long-term investment	(7,367,759)	(34,109,139)
Realized and unrealized gains on investments, net	(19,853,747)	(39,184,234)
Changes in operating assets and liabilities:		
Contributions receivable	1,596,469	(15,860,122)
Student accounts receivable	(349,820)	(52,333)
Other assets	25,673	735,382
Accounts payable and other accrued liabilities and accrued compensation	2,101,427	(1,314,389)
Deferred revenue	(419,356)	1,722,968
Government grants refundable – student loans	(106,985)	18,750
Net cash provided by operating activities	19,811,474	24,530,508
Cash flows from investing activities:		
Proceeds from sale of investments	120,892,156	73,708,941
Purchase of investments	(109,408,850)	(91,270,145)
Purchase of buildings and equipment	(68,854,436)	(56,269,050)
Accruals for the acquisition of buildings and equipment	823,356	7,270,264
Issuance of student loans	(494,999)	(353,165)
Repayment of student loans	274,309	512,748
Net cash used in investing activities	(56,768,464)	(66,400,407)
Cash flows from financing activities:		
Cash proceeds from contributions restricted for:		
Permanently restricted endowment	2,992,558	7,692,515
Temporarily restricted funds for capital	4,375,201	26,416,624
Net proceeds from long-term borrowing	191,083,458	—
Principal payments from refinancing and retirement of debt	(155,945,000)	—
Payment of long-term debt principal	(3,578,666)	(6,442,899)
Bond issuance costs incurred	(1,352,784)	—
Decrease in deposits with bond trustees	4,443,252	19,531,694
Net cash provided by financing activities	42,018,019	47,197,934
Net increase in cash and cash equivalents	5,061,029	5,328,035
Cash and cash equivalents:		
Beginning of year	55,414,181	50,086,146
End of year	\$ 60,475,210	55,414,181
Supplemental disclosure of cash flow information:		
Interest paid on debt, including capitalized interest of \$2,330,000 in 2017	\$ 11,790,276	11,687,869

See accompanying notes to financial statements.

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Notes to Financial Statements
June 30, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Background

Founded in 1942, Fairfield University is a private, Jesuit institution that provides undergraduate, graduate, and continuing studies in five distinct schools to its students. The accompanying financial statements, which include the accounts of Fairfield University and its Preparatory School (the University), which together are a 501(c)(3) tax-exempt institution, have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

(b) Basis of Presentation

(i) General

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

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donor of these assets permits the University to use all or part of the return on the related investments.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. 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. Donor contributions restricted for capital expenditures are released to unrestricted net assets when the assets are placed in service.

(ii) Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair value. Unconditional promises to give that are scheduled to be received after the date of the statements of financial position are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted based upon a risk adjusted interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

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Notes to Financial Statements
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(iii) Measure of Operations

The statements of activities report the change in net assets from operating and nonoperating activities separately. For this purpose, operations include operating revenues consisting of those items attributable to the University's educational programs or research conducted by the academic departments, and operating expenses include the costs of providing University programs and other activities. Investment return on the University's long-term investments in excess of the amount appropriated under the University spending plan, as discussed in note 7, donor contributions restricted for capital expenditures and certain other unusual or nonrecurring items are reported as nonoperating activities. Additionally, nonoperating activities consist of contributions that are not in direct support of the annual operating budget. This measure of operations is different from cash flows from operating activities reported in the statements of cash flows, which includes the cash effects of all transactions and other events (including certain nonoperating items) that enter into the determination of the change in net assets.

(c) Cash and Cash Equivalents

The University has several bank accounts at June 30, 2018 containing balances, which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2018 with respect to these balances. The University has cash equivalents held for reinvestment and are highly liquid in nature and have original maturities at the time of purchase of three months or less. Cash equivalents include cash held in money market accounts and certificates of deposit for operating and reinvestment purposes. Cash equivalents are valued at one dollar per share in the money market fund and one dollar plus earned interest in certificates of deposit. These assets are categorized as Level 1.

(d) Deposits with Bond Trustees

Deposits with bond trustees are directly owned investments in government money market funds related to the Connecticut Health and Educational Facility Authority (CHEFA) Revenue Bonds, Series M, N, O, P, Q-1, and R. These investments are valued based upon market price quotations and categorized as Level 1.

(e) Accounts and Loans Receivable

Accounts and loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under federally sponsored loan programs, which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

(f) Fair Value Accounting

The University records its applicable assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

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GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three Levels of the fair value hierarchy under GAAP are as follows:

Level 1 Inputs that reflect unadjusted quoted or published prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes "observable" requires significant judgment. The University considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, the University separates the marketable investment portfolio and other fair valued assets and liabilities into the following categories: cash equivalents, certificates of deposit, fixed income, corporate stocks, equity funds, bond investment fund, and deposits with bond trustees.

The University utilizes the "practical expedient" to estimate the fair value of investments in various investment funds that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with GAAP whereby there is limited market activity. The practical expedient is permitted under GAAP to estimate the fair value of an investment at the

FAIRFIELD UNIVERSITY

Notes to Financial Statements

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measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The University performs additional procedures, including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

(g) Investments

Investments are reported in the financial statements at fair value. Quoted or published market prices are used to value short-term investments, fixed income securities, corporate stocks, equity funds, and bond investment fund. Values for investments in limited partnerships, which are generally subject to certain withdrawal restrictions, are provided by the general partner and may be based on appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation for the University's investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost.

(i) Corporate Stocks

Corporate stocks include investments in actively traded equity securities and exchange traded funds, which are listed on a national exchange are valued at the last price quoted by the exchange and are generally categorized as Level 1. The fair values of other equity securities are based upon market price quotations and are generally categorized as Level 1.

(ii) Fixed Income Securities

Fixed income securities include investments in various U.S. Treasury instruments, corporate debt, structured products (such as mortgage-backed securities and asset-backed securities and bank debt). Fixed income securities values are estimated based upon market price quotations and are generally categorized as Level 2.

(iii) Bond Investment Fund (Registered)

Bonds in investment fund include a mutual fund (registered under the Investors' 1940 Act). Mutual funds are principally invested in fixed income securities and trade in over the counter markets. The fair value is based upon published prices and are generally categorized as Level 1.

(iv) Private Equity and Other

Private equity and other include equity positions in a variety of private equity funds with various strategies, private real estate funds that hold real property holdings, and direct investments in real estate funds through partnership interests. These securities are valued by the investment managers and the NAVs are recorded under GAAP utilizing the practical expedient.

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(v) Equity Funds (Registered and Nonregistered)

Equities in investment funds include mutual funds (registered under the Investors' 1940 Act) and hedge funds (nonregistered under the Investors' 1940 Act). Mutual funds are principally invested in exchange traded securities. These hedge funds are invested principally in exchange traded and over the counter securities. The University has opted to utilize the NAV practical expedient for certain hedge fund investments fair value.

(vi) Hedge Fund of Funds

Hedge fund of funds are nonregistered funds whereby the investment managers are investing in various underlying hedge funds that principally invest in exchange traded and over the counter securities. These securities are valued by the investment manager and NAVs are recorded under GAAP utilizing the practical expedient.

(h) Land, Buildings, and Equipment

Land, buildings, and equipment, net is stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40–60 years), building improvements (15–30 years), and equipment and library books (3–7 years). Depreciation expense is \$18,439,641 and \$18,071,550 for the years ended June 30, 2018 and 2017, respectively. Conditional asset retirement obligations included in accrued liabilities are \$2,456,463 and \$2,405,938 as of June 30, 2018 and 2017, respectively.

(i) Tuition and Fees

The University recognizes revenues from student tuition and fees predominantly within the fiscal year in which the academic term is conducted. Therefore, student advance payments for tuition, room, and board are deferred and then recorded as unrestricted revenues when earned.

(j) Government Grants and Contracts

Revenues associated with government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for in unrestricted net assets. The University records reimbursement of indirect costs relating to such grants and contracts at authorized rates for each fiscal year as unrestricted revenue.

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Notes to Financial Statements
June 30, 2018 and 2017

(k) Allocation of Certain Expenses

The financial statements report expenses by functional classification. Certain natural expenses associated with the operation and maintenance of University plant assets are allocated to the respective functional classifications based on square footage occupancy. The expenses that are allocated for the years ended June 30 are:

	<u>2018</u>	<u>2017</u>
Plant operations and maintenance	\$ 17,595,323	17,509,552
Depreciation	18,439,645	18,071,550
Interest expense and amortization of bond discount and premium	11,041,411	8,936,134

Included in institutional support expenses are fundraising costs of \$6,451,254 and \$6,410,077 in fiscal 2018 and 2017, respectively.

(l) Income Taxes

The University is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code. The University recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2018, the University has not identified or provided for any such positions.

(m) New Authoritative Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses, and liquidity in their financial statements. The significant requirements of the ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The ASU is effective for the University's 2019 fiscal year.

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). The provisions in this ASU are effective for annual periods beginning after June 15, 2018. The University is in the process of evaluating the impact of the ASU. The University will implement the provisions of ASU 2018-08 as of July 1, 2018.

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Notes to Financial Statements
June 30, 2018 and 2017

(n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include valuation of investments and functional allocation of expenses. Actual results could differ from those estimates.

(o) Reclassifications

Certain reclassifications have been made to the 2017 amounts to conform to the current year presentation.

(p) Subsequent Events

The University has performed an evaluation of subsequent events through September 27, 2018, which is the date the financial statements were issued and has determined that there are no subsequent events to disclose.

(2) Contributions Receivable

Contributions receivable at June 30, 2018 and 2017 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
2018	\$ —	14,923,145
2019	20,028,176	10,862,072
2020	9,896,104	8,601,512
2021	7,158,889	5,994,507
2022	4,168,275	3,589,013
2023 and later	<u>3,890,097</u>	<u>2,969,978</u>
	45,141,541	46,940,227
Less:		
Present value discount (at rates ranging from 1.00% to 2.73%)	(1,316,445)	(1,518,662)
Allowance for doubtful collections	<u>(200,000)</u>	<u>(200,000)</u>
Contributions receivable, net	<u>\$ 43,625,096</u>	<u>45,221,565</u>

Amounts receivable from three donors represented 61% and 64% of gross contributions receivable in the years ended June 30, 2018 and 2017, respectively. During 2018, 17% of gross contributions revenue was recognized from two donors. During 2017, 66% of gross contributions revenue was recognized from two donors.

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Notes to Financial Statements
June 30, 2018 and 2017

(3) Investments

The following tables present the University's investments that were measured at fair value on a recurring basis as of June 30, 2018 and 2017:

Assets at fair value as of June 30, 2018			
	Level 1	Level 2	Total
Investments:			
Cash equivalents held for reinvestment	\$ 35,747,877	—	35,747,877
Certificates of deposit	23,000,000	—	23,000,000
Fixed income	—	6,416,666	6,416,666
Corporate stocks	198,372,896	—	198,372,896
Equity funds	23,956,830	—	23,956,830
Bond investment fund	35,231,819	—	35,231,819
	\$ 316,309,422	6,416,666	322,726,088
Investment funds:			
Measured at net asset value (or its equivalent)			67,762,330
Total investments			\$ 390,488,418

Assets at fair value as of June 30, 2017			
	Level 1	Level 2	Total
Investments:			
Cash equivalents held for reinvestment	\$ 29,335,262	—	29,335,262
Certificates of deposit	27,500,000	—	27,500,000
Fixed income	—	6,038,253	6,038,253
Corporate stocks	182,425,663	—	182,425,663
Equity funds	23,787,068	—	23,787,068
Bond investment fund	35,386,420	—	35,386,420
	\$ 298,434,413	6,038,253	304,472,666
Investment funds:			
Measured at net asset value (or its equivalent)			77,645,311
Total investments			\$ 382,117,977

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The University uses the NAV to determine the fair value of all the investments, which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

		June 30, 2018					
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Timing of draw down commitments	Redemption terms	
Private equity and other							
Equity funds (nonregistered)	\$ 22,117,532	20	1–8 years	\$ 9,359,682	1–3 years	N/A*	
Hedge fund of funds	18,321,628	4	N/A	111,000	N/A	Annually with 60 days written notice	
	27,323,170	1	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days	
	<u>\$ 67,762,330</u>	<u>25</u>		<u>\$ 9,470,682</u>			

* These funds are in private equity structure, with no ability to be redeemed.

		June 30, 2017					
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Timing of draw down commitments	Redemption terms	
Private equity and other							
Equity funds (nonregistered)	\$ 32,181,372	20	1–9 years	\$ 9,873,767	1–3 years	N/A*	
Hedge fund of funds	17,287,591	4	N/A	111,000	N/A	Annually with 60 days written notice	
	28,176,348	2	N/A	—	N/A	Ranges between monthly with 35 days written notice to annually with 95 days	
	<u>\$ 77,645,311</u>	<u>26</u>		<u>\$ 9,984,767</u>			

* These funds are in private equity structure, with no ability to be redeemed.

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The following table summarizes the investment return for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 5,463,967	2,972,991
Realized and unrealized gains, net	<u>19,815,836</u>	<u>39,145,447</u>
Return on long-term investments	25,279,803	42,118,438
Interest on short-term investments	<u>1,491,413</u>	<u>565,102</u>
Total return on investments	26,771,216	42,683,540
Investment return designated for current operations	<u>(17,884,001)</u>	<u>(11,260,467)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 8,887,215</u>	<u>31,423,073</u>

The University's policy is to distribute a portion of the total investment return for current operations at the predetermined spending rate, as discussed in note 7.

(4) Land, Buildings, and Equipment

The University's investments in land, buildings, and equipment, net are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Land, buildings, and equipment, net at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 28,545,916	24,170,535
Buildings	490,986,657	451,035,251
Equipment and library books	66,248,930	60,714,507
Construction in progress	<u>49,667,373</u>	<u>50,335,931</u>
	635,448,876	586,256,224
Less accumulated depreciation	<u>(256,482,766)</u>	<u>(247,970,615)</u>
Land, buildings, and equipment, net	<u>\$ 378,966,110</u>	<u>338,285,609</u>

At June 30, 2018 and 2017, construction in progress represents ongoing construction costs associated with new construction and improvements to various University facilities on campus.

At June 30, 2018 and 2017, net investment in plant included in unrestricted net assets totaled \$135,027,022 and \$133,244,338, respectively. The 2018 results include a loss on disposal of fixed assets of \$9,734,294 relating to the refurbishment of campus facilities.

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(5) Long-Term Debt

Bonds and notes payable at June 30, 2018 and 2017 consisted of the following:

<u>Type of financing</u>	<u>Average interest rate</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
		<u>Unamortized amounts</u>	<u>Outstanding balances*</u>	<u>Unamortized amounts</u>	<u>Outstanding balances*</u>
CHEFA Bonds 2008-M, due 2034	4.76%	\$ —	—	(92,355)	6,238,343
CHEFA Bonds 2008-N, due 2034	4.92	—	—	966,329	79,942,420
CHEFA Bonds 2010-O, due 2040	5.09	—	—	(815,024)	73,004,976
CHEFA Bonds 2010-P, due 2028	4.42	195,234	8,404,509	215,333	8,779,608
CHEFA Bonds 2016-Q-1, due 2046	4.16	5,942,513	52,542,512	6,150,581	52,750,581
CHEFA Bonds 2016-Q-2, due 2034	2.96	1,818,497	19,463,496	1,929,333	19,574,333
CHEFA Bonds 2017-R, due 2047	3.75	3,758,930	121,103,930	—	—
CHEFA Bonds 2018-S, due 2034	2.92	7,918,623	74,463,624	—	—
Capital Leases, due 2022	Variable	—	29,958	—	78,623
		<u>\$ 19,633,797</u>	<u>276,008,029</u>	<u>8,354,197</u>	<u>240,368,884</u>

* For the CHEFA bonds, amounts are net of unamortized discounts or unamortized premiums, and bond issuance costs.

The above listed CHEFA bonds financed for various campus facilities are payable in annual installments on a graduating scale.

The premiums will be amortized as reductions in interest expense over the remaining life of the bonds. The University amortized \$870,359 and \$502,090 of debt premiums to interest expense in the years ended June 30, 2018 and 2017, respectively.

The Series R bonds were issued in December 2017 to advance refund the outstanding balance of Series O bonds and to generate funds for the construction of a new resident hall facility and the renovation of dormitory and academic facilities. The Series S bonds were issued in April 2018 to refund the outstanding balance of Series M and N bonds and to pay costs of issuance of the bonds. The effect of the refundings was a nonoperating charge of \$6,181,001 for the year ended June 30, 2018.

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In accordance with the Series P bond indenture, the University maintains a sinking fund with bank trustees at an amount sufficient to pay interest and principal during the succeeding 12 months. The amounts in deposits with bond trustees are as follows:

<u>Type of financing</u>	<u>2018</u>	<u>2017</u>
CHEFA Bonds 2008-M	\$ —	808,588
CHEFA Bonds 2008-N	—	8,349,671
CHEFA Bonds 2010-O	—	7,400,046
CHEFA Bonds 2010-P	841,549	893,203
CHEFA Bonds 2016-Q-1, Construction	1,515,061	32,548,893
CHEFA Bonds 2016-Q-1, Capitalized Interest	—	1,533
CHEFA Bonds 2017-R, Construction	43,202,073	—
	<u>\$ 45,558,683</u>	<u>50,001,934</u>

The University's long-term debt agreement for Series P contain various covenants, which may restrict the ability of the University to incur or guarantee debt. This agreement also requires the University to meet a debt service ratio, as defined in the agreement. The University was in compliance with the financial debt covenants at June 30, 2018.

Interest expense and amortization of bond discount and premium for the years ended June 30, 2018 and 2017 was \$11,041,411 and \$8,936,134, respectively.

The aggregate amount of principal due with respect to long-term debt (not including unamortized premiums and bond issuance costs) within each of the five fiscal years subsequent to June 30, 2018 and in total thereafter is as follows:

2019	\$ 1,873,016
2020	6,108,021
2021	7,133,122
2022	7,480,799
2023	7,855,000
Thereafter	<u>225,924,274</u>
	256,374,232
Plus unamortized premiums	21,765,543
Less unamortization bond issuance costs	<u>(2,131,746)</u>
	<u>\$ 276,008,029</u>

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(6) Retirement Benefits

The University has a 403(b) defined contribution retirement plan, which covers substantially all of its employees, other than those of the Jesuit Community, and which is funded through direct payments to the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and/or Fidelity Investment Tax Exempt Services Company for the purchase of individual annuities. For each eligible employee, the University generally contributes an amount equal to between 8% and 10% of the employee's salary or base compensation and the employee contributes 2-½%. With respect to faculty and administrative members of the Jesuit Community, an equivalent between 8% and 10% of their salaries are paid directly to the Jesuit Community. Retirement contributions paid by the University and charged to unrestricted operations for the years ended June 30, 2018 and 2017 were \$5,918,051 and \$5,606,945, respectively.

(7) Endowment Funds

In August 2008, the FASB issued *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosure for all Endowment Funds*. This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Connecticut adopted the Uniform Management of Institutional Funds Act effective October 1, 2007 (CUPMIFA). This pronouncement requires disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The University's endowment is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research, and public service. Funds are also designated by the Board of Trustees to function as endowment. Earnings from endowment investments support scholarships, chairs, professorships, fellowships, basic research, as well as academic and public service programs. The endowment should provide stability since the principal is invested and earnings are generated year after year. 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.

To accomplish these goals, the University 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 primary investment objective of the endowment is to attain an average annual total return in excess of the spending rate (currently at 3.25% of the average fair market value of total endowment assets for the preceding twelve quarters, prior to this year's special appropriation of \$6.0 million); over the long term, defined as rolling five-year periods that should be achieved within acceptable risk levels, while avoiding large short-term declines in market value. Actual returns in any given year may vary from this amount. The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Board of Trustees, after consideration of the factors provided in CUPMIFA, approved a policy that, absent specific donor imposed directions; University management may decide to spend a portion of or the entire spending amount on funds which are underwater. For the years ended June 30, 2018 and 2017, funds were distributed in total according to the spending formula. Although CUPMIFA permits prudent

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spending from the individual underwater endowments, the Board of Trustees chose not to spend from those funds, if applicable, but to fund this spending from the University unrestricted quasi-endowment.

Assets of the endowment and quasi-endowment are pooled on a market value basis, with each individual asset subscribing to or disposing of units on the basis of the market value per unit at the end of the quarter within which the transaction takes place.

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	66,966,089	153,259,377	220,225,466
Board-designated funds	<u>150,957,210</u>	<u>—</u>	<u>—</u>	<u>150,957,210</u>
Total endowment funds	<u>\$ 150,957,210</u>	<u>66,966,089</u>	<u>153,259,377</u>	<u>371,182,676</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2017	\$ 149,320,070	58,564,452	147,421,744	355,306,266
Investment return:				
Investment income	2,269,936	3,134,676	20,119	5,424,731
Realized and unrealized gains, net	<u>8,179,838</u>	<u>11,280,190</u>	<u>378,779</u>	<u>19,838,807</u>
Total investment return	10,449,774	14,414,866	398,898	25,263,538
Contributions/transfers	1,527,487	—	6,958,019	8,485,506
Appropriation of endowment assets for expenditure	(10,340,121)	(6,013,229)	—	(16,353,350)
Other changes:				
Change in value split-interest agreement	<u>—</u>	<u>—</u>	<u>(1,519,284)</u>	<u>(1,519,284)</u>
Endowment net assets at June 30, 2018	<u>\$ 150,957,210</u>	<u>66,966,089</u>	<u>153,259,377</u>	<u>371,182,676</u>

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At June 30, 2017, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	58,564,452	147,421,744	205,986,196
Board-designated funds	149,320,070	—	—	149,320,070
Total endowment funds	<u>\$ 149,320,070</u>	<u>58,564,452</u>	<u>147,421,744</u>	<u>355,306,266</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2016	\$ 136,024,347	40,964,440	139,925,057	316,913,844
Investment return:				
Investment income	1,242,879	1,647,537	69,848	2,960,264
Realized and unrealized gains, net	<u>16,646,378</u>	<u>22,041,579</u>	<u>460,781</u>	<u>39,148,738</u>
Total investment return	17,889,257	23,689,116	530,629	42,109,002
Contributions	—	—	7,077,216	7,077,216
Appropriation of endowment assets for expenditure	(4,593,534)	(6,089,104)	—	(10,682,638)
Other changes:				
Change in value split-interest agreement	<u>—</u>	<u>—</u>	<u>(111,158)</u>	<u>(111,158)</u>
Endowment net assets at June 30, 2017	<u>\$ 149,320,070</u>	<u>58,564,452</u>	<u>147,421,744</u>	<u>355,306,266</u>

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Educational and general services (primarily scholarships)	\$ 88,770,282	81,408,940
Acquisition of buildings and equipment	<u>41,545,936</u>	<u>49,652,714</u>
Total temporarily restricted net assets	<u>\$ 130,316,218</u>	<u>131,061,654</u>

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Permanently restricted net assets at June 30, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Purpose of restrictions:		
Scholarships	\$ 92,506,716	89,953,445
Educational and general services	<u>60,752,661</u>	<u>57,468,299</u>
Total permanently restricted net assets	<u>\$ 153,259,377</u>	<u>147,421,744</u>

(9) Student Financial Aid

Student financial aid reported in the statements of activities as a reduction of tuition and fees were funded in fiscal years 2018 and 2017 from the following revenue sources:

	<u>2018</u>	<u>2017</u>
Tuition and fees	\$ 75,080,273	69,938,772
Endowment distribution	3,856,209	4,138,098
Contributions	921,239	869,240
Government grants	<u>300,720</u>	<u>348,459</u>
Total student financial aid	<u>\$ 80,158,441</u>	<u>75,294,569</u>

(10) Operating Leases

The University has various lease agreements, for the bookstore, printers, copiers, and other types of similar equipment, with obligations that extend through 2022. Future minimum rental payments at June 30, 2018, under agreements classified as operating leases with terms in excess of one year are as follows:

2019	\$ 1,002,233
2020	776,487
2021	558,934
2022	<u>137,500</u>
Total future minimum lease payments	<u>\$ 2,475,154</u>

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(11) Commitments and Contingencies

At June 30, 2018, the University had a line of credit agreement, which allows for borrowings up to \$20,000,000. The agreement expires on January 23, 2020. Interest on any borrowings is at the LIBOR rate plus 0.80%. There is an unused commitment fee of 0.30% per annum. There were no borrowings during the year or outstanding at June 30, 2018 and 2017.

The University has entered into construction-related commitments of approximately \$36,000,000 as of June 30, 2018.

The University is involved in various legal actions, arising in the normal course of operations. The University is of the opinion that the resolution of these matters will not have a significant effect on the financial condition of the University.