BENTLEY UNIVERSITY

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Bentley University:

We have audited the accompanying financial statements of Bentley University (the University), which comprise the balance sheet as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 organization'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 organization'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 Bentley University as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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

Report on Summarized Comparative Information

We have previously audited the University's 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 2(s) that were applied to adopt ASU 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 28, 2019

BENTLEY UNIVERSITY

Balance Sheet

June 30, 2019
(with comparative totals as of June 30, 2018)

(Dollars in thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	41,013	30,776
Restricted cash		6,178	5,858
Pledges and accounts receivable, net		3,394	4,026
Other assets		8,138	6,623
Student loans, net		4,275	5,621
Investments		286,144	289,595
Property, plant, and equipment, net		308,633	310,081
Total assets	$	657,775	652,580
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	28,796	27,115
Student deposits and deferred income		7,841	8,596
Other liabilities		8,112	8,383
Interest rate swaps		20,823	16,154
Refundable U.S. government grants		4,872	4,872
Bonds and notes payable, net		165,843	170,679
Total liabilities		236,287	235,799
Net assets:			
Without donor restrictions		300,804	295,662
With donor restrictions		120,684	121,119
Total net assets		421,488	416,781
Total liabilities and net assets	$	657,775	652,580

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Activities

June 30, 2019
(with comparative totals for the year ended June 30, 2018)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	2019 Total	2018 Total
Changes in unrestricted net assets:				
Operating activities:				
Revenues:				
Tuition and fees (net of financial aid of $88,196 and $85,919)	$ 156,153	—	156,153	151,136
Residence hall and dining (net of financial aid of $944 and $883)	51,200	—	51,200	49,941
Endowment return utilized in operations	11,886	—	11,886	11,325
Contributions and private grants	2,260	—	2,260	2,384
Government grants	1,236	—	1,236	1,297
Other sources	4,214	—	4,214	2,837
Other auxiliary enterprises	5,265	—	5,265	5,454
Net assets released from restrictions	2,065	—	2,065	1,962
Total operating revenues	234,279	—	234,279	226,336
Expenses:				
Salaries and wages	107,599	—	107,599	104,497
Employee benefits	28,156	—	28,156	27,401
Supplies and services	50,882	—	50,882	52,248
Utilities	6,067	—	6,067	5,788
Depreciation and amortization	21,718	—	21,718	21,399
Interest	7,460	—	7,460	6,892
Total expenses	221,882	—	221,882	218,225
Increase in net assets from operating activities	12,397	—	12,397	8,111
Nonoperating activities:				
Contributions and private grants	369	3,290	3,659	3,991
Investment return	4,155	3,061	7,216	25,621
Endowment return utilized in operations	(7,279)	(4,607)	(11,886)	(11,325)
Change in fair value of interest rate swaps	(4,669)	—	(4,669)	6,113
Net assets released from restrictions	—	(2,065)	(2,065)	(1,962)
Other	169	(114)	55	756
(Decrease) increase in net assets from nonoperating activities	(7,255)	(435)	(7,690)	23,194
Change in net assets	5,142	(435)	4,707	31,305
Net assets at beginning of year	295,662	121,119	416,781	385,476
Net assets at end of year	$ 300,804	120,684	421,488	416,781

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Cash Flows

June 30, 2019
(with comparative totals for the year ended June 30, 2018)

(Dollars in thousands)

		2019	2018
Operating activities:			
Change in net assets	$	4,707	31,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		21,718	21,399
Net realized and unrealized gains on investments		(6,719)	(25,412)
Loss on refinancing of debt		—	200
Contributions restricted for long-term purposes		(1,953)	(1,942)
Change in fair value of interest rate swaps		4,669	(6,113)
Changes in operating assets, net		463	(1,752)
Changes in operating liabilities, net		(1,324)	(2,523)
Net cash provided by operating activities		21,561	15,162
Investing activities:			
Proceeds from sales and maturities of investments		44,511	27,051
Purchases of investments		(34,341)	(19,412)
Additions of property, plant, and equipment		(18,877)	(47,891)
Net cash used in investing activities		(8,707)	(40,252)
Financing activities:			
Contributions restricted for long-term purposes		1,953	1,942
Payments on borrowings and refinancing of debt		(4,250)	(26,044)
Proceeds from long-term borrowings		—	22,901
Bond issuance costs		—	(332)
Change in bond proceeds held for construction		—	3,199
Net change in restricted cash		(320)	2,841
Net cash (used in) provided by financing activities		(2,617)	4,507
Change in cash and cash equivalents		10,237	(20,583)
Cash and cash equivalents at beginning of year		30,776	51,359
Cash and cash equivalents at of end of year	$	41,013	30,776
Supplemental disclosure:			
Cash paid for interest	$	7,447	8,024
Change in accounts payable from capital additions		1,979	(4,043)

See accompanying notes to financial statements.

(1) Description of the University

Bentley University is a transformative living-learning community that inspires and prepares ethical students to use their business know-how to make a positive difference in the world. With a blend of business, technology and the arts and sciences, Bentley provides students with critical thinking and practical skills to help them collaborate effectively in different settings and prepare them to lead successful, rewarding careers. The University enrolls approximately 4,400 undergraduate and 1,300 graduate and PhD students. Bentley was founded in 1917 and is set on 163 acres in Waltham, Massachusetts, 10 miles west of Boston.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the University as a whole and to present balances and transactions according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions – net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

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

(b) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include treasuries and short-term instruments not held for future long-term investment with original maturities of three months or less.

(c) Restricted Cash

Restricted cash represents required deposits with a bond holder, in accordance with the bond covenants, and collateral cash for certain interest rate swaps, as described in notes 6 and 7.

(d) Pledges and Accounts Receivable

Pledges and accounts receivable are stated net of allowance for doubtful accounts and discount to present value.

(e) Tuition and Related Revenues

Under Accounting Standards Codification Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student tuition, fees, room and board is recognized over the academic year, which generally aligns with the University's fiscal year, as services are provided. Revenues associated with academic programs that cross fiscal years are recognized based on the period the services are

provided in each fiscal year. Revenues are presented at stated transaction prices, which are determined based on standard published rates for the services less institutional aid awarded to qualifying students. Aid in excess of students' tuition and fees is reflected as a reduction of residence hall and dining charges.

The amount of revenue per student varies based on the specific program or class in which the student enrolls as well as whether the student resides in University housing. In addition, students who adjust their course load, residence assignment, board assignment, or withdraw completely within the specified period published in the University's academic calendar may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments are generally due prior to the start of the academic term.

The composition of student tuition, fee, residence hall and dining revenues, net of financial aid, were as follows for the years ended June 30, 2019 and 2018:

		2019	2018
Undergraduate tuition and fees, net	$	128,972	124,908
Postgraduate tuition and fees, net		27,181	26,228
Residence hall and dining, net		51,200	49,941
Total at June 30	$	207,353	201,077

Revenues and deposits from students received in advance of services provided are included in student deposits and deferred income in the balance sheets and totaled $3,508 and $3,747 at June 30, 2019 and 2018, respectively

(f) Contributions

Contributions, including unconditional promises from donors, are nonreciprocal, unconditional transfers of assets, or cancellations of liabilities, and are initially recognized at fair value. Contributions received without donor-imposed restrictions are recorded as revenue without donor restrictions. Contributions received with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Contributions of noncash assets are recorded at estimated fair value on the date of the contribution. Conditional pledges become unconditional and are recognized as revenues when the conditions are satisfied.

(g) Property, Plant, and Equipment

Land, buildings, plant renovations, and equipment are stated at cost at the date of acquisition or renovation or at estimated fair value at the date of donation in the case of gifts. Purchases of library books are expensed as incurred. Minor renovations and repairs are charged to operations as incurred. Depreciation of plant and equipment is computed on a straight-line basis over the useful lives of buildings (40–60 years), building and improvements (5–30 years), and equipment and furnishings (2–15 years). Interest incurred on tax-exempt debt used to finance building construction is added to the cost of the asset, net of any income earned on temporarily invested debt proceeds during construction.

(h) Bond Premiums and Issuance Costs

Bond premiums and issuance costs are amortized through the final maturity date of the respective bond issues.

(i) 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(j) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code, as amended. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University believes it has taken no significant uncertain tax positions as of June 30, 2019 or 2018.

(k) Statement of Activities

The statement of activities reports the changes in net assets from operating and nonoperating activities. Nonoperating activities reflect contributions for long-term investments and capital projects and the investment return in excess of the amount utilized in operations, as described in note 8. In addition, nonoperating activities include changes in the values of split-interest agreements and interest rate swaps, net assets released from restrictions for capital purposes, and certain other nonrecurring transactions. All other activity is classified in operating activities.

Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under ASU 2018-08 as it relates to conditional grants and contracts, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Total revenue from grants and contracts recognized in net assets without donor restrictions was $1,236 and $1,297 for the years ended June 30, 2019 and 2018, respectively.

Dividends, interest, and realized and unrealized gains (losses) on long-term investments are reported as follows:

- Increases in net assets with donor restrictions if the terms of the gift require these to be added to the principal
- Increases (decreases) in net assets with donor restrictions if the terms of the gift or relevant state law imposes restrictions on the use of the income and gains
- Increases (decreases) in net assets without donor restrictions in all other cases

(l) Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held by the University. For such split-interest agreements, the contributed assets are included as part of investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University and liabilities are recorded for the present value of the estimated future payments to the beneficiaries. These liabilities amounted to $2,427 and $2,898 at June 30, 2019 and 2018, respectively, and are reported within other liabilities on the balance sheet. The split-interest liabilities are adjusted during the term of the agreements consistent with changes in the value of the assets and actuarial assumptions.

(m) Derivative Instruments

The University utilized interest-rate swap agreements with counterparties to effectively convert its variable-rate debt to fixed rates. The swaps' fair values and changes therein are recognized in the University's financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The fair value of the swap instruments considers the estimated benefit or cost to the University to cancel the agreements as of the reporting dates, and is based on option pricing models that consider interest rates and other market factors, as well as the credit risks of the parties to the agreements. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair values at subsequent reporting dates.

(n) Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each Trustee and senior manager is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the audit committee. When such a relationship exists, the University requires that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University. For senior management, the University requires annual disclosure of significant financial interests in, or governance of employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the University.

(o) Fair Value Measurements

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities

- Level 2 – Observable prices that are based on inputs not quoted in active markets, but corroborated by market data
- Level 3 – Unobservable inputs are used when little or no market data is available

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Investments measured using net asset value as a practical expedient to estimate fair value, as described in note 4, are not classified in the fair value hierarchy.

(p) Benefit Plans

Defined-Contribution Plan – Eligible faculty and staff of the University are participants in a defined-contribution 403(b) retirement plan. The University contributes, for the benefit of the participants, 10% of eligible earnings annually to the plan, up to the IRS maximum per employee. Total expense under this plan for the years ended June 30, 2019 and 2018 amounted to $7,933 and $7,581, respectively.

Postretirement Benefits – The University provides certain healthcare benefits for retired employees covered under the Bentley University Retiree Medical Benefits Plan (the Plan). This plan is closed to employees hired after December 31, 1999. Benefits are paid through an insurance company as claims are settled. The Plan is a noncontributory, defined-benefit plan. The liability as of June 30, 2019 and 2018 amounted to $5,685 and $5,485, respectively, and is reported as other liabilities on the balance sheet.

(q) Prior Year Information

Prior year information presented is not intended to constitute a full presentation in accordance with GAAP. Accordingly, summarized 2018 information should be read in conjunction with the University's financial statements for the year ended June 30, 2018, from which the summarized information was derived before the adjustments described in Note 2(s) that were applied to adopt ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities* retrospectively.

(r) Reclassifications

Certain reclassifications have been made to the 2018 information to conform to the 2019 presentation.

(s) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The primary changes, which affect the look and feel of most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. The ASU is effective for fiscal years beginning after December 31, 2017. The University

retrospectively adopted the standard in 2019. A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
June 30, 2018 ending net assets as previously presented:			
Unrestricted	$ 295,662	—	295,662
Temporarily restricted	—	68,561	68,561
Permanently restricted	—	52,558	52,558
June 30, 2018 ending net assets as restated	$ 295,662	121,119	416,781

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the University's 2018 statement of activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (exchange) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both (a) a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and (b) a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

(3) Liquidity

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

Financial assets at June 30, 2019:		
Cash and cash equivalents	$	39,837
Accounts receivable, net		1,301
Pledge payments available for operations, net		478
Fiscal year 2020 board-approved endowment appropriation		11,978
Total financial assets available within one year	$	53,594

The University's Board of Trustees approves the annual spending distribution. For fiscal year 2020, the Board approved total spending allocation of $11,978. Additionally, the University has board-designated endowment funds of $166,047 as of June 30, 2019. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for operations, amounts could be made available if necessary, subject to investment liquidity provisions.

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The University has a committed line of credit with a bank for a maximum amount of $25,000. The line expires in January 2020.

(4) Investments

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation while providing adequate liquidity with reasonable risk. The University diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Investment Committee of the Board of Trustees, which oversees the University's investment program in accordance with established guidelines.

(a) Investment Strategies

In addition to traditional stocks and fixed income securities, the University may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITs) and commodities, including oil, gas, and gold. Private

equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

Investments are reported at estimated fair value. If an investment security is owned directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of June 30, 2019 and 2018, the University had no plans or intentions to sell investments at amounts different from NAV.

The University's investments are summarized in the following table by strategy and, as applicable, their fair value hierarchy classification as of June 30:

	2019					
	Measured	Measured in fair value hierarchy				2018
	at NAV	Level 1	Level 2	Level 3	Total	Total
Long-term investment strategies:						
Cash	$ —	9,719	—	—	9,719	6,353
U.S. Treasuries	—	—	—	—	—	4,525
Municipal bonds	—	—	2,793	—	2,793	2,464
Equities:						
Domestic	49,401	26,315	—	605	76,321	83,748
Global	15,052	59,321	—	—	74,373	82,750
U.S. real estate equity mutual funds	—	16,050	—	—	16,050	14,605
Hedged equity funds of funds	62,126	—	—	—	62,126	52,008
Private equity and venture capital funds	25,809	—	—	—	25,809	20,582
Commodities	—	14,938	—	—	14,938	18,641
Life insurance	—	—	—	4,015	4,015	3,919
Total investments	$ 152,388	126,343	2,793	4,620	286,144	289,595

The University had additions of $301 and net realized and unrealized losses of ($164) to investments classified as Level 3 for the year ended June 30, 2019. There were no changes in methodologies used at June 30, 2019 and 2018 and there were no transfers among levels during the years ended June 30, 2019 and 2018.

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as

capital is called by the manager. These partnerships have a limited term and, under such agreements, may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The University cannot anticipate such changes because they are based on unforeseen events, but should they occur, they might result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital calls in any particular future year are uncertain.

The following table presents liquidity information for investments at June 30, 2019:

	Daily	Monthly	Quarterly	Annual	Rolling lock-ups	Illiquid	Total
U.S. Treasuries and cash	$ 9,719	—	—	—	—	—	9,719
Municipal bonds	2,793	—	—	—	—	—	2,793
Equity funds	26,972	63,672	49,401	670	5,685	4,294	150,694
U.S. real estate equities mutual funds	16,050	—	—	—	—	—	16,050
Hedged equity funds of funds	—	6,000	6,358	13,178	33,902	2,688	62,126
Private equity and venture capital funds	—	—	105	—	—	25,704	25,809
Commodities	14,938	—	—	—	—	—	14,938
Life insurance	—	—	—	—	—	4,015	4,015
	$ 70,472	69,672	55,864	13,848	39,587	36,701	286,144

Included in the equity funds and hedged equity funds of funds is $29,432 subject to three-year rolling lockups from these funds, $23,747 of which currently expire December 31, 2019 and $5,685 expire June 30, 2021. Also included in the equity funds is $10,155 subject to a two-year lockup which currently expires on December 31, 2019. Private equity and venture capital funds are expected to liquidate within 5 to 10 years. The University had unfunded future commitments to invest in these funds at June 30, 2019 of $24,291. For redemption purposes, the equity funds require 1–60 days' notice, hedged equity funds require 90–100 days' notice, and all other liquid investments require one-day notice.

(5) Property, Plant, and Equipment

Property, plant, and equipment as of June 30 are as follows:

	June 30, 2018	2019 Prior year capitalized assets	2019 Additions	2019 Retirements	June 30, 2019
Land	$ 31,871	—	—	—	31,871
Buildings and building improvements	454,958	1,097	5,334	—	461,389
Equipment and furnishings	50,750	1,523	8,134	(3,194)	57,213
Construction in progress	2,798	(2,620)	7,388	—	7,566
	540,377	—	20,856	(3,194)	558,039
Less accumulated depreciation	(230,296)	—	(22,304)	3,194	(249,406)
Property, plant and equipment, net	$ 310,081	—	(1,448)	—	308,633

Depreciation expense was $22,304 and $21,752 for the years ended June 30, 2019 and 2018, respectively.

(6) Bonds Payable

Outstanding bonds payable as of June 30 are as follows:

	2019	2018
Massachusetts Development Finance Agency (MDFA):		
Series 2010 Revenue Bonds, 3.5% to 5.00%, due serially through July 1, 2028	$ 5,130	7,130
MDFA: Series 2013A Issue Variable rate (2.32% as of June 30, 2019), due serially through July 1, 2030	61,893	64,143
MDFA: Series 2013B Issue Variable rate (2.46% as of June 30, 2019), due serially commencing July 1, 2030 through July 1, 2033	37,157	37,157
MDFA: Series 2016 Revenue Bonds, 3.125% to 5.00%, due serially commencing July 1, 2034 through July 1, 2040	36,225	36,225
MDFA: Series 2017 Revenue Bonds, 3.5% to 5.00%, due serially commencing July 1, 2021 through July 1, 2028	19,240	19,240
	159,645	163,895
Net premium and debt issuance costs	6,198	6,784
Bonds payable, net	$ 165,843	170,679

On December 21, 2017, the University issued Massachusetts Development Finance Agency Series 2017 Revenue Refunding Bonds in the amount of $19,240. Proceeds from these bonds were used to refinance $21,080 of the MDFA Series 2010 Revenue Bonds. The University incurred $332 in costs associated with this issue, which have been capitalized and will be amortized over the life of the bond. The Series 2017 Revenue Bonds were issued with an original premium of $3,661 which is also being amortized over the life of the bond.

On March 8, 2016, the University issued Massachusetts Development Finance Agency Series 2016 Revenue Bonds in the amount of $36,225. Proceeds from these bonds were utilized for the renovation of an academic building, as well as other various campus renovations. The University incurred $432 in costs associated with this issue, which have been capitalized and will be amortized over the life of the bond. The Series 2016 Revenue Bonds were issued with an original premium of $4,209 which is also being amortized over the life of the bond.

The MDFA Series 2013 A and B bonds bear interest on a floating rate basis. Accordingly, the financing was designed to align the basis and amortization of its debt with its outstanding swap agreements, thereby synthetically fixing the rates of all of its floating rate debt, which aggregated $99,050 at June 30, 2019 and matched the swap notionals. The University pays a tax exempt equivalent of one-month LIBOR plus a spread on the Series 2013A Issue. On the Series 2013B Issue, the University pays the tax-exempt equivalent of the sum of the one-month LIBOR plus a fixed spread.

Bond indentures require the maintenance of certain financial covenants which, among other restrictions, require the University to maintain a deposit of $5,000 with the bond holder which is reported as restricted cash.

As of June 30, 2019, the aggregate maturities for all bonds payable for the years ending June 30 were as follows:

		Amount due
Fiscal year:		
2020	$	4,445
2021		4,650
2022		4,700
2023		4,905
2024		5,115
Thereafter		135,830
	$	159,645

The University has a committed line of credit with a bank for a maximum amount of $25,000. There were no balances outstanding under the line at June 30, 2019 and 2018, and there were no borrowings during the years then ended. Borrowing rates on this line of credit are at one-month LIBOR plus 100 basis points. The line expires in January 2020.

(7) Interest Rate Swaps

As of June 30, the following interest rate swap agreements were outstanding:

Counterparty	Expiration date	Remaining notional balance	Swap fixed rate	Fair value of liability at June 30 2019	Fair value of liability at June 30 2018
JPMorgan	July 1, 2030	$ 25,000	3.690 %	$ (5,642)	(4,261)
JPMorgan	July 1, 2033	20,000	3.505	(5,383)	(3,888)
Bank of America	July 1, 2033	10,100	3.505	(2,718)	(1,963)
Bank of America	July 1, 2028	15,000	3.630	(2,701)	(2,064)
Bank of New York	July 1, 2028	28,950	4.445	(4,379)	(3,978)
Total		$ 99,050		$ (20,823)	(16,154)

In each case, the counterparty pays the University 67% of one-month LIBOR. The swap agreements require the posting of collateral if the mark-to-market liability payable by the University exceeds $10,000 in the aggregate for the JPMorgan swaps and $12,000 for the Bank of New York swap. The two Bank of America swaps contain no collateral requirements. The University must deposit cash collateral to the extent these thresholds are exceeded. The counterparties are required to maintain a minimum credit rating based on provisions contained in the individual swap agreements. The University was required to post collateral for the JPMorgan swaps in the aggregate amount of $1,178 and $858 as of June 30, 2019 and 2018, respectively, which is reported as restricted cash on the balance sheet.

Interest rate volatility, remaining outstanding principal, and time to maturity will affect each swap's fair value at subsequent reporting dates. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are classified as Level 2 of the fair value hierarchy.

(8) Endowment and Other Net Assets

The University's endowment consists of approximately 400 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

(a) Relevant Law

The University is subject to the Commonwealth of Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This law provides standards to invest in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions, and ensure investment decisions are made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the University. UPMIFA also permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby allowing a fund to be spent below its historical dollar value. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure. Seven criteria are to be used to guide the

University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the University; and 7) the investment policy of the University.

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a mix of several traditional benchmarks reflecting the University's asset allocation while assuming an acceptable level of risk. These benchmarks include the S&P 500 index, Russell 2000, EAFE Index and Barclays Capital Aggregate Bond Index, among others.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, 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 University targets a diversified asset allocation that places emphasis on investments in equities, including marketable and nonmarketable equities, fixed income and cash, and real assets to achieve its long-term return objectives within acceptable risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University appropriates for distribution up to 5% of the 12 quarter moving average of the market value as of the preceding December 31. The University expects the total return to exceed the current spending policy over time, thereby maintaining the endowment purchasing power. Additional real growth is expected to be provided through new gifts and transfers from operations.

Net assets associated with endowment funds are classified and reported based on the existence or absence associated with donor-imposed restrictions and consisted of the following as of June 30, 2019 and 2018:

	2019					
	Without donor restrictions	With donor restrictions			Total 2019	Total 2018
		Original gift	Accumulated gains	Total		
Quasi	$ 166,047	—	—	—	166,047	168,807
Donor-restricted	—	52,855	57,601	110,456	110,456	110,918
Total endowed net assets at June 30	$ 166,047	52,855	57,601	110,456	276,503	279,725

Changes in endowment activities for the years ended June 30, 2019 and 2018 are as follows:

	2019			
	Without donor restrictions	With donor restrictions	Total	2018
Endowment activities for the year ended June 30:				
Beginning fair value	$ 168,807	110,918	279,725	262,996
Investment return	4,355	2,895	7,250	24,826
Contributions	—	1,953	1,953	1,942
Endowment return utilized	(7,279)	(4,607)	(11,886)	(11,325)
Transfer in (out)	164	(703)	(539)	1,286
Total endowment at June 30	$ 166,047	110,456	276,503	279,725

Endowed net assets at June 30, 2019 and 2018 were comprised as follows:

	2019			
	Without donor restrictions	With donor restrictions	Total	2018
Instruction	$ —	30,320	30,320	30,629
Scholarship	—	68,723	68,723	69,157
General	166,047	11,413	177,460	179,939
Total endowed net assets at June 30	$ 166,047	110,456	276,503	279,725

(9) Net Assets

Net assets at June 30, 2019 and 2018 are as follows:

	2019			
	Without donor restrictions	With donor restrictions	Total	2018
Endowment	$ 166,047	110,456	276,503	279,725
Net investment in plant	142,790	—	142,790	139,402
Net reduction from interest rate swap liabilities	(20,823)	—	(20,823)	(16,154)
Other	12,790	10,228	23,018	13,808
Total net assets at June 30	$ 300,804	120,684	421,488	416,781

(10) Functional Classification of Expenses

The University reports expenses by their natural classification in the Statement of Activities.

The University's primary program service is academic instruction. Expenses reported as student services and auxiliary enterprises are incurred in support of this primary program activity. Operating expenses presented by functional and natural classification for the year ended June 30, 2019 consist of the following:

		Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries, wages and employee benefits	$	64,770	11,771	22,172	27,341	9,701	135,755
Supplies, services, other		8,554	6,212	11,027	10,931	14,158	50,882
Utilities		1,115	349	880	387	3,336	6,067
Depreciation and amortization		3,785	2,451	2,971	1,179	11,332	21,718
Interest		1,390	387	1,091	433	4,159	7,460
Total at June 30, 2019	$	79,614	21,170	38,141	40,271	42,686	221,882
Total at June 30, 2018	$	79,148	20,115	37,958	39,023	41,981	218,225

Indirect costs such as depreciation, interest, and operations and maintenance expenses, including utilities, have been allocated to functional classifications based on square footage of building space used for that function.

Total fund-raising costs, which are included in institutional support expense, were $6,047 and $6,424 for the years ended June 30, 2019 and 2018, respectively.

(11) Contingencies

The University is engaged in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

(12) Subsequent Events

Management has evaluated events subsequent to June 30, 2019 and through October 28, 2019, the date on which the financial statements were issued.