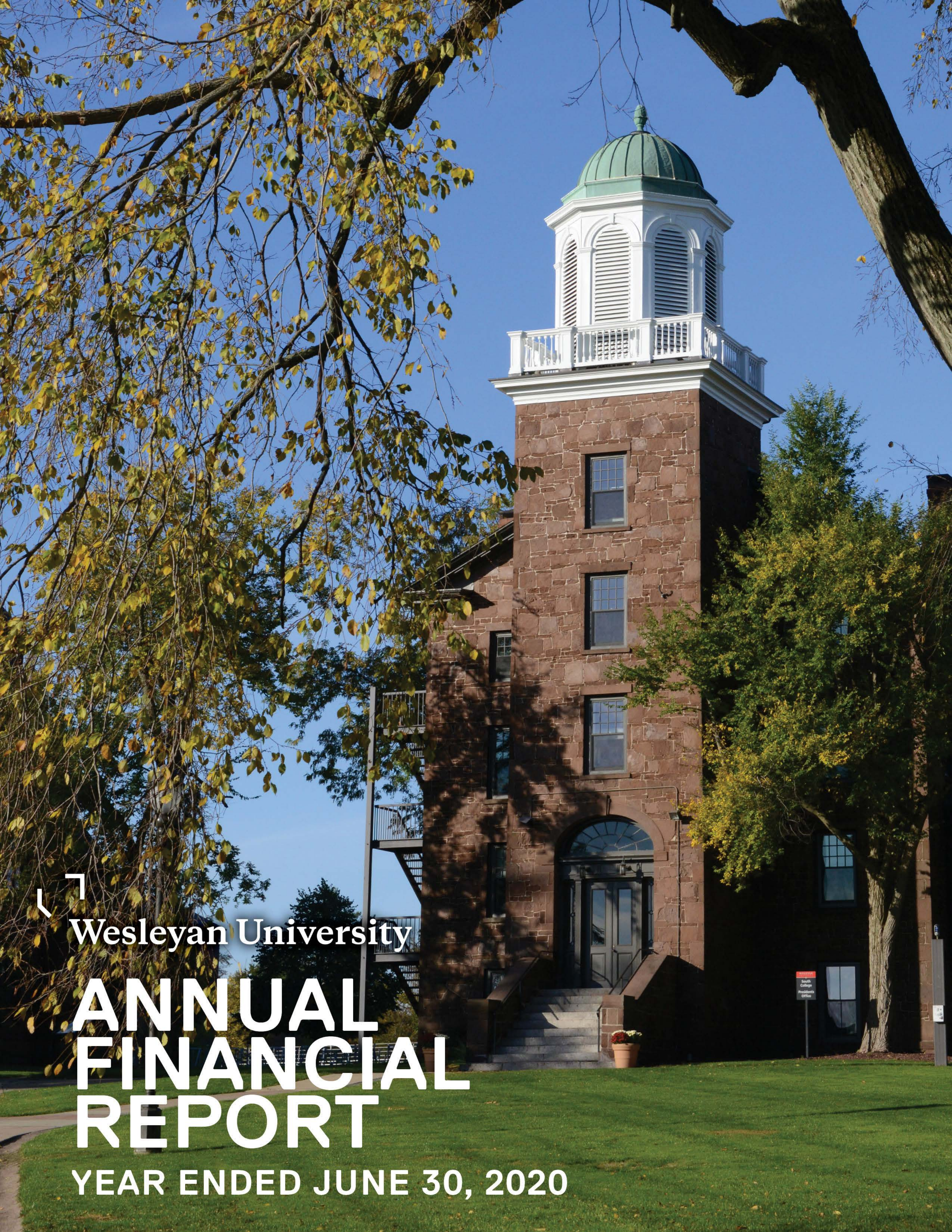


Wesleyan University

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

TO: The Board of Trustees

DATE: November 18, 2020

SUBJECT: FY 2019/20 Annual Financial Report

Last year I began this report by noting the success of a remarkable student on financial aid. Every year—and 2020 is no exception—there are many, many individual success stories to choose from, any one of which gives us reason to be proud of our university. This year, rather than focus on one individual, it seems right to celebrate the community as a whole. Individual accomplishments would not have been possible had the community as a whole not risen to the challenges posed by the COVID-19 pandemic.

The pandemic forced us into a distance learning environment in the spring, during which we provided significant monetary support to our students to help them through this difficult time. The pandemic has also necessitated substantial ongoing investment to quickly outfit our campus with proper equipment and protocols, as well as enhance our remote learning technology. Faculty, staff, and students have stepped up in making it all work.

Stepping up for the greater good is a tradition at Wesleyan, and the 2020 election season has highlighted the importance of Wesleyan's emphasis on civic engagement. The desire of our students to make a difference—on campus, in the community, and around the country—received extra financial support this year through Engage 2020, allowing them to work on behalf of voter registration efforts, issues advocacy initiatives, and with local and national campaigns. Not a huge financial investment for the University, but well worth it.

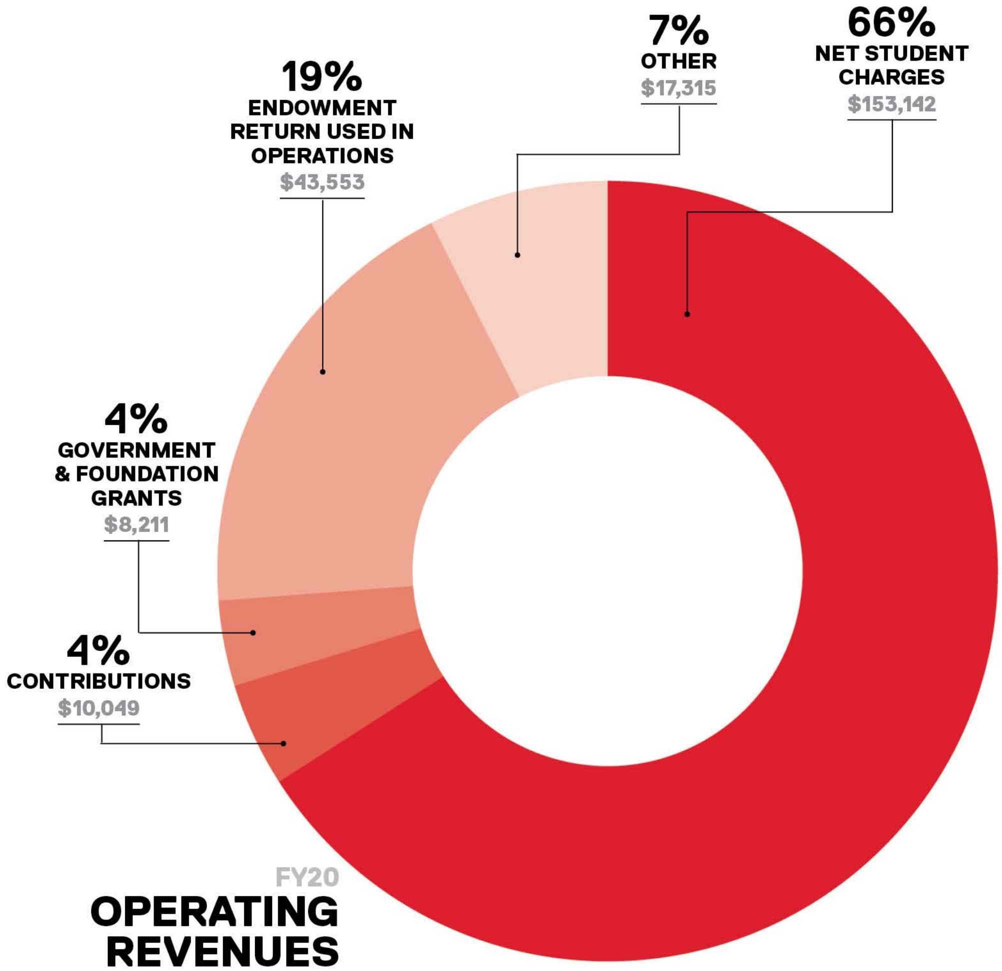
The University's response to the pandemic *is* a huge financial investment, and here, too, we are confident that, so far, we've made the right choices. Going forward we must:

- Position ourselves to weather a difficult environment of unknown duration and severity.
- Make prudent fiscal decisions and strategic investments so that we can emerge from this pandemic stronger than we went in.

Given the unpredictability of this pandemic, we must be prepared at all times to adjust our plans and expectations. That said, our return to campus this fall has helped us develop a roadmap for the spring semester and beyond. And while we may have to make adjustments in the face of changing public health challenges, what will not change is our commitment to providing the best education we possibly can, our commitment to initiatives like Engage 2020 that speak to core values, and our commitment to the long-term success of the University. So over the next months, as we maintain our focus on protecting the health and safety of our campus community, we will look to regain our momentum on important facilities projects that will position Wesleyan for continued success well into the future.

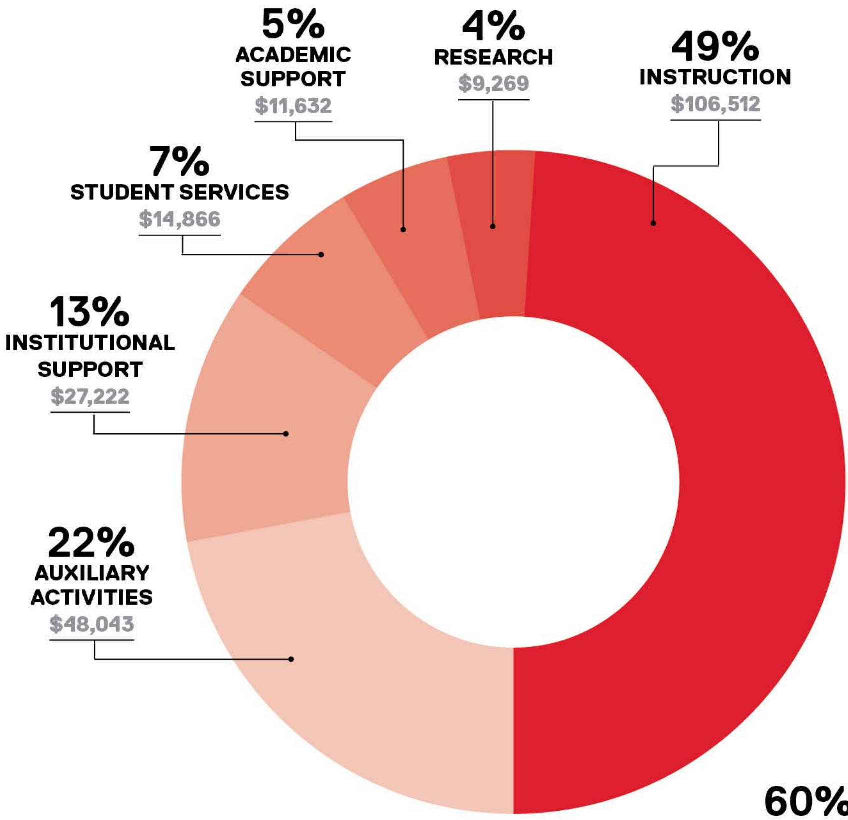
Sincerely,

Andy Tanaka '00
Senior Vice President, Chief Administrative Officer and Treasurer



Operating Revenue

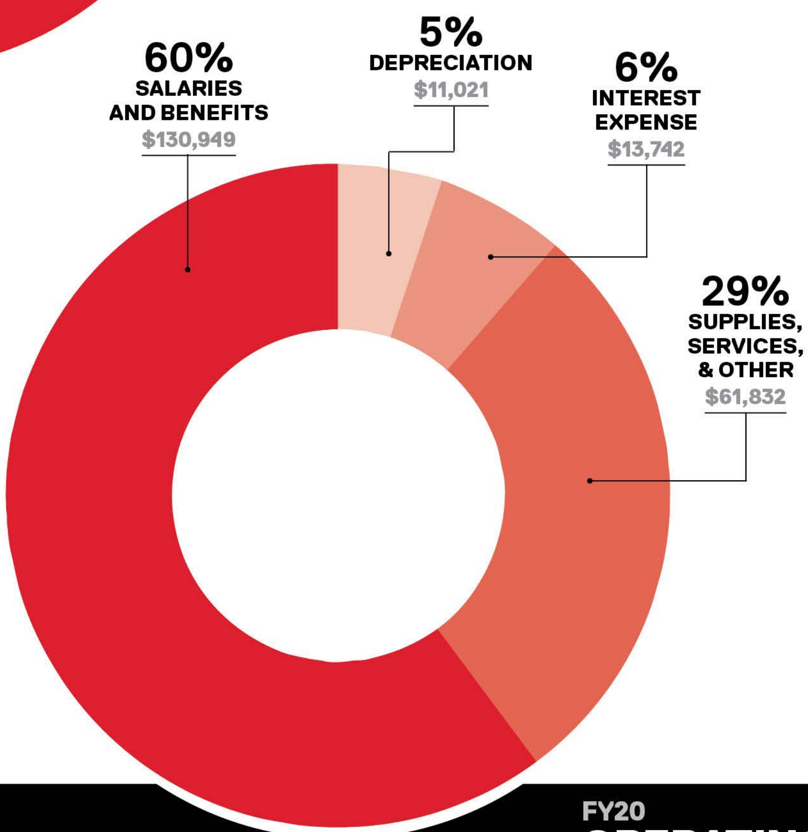
Approximately two-thirds of Wesleyan's operating revenue is derived from fees charged for tuition and the residential comprehensive fee, net of financial aid. The transitioning of students off campus during the COVID-19 pandemic resulted in decreased revenues associated with the residential experience. Increases in endowment support, government and foundation grants, and generous support from donors for annual giving were all key components in maintaining total operating revenues and other support of a similar level with 2019.



FY20
OPERATING EXPENSES
FUNCTIONAL CLASSIFICATION

Operating Expenses

While reacting to the COVID-19 global pandemic, Wesleyan was able to continue to invest in the academic core functions of instruction and research, which represent over half of the University's operating expenses. As instruction in the spring transitioned to remote modalities, Wesleyan invested in technologies to mount a curriculum in a virtual environment while supporting students during a challenging time. Prudent reallocation of resources during the pandemic resulted in an overall decrease in operating expenditures in fiscal 2020, despite increased expenditures associated with the pandemic and increased interest expense associated with the Series 2020 Taxable Bonds issued in January.

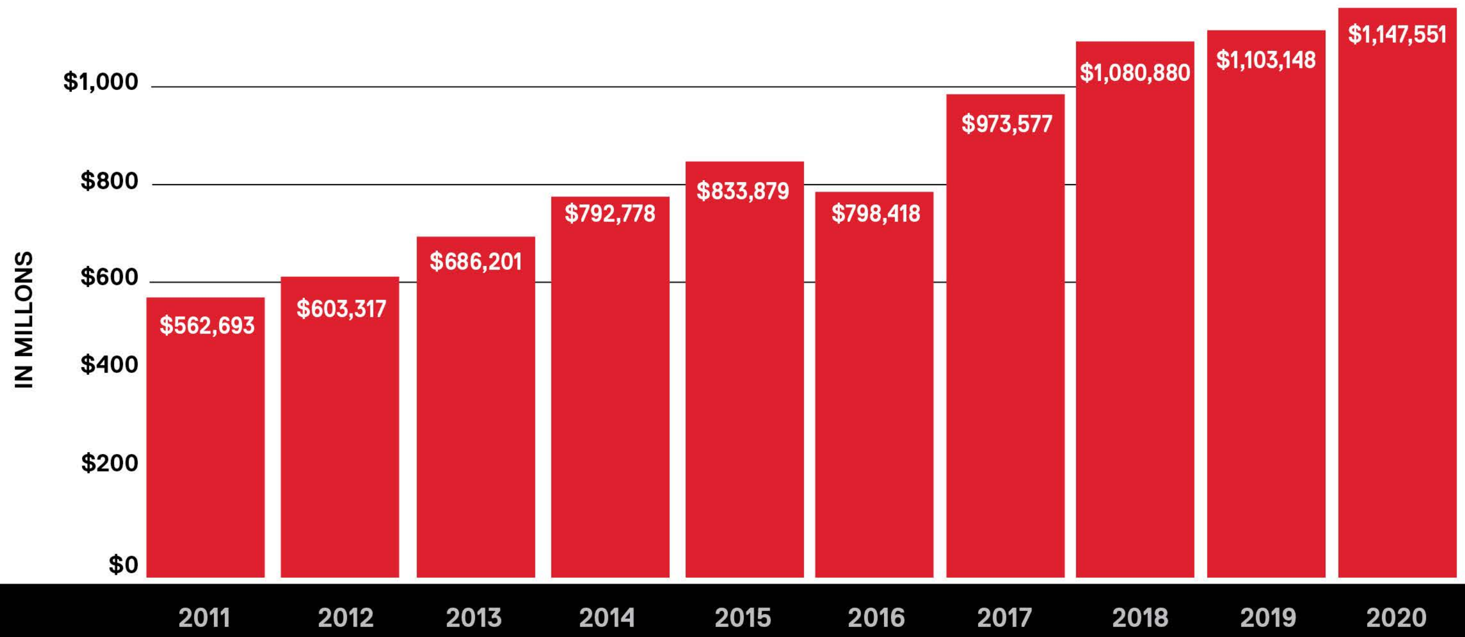


FY20
OPERATING EXPENSES
NATURAL CLASSIFICATION

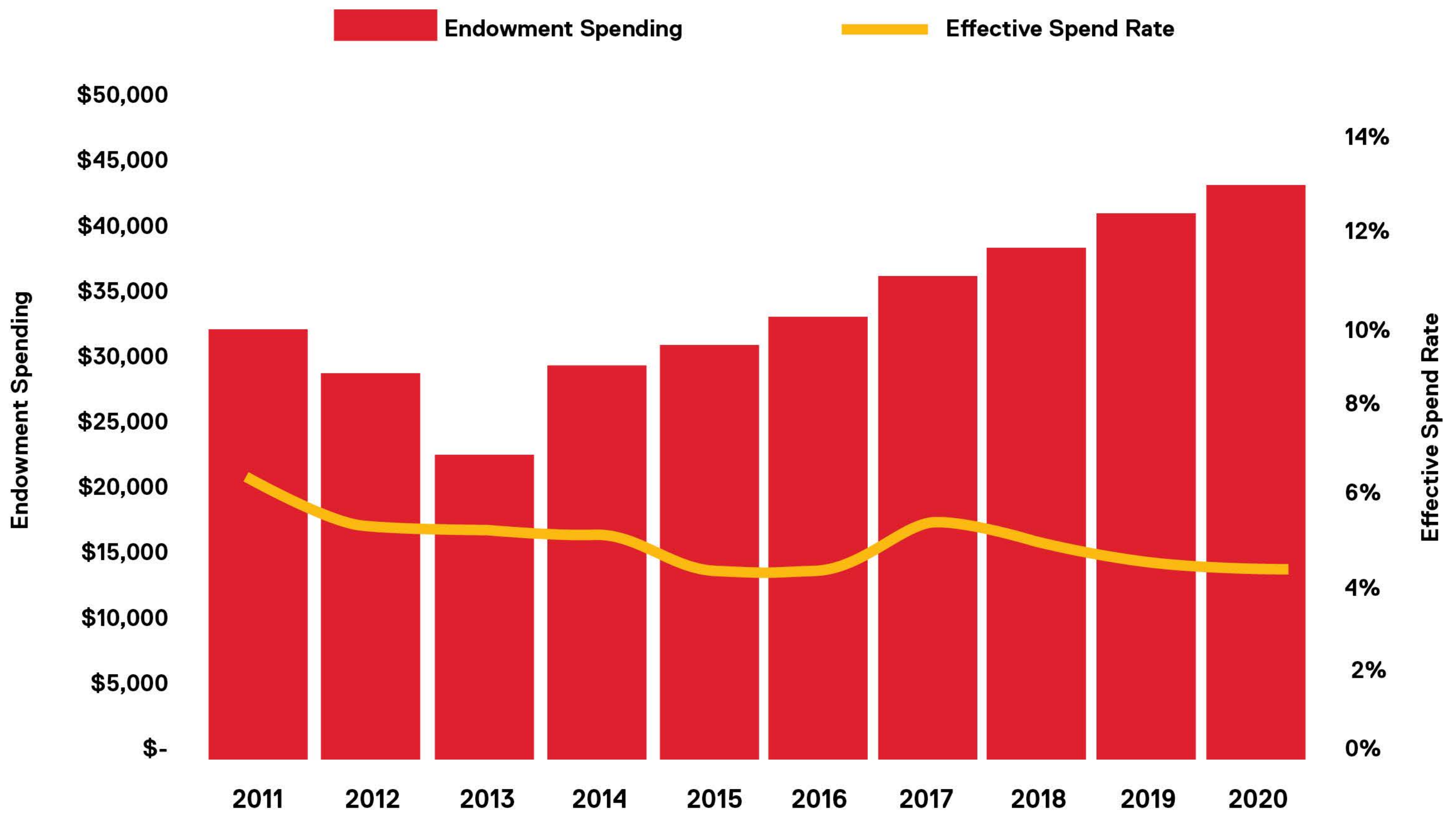
Financial Assets to Support the University

The long-term investment portfolio, which represents 67% of total assets, experienced growth of 4% from $1.103 billion to $1.148 billion in fiscal year 2020. Despite significant market volatility during the pandemic, the long-term investment portfolio ended fiscal 2020 with a return in excess of 8%. The total growth in the investment portfolio was driven by these strong investment returns, along with generous donor contributions of $10.8 million, less endowment support returned to the University of $43.6 million.

The second-largest source of operating revenue is the University's endowment, with an ending market value of $1,131 million at the end of FY 2020. The University's use of the Tobin rule to calculate the endowment spending guidelines preserves value in the endowment during periods of high returns and pays out a steady amount in support in periods of losses. Over the past several years, strong investment returns have provided steady increases in the overall endowment spending, while consistently keeping the effective spend rate below 5%.



TOTAL LONG-TERM INVESTMENTS



ENDOWMENT SUPPORT OF OPERATIONS

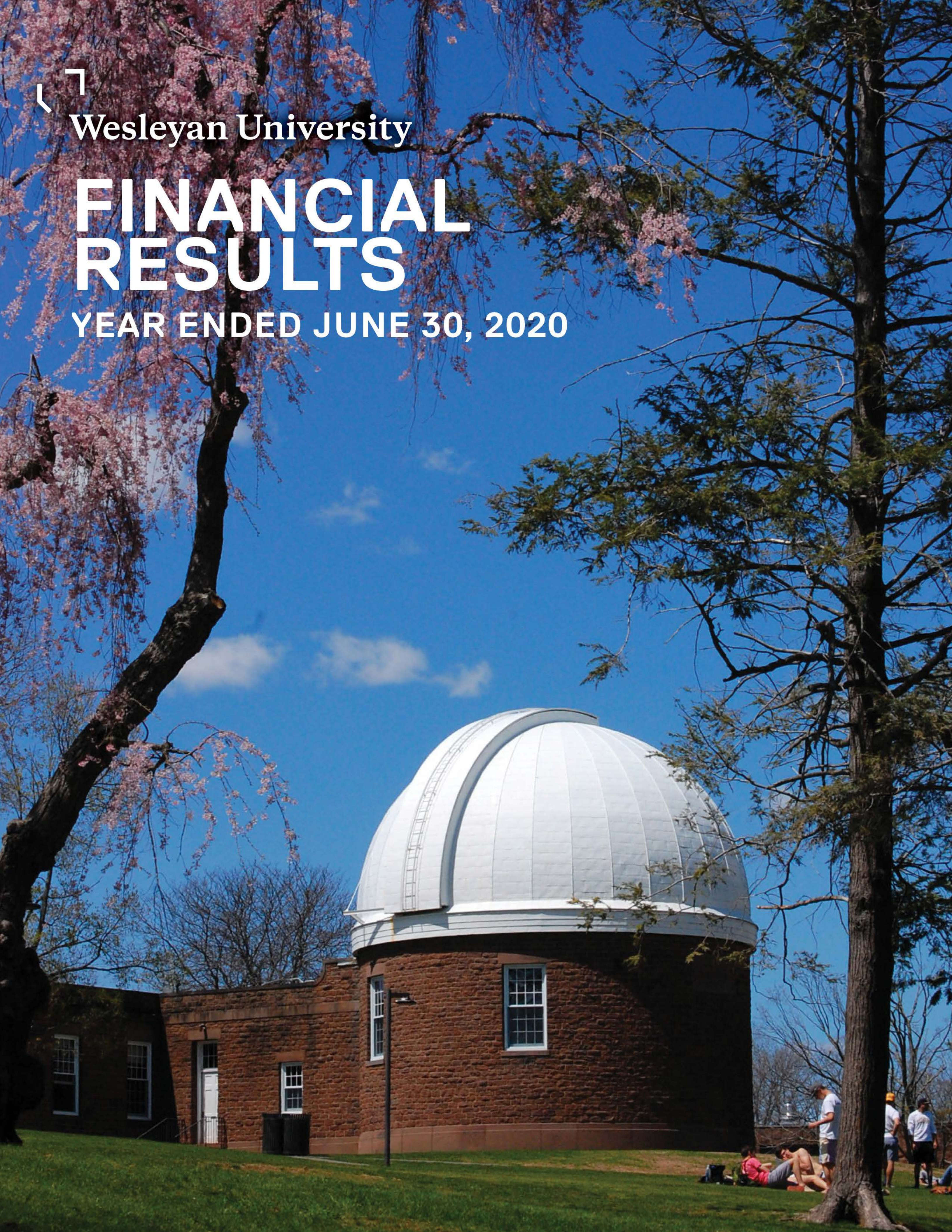
Wesleyan Fundraising

Continued strong donor support is important for Wesleyan to be successful in executing our goals of energizing our distinctive educational experience, enhancing recognition, and working within a sustainable economic model. We are fortunate to have had generous donor support in fiscal 2020, resulting in over $41 million in cash giving.

Wesleyan University

FINANCIAL RESULTS

YEAR ENDED JUNE 30, 2020



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Wesleyan University:

We have audited the accompanying financial statements of Wesleyan University, which comprise the statement of financial position as of June 30, 2020, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the University's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Hartford, Connecticut
October 27, 2020

		2020	2019
ASSETS			
Cash and cash equivalents	$	17,604	27,091
Short-term investments		142,582	37,058
Receivables, net, and other assets		11,818	11,235
Pledges receivable, net		22,474	15,539
Long-term investments		1,147,551	1,103,148
Investment in plant, net		364,400	347,521
TOTAL ASSETS	$	1,706,429	1,541,592
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$	18,504	19,628
Liabilities associated with investments		8,454	5,085
Student deposits and deferred revenues		5,958	2,908
Split-interest obligations		10,398	9,726
Postretirement benefit obligation		20,314	18,815
Long-term debt		354,865	280,629
Asset retirement obligation		11,908	12,531
Federal student loan advances		3,409	4,042
TOTAL LIABILITIES		433,810	353,364
Net Assets			
Without donor restrictions		425,030	396,851
With donor restrictions		847,589	791,377
TOTAL NET ASSETS		1,272,619	1,188,228
TOTAL LIABILITIES AND NET ASSETS	$	1,706,429	1,541,592

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

In thousands of dollars

• ***with comparative financial information for June 30, 2019***

		2020			2019
		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
OPERATING ACTIVITIES:					
Revenues and Other Support					
Net student charges	$	153,142	—	153,142	156,786
Contributions		10,049	—	10,049	9,380
Government and foundation grants		8,211	—	8,211	7,307
Other revenues		8,180	—	8,180	9,729
Nonoperating net assets used in operations:					
Endowment return used in operations		43,553	—	43,553	41,281
Restricted and designated net assets used in operations		9,135	—	9,135	7,053
TOTAL REVENUES AND OTHER SUPPORT		232,270	—	232,270	231,536
Expenses					
Salaries & benefits		130,949	—	130,949	128,198
Supplies, services, and other		61,832	—	61,832	68,400
Interest expense		13,742	—	13,742	12,647
Depreciation		11,021	—	11,021	10,330
TOTAL EXPENSES		217,544	—	217,544	219,575
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES		14,726	—	14,726	11,961
NONOPERATING ACTIVITIES:					
Contributions		1,113	35,543	36,656	18,912
Foundation grants		—	1,367	1,367	2,164
Net investment return		27,294	60,210	87,504	41,687
Nonoperating net assets used in operations		(52,688)	—	(52,688)	(44,627)
Other changes		(7)	(1,634)	(1,641)	(961)
Postretirement benefit obligation changes other than service cost		(1,533)	—	(1,533)	4,043
Net assets released from restrictions		39,274	(39,274)	—	—
TOTAL NONOPERATING ACTIVITIES		13,453	56,212	69,665	21,218
CHANGE IN NET ASSETS		28,179	56,212	84,391	33,179
NET ASSETS AT BEGINNING OF YEAR		396,851	791,377	1,188,228	1,155,049
NET ASSETS AT END OF YEAR	$	425,030	847,589	1,272,619	1,188,228

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

In thousands of dollars

• ***with summarized comparative financial information for the year ended June 30, 2019***

		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	84,391	33,179
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		11,021	10,330
Amortization of bond premium and cost of issuance		37	25
Net gains from investments and trusts		(93,562)	(44,600)
Gifts received for long-term investment		(23,077)	(22,271)
Gifts of property, plant and equipment		(1,095)	—
Postretirement benefit obligation change		1,499	(4,206)
Changes in assets and liabilities that provide (use) cash:			
Receivables, net and other assets		(583)	(853)
Pledges receivable, net		(6,935)	5,697
Accounts payable		(640)	1,424
Student deposits and deferred revenues		3,050	(6)
Change in valuation of split-interest obligations		885	850
Asset retirement obligation		(623)	314
NET CASH USED IN OPERATING ACTIVITIES		(25,632)	(20,117)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment		(27,289)	(21,368)
Change in deposit with brokers for short sales		(3,311)	3,951
Purchases of securities sold short		(8,329)	(21,240)
Sales of securities sold short		14,172	15,903
Purchases of long-term investments		(235,422)	(215,620)
Sales of long-term investments		285,418	233,606
Purchases of short-term investments		(339,677)	(158,924)
Sales of short-term investments		234,153	172,967
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(80,285)	9,275
CASH FLOWS FROM FINANCING ACTIVITIES:			
Gifts received for long-term investment		23,077	22,271
Payments to beneficiaries of split-interest agreements		(213)	(913)
Draws on line of credit		5,000	39,000
Repayments of line of credit		(5,000)	(39,000)
Issuance of long-term debt		75,000	—
Cost of debt issuance		(801)	—
Changes in federal student loan advances		(633)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES		96,430	21,358
NET CHANGE IN CASH AND CASH EQUIVALENTS		(9,487)	10,516
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		27,091	16,575
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	17,604	27,091
OTHER CASH FLOW INFORMATION:			
Cash paid for interest	$	12,395	12,646
Change in accounts payable related to property and equipment		(484)	618

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

In thousands of dollars

• ***with comparative financial information for the year ended June 30, 2019***

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2019

• dollars in thousands

1 Organization

Wesleyan University (the University), founded in 1831, is a private, residential, not-for-profit institution of higher learning. The University is coeducational and has approximately 3,000 students situated on a 280-acre campus, located in Middletown, Connecticut. It offers Bachelors of Arts in 45 fields, plus Masters and PhDs in selected disciplines. The University is accredited by the New England Commission of Higher Education.

2 Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below:

a Basis of Reporting

The financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The University applies the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC), which is the single source of authoritative GAAP.

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

b Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities based upon the existence or absence of donor-imposed restrictions in the following net asset categories:

- With donor restrictions: net assets subject to donor restrictions that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.
- Without donor restrictions: net assets not subject to donor stipulations restricting their use.

c Statement of Activities

The statement of activities reports changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's undergraduate and graduate education programs and research conducted by the academic departments, as well as all contributions other than those restricted for long-term investment or not available for current operations.

Nonoperating activities include investment return on long-term investments, postretirement benefit obligation adjustments other than service cost, changes in value of split-interest agreements, as well as certain items not related to the University's ongoing academic or research activities. To the extent nonoperating contributions, investment income, and returns are used for operations, they are reclassified as nonoperating assets used in operations.

d Revenue Recognition

1 Net Student Charges

Net student charges consist of tuition and fees and room and board charges, which are recorded as revenue in the year in which the related services are rendered. Revenue from student charges is determined based on published rates, and billed and reflected net of reductions from institutional financial aid, which may be funded by endowment funds or other institutional resources. Disbursements made directly to students for living costs or other purposes are reported as an expense. Student charges received in advance of services rendered are categorized as student deposits and deferred revenues in the statement of financial position.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2019 • dollars in thousands

Student charges were as follows for the years ended June 30, 2020 and 2019:

		2020	2019
Tuition and fees, net of financial aid of $69,966 and $67,566, respectively	$	113,949	109,216
Room and board		39,193	47,570
NET STUDENT CHARGES	$	153,142	156,786

2 COVID-19 Pandemic

In March 2020, Wesleyan transitioned most students to remote learning during the COVID-19 global pandemic. For students studying remotely, Wesleyan provided a prorated credit for room and board without modification of financial aid award. These credits are included in net student charges.

3 CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted into law on March 27, 2020 as a $2 trillion national economic rescue package. Approximately $14 billion of the funding was reserved for higher education institutions and the students they serve through the Higher Education Emergency Relief Fund (HEERF). Wesleyan was allocated $2,257 of funding under the HEERF, of which 50% must be awarded for emergency financial aid grants to students.

For the year ended June 30, 2020, Wesleyan recognized $1,248 of HEERF revenue, which is recorded in government and foundation grants on the statement of activities.

4 Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service.

The University accounts for nonexchange transfers of assets from government agencies and foundations as contributions. Contributions containing both a barrier and a right of return are accounted for as conditional contributions, and revenue is recognized when conditions are met.

e Cash Equivalents and Short-Term Investments

Cash equivalents include only short-term, highly liquid working capital investments (those with original maturities three months or less). Short-term investments include amounts invested in short-term, liquid assets selected to provide optimum return for the University's ongoing operations.

f Receivables

The University extends credit to students in the form of accounts receivable and loans for educational purposes. At June 30, 2020 and 2019, student accounts receivable were $1,084 and $963, net of an allowance for doubtful accounts of $281 and $339, respectively. Student loans receivable at June 30, 2020 and 2019 were $3,381 and $4,027, respectively, net of an allowance for doubtful accounts of $1,058 and $1,061, respectively.

g Fair Value Measurements

Investments are reported at fair value. Fair value generally 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. If an investment is held directly by the University and an active market with quoted prices exists, the University reports the fair value as the quoted price of an identical security.

The University also holds alternative investments such as private equity, venture capital, hedge funds, and real asset strategies. Such alternative investments, generally held through funds, may hold securities or other financial instruments for which an active market exists, and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. 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.

The University generally applies the provisions of ASC 820-35-58, *Investments in Certain Entities that Calculate Net Asset Value (NAV) Per Share (or Equivalent)*, with respect to investments in nonregistered and alternative funds. This guidance allows for the estimation of the fair value of such investments using NAV per share or its equivalent reported by the fund managers as a practical expedient.

These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The nature of certain investments held by these funds, changes in market conditions, and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

As of June 30, 2020 and 2019, the University had no specific plans or intentions to sell investments at amounts different than NAV.

The GAAP fair value hierarchy prioritizes observable and unobservable 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; and
- Level 3 - unobservable inputs are used when little or no market data is available.

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. The University classifies its assets and liabilities in the hierarchy based on these inputs. Investments in funds measured at NAV as a practical expedient are not categorized within the fair value hierarchy.

h Investment in Plant

Investment in plant is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Depreciation is calculated on a straight-line basis using useful lives of 50 years for buildings, 25 years for building improvements, 10 years for equipment, and seven years for computer hardware and software.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with ASC 410, *Asset Retirement and Environmental Obligations*, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Any difference between the cost to actually settle the asset retirement obligation and the liability recorded is recognized as an operating gain or loss in the statement of activities.

i Liabilities Associated with Investments

The University may, from time to time, incur liabilities associated with its investment portfolio as a result of securities sold short or other transactions. In order to terminate a short position, the University must acquire and deliver to the lender a security identical to the one it borrowed and sold short, and a gain or loss is recognized for the difference between the short sale proceeds and the cost of the identical security acquired. Liabilities reported on the statement of financial position represent the fair value of the identical securities that must be acquired to settle the obligation to the lender. The liabilities would be classified as Level 1 in the fair value hierarchy, given that they are measured based on marketable securities.

j Split-Interest Obligations

Wesleyan University has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually, and any surplus or deficiency is recognized as a change in value in the statements of activities.

Assets under Wesleyan's gift annuity program were $11,754 and $11,516, and liabilities to donors were $8,341 and $7,473 as of June 30, 2020 and 2019, respectively.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2019 • dollars in thousands

k Income Taxes

The University is generally exempt from income taxes under Internal Revenue Code, Section 501(a), as an organization described in Section 501(c)(3). The University assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

l 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. Actual results could differ from those estimates.

m Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in their value, it is reasonably possible that changes in these risks in the near term could materially affect amounts reported in the financial statements.

The COVID-19 global pandemic continues to impact various elements of the University's fiscal year 2021 operations and financial results, including but not limited to fluctuations in enrollment, loss of auxiliary revenues, and increases in costs relating to COVID-19 testing, technology, and cleaning. The full impact of COVID-19 on the University will depend on the depth and duration of the pandemic, the development of a vaccine, and medical treatments and applicable regulations, and cannot be reasonably estimated at this time.

n Recent Accounting Pronouncements

Certain 2019 balances have been reclassified to conform to the 2020 presentation.

3 Financial Assets and Liquidity Resources

The University's cash flows have seasonal variations during the year attributable to billings for student charges, and there is a concentration of contributions received at calendar and fiscal year ends. To manage liquidity, the University maintains a working capital portfolio conservatively invested in cash and short-term investments with daily liquidity. As further described in note 10, the University maintains a $60,000 line of credit with JP Morgan Chase that can be drawn on to manage cash flows.

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled debt service, and capital construction costs not financed with debt, were as follows:

FINANCIAL ASSETS	
Cash and cash equivalents	$ 17,604
Short-term investments	142,582
Accounts receivable, net due within one year	1,023
Student loans receivable, net due within one year	279
Pledges receivable, net available for operations due within one year	2,025
Fiscal 2021 Board-approved endowment appropriation	44,769
Total financial assets available within one year	**208,282**
LIQUIDITY RESOURCES	
Line of credit, undrawn	60,000
Total financial assets and liquidity resources	**$ 268,282**

In addition, as of June 30, 2020, subject to liquidity provisions, the University had an additional $65,149 in working capital investments and $265,897 in Board-designated endowment, which is available for general expenditure with Board approval.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2019 • dollars in thousands

4 Contributions Receivable

The following is a summary of unconditional promises to give at June 30 as follows:

		2020	2019
Contributions expected to be collected within:			
Less than one year	$	11,866	9,910
One to five years		10,280	9,309
More than five years		3,950	50
		26,096	19,269
Less allowance for uncollectible pledges		(3,377)	(3,429)
Less discount for present value		(245)	(301)
NET UNCONDITIONAL PROMISES TO GIVE	$	22,474	15,539

The University applies an allowance for uncollectible pledges based on factors such as prior collection history, type of contribution, nature of the fundraising activity, and future collection expectations. Discount rates used range from 0.22% to 3.69%.

As of June 30, 2020, approximately 50% of the pledge receivable balance was due from three donors.

Office of Advancement expenditures, which are primarily for fundraising purposes and alumni activity, totaled $7,221 and $8,147 in fiscal years 2020 and 2019, respectively.

Conditional contributions receivable as of June 30, 2020 and 2019 are $10,001 and $10,141, respectively.

5 Investments

The University's assets that are reported at estimated fair value are summarized in the following tables by their fair value hierarchy classification as of June 30, 2020 and 2019:

AS OF JUNE 30, 2020	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	$ —	17,604	—	—	17,604
Short-term investments*	—	142,582	—	—	142,582
Long-term investments:					
Money market funds and cash equivalents	—	37,961	—	—	37,961
Fixed income	—	49,660	—	—	49,660
Domestic equity	115,988	26,570	—	—	142,558
International equity	166,616	2,753	—	—	169,369
Real estate	55,617	—	—	11,622	67,239
Natural resources	30,076	2,514	—	—	32,590
Venture capital	182,426	—	—	—	182,426
Buyout	178,648	—	—	—	178,648
Other private equity	41,380	681	—	—	42,061
Absolute return:					
Long/short equity	39,249	—	—	—	39,249
Multi-strategy absolute return	80,709	—	—	—	80,709
Other absolute return	95,695	2,668	—	—	98,363
Absolute return in liquidation	—	—	—	—	—
Split-interest agreements*	—	17,032	—	—	17,032
Other investments	—	—	—	2,643	2,643
Funds held or administered by others	—	—	—	7,043	7,043
TOTAL LONG-TERM INVESTMENTS	$ 986,404	139,839	—	21,308	1,147,551
TOTAL	$ 986,404	300,025	—	21,308	1,307,737

* Invested in mutual funds with daily liquidity.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2019 • dollars in thousands

AS OF JUNE 30, 2019	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash	$ —	27,091	—	—	27,091
Short-term investments *	—	37,058	—	—	37,058
Long-term investments:					
Money market funds and cash equivalents	—	21,079	—	—	21,079
Fixed income	—	52,036	—	—	52,036
Domestic equity	109,275	23,705	—	—	132,980
International equity	158,935	38,317	—	—	197,252
Real estate	53,263	—	—	11,784	65,047
Natural resources	54,485	4,840	—	—	59,325
Venture capital	147,307	—	—	—	147,307
Buyout	161,951	—	—	—	161,951
Other private equity	30,815	—	—	—	30,815
Absolute return:					
Long/short equity	11,785	8,417	—	—	20,202
Multi-strategy absolute return	77,107	—	—	—	77,107
Other absolute return	103,202	—	—	—	103,202
Absolute return in liquidation	7,704	—	—	—	7,704
Split-interest agreements *	—	17,085	—	—	17,085
Other investments	—	—	—	2,848	2,848
Funds held or administered by others	—	—	—	7,208	7,208
TOTAL LONG-TERM INVESTMENTS	$ 915,829	165,479	—	21,840	1,103,148
TOTAL	$ 915,829	229,628	—	21,840	1,167,297

* Invested in mutual funds with daily liquidity.

Short-term investments consist primarily of money market accounts and other short-term liquid assets.

The following tables present the University's activity for the fiscal years ended June 30, 2020 and 2019 for Level 3 investments:

LEVEL 3 ROLL FORWARD	JUNE 30, 2020					
	BEGINNING BALANCE AS OF JULY 1, 2019	TRANSFERS TO MEASURED AT NAV	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/(LOSSES)	ENDING BALANCE AS OF JUNE 30, 2020
Real estate	$ 11,784	—	—	(1,208)	1,046	11,622
Other investments	2,848	—	—	(159)	(46)	2,643
Funds held or administered by others	7,208	—	—	—	(165)	7,043
	$ 21,840	—	—	(1,367)	835	21,308

LEVEL 3 ROLL FORWARD	JUNE 30, 2019					
	BEGINNING BALANCE AS OF JULY 1, 2018	TRANSFERS TO MEASURED AT NAV	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/(LOSSES)	ENDING BALANCE AS OF JUNE 30, 2019
Real estate	$ 9,940	—	—	(602)	2,446	11,784
Other investments	3,170	—	—	(251)	(71)	2,848
Funds held or administered by others	7,100	—	—	—	108	7,208
	$ 20,210	—	—	(853)	2,483	21,840

The University has committed to invest in various limited partnerships. Under the terms of the partnership agreements, the University is obligated to remit additional funding periodically as managers exercise capital calls. These partnerships have a limited existence, generally 10 years, and such agreements may provide annual extensions for the purpose of disposing portfolio holdings and returning capital to investors. Depending on market conditions, an 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. As a result, the timing and amount of future capital calls expected in any particular future year is uncertain within a range of between one and 11 years. The aggregate amount of unfunded commitments associated with investments as of June 30, 2020 was $279,504.

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Investment liquidity as of June 30, 2020 is aggregated below based on redemption or sale terms:

		IN LIQUIDATION	DAILY	MONTHLY TO QUARTERLY	SEMIANNUAL TO ANNUAL	INITIAL LOCKUP	ILLIQUID	TOTAL
Cash	$	—	17,604	—	—	—	—	17,604
Short-term investments		—	142,582	—	—	—	—	142,582
Long-term investments:								
Money market funds and cash equivalents		—	37,961	—	—	—	—	37,961
Fixed income		—	49,660	—	—	—	—	49,660
Domestic equity		—	30	105,009	34,036	2,647	836	142,558
International equity		—	2,753	65,066	11,410	65,553	24,587	169,369
Real estate		—	—	—	—	—	67,239	67,239
Natural resources		—	2,514	—	—	—	30,076	32,590
Venture capital		—	—	—	—	—	182,426	182,426
Buyout		—	—	—	—	—	178,648	178,648
Other private equity		—	681	—	—	—	41,380	42,061
Absolute return		16,277	2,668	29,504	101,159	48,814	19,899	218,321
Split-interest agreements		—	17,032	—	—	—	—	17,032
Other investments		—	—	—	—	—	2,643	2,643
Funds held or administered by others		—	—	—	—	—	7,043	7,043
TOTAL	$	16,277	273,485	199,579	146,605	117,014	554,777	1,307,737

Certain funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at prescribed dates in accordance with the partnership agreement of the fund. In some cases, funds may impose fees in exchange for advanced liquidity opportunities. A portion of the underlying investments within the categories of monthly to quarterly and semiannual to annual may include private or side pocket investments from which the University may not have an ability to redeem. Additionally, tranches of certain funds within these categories may restrict redemptions to a portion of the value over a rolling quarterly or annual basis.

6 Endowment

The University follows the guidelines in ASC 958 205 to classify net assets of donor-restricted endowment funds for a not-for-profit organization that is subject to the State of Connecticut's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The University's endowment consists of approximately 1,300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

a Relevant Law

UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

UPMIFA provides standards for investing in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, to consider tax consequences of investment decisions, and that investment decisions be 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 eliminating the restriction that a fund could not be spent below its historical dollar value. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions

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- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Endowment funds consisted of the following at June 30, 2020 and 2019:

2020	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS: ORIGINAL GIFT	WITH DONOR RESTRICTIONS: ACCUMULATED GAINS (LOSSES)	WITH DONOR RESTRICTIONS: TOTAL DONOR-RESTRICTED	TOTAL FUNDS
Board-designated endowment funds	$ 265,897	687	221	908	266,805
Donor-restricted endowment funds:					
Underwater	—	2,761	(254)	2,507	2,507
Other	—	366,415	430,031	796,446	796,446
Subtotal	265,897	369,863	429,998	799,861	1,065,758
Working capital funds	65,149	—	—	—	65,149
TOTAL ENDOWMENT ASSETS	$ 331,046	369,863	429,998	799,861	1,130,907

2019	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS: ORIGINAL GIFT	WITH DONOR RESTRICTIONS: ACCUMULATED GAINS (LOSSES)	WITH DONOR RESTRICTIONS: TOTAL DONOR-RESTRICTED	TOTAL FUNDS
Board-designated endowment funds	$ 255,274	687	188	875	256,149
Donor-restricted endowment funds:					
Underwater	—	6,067	(368)	5,699	5,699
Other	—	352,347	403,547	755,894	755,894
Subtotal	255,274	359,101	403,367	762,468	1,017,742
Working capital funds	62,273	—	—	—	62,273
TOTAL ENDOWMENT ASSETS	$ 317,547	359,101	403,367	762,468	1,080,015

Changes in endowment funds for the years ended June 30, 2020 and 2019 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2019	$ 317,547	762,468	1,080,015
Investment return	25,771	60,061	85,832
Contributions	18	10,764	10,782
Working capital changes	(2,129)	—	(2,129)
Other increases (decreases)	1,124	(1,164)	(40)
Appropriation of endowment assets for expenditure	(11,285)	(32,268)	(43,553)
ENDOWMENT ASSETS, JUNE 30, 2020	$ 331,046	799,861	1,130,907

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2018	$ 317,797	747,422	1,065,219
Investment return	11,920	29,375	41,295
Contributions	1,073	16,745	17,818
Working capital changes	(2,129)	—	(2,129)
Other increases (decreases)	(323)	(584)	(907)
Appropriation of endowment assets for expenditure	(10,791)	(30,490)	(41,281)
ENDOWMENT ASSETS, JUNE 30, 2019	$ 317,547	762,468	1,080,015

Working capital funds are operating reserves invested in the endowment and are not subject to the endowment spending policy.

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b Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted contributions and/or appropriation from such funds. Subsequent market gains will be used to restore this reduction in net assets.

c Return Objectives and Risk Parameters

A portion of the endowment assets is included in an investment pool that is accounted for on a unitized market value basis, with each individual fund subscribing to or disposing of units on the basis of the market value per unit of the pool at the end of the calendar month within which the transaction took place. The value of the units is based on a total return investment policy.

The University has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

d 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, fixed income, and alternative investments to achieve its long-term return objectives with prudent risk constraints.

e Spending Policy and How the Investment Objectives Relate to Spending Policy

Wesleyan follows a spending policy known as the Tobin rule, named for James Tobin, recipient of the 1981 Nobel Prize in Economics. This rule sets the annual distribution using a quantitative formula that combines elements of stability and market conditions. The University's endowment spending is 70% based on the prior year's spending plus inflation (measured by the Higher Education Price Index (HEPI) as of June 30 of the past fiscal year) and 30% from 4.5% of the market value of endowment as of June 30 of the previous fiscal year. For fiscal 2020 and 2019, $43,553 and $41,281 was appropriated, respectively.

7 Net Assets

At June 30, 2020 and 2019, net assets were comprised as follows:

		2020		2019	
		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
Undesignated	$	22,442	—	24,943	—
Net investment in plant		71,838	—	54,361	—
Endowment funds:					
Financial aid		11,850	359,409	10,193	341,793
Instruction and research		28,352	237,178	27,343	228,208
Library		—	15,310	—	14,685
General purpose and other		225,695	187,964	217,738	177,782
Working capital		65,149	—	62,273	—
TOTAL ENDOWMENT FUNDS		331,046	799,861	317,547	762,468
Pledges receivable, net		—	21,569	—	15,539
Other		—	26,159	—	13,370
TOTAL NET ASSETS	$	425,030	847,589	396,851	791,377

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8 Investment in Plant

At June 30, 2020 and 2019, the components of the University's investment in plant were as follows:

		2020	2019
Campus land and improvements	$	36,919	36,646
Buildings and improvements		459,165	446,708
Equipment		122,776	120,088
Construction in progress		20,542	8,015
TOTAL		639,402	611,457
Less accumulated depreciation		(275,002)	(263,936)
TOTAL INVESTMENT IN PLANT	$	364,400	347,521

9 Operating Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30, 2020:

2020		INSTRUCTION	RESEARCH	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	AUXILIARY ACTIVITIES	TOTAL
Salaries and benefits	$	80,515	3,650	4,490	13,441	22,738	6,115	130,949
Supplies, services, and other		18,613	3,146	5,338	908	3,745	30,082	61,832
Interest expense		4,102	1,374	1,002	287	396	6,581	13,742
Depreciation		3,282	1,099	802	230	343	5,265	11,021
		106,512	9,269	11,632	14,866	27,222	48,043	217,544
2019 (SUMMARIZED)	$	105,133	10,216	11,811	14,363	28,790	49,262	219,575

The University allocates physical plant operations, depreciation, and interest expenses to functional expenditure categories based on square footage of facilities identified for each functional expenditure category.

10 Debt

At June 30, 2020 and 2019, long-term debt consisted of the following:

		2020	2019
Taxable bonds, Series 2020	$	75,000	—
Taxable bonds, Series 2016		250,000	250,000
Revenue bonds payable (CHEFA Series H)		20,105	20,105
Term loans		12,920	12,920
TOTAL		358,025	283,025
Unamortized costs of issuance		(3,160)	(2,396)
LONG-TERM DEBT	$	354,865	280,629

a Taxable Bonds, Series 2020

In January 2020, the University issued $75 million of taxable bonds at a fixed rate of 3.37% with all principal due in 2050. The University is required to make semiannual payments of interest.

b Taxable Bonds, Series 2016

In May 2016, the University issued $250 million of taxable bonds at a fixed rate of 4.78% with all principal due in 2116. The University is required to make semiannual payments of interest.

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c CHEFA Series H

$20,105 variable rate demand bonds have their interest rates set weekly. The interest rate at June 30, 2020 and 2019 was 0.12% and 1.84% respectively. The University makes monthly payments of interest. The University may make prepayments of principal, and is required to pay any remaining principal balance on July 1, 2040. The University maintains sufficient liquidity to purchase the bonds if remarketing is not successful.

d Term Loans

In January 2016, the University entered into a term loan with Farmington Bank in the amount of $12,920. Farmington Bank was subsequently acquired by People's United Bank during fiscal year 2020. The University makes semiannual payments of interest at a fixed rate of 2.9%. Principal payments are due in July 2023 and 2024.

e Debt Maturities

Payments for the principal of all long-term debt for each of the next five fiscal years and thereafter are as follows:

FISCAL YEAR	AMOUNT DUE
2020	$ —
2021	—
2022	—
2023	—
2024	6,890
Thereafter	351,135
TOTAL OUTSTANDING DEBT	**$ 358,025**

f Debt Covenants

The University is subject to certain financial covenants that would be imposed if the University does not maintain its credit rating. The University maintained its credit rating during the years ended June 30, 2020 and 2019, and thus the financial covenants were not applicable.

g Line of Credit LOC

The University has a $60,000 revolving loan with JPMorgan Chase Bank that terminates on April 30, 2022 unless renewed. The interest rate is set at 60 basis points above LIBOR (London Interbank Offered Rate). The University has utilized a portion of the line in both 2020 and 2019 for various cash needs. No amounts were outstanding as of June 30, 2020 and 2019.

11 Benefit Plans

a Defined Contribution Plan

The University has defined contribution retirement plans, with contributions based on a percentage of salary, covering substantially all employees. Total expense was $9,107 and $8,740 for fiscal 2020 and 2019, respectively.

b Postretirement Benefits

The University provides certain postretirement healthcare benefits to employees. All of the University's employees with 10 or more years of employment become eligible for these benefits upon retirement. The University recognizes the cost of providing such benefits to the employees and dependents, if applicable, in the financial statements during the employees' active working lives. Faculty between the ages of 59 and 68 and staff between the ages of 60 and 65 who elect early retirement can continue in plans for active faculty and staff, which require premium sharing. Retired faculty who are 68 or older and retired nonfaculty who are 65 or older participate in a different University-paid Medicare supplement plan.

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The University applies the provisions of ASC 715, *Compensation Retirement Benefits*, to its postretirement plan. The status of the University's plan and the amounts recognized in the statements of financial position at June 30, 2020 and 2019 are as follows:

		2020	2019
Change in benefit obligation:			
Benefit obligation as of beginning of year	$	18,815	23,021
Service cost		575	548
Interest cost		533	644
Plan participants' contributions		136	117
Benefits paid		(806)	(837)
Medicare Part D Subsidy		61	9
Actuarial (gain) loss		1,000	(4,687)
Benefit obligation and funded status as of end of year	$	20,314	18,815

Components of net periodic benefit cost are as follows for the years ended June 30:

		2020	2019
Operating:			
Service cost	$	575	548
Total operating, included in salaries and benefits		575	548
Nonoperating:			
Interest on accumulated postretirement benefit obligation		533	644
Amortization of actuarial gain		(627)	(1,441)
Total nonoperating		(94)	(797)
TOTAL NET PERIODIC BENEFIT COST	$	481	(249)

In addition to service and interest costs, the estimated net gain that will be amortized from accumulated unrestricted net assets into net periodic benefit cost over the next fiscal year is $418.

For measurement purposes, an annual rate of increase of 6.0% in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2020. The rates were assumed to decrease to 4.8% by 2032 and remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

The weighted average discount rates used to determine benefit obligations are 2.2% and 3.1% for fiscal 2020 and 2019, respectively.

The weighted average discount rates used to determine net periodic benefit costs were 3.1% and 3.9% for fiscal 2020 and 2019, respectively.

The benefits, as of June 30, 2020, expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter, are as follows:

FISCAL YEAR		AMOUNT
2021	$	977
2022		1,047
2023		1,115
2024		1,182
2025		1,252
Five fiscal years thereafter		6,960

12 Commitments and Contingencies

All funds expended in conjunction with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability not reflected on the statement of financial position, if any, will not have a material effect on the University's financial position.

13 Related-Party Transactions

Members of the 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 annual reporting by each Board member as well as the University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the University.

14 Subsequent Events

Management has evaluated events subsequent to June 30, 2020 and through October 27, 2020, the date on which the financial statements were issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. No additional disclosures were deemed to be necessary.