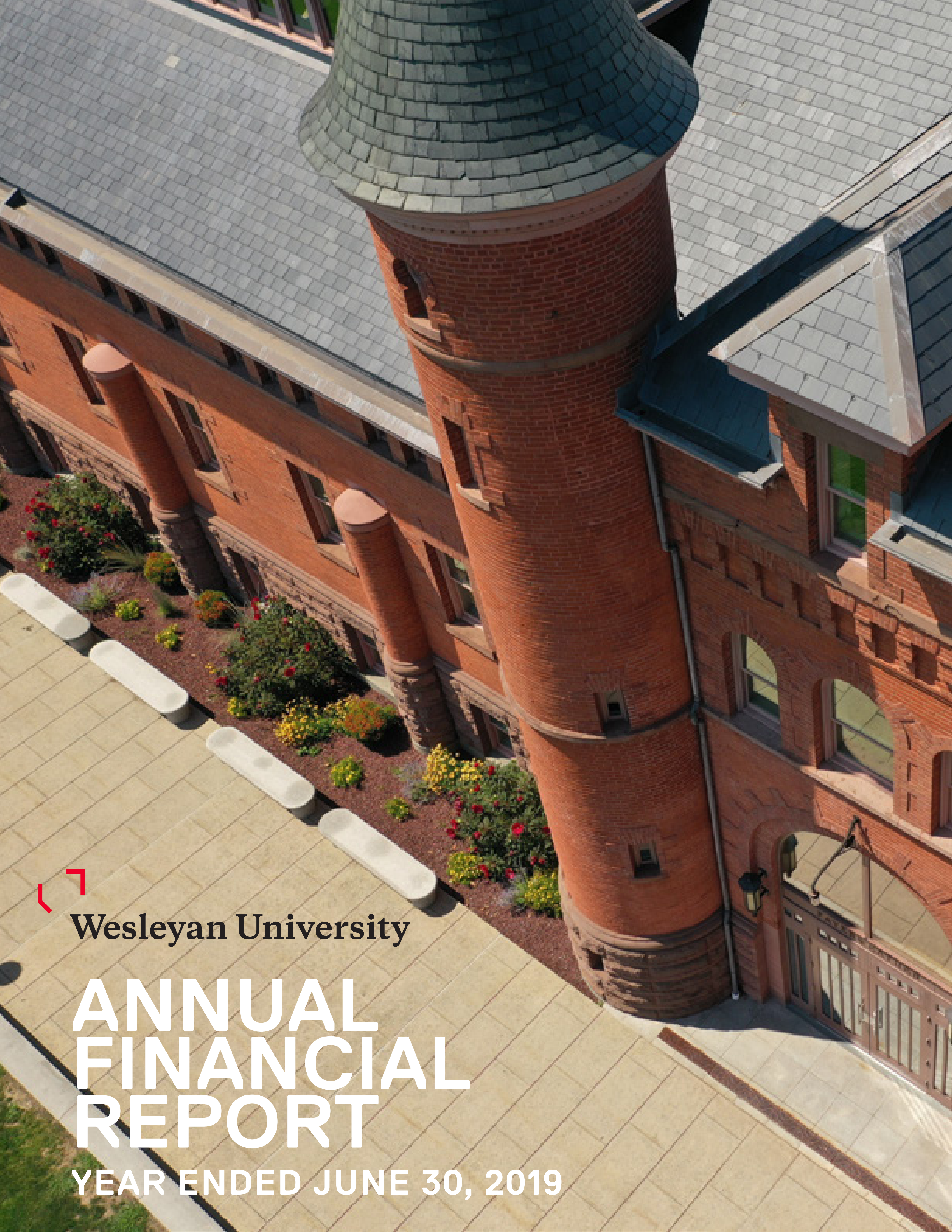


Wesleyan University

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

TO: The Board of Trustees

DATE: October 29, 2019

SUBJECT: FY 2018/19 Annual Financial Report

Many of you have seen the video profile of Melisa Olgun ’20, who came to Wesleyan in 2016 as a low-income, first-generation college student after her parents emigrated from Turkey. A musician, and a Neuroscience & Behavior and Science in Society double major, she has contributed greatly to our community in varied ways. Hers is one of many Wesleyan success stories, and after graduating this spring, she undoubtedly will have continued success in pursuing a career in medicine.

Attracting and supporting students like Melisa—and the faculty and staff who help make the learning experience for all students so powerful—is made possible by the combination of generous support of alumni and careful stewardship of University resources. If we are to increase financial aid, add faculty, and improve facilities going forward, we must continue to attract generous support and continue to use our resources wisely.

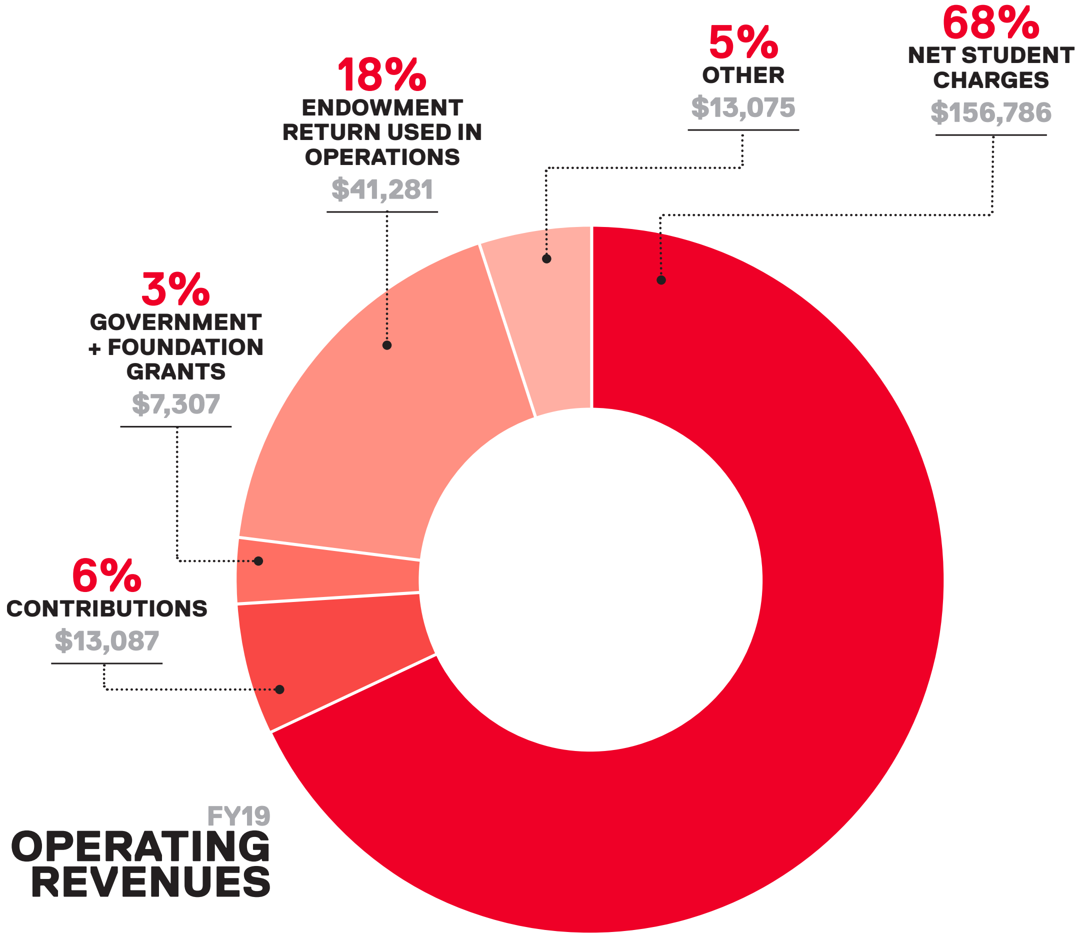
In these regards, I am pleased to report that our financial footing remains strong in FY 2018/19. We are seeing:

- **increasing demand for a Wesleyan education;**
- **consistent and generous fundraising support; and**
- **careful stewardship of financial resources.**

Looking ahead, we count on continued fiscal prudence, successful strategic investment, and prioritizing support for the distinctive education we offer. With these goals achieved, we can count on seeing success stories like Melisa’s long into the future.

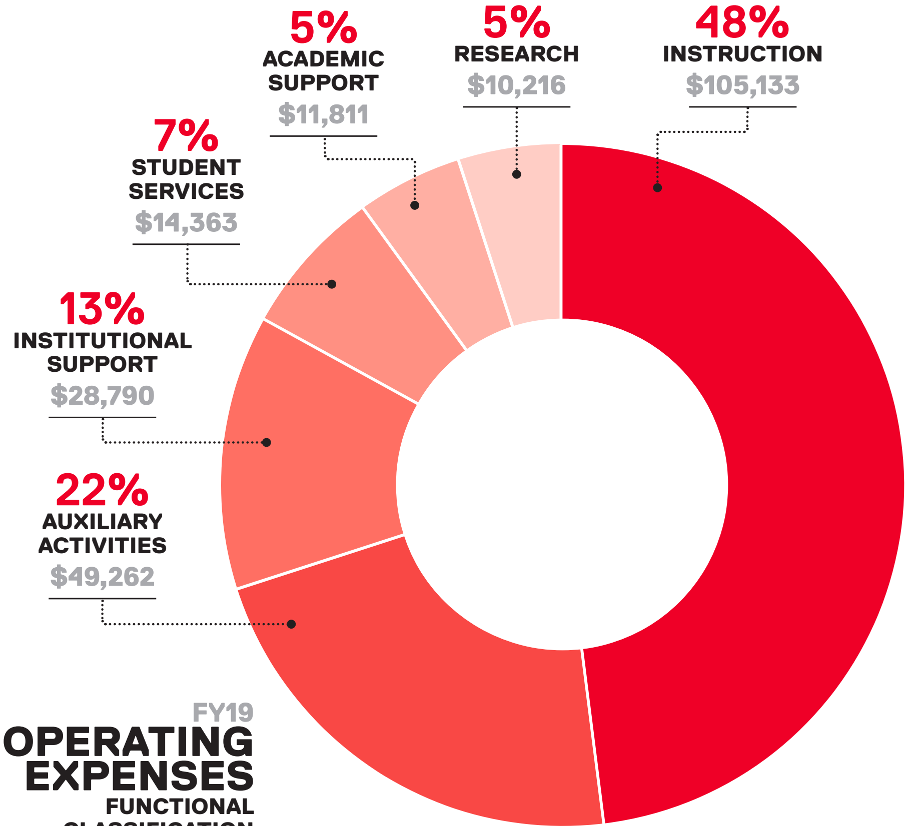
Sincerely,

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



Operating Revenue

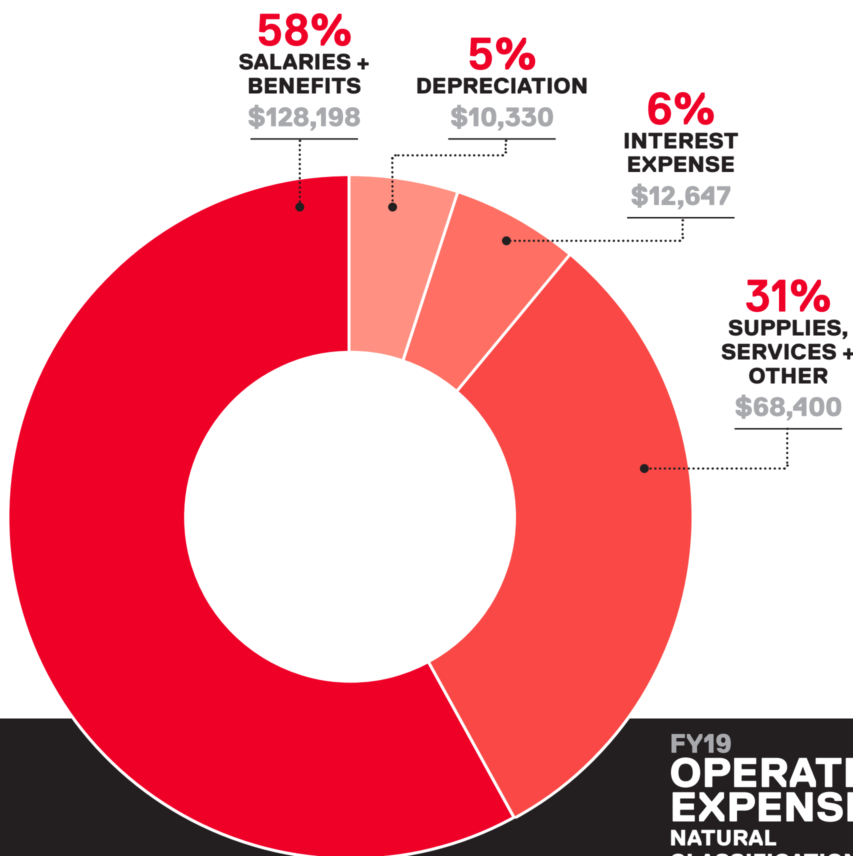
Net student charges is the primary source of revenue representing approximately 68% of total operating revenues. Tuition and the residential comprehensive fees, along with increased endowment support and annual giving, were all key components of an overall increase in operating revenues of nearly 3%.



FY19
OPERATING EXPENSES
FUNCTIONAL CLASSIFICATION

Operating Expenses

Instruction and research continue to represent the majority of the University's expenses, representing 53% of total operating expenses. The majority of the University's operating expenses are personnel-related with salaries and benefits representing 58% of total operating expenses. These expenses represent Wesleyan's investment in the people that define and carry out our mission, and are made possible through strong alumni support and prudent, strategic resource allocation.



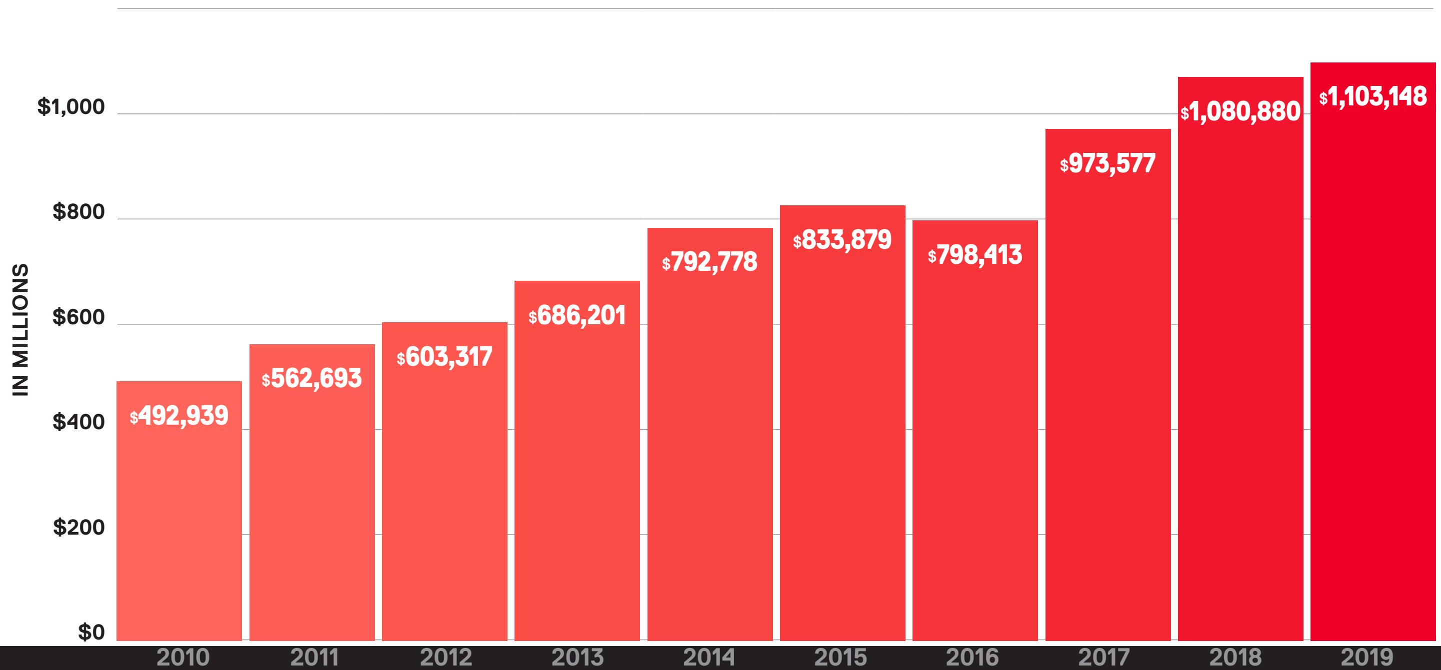
FY19
OPERATING EXPENSES
NATURAL CLASSIFICATION

Wesleyan Fundraising

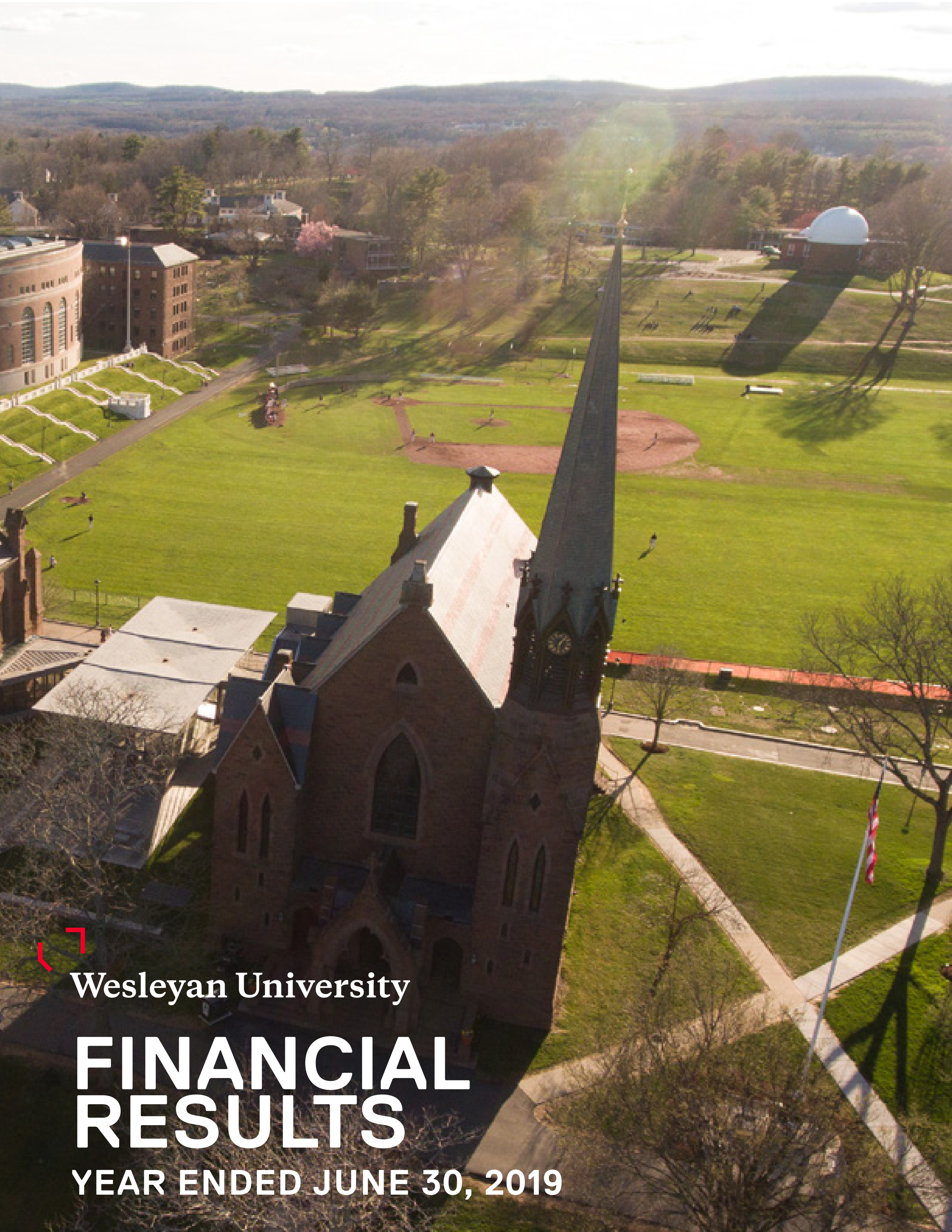
Continued strong donor support is important for Wesleyan to be successful in executing our goals of energizing our distinctive educational experience, enhancing recognition and working within a sustainable economic model. We are fortunate to have had generous donor support in fiscal 2019 resulting in over $40 million in cash giving.

Financial Assets to Support the University

We achieved notable growth in our long-term investment portfolio, which represents 71.6% of total assets, from $1.081 billion to $1.103 billion in fiscal year 2019. The growth in the investment portfolio was driven by a total return of 3.9% and generous donor contributions of $17.8 million, less endowment support for University operations of $41.3 million.



TOTAL
LONG-TERM INVESTMENTS



Wesleyan University

FINANCIAL RESULTS

YEAR ENDED JUNE 30, 2019

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

Independent Auditors' Report

We have audited the accompanying financial statements of Wesleyan University (the University), which comprise the statement of financial position 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 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, 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 Matters

As discussed in Note 2(m) to the financial statements, in 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*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)*: *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the University's 2018 financial statements, and we expressed an unmodified audit opinion on those audited 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 No. 2016-14 and ASU No. 2017-07. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 2(m) that were applied to adopt ASU No. 2016-14 and ASU No. 2017-07 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 28, 2019

		2019	2018
ASSETS			
Cash and cash equivalents	$	27,091	16,575
Short-term investments		37,058	50,234
Receivables, net, and other assets		11,235	10,382
Pledges receivable, net		15,539	21,236
Long-term investments		1,103,148	1,080,880
Investment in plant, net		347,521	335,865
TOTAL ASSETS	$	1,541,592	1,515,172
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses		20,621	18,579
Liabilities associated with investments		5,085	9,950
Student deposits and deferred revenues		1,915	1,921
Split-interest obligations		9,726	9,789
Postretirement benefit obligation		18,815	23,021
Long-term debt		280,629	280,604
Asset retirement obligation		12,531	12,217
Federal student loan advances		4,042	4,042
TOTAL LIABILITIES		353,364	360,123
Net Assets			
Without donor restrictions		396,851	382,050
With donor restrictions		791,377	772,999
TOTAL NET ASSETS		1,188,228	1,155,049
TOTAL LIABILITIES AND NET ASSETS	$	1,541,592	1,515,172

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(dollars in thousands)

with comparative financial information for June 30, 2018

		2019			2018
		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
OPERATING ACTIVITIES:					
Revenues and Other Support					
Net student charges	$	156,786	—	156,786	148,158
Contributions		13,087	—	13,087	10,779
Government and foundation grants		7,307	—	7,307	11,664
Other revenues		9,729	—	9,729	12,812
Nonoperating net assets used in operations:					
Endowment return used in operations		41,281	—	41,281	39,044
Restricted and designated net assets used in operations		3,346	—	3,346	2,541
TOTAL REVENUES AND OTHER SUPPORT		231,536	—	231,536	224,998
Expenses					
Salaries & benefits		128,198	—	128,198	127,901
Supplies, services and other		68,400	—	68,400	68,674
Interest expense		12,647	—	12,647	12,625
Depreciation		10,330	—	10,330	10,350
TOTAL EXPENSES		219,575	—	219,575	219,550
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES		11,961	—	11,961	5,448
NONOPERATING ACTIVITIES:					
Contributions		647	18,265	18,912	18,721
Foundation grants		—	2,164	2,164	—
Net investment return		12,142	29,545	41,687	126,999
Nonoperating net assets used in operations		(44,627)	—	(44,627)	(41,585)
Other changes		(823)	(138)	(961)	(763)
Postretirement benefit obligation changes other than service cost		4,043	—	4,043	(1,512)
Net assets released from restrictions		31,458	(31,458)	—	—
TOTAL NONOPERATING ACTIVITIES		2,840	18,378	21,218	101,860
CHANGE IN NET ASSETS		14,801	18,378	33,179	107,308
NET ASSETS AT BEGINNING OF YEAR		382,050	772,999	1,155,049	1,047,741
NET ASSETS AT END OF YEAR	$	396,851	791,377	1,188,228	1,155,049

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(dollars in thousands)

• ***with summarized comparative financial information for the year ended June 30, 2018***

		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	33,179	107,308
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		10,330	10,350
Amortization of bond premium and cost of issuance		25	25
Net gains from investments and trusts		(44,600)	(128,766)
Gifts received for long-term investment		(22,271)	(17,817)
Gifts of property received for investment		—	—
Postretirement benefit obligation change		(4,206)	1,592
Changes in assets and liabilities that provide (use) cash:			
Receivables, net and other assets		(853)	2,311
Pledges receivable, net		5,697	1,816
Accounts payable		1,424	2,957
Student deposits and deferred revenues		(6)	(903)
Change in valuation of split-interest obligations		850	819
Asset retirement obligation		314	(496)
NET CASH USED IN OPERATING ACTIVITIES		(20,117)	(20,804)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment		(21,368)	(21,934)
Change in deposit with brokers for short sales		3,951	(4,871)
Purchases of securities sold short		(21,240)	(6,944)
Purchases of long-term investments		(215,620)	(177,696)
Sales of securities sold short		15,903	11,931
Sales of long-term investments		233,606	209,717
Purchases of short-term investments		(158,924)	(102,502)
Sales of short-term investments		172,967	99,940
NET CASH PROVIDED BY INVESTING ACTIVITIES		9,275	7,641
CASH FLOWS FROM FINANCING ACTIVITIES:			
Gifts received for long-term investment		22,271	17,817
Payments to beneficiaries of split-interest agreements		(913)	(896)
Draws on line of credit		39,000	40,000
Repayments of line of credit		(39,000)	(40,000)
Repayments of long-term debt		—	(750)
Repayment of federal student loan advances		—	(741)
NET CASH PROVIDED BY FINANCING ACTIVITIES		21,358	15,430
NET CHANGE IN CASH AND CASH EQUIVALENTS		10,516	2,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,575	14,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	27,091	16,575
OTHER CASH FLOW INFORMATION:			
Cash paid for interest	$	12,646	12,600
Change in accounts payable related to property and equipment		618	(2,410)

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

(dollars in thousands)

• *with comparative financial information for the year ended June 30, 2018*

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018

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 co-educational 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, 2018, from which the summarized information was derived, before the adjustments described in note 2(m) that were applied to adopt ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*, and ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

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, 2018 • dollars in thousands

Student charges were as follows for the years ended June 30, 2019 and 2018:

		2019	2018
Tuition and fees, net of financial aid of $67,566 and $61,870, respectively	$	109,216	103,067
Room and board		47,570	45,091
NET STUDENT CHARGES	$	156,786	148,158

2 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, 2019 and 2018, student accounts receivable were $963 and $854, net of an allowance for doubtful accounts of $339 and $356 respectively. Student loans receivable at June 30, 2019 and 2018 were $4,027 and $4,879, respectively, net of an allowance for doubtful accounts of $1,061 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, 2019 and 2018, 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 7 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 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.

k 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.

l 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.

m Recent Accounting Pronouncements

During 2019, the University retrospectively adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The ASU also requires that underwater endowment funds previously reported as reductions to unrestricted net assets be reported instead as reductions to net assets with donor restrictions. Accordingly, the University has reclassified $349 and $1,166 of underwater funds, respectively, as of the beginning of fiscal 2019 and 2018 as reductions to net assets with donor restrictions. Additionally, ASU No. 2016-14 increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location.

During 2019, the University retrospectively adopted the provisions of ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU attempts to improve the presentation of net periodic benefit costs. The ASU does not prescribe where the amount of the net benefit cost should be presented in an employer's statement of activities, but it does require that the service cost component be presented in the same line item(s) as other employee compensation costs and that the remaining components be presented separately from those line items outside of operations. It also stipulates that only the service cost component is eligible for capitalization in assets, as applicable. Accordingly, the University has reported the non-service cost components of net periodic benefit cost within postretirement benefit obligation changes other than service costs in nonoperating activities in 2019 and 2018.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which, along with amendments issued in 2015 and 2016, supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and most industry specific guidance. The core principle of ASU No. 2014-09 is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified retrospective basis did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that student charges be presented in the statement of activities at the transaction price, i.e., net of any institutional financial aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional financial aid. Accordingly, the University's 2018 statement of activities has been revised to conform to the 2019 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 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, 2019, 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	$	27,091
Short-term investments		37,058
Accounts receivable, net due within one year		2,646
Student loans receivable, net due within one year		313
Pledges receivable, net available for operations due within one year		1,809
Fiscal 2020 Board-approved endowment appropriation		43,466
Total financial assets available within one year	$	112,383
LIQUIDITY RESOURCES		
Line of credit, undrawn		60,000
Total financial assets and liquidity resources	$	172,383

In addition, as of June 30, 2019, subject to liquidity provisions, the University had an additional $62,273 in working capital investments and $255,274 in board-designated endowment which is available for general expenditure with Board approval.

4 Contributions Receivable

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

		2019	2018
Contributions expected to be collected within:			
Less than one year	$	9,910	12,872
One to five years		9,309	10,986
More than five years		50	—
	$	19,269	23,858
Less allowance for uncollectible pledges		(3,429)	(2,252)
Less discount for present value		(301)	(370)
NET UNCONDITIONAL PROMISES TO GIVE	$	15,539	21,236

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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 0.58% to 3.69%.

Office of Advancement expenditures, which are primarily for fundraising purposes and alumni activity, totaled $8,147 and $8,376 in fiscal years 2019 and 2018, respectively.

Conditional contributions receivable as of June 30, 2019 and 2018 are $10,141 and $10,051, 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, 2019 and 2018:

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.

AS OF JUNE 30, 2018	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash	$ —	16,575	—	—	16,575
Short-term investments *	—	50,234	—	—	50,234
Long-term investments:					
Money market funds and cash equivalents	—	27,906	—	—	27,906
Fixed income	—	47,077	—	—	47,077
Domestic equity	107,480	28,045	—	—	135,525
International equity	183,815	15,658	—	—	199,473
Real estate	48,107	—	—	9,940	58,047
Natural resources	75,033	10,922	—	—	85,955
Venture capital	102,315	—	—	—	102,315
Buyout	137,136	—	—	—	137,136
Other private equity	33,614	—	—	—	33,614
Absolute return:					
Long/short equity	40,483	—	—	—	40,483
Multi-strategy absolute return	76,206	—	—	—	76,206
Other absolute return	90,925	—	—	—	90,925
Absolute return in liquidation	18,994	—	—	—	18,994
Split-interest agreements *	—	16,954	—	—	16,954
Other investments	—	—	—	3,170	3,170
Funds held or administered by others	—	—	—	7,100	7,100
TOTAL LONG-TERM INVESTMENTS	$ 914,108	146,562	—	20,210	1,080,880
TOTAL	$ 914,108	213,371	—	20,210	1,147,689

* Invested in mutual funds with daily liquidity.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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, 2019 and 2018 for Level 3 investments:

	JUNE 30, 2019					
LEVEL 3 ROLL FORWARD	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

	JUNE 30, 2018					
LEVEL 3 ROLL FORWARD	BEGINNING BALANCE AS OF JULY 1, 2017	TRANSFERS TO MEASURED AT NAV	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/ (LOSSES)	ENDING BALANCE AS OF JUNE 30, 2019
Natural resources	$ 13,195	(13,411)	—	—	216	—
Real estate	14,061	—	—	(5,270)	1,149	9,940
Other investments	3,410	—	—	(232)	(8)	3,170
Funds held or administered by others	6,935	—	—	—	165	7,100
	$ 37,601	(13,411)	—	(5,502)	1,522	20,210

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 ten 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 eleven years. The aggregate amount of unfunded commitments associated with investments as of June 30, 2019 was $284,470.

Investment liquidity as of June 30, 2019 is aggregated below based on redemption or sale terms:

	IN LIQUIDATION	DAILY	MONTHLY TO QUARTERLY	SEMI-ANNUAL TO ANNUAL	INITIAL LOCKUP	ILLIQUID	TOTAL
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	—	198	74,590	58,092	—	100	132,980
International equity	—	10,465	121,800	25,277	39,710	—	197,252
Real estate	—	—	—	—	—	65,047	65,047
Natural resources	—	4,840	—	—	—	54,485	59,325
Venture capital	—	—	—	—	—	147,307	147,307
Buyout	—	—	—	—	—	161,951	161,951
Other private equity	—	—	—	28,547	—	2,268	30,815
Absolute return	7,704	8,417	13,571	151,739	26,784	—	208,215
Split-interest agreements	—	17,085	—	—	—	—	17,085
Other investments	—	—	—	—	—	2,848	2,848
Funds held or administered by others	—	—	—	—	—	7,208	7,208
TOTAL	$ 7,704	178,269	209,961	263,655	66,494	441,214	1,167,297

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 semi annual 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.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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
- 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, 2019 and 2018:

2019	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			
		ORIGINAL GIFT	ACCUMULATED GAINS (LOSSES)	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

2018	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			
		ORIGINAL GIFT	ACCUMULATED GAINS (LOSSES)	TOTAL DONOR RESTRICTED	TOTAL FUNDS
Board designated endowment funds	$ 255,414	650	216	866	256,280
Donor-restricted endowment funds:					
Underwater	—	4,045	(349)	3,696	3,696
Other	—	337,661	405,199	742,860	742,860
Sub-total	255,414	342,356	405,066	747,422	1,002,836
Working capital funds	62,383	—	—	—	62,383
Total endowment assets	$ 317,797	342,356	405,066	747,422	1,065,219

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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

		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

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2017	$	294,903	672,274	967,177
Investment return		38,115	86,660	124,775
Contributions		—	14,202	14,202
Change in donor restriction		(3,000)	3,000	—
Working capital changes		(2,129)	—	(2,129)
Other increases (decreases)		488	(250)	238
Appropriation of endowment assets for expenditure		(10,580)	(28,464)	(39,044)
Endowment assets, June 30, 2018	$	317,797	747,422	1,065,219

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

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 2019 and 2018, $41,281 and $39,044 was appropriated, respectively.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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Net Assets

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

		2019		2018	
		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
Undesignated	$	24,943	—	21,209	—
Net investment in plant		54,361	—	43,044	—
Endowment funds:					
Financial aid		10,193	341,793	9,406	328,937
Instruction and research		27,343	228,208	27,481	226,597
Library		—	14,685	—	14,740
General purpose and other		217,738	177,782	218,527	177,148
Working capital		62,273	—	62,383	—
TOTAL ENDOWMENT FUNDS	$	317,547	762,468	317,797	747,422
Pledges receivable, net		—	15,539	—	21,236
Other		—	13,370	—	4,341
TOTAL NET ASSETS	$	396,851	791,377	382,050	772,999

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Investment in Plant

At June 30, 2019 and 2018, the components of the University's investment in plant were as follows:

		2019	2018
Campus land and improvements	$	36,646	35,863
Buildings and improvements		446,708	434,494
Equipment		120,088	114,707
Construction in progress		8,015	4,407
TOTAL	$	611,457	589,471
Less accumulated depreciation		(263,936)	(253,606)
TOTAL INVESTMENT IN PLANT	$	347,521	335,865

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Operating Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30, 2019:

2019		INSTRUCTION	RESEARCH	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	AUXILIARY ACTIVITIES	TOTAL
Salaries and benefits	$	78,694	3,890	4,471	13,122	21,805	6,216	128,198
Supplies, services and other		19,587	4,030	5,667	762	6,300	32,054	68,400
Interest expense		3,775	1,265	922	264	364	6,057	12,647
Depreciation		3,077	1,031	751	215	321	4,935	10,330
	$	105,133	10,216	11,811	14,363	28,790	49,262	219,575
2018 (SUMMARIZED)	$	106,612	10,105	11,506	13,964	29,228	48,135	219,550

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.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

10 Debt

At June 30, 2019 and 2018, long-term debt consisted of the following:

	2019	2018
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	283,025	283,025
Unamortized costs of issuance	(2,396)	(2,421)
LONG TERM DEBT	$ 280,629	280,604

a 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 semi-annual payments of interest.

b CHEFA Series H

$20,105 variable rate demand bonds have their interest rates set weekly. The interest rate at June 30, 2019 and 2018 was 1.84% and 1.48% 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.

c 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 2019. The University makes semi annual payments of interest at a fixed rate of 2.9%. Principal payments are due in July 2023 and 2024.

d 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	2018
2019	$ —
2020	—
2021	—
2022	—
2023	—
Thereafter	283,025
TOTAL OUTSTANDING DEBT	$ 283,025

e 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, 2019 and 2018, and thus the financial covenants were not applicable.

f Line of Credit LOC

The University has a $60,000 revolving loan with JPMorgan Chase Bank that terminates on April 28, 2020 unless renewed. The interest rate is set at 50 basis points above LIBOR (London Interbank Offered Rate). The University has utilized a portion of the line in both 2019 and 2018 for various cash needs. No amounts were outstanding as of June 30, 2019 and 2018.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

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 $8,740 and $8,364 for fiscal 2019 and 2018, respectively.

b Postretirement Benefits

The University provides certain postretirement health care benefits to employees. All of the University's employees with ten (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 to 68 and staff between the ages of 60 to 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 non-faculty who are 65 or older, participate in a different University paid Medicare supplement plan.

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, 2019 and 2018 are as follows:

		2019	2018
Change in benefit obligation:			
Benefit obligation as of beginning of year	$	23,021	21,429
Service cost		548	821
Interest cost		644	783
Plan participants' contributions		117	101
Benefits paid		(837)	(894)
Medicare Part D Subsidy		9	52
Actuarial (gain) loss		(4,687)	729
Benefit obligation and funded status as of end of year	$	18,815	23,021

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

		2019	2018
Operating:			
Service cost	$	548	821
Total operating, included in salaries and benefits		548	821
Nonoperating:			
Interest on accumulated postretirement benefit obligation		644	783
Amortization of actuarial (gain) loss		(1,441)	191
Total nonoperating		(797)	974
TOTAL NET PERIODIC BENEFIT COST	$	(249)	1,795

In addition to service and interest costs, the estimated net loss that will be amortized from accumulated unrestricted net assets into net periodic benefit cost over the next fiscal year is $961.

For measurement purposes, an annual rate of increase of 6.5% in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2019. The rates were assumed to decrease to 5.0% by 2028 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 3.1% and 3.9% for fiscal 2019 and 2018, respectively.

The weighted average discount rates used to determine net periodic benefit costs were 3.9% and 3.4% for fiscal 2019 and 2018, respectively.

WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2018 • dollars in thousands

The benefits, as of June 30, 2019, 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
2020	$ 1,238
2021	1,319
2022	1,388
2023	1,468
2024	1,548
Five fiscal years thereafter	8,785

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, 2019 and through October 28, 2019, 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.

Wesleyan University