INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

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KPMG LLP
New Jersey Headquarters
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Independent Auditors' Report

The Board of Trustees
Institute for Advanced Study – Louis Bamberger and
Mrs. Felix Fuld Foundation:

We have audited the accompanying financial statements of the Institute for Advanced Study – Louis Bamberger and Mrs. Felix Fuld Foundation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Advanced Study – Louis Bamberger and Mrs. Felix Fuld Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(b)(xv) to the financial statements, the Institute for Advanced Study – Louis Bamberger and Mrs. Felix Fuld Foundation adopted Accounting Standards Update 2016-14*, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

KPMG LLP

October 28, 2019

INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	5,129,094	2,046,757
Accounts receivable and other assets		2,958,222	3,457,752
Grants receivable		2,406,574	2,092,063
Contributions receivable, net		15,951,133	24,106,193
Mortgages receivable		5,806,101	5,407,378
Funds held by bond trustee		872,355	852,322
Beneficial interest in remainder trust		1,968	1,066,466
Land, buildings and improvements, equipment, and rare book collection, net		130,257,646	122,170,708
Investments		790,125,348	809,182,814
Total assets	$	953,508,441	970,382,453
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	9,433,853	10,949,189
Deferred revenue		7,353,781	9,522,988
Liabilities under split-interest agreements		1,516,049	1,819,942
Postretirement benefit obligation		19,584,782	18,308,952
Asset retirement obligation		1,172,363	1,142,036
Bond swap liability		2,788,944	2,316,450
Long-term debt, net		88,020,789	92,039,675
Total liabilities		129,870,561	136,099,232
Net assets:			
Net assets without donor restrictions:			
Undesignated		223,454,839	235,900,368
Designated for specific purposes		132,573,325	131,472,898
Total net assets without donor restrictions		356,028,164	367,373,266
Net assets with donor restrictions:			
Purpose restricted		208,663,563	213,273,544
Endowment fund corpus		258,946,153	253,636,411
Total net assets with donor restrictions		467,609,716	466,909,955
Total net assets		823,637,880	834,283,221
Total liabilities and net assets	$	953,508,441	970,382,453

See accompanying notes to financial statements.

INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

Statement of Activities

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:			
Private contributions and grants	$ 52,000	19,897,538	19,949,538
Government grants	—	6,563,183	6,563,183
Investment income, net	14,644,933	17,452,485	32,097,418
Auxiliary activity	4,402,459	—	4,402,459
Net assets released from restrictions – satisfaction of program restrictions	43,213,445	(43,213,445)	—
Total operating revenues, gains, and other support	62,312,837	699,761	63,012,598
Operating expenses:			
School of Mathematics	11,266,618	—	11,266,618
School of Natural Sciences	12,163,326	—	12,163,326
School of Historical Studies	9,787,655	—	9,787,655
School of Social Science	3,703,414	—	3,703,414
Libraries and other academic	6,241,792	—	6,241,792
Administration and general	18,591,030	—	18,591,030
Auxiliary activity	10,696,058	—	10,696,058
Total operating expenses	72,449,893	—	72,449,893
Change in net assets from operating activities	(10,137,056)	699,761	(9,437,295)
Nonoperating activities:			
Change in fair value of bond swap liability	(472,494)	—	(472,494)
Gain on sale of plant assets	(259,957)	—	(259,957)
Other components of net periodic pension cost	(475,595)	—	(475,595)
Total nonoperating activities	(1,208,046)	—	(1,208,046)
Change in net assets	(11,345,102)	699,761	(10,645,341)
Net assets – beginning of year	367,373,266	466,909,955	834,283,221
Net assets – end of year	$ 356,028,164	467,609,716	823,637,880

See accompanying notes to financial statements.

INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

Statement of Activities

Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:			
Private contributions and grants	$ 91,245	37,489,668	37,580,913
Government grants	—	6,770,907	6,770,907
Investment income, net	26,719,615	30,223,024	56,942,639
Auxiliary activity	5,789,947	—	5,789,947
Net assets released from restrictions – satisfaction of program restrictions	38,589,054	(38,589,054)	—
Total operating revenues, gains, and other support	71,189,861	35,894,545	107,084,406
Operating expenses:			
School of Mathematics	11,899,313	—	11,899,313
School of Natural Sciences	11,707,757	—	11,707,757
School of Historical Studies	8,278,431	—	8,278,431
School of Social Science	3,737,858	—	3,737,858
Libraries and other academic	6,408,272	—	6,408,272
Administration and general	16,684,044	—	16,684,044
Auxiliary activity	9,963,625	—	9,963,625
Total operating expenses	68,679,300	—	68,679,300
Change in net assets from operating activities	2,510,561	35,894,545	38,405,106
Nonoperating activities:			
Change in fair value of bond swap liability	1,130,869	—	1,130,869
Gain on sale of plant assets	2,518,055	—	2,518,055
Other components of net periodic pension cost	323,192	—	323,192
Total nonoperating activities	3,972,116	—	3,972,116
Change in net assets	6,482,677	35,894,545	42,377,222
Net assets – beginning of year	360,890,589	431,015,410	791,905,999
Net assets – end of year	$ 367,373,266	466,909,955	834,283,221

See accompanying notes to financial statements.

INSTITUTE FOR ADVANCED STUDY – LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	(10,645,341)	42,377,222
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		6,528,737	5,769,778
Contributions restricted for endowment and plant		(11,281,481)	(9,761,994)
Net appreciation on investments		(34,259,323)	(59,732,183)
Change in fair value of bond swap liability		472,494	(1,130,869)
Gain on sale of plant assets		(259,957)	(2,518,055)
Amortization of debt issuance costs		62,253	60,729
Amortization of bond discount		23,861	26,693
Changes in assets/liabilities:			
Receivables and other assets		(213,704)	382,550
Contributions receivable		8,155,060	(17,428,206)
Beneficial interest in remainder trust		1,064,498	(5,063)
Accounts payable and accrued expenses		(1,515,336)	(456,867)
Deferred revenue		(2,169,207)	(94,066)
Postretirement benefit obligation		1,275,830	476,309
Asset retirement obligation		30,327	25,922
Net cash used in operating activities		(42,731,289)	(42,008,100)
Cash flows from investing activities:			
Proceeds from sale of plant assets		973,386	3,453,425
Purchase of plant assets		(15,329,104)	(26,324,852)
Proceeds from sale of investments		258,562,949	312,370,302
Purchase of investments		(205,246,160)	(284,301,248)
Net cash provided by investing activities		38,961,071	5,197,627
Cash flows from financing activities:			
Contributions restricted for endowment and plant		11,281,481	14,761,994
Decrease in liabilities under split-interest agreements		(303,893)	(80,324)
Proceeds from issuance of long-term debt		—	24,724,503
Principal payments on long-term debt		(4,105,000)	(3,160,000)
(Increase) decrease in funds held by bond trustee		(20,033)	1,605,148
Net cash provided by financing activities		6,852,555	37,851,321
Net increase in cash and cash equivalents		3,082,337	1,040,848
Cash, cash equivalents – beginning of year		2,046,757	1,005,909
Cash, cash equivalents – end of year	$	5,129,094	2,046,757
Supplemental data:			
Interest paid	$	3,271,097	3,006,937

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Institute for Advanced Study – Louis Bamberger and Mrs. Felix Fuld Foundation (the Institute), an independent, private institution devoted to the encouragement, support, and patronage of learning, was founded in 1930 as a community of scholars where intellectual inquiry could be carried out in the most favorable circumstances.

Focused on mathematics and classical studies at the outset, the Institute today consists of the School of Historical Studies, the School of Mathematics, the School of Natural Sciences, and the School of Social Science. Each school has a small permanent faculty, and some 190 fellowships are awarded annually to members visiting the Institute from other research institutions and universities throughout the world.

The Founders' original letter to the first trustees described the objectives of the Institute as follows: "The primary purpose is the pursuit of advanced learning and exploration in fields of pure science and high scholarship to the utmost degree that the facilities of the institution and the ability of the faculty and students will permit."

(b) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Institute as a whole and to present net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Institute or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Institute, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for specific purposes. Other restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is subject to donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed restrictions that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as net assets released from restrictions.

In the statements of activities, the Institute includes in operations all revenue and expenses that are an integral part of its program and supporting activities. Change in the fair value of bond swap liability,

gain on sale of plant assets and other components of net periodic pension cost are recognized as nonoperating activities.

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less, except for those managed as a component of the Institute's investment portfolio.

(ii) Mortgages Receivable

The Institute regularly offers first mortgages on primary residences to full-time faculty and senior administrative employees who have met certain requirements stipulated by the Board of Trustees.

(iii) Investments

Investments in marketable securities are reported in the financial statements at fair value based on published market quotations. Investments in limited partnerships and hedge funds are reported in the financial statements at estimated fair value using net asset value (NAV) or its equivalent as a practical expedient, based upon values provided by external investment managers or general partners, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The Institute reviews and evaluates the values provided by external investment managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of funds. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. As of June 30, 2019 and 2018, the Institute had no plans or intentions to sell investments at amounts different from NAV.

The statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in net assets without donor restrictions unless their use restricted by explicit donor stipulation or law. Gains and losses on the sale of investment securities are calculated using the specific-identification method.

(iv) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset and does not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

NAV is used as a practical expedient for certain commingled funds, privately held investments, and securities held in partnership format for which a readily determinable fair value is not available, unless the Institute believes such NAV calculation is not measured in accordance with fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of the Institute.

(v) Plant Assets and Depreciation

Proceeds from the sale of plant assets, if there are no donor-imposed restrictions, are transferred to operating funds or, if subject to donor-imposed restrictions, to amounts with donor restrictions for plant acquisitions. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis (buildings and capital improvements 20-40 years, equipment 3-6 years).

(vi) Split-Interest Agreements

The Institute is the beneficiary of various unitrusts, a pooled income fund, and a gift annuity fund. The Institute's interest in these split-interest agreements is reported as a contribution in the year received and is calculated as the difference between the fair value of the assets contributed to the Institute and the estimated liability to the beneficiary. This liability is computed using actuarially determined rates and is adjusted annually to reflect changes in the life expectancy of the donor or annuitant, amortization of the discount, and other changes in the estimates of future payments. The assets held by the Institute under these arrangements are recorded at fair value as determined by quoted market prices and are included as a component of investments.

(vii) Unamortized Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with debt financing. Amortization of these costs is provided on the effective interest method extending over the remaining term of the applicable indebtedness.

(viii) Asset Retirement Obligation

The Institute recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the Institute capitalizes the

cost of the asset retirement obligation 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. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities.

(ix) Contributions

Contributions, including unconditional promises to give, are recognized initially at fair value as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges of contributions to be received after one year are discounted at a risk-adjusted discount rate. The discount rates range from 1.74% to 2.81%. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Contributions of long-lived assets are reported as unconditional contribution revenue. Contributions restricted for the acquisition of grounds, buildings, and equipment are reported as revenue with donor restrictions. These contributions are reclassified to net assets without donor restrictions when the associated long-lived asset is placed in service.

Included in contributions are gifts from members of the Board of Trustees which are received in the normal course of business.

(x) Grants

The Institute receives grants from a number of sources including corporations, foundations and governmental agencies. Grants are evaluated as to whether they qualify as contributions or exchange transactions as defined by U.S. GAAP and to determine if there are any donor restrictions.

Based on the Institute's review of grants received, the granting agency does not receive commensurate value for the grant and therefore grant income is considered a voluntary, nonreciprocal transaction that meets the definition of a contribution. Each grant also has one or more barriers, which must be overcome which therefore categorize them as conditional contributions for the Institute. Grant revenue with donor imposed conditions is recorded initially as deferred revenue (if the funds are received in advance) and is reported as revenue as the conditions are satisfied. At the same time, the Institute records net assets released from restrictions to match the expenses incurred in satisfying the donor restrictions.

(xi) Auxiliary Activity

The Institute receives income and incurs expenses relating to the operations of a dining services facility and a housing complex on campus for the use by our community of scholars. The income and expenses are displayed on the statement of activities as Auxiliary Activity.

The revenue streams include income from the sale of food and beverages, rental income, laundry income and pet registration fees. These revenue streams, except for rental income, are recognized at the point in time in which the service is provided. Rental income is recognized over a period of time since the tenants are simultaneously receiving and consuming the benefit of the service provided. Auxiliary income is recognized in the fiscal year in which the service is delivered.

(xii) Functional Allocation of Expenses

The costs of providing program services and support services of the Institute have been summarized on a functional basis in the statements of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the programs and administrative expenses. Natural expenses are accounted for on a direct cost basis to the school or department upon which the expenses is incurred.

There are certain indirect costs that cannot be charged on a direct basis. The Institute allocates these costs (academic building expenses including costs to maintain the academic buildings, interest and depreciation) to the schools and supporting departments reported in the accompanying statement of activities on a square footage basis. Note 10 shows the relationship between the functional and natural classifications of expenses.

Fundraising expenses incurred by the Institute amounted to $3,131,077 and $1,958,071 for the years ended June 30, 2019 and 2018, respectively. This amount is included in administration and general expenses in the accompanying statements of activities.

(xiii) Tax Status

The Institute is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) and is listed in the Internal Revenue Service Publication 78. The Institute has been classified as a public charity under Section 509(a) of the Code.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded.

(xiv) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(xv) New Accounting Standards Adopted

In fiscal year 2019, the Institute adopted the provisions of the applicable Accounting Standards Updates (ASU), as follows;

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: This ASU requires that "an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services," which replaces most existing revenue recognition guidance in U.S. GAAP. The Institute performed an analysis of the provisions of the ASU and concluded that the adoption of this ASU did not significantly impact the Institute's financial statements.

ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance which is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Institute adopted the main provisions of this guidance which includes (1) Presentation of two classes of net assets rather than the previously required three. Net assets without donor restrictions, previously reported as unrestricted net assets of $367,373,266, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $211,062,206 and permanently restricted net assets of $255,847,749, in 2018; (2) Recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service, and (3) Recognition of underwater funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated amounts, composition of net asset without donor restrictions, liquidity (note 3), and requires the reporting of expenses by both natural and functional classification (note 10).

ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires the Institute to present the service cost component of net periodic benefit cost in the line items where compensation is reported. All other cost components of net periodic benefit cost are presented on the statement of activities outside of operating income. The Institute applied these changes retrospectively.

ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies (1) whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Institute performed an analysis of the provisions of this ASU and concluded that the adoption of this ASU did not significantly impact the Institute's financial statements.

(xvi) Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current year presentation and as a result of the adoption of the new accounting standards.

(xvii) Future Accounting Standards

The FASB issued ASU 2016-02, *Leases (Topic 842)*: which requires all lessees to recognize all leases, including operating leases, on-balance sheet via a right of use asset and lease liability, unless the lease is a short term lease. The Institute is currently evaluating the impact of this ASU and plans to adopt ASU 2016-02 for the year ending June 30, 2020.

The FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which changes how not-for-profit entities report specific cash flow issues. The significant requirements of the future ASU relate to (1) debt prepayment or extinguishment costs, (2) proceeds from the settlement of insurance claims, and (3) distributions received from equity method investees. The Institute is currently evaluating the impact of this ASU and plans to adopt ASU 2016-15 for the year ending June 30, 2020.

The FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*: which requires that the statement of cash flows explains the change in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents for the fiscal year. The Institute is currently evaluating the impact of this ASU and plans to adopt ASU 2016-18 for the year ended June 30, 2020.

(2) Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 were as follows:

		2019	2018
Amounts expected to be collected:			
Less than one year	$	5,450,000	10,175,180
One to five years		11,719,901	16,869,901
		17,169,901	27,045,081
Discount for present value (1.74%–2.81%)		(1,218,768)	(2,938,888)
Total	$	15,951,133	24,106,193

At June 30, 2019 and 2018, 97% and 78% of gross contributions receivable and 21% and 43% of contributions revenue are from four donors, respectively.

During fiscal year 2011, the Institute received two conditional pledges totaling $100 million to enhance the Institute's endowment fund. The pledges were conditioned on the Institute raising an additional $100 million in cash or pledges from third-party donors in the period January 1, 2011 through June 30, 2015, which have been met. The conditional pledge payments began in June 2011 and will continue through June 30, 2022. As of June 30, 2019 and 2018, the Institute has recorded revenue totaling approximately $100.5 million and $97.8 million, respectively, relating to these conditional pledges.

(3) Liquidity and Availability of Resources

Resources available to the Institute to fund general expenditures have seasonal variations during the year attributable to a concentration of contributions received at calendar and fiscal year-end and transfers from the endowment. The Institute actively manages its resources to align its cash inflows with anticipated outflows, including approving the endowment draw rate in accordance with policies approved by its Board of Trustees. As further described in note 8, the Institute has lines of credit which may be drawn on, if needed, to manage cash flows.

Financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal and interest payments on debt, and capital constructions costs not financed with debt, at June 30, 2019 and 2018 were as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 5,129,094	2,046,757
Accounts receivable due less than 1 year, net	69,949	250,685
Mortgages receivable due less than 1 year, net	561,260	579,277
Contributions receivable due less than 1 year	5,450,000	10,175,180
Endowment appropriated for expenditure – operations	47,557,100	44,626,900
Total financial assets available within one year	58,767,403	57,678,799
Liquidity resources:		
Lines of credit	50,000,000	50,000,000
Total financial assets and liquidity resources available within one year	$ 108,767,403	107,678,799

(4) Investments, Funds Held by Bond Trustee, and Beneficial Interest in Remainder Trust

(a) Overall Investment Objective

The overall investment objective of the Institute is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and capital preservation. The Institute diversifies its investments among various managers and investment opportunities. Substantially all of the investments are pooled with each individual fund subscribing to or disposing of units on the basis of the market value per unit, determined on a quarterly basis. Major investment decisions are authorized by the Board's Investment Committee, which oversees the Institute's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Institute may hold shares or units in traditional institutional funds, traditional stocks and fixed-income securities. as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds

with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. 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 following tables summarize the Institute's investments and other assets at fair value by major category in the fair value hierarchy as of June 30, 2019 and 2018, as well as related strategy, liquidity, and funding commitments:

	June 30, 2019				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Investments:					
Long-term investment strategies:					
Hedge funds – onshore:					
Emerging markets	$ 494,770	—	—	—	494,770
Multiple strategies	45,728,879	—	—	—	45,728,879
Total	46,223,649	—	—	—	46,223,649
Hedge funds – offshore:					
Structured credit	16,218,967	—	—	—	16,218,967
Distressed/high-yield	990,139	—	—	—	990,139
Emerging markets	10,934	—	—	—	10,934
Equities – long bias	17,934,730	—	—	—	17,934,730
Equities – long/short	31,279,081	—	—	—	31,279,081
Fixed income arbitrage	25,040,305	—	—	—	25,040,305
Multiple strategies	194,744,214	—	—	—	194,744,214
Quantitative/CTA	70,983,674	—	—	—	70,983,674
Insurance	35,780,986	—	—	—	35,780,986
Bio tech/healthcare	32,841,186	—	—	—	32,841,186
Discretionary macro	16,280,036	—	—	—	16,280,036
Energy trading	152,313	—	—	—	152,313
Total	$ 442,256,565	—	—	—	442,256,565
Limited partnerships	216,388,962	—	—	—	216,388,962
Exchange-traded funds	9,882,000	9,882,000	—	—	—
Cash and cash equivalents	71,685,551	71,685,551	—	—	—

	June 30, 2019				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Other investments:					
Assets held under split-interest agreements:					
Cash and cash equivalents	$ 55,761	55,761	—	—	—
Fixed income securities	3,632,860	—	—	3,632,860	—
Total investments	$ 790,125,348	81,623,312	—	3,632,860	704,869,176
Other assets:					
Beneficial interest in remainder trust	$ 1,968	1,968	—	—	—
Funds held by bond trustee:					
U.S. government obligations	872,355	—	872,355	—	—
Total other assets	$ 874,323	1,968	872,355	—	—

	June 30, 2018				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Investments:					
Long-term investment strategies:					
Hedge funds – onshore:					
Emerging markets	$ 525,853	—	—	—	525,853
Multiple strategies	46,377,701	—	—	—	46,377,701
Total	46,903,554	—	—	—	46,903,554
Hedge funds – offshore:					
Structured credit	15,778,348	—	—	—	15,778,348
Distressed/high-yield	1,095,899	—	—	—	1,095,899
Emerging markets	25,332	—	—	—	25,332
Equities – long bias	19,569,096	—	—	—	19,569,096
Equities – long/short	56,970,468	—	—	—	56,970,468
Fixed income arbitrage	23,512,649	—	—	—	23,512,649
Multiple strategies	192,052,446	—	—	—	192,052,446
Quantitative/CTA	88,291,229	—	—	—	88,291,229
Quantitative equity long/short	11,523,826	—	—	—	11,523,826
Insurance	32,702,355	—	—	—	32,702,355
Bio tech/healthcare	30,308,671	—	—	—	30,308,671
Discretionary macro	18,065,459	—	—	—	18,065,459
Energy trading	1,016,895	—	—	—	1,016,895
Total	$ 490,912,673	—	—	—	490,912,673
Limited partnerships	196,847,254	—	—	—	196,847,254
Cash and cash equivalents	70,648,379	70,648,379	—	—	—

(Continued)

	June 30, 2018				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Other investments:					
Assets held under split-interest agreements:					
Cash and cash equivalents	$ 73,647	73,647	—	—	—
Fixed income securities	3,797,307	—	—	3,797,307	—
Total investments	$ 809,182,814	70,722,026	—	3,797,307	734,663,481
Other assets:					
Beneficial interest in remainder trust	$ 1,066,466	—	—	1,066,466	—
Funds held by bond trustee:					
U.S. government obligations	852,322	—	852,322	—	—
Total other assets	$ 1,918,788	—	852,322	1,066,466	—

The following tables present the Institute's activities for the years ended June 30, 2019 and 2018 for investments classified in Level 3:

	2019		
	Assets held under split-interest agreement		
Level 3 roll forward	Fixed income securities	Beneficial interest in remainder trust	Total
Fair value at June 30, 2018	$ 3,797,307	1,066,466	4,863,773
Dispositions	(267,729)	(1,025,173)	(1,292,902)
Net appreciation (realized and unrealized)	103,282	(41,293)	61,989
Fair value at June 30, 2019	$ 3,632,860	—	3,632,860

	2018		
	Assets held under split-interest agreement		
Level 3 roll forward	**Fixed income securities**	**Beneficial interest in remainder trust**	**Total**
Fair value at June 30, 2017	$ 3,748,875	1,061,403	4,810,278
Dispositions	(276,218)	—	(276,218)
Net appreciation (realized and unrealized)	324,650	5,063	329,713
Fair value at June 30, 2018	$ 3,797,307	1,066,466	4,863,773

The Institute's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between investments classified as Level 1 and Level 2 for the years ended June 30, 2019 or 2018. For the year ended June 30, 2019, the beneficial interest in remainder trust investment transferred out of Level 3 and into Level 1. There were no transfers in or out of investments classified as Level 3 for the years ended June 30, 2018.

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the Institute may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Institute cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur, they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain. As of June 30, 2019, the Institute is obligated under certain limited partnership agreements to advance additional funding in the amount of $126,688,129, which is anticipated to be called over the next 10 years.

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

		Investment fair values
Investment redemption or sale period:		
Daily	$	71,685,551
Monthly		85,237,588
Quarterly		105,189,114
Semiannually		70,370,603
Annually		84,932,156
Subject to rolling lock ups or other restrictions		149,380,261
Illiquid		223,330,075
Total as of June 30, 2019	$	790,125,348

(c) Funds Held by Bond Trustee

Funds held by bond trustee represent funds held for debt service payments to be made for the various bond indentures. These funds are being held in trust by U.S. Bank.

(d) Redemption Restrictions – Hedge Funds

At June 30, 2019, the Institute had hedge fund investments of approximately $488,480,000, of which approximately $67,692,350 was restricted from redemption for lock-up periods. At June 30, 2018, the Institute had hedge fund investments of approximately $537,816,000, of which approximately $75,963,700 was restricted from redemption for lock-up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 30 to 180 days' notice after the initial lock-up period.

The expirations of redemption lock-up periods are summarized in the table below:

		Amount
Fiscal year:		
2020	$	38,966,420
2021		25,473,440
2022 and thereafter		3,252,490
Total	$	67,692,350

(e) Redemption Restrictions – Limited Partnerships

At June 30, 2019 and 2018, the Institute had limited partnership investments of approximately $216,389,000 and $196,847,300, respectively, which were restricted from redemption for lock-up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 30 to 180 days' notice after the initial lock-up period.

The expirations of redemption lock-up periods are summarized in the table below:

		Amount
Fiscal year:		
2020	$	28,738,500
2021		4,008,930
2022		34,636,600
2023		12,122,710
2024		15,542,670
2025 and thereafter		121,339,590
Total	$	216,389,000

(5) Investment Return and Endowment Spending Policy

Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments. Each year, the Institute includes a portion of its endowment return in its operating budget, with the amount of such planned support determined using its spending policy. The policy of the Institute is to distribute for current spending a percentage of the fair value of pooled investments, which is determined by the Board of Trustees annually. The budgeted spending rate for operating and capital purposes was 6.84% and 6.16% for 2019 and 2018, respectively. The actual spending rate for operating and capital purposes was 5.96% and 5.75% for 2019 and 2018, respectively.

The following tables summarize the investment return and its classification in the statements of activities for the years ended June 30, 2019 and 2018:

		2019		
		Without donor restrictions	With donor restrictions	Total
Investment income, net of investment expenses	$	(791,049)	(1,370,856)	(2,161,905)
Net appreciation (realized and unrealized)		15,435,982	18,823,341	34,259,323
	$	14,644,933	17,452,485	32,097,418

	2018		
	Without donor restrictions	With donor restrictions	Total
Investment income, net of investment expenses	$ (1,066,685)	(1,722,859)	(2,789,544)
Net appreciation (realized and unrealized)	27,786,300	31,945,883	59,732,183
	$ 26,719,615	30,223,024	56,942,639

(6) Endowment

The Institute's endowment consists of approximately 120 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 endowments, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Institute has interpreted the New Jersey-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Institute to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the Institute determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in a donor-restricted endowment fund are donor-restricted assets until appropriated for expenditure by the Board of Trustees of the Institute. As a result of applicable accounting guidance, the Institute 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) the 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. The remaining portion of the donor-restricted endowment fund that is not classified as endowment fund corpus within the net assets with donor restrictions is classified as net assets with donor purpose restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the original corpus the fund included in net assets with donor restrictions due to unfavorable market fluctuations subsequent to the investment of the gift. Under the provisions of UPMIFA, spending from such endowment funds with deficiencies would be permitted. Deficiencies of this nature, which are reported in net assets with donor restrictions, totaled approximately $2,086,000 and $1,952,000 at June 30, 2019 and 2018, respectively. Subsequent gains that restore the fair value of the assets of the donor-purpose restricted endowment fund are classified as an increase in net assets with donor restrictions.

Below is a schedule which represents the composition of the Institute's endowment funds and funds designated by the Board of Trustees to function as endowments by type of fund as of June 30, 2019 and 2018:

	2019			
	Without donor restrictions	With donor restrictions		
		Original gift	Accumulated gains	Total
Undesignated	$ 207,880,560	—	—	207,880,560
Specific purpose designated funds	132,573,325	—	—	132,573,325
Donor – purpose restricted funds	—	10,836,804	166,145,736	176,982,540
Endowment fund corpus	—	258,946,153	—	258,946,153
	$ 340,453,885	269,782,957	166,145,736	776,382,578

	2018			
	Without donor restrictions	With donor restrictions		
		Original gift	Accumulated gains	Total
Undesignated	$ 220,599,374	—	—	220,599,374
Specific purpose designated funds	131,472,898	—	—	131,472,898
Donor-restricted funds	—	8,336,803	171,021,471	179,358,274
Endowment fund corpus	—	253,636,411	—	253,636,411
	$ 352,072,272	261,973,214	171,021,471	785,066,957

Changes in the Institute's endowment funds and funds designated by the Board of Trustees to function as endowments for the fiscal years ended June 30, 2019 and 2018 were as follows:

	Without donor restrictions	With donor restrictions		Total
		Original gift	Accumulated gains	
Net assets, June 30, 2017	$ 345,616,287	256,078,368	161,944,422	763,639,077
Investment returns:				
Investment income, net	(1,368,357)	—	(1,587,839)	(2,956,196)
Net appreciation (realized and unrealized)	27,786,300	—	31,769,170	59,555,470
Total investment return	26,417,943	—	30,181,331	56,599,274
Contributions	137,000	5,894,846	—	6,031,846
Appropriation for expenditure – operations	(20,098,958)	—	(21,104,282)	(41,203,240)
Net assets, June 30, 2018	352,072,272	261,973,214	171,021,471	785,066,957
Investment returns:				
Investment income, net	(1,075,587)	—	(1,343,894)	(2,419,481)
Net appreciation (realized and unrealized)	15,435,982	—	18,842,518	34,278,500
Total investment return	14,360,395	—	17,498,624	31,859,019
Contributions	52,000	7,809,743	—	7,861,743
Appropriation for expenditure – operations	(26,030,782)	—	(22,374,359)	(48,405,141)
Net assets, June 30, 2019	$ 340,453,885	269,782,957	166,145,736	776,382,578

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted "true" endowment funds may fall below the level of the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2019 and 2018, funds with an original gift of $3,087,675 and $2,987,675 were "underwater" by $2,086,798 and $1,952,195, respectively.

(c) Return Objectives and Risk Parameters

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

(d) Strategies Employed for Achieving Objectives

The Institute manages its investments in accordance with a total return concept and the goal of maximizing returns within acceptable levels of risk. The Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest). The Institute's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment.

(7) Physical Plant

Physical plant and equipment are stated at cost at date of acquisition, less accumulated depreciation.

A summary of plant assets at June 30, 2019 and 2018 is as follows:

		2019	2018
Land	$	373,738	373,738
Land improvements		3,013,115	2,983,905
Buildings and improvements		188,798,187	175,816,514
Equipment		38,261,197	37,229,054
Rare book collection		203,508	203,508
Joint ownership property		5,131,177	4,728,370
		235,780,922	221,335,089
Accumulated depreciation		(105,523,276)	(99,164,381)
Net book value	$	130,257,646	122,170,708

(8) Long-Term Debt

A summary of long-term debt at June 30, 2019 and 2018 is as follows:

		2019	2018
2006 Series B – NJEFA	$	19,500,000	21,100,000
2006 Series C – NJEFA		14,300,000	14,900,000
2008 Series C – NJEFA		1,420,000	2,090,000
2012 Taxable		14,915,000	15,325,000
2015 Taxable		14,355,000	14,675,000
2017 Taxable		24,495,000	25,000,000
Long-term debt		88,985,000	93,090,000
Less:			
Unamortized bond discount		(274,115)	(297,976)
Unamortized debt issuance costs		(690,096)	(752,349)
Total long-term debt	$	88,020,789	92,039,675

Interest expense on long-term debt for the years ended June 30, 2019 and 2018 was $3,207,818 and $2,946,063, respectively.

(a) 2006 Series B

In July 2006, the Institute received proceeds of the New Jersey Educational Facilities Authority (the Authority) offering of $29,600,000 Revenue Bonds, 2006 Series B of the Institute for Advanced Study Issue. The 2006 Series B Bonds were issued to finance the advance refunding of the outstanding 1997 Series G Bonds, the partial advance refunding of the 2001 Series A Bonds, and to pay a portion of certain costs incidental to the sale and issuance of the 2006 Series B Bonds.

(b) 2006 Series C

In March 2007, the Institute received proceeds of the Authority offering of $20,000,000 Revenue Bonds, 2006 Series C of the Institute for Advanced Study Issue. Proceeds are being used to finance the costs of construction, renovating, and equipping certain educational facilities of the Institute to fund capitalized interest on the 2006 Series C Bonds during the renovation and construction and to pay certain costs incidental to the sale and issuance of the 2006 Series C Bonds.

(c) 2008 Series C

In March 2008, the Institute received proceeds of the Authority offering of $11,255,000 Revenue Bonds, 2008 Series C of the Institute for Advanced Study Issue. The 2008 Series C Bonds were issued to finance the advance refunding of outstanding 1997 Series F Bonds, the advance refunding of outstanding 1997 Series G, and to pay a portion of certain costs incidental to the sale and issuance of the 2008 Series C Bonds.

(d) 2012 Taxable

In December 2012, the Institute received proceeds of $17,320,000 Taxable Bonds, 2012 Series of the Institute for Advanced Study Issue, which were issued at a discount of approximately $92,000. The 2012 Taxable Bonds were used to finance the advance refunding of outstanding 2001 Series A Bonds, to fund renovations to the Members Housing facility and the costs of renovation and equipping certain educational facilities of the Institute and to pay certain costs incidental to the sale and issuance of the 2012 Taxable Bonds.

(e) 2015 Taxable

In November 2015, the Institute received proceeds of $15,300,000 Taxable Bonds, 2015 Series of the Institute for Advanced Study Issue, which were issued at a discount of approximately $80,000. The 2015 Taxable Bonds were used to fund capital projects at the Institute and for other corporate purposes of the Institute and to pay certain costs incidental to the sale and issuance of the 2015 Taxable Bonds.

(f) 2017 Taxable

In November 2017, the Institute received proceeds of $25,000,000 Taxable Bonds, 2017 Series of the Institute for Advanced Study Issue, which were issued at a discount of approximately $84,000. The 2017 Taxable Bonds were used to fund capital projects at the Institute and for other corporate

purposes of the Institute and to pay certain costs incidental to the sale and issuance of the 2017 Taxable Bonds.

(g) Interest Rates

The 2006 Series B and C Bonds bear interest at variable rates. The bonds were issued in the weekly mode with weekly rates determined by Lehman Brothers Inc., as a Remarketing Agent and paid monthly. The maximum interest rate on the 2006 Bonds shall be twelve percent (12%) per annum. The 2006 bonds are subject to redemption at various prices and require principal payments and sinking fund installments through July 1, 2031 (Series B) and July 1, 2036 (Series C). The obligation to pay the Authority on a periodic basis, in the amounts sufficient to cover principal and interest due on the bonds, is a general obligation of the Institute. On September 18, 2008, the Institute entered into a contract with JPMorgan Chase Bank to take over as a remarketing agent, replacing Lehman Brothers Inc.

The 2008 Series C Bonds bear interest at rates ranging from 3% to 5% per annum, payable semiannually, are subject to redemption at various prices and require principal payments and sinking fund installments through July 1, 2021. The obligation to pay the Authority on a periodic basis, in the amounts sufficient to cover principal and interest due on the bonds, is a general obligation of the Institute.

The 2012 Taxable bonds bear interest at rates ranging from 0.388% to 3.892% per annum, payable semiannually, are subject to redemption at various prices and require principal payments and sinking fund installments through December 1, 2042. The obligation to make the interest payments on a periodic basis, in the amounts sufficient to cover principal and interest due on the bonds, is a general obligation to the Institute.

The 2015 Taxable bonds bear interest at rates ranging from 0.906% to 4.394% per annum, payable semiannually, are subject to redemption at various prices and require principal payments and sinking fund installments through December 1, 2045. The obligation to make the interest payments on a periodic basis, in the amounts sufficient to cover principal and interest due on the bonds, is a general obligation to the Institute.

The 2017 Taxable bonds bear interest at rates ranging from 1.713% to 3.732% per annum, payable semiannually, are subject to redemption at various prices and require principal payments and sinking fund installments through November 1, 2047. The obligation to make the interest payments on a periodic basis, in the amounts sufficient to cover principal and interest due on the bonds, is a general obligation to the Institute.

(h) Bond Swap Agreement

On December 22, 2008, the Institute entered into a swap agreement with Wells Fargo Bank covering $28,900,000 of outstanding 2006 Series B Bonds that required the Institute to pay a fixed rate of 3.7702% to Wells Fargo Bank in exchange for Wells Fargo Bank agreeing to pay the Institute a variable rate equal to 67% of the USD-LIBOR-BBA rate with a term of three months, payable monthly, on an identical notional amount. The notional value of the 2006 Series B Bond is $22,300,000. The effective date of the swap was December 22, 2008, and the termination date of the swap agreement coincides with the maturity of the bonds, which is July 1, 2031.

The Institute entered into this swap agreement with the intention of lowering its effective interest rate. At June 30, 2019 and 2018, the fair value of the interest rate swap was ($2,788,944) and ($2,316,450), respectively. The unrealized gain recognized during the years ended June 30, 2019 and 2018 in the amount of ($472,494) and $1,130,869, respectively, is reported in the statements of activities in change in fair value of bond swap liability. The swap agreement utilizes Level 2 inputs to measure fair value. The fair value of the interest rate swap was determined using pricing models developed based on the LIBOR swap rate and other market data. Under the swap agreement, the Institute may be required to post collateral to the counterparty if certain triggering events (rates and dollar thresholds) are met. As of June 30, 2019 and 2018, there was no requirement to post collateral imposed by the swap counterparty.

The bonds are repayable as follows at June 30, 2019:

		Amount
Year ending June 30:		
2020	$	4,275,000
2021		4,325,000
2022		3,735,000
2023		3,965,000
2024		4,105,000
2025 through 2048		68,580,000
Total	$	88,985,000

The 2006 Series B, 2006 Series C, and 2008 Series C bonds are secured by a pledge of revenues pursuant to the respective Loan Agreements.

(i) Lines of Credit

As of June 30, 2019 and 2018, the Institute had unsecured loan agreements representing a line of credit. As of June 30, 2019 and 2018, the agreements provide for borrowings up to $50,000,000, of which $30,000,000 is available through June 2020 and $20,000,000 is available through March 2022. Interest payments are due on demand and interest accrues for the $20,000,000 line of credit at the LIBOR rate plus 90 basis points, which was 3.18% as of June 30, 2019 and for the $30,000,000 line of credit at LIBOR rate plus 50 basis points, which is 2.78% as of June 30, 2019. There were no borrowings in fiscal year 2019 or 2018 against the lines of credit. No interest expense was incurred for the years ended June 30, 2019 and 2018.

(j) Standby Bond Purchase Agreement

On July 17, 2017, in connection with the substitution of the Standby Bond Purchase Agreements, the 2006 Bonds were subject to mandatory tender for purchase and were remarketed with an alternate liquidity facility on July 17, 2017. The 2006 Bonds continue to be in the Weekly Mode, with J.P. Morgan Securities LLC serving as a Remarketing Agent for the Bonds. Each Series of the 2006 Bonds are secured by a new Standby Bond Purchase Agreement issued by TD Bank, N.A.

(9) Pension Plans and Other Postretirement Benefits

Separate voluntary defined-contribution retirement plans are in effect for faculty members and eligible staff personnel, both of which provide for annuities, which are funded, to the Teachers Insurance and Annuity Association and/or the College Retirement Equities Fund. Contributions are based on the individual participant's compensation in accordance with the formula set forth in the plan documents on a nondiscriminatory basis. Contributions for the years ended June 30, 2019 and 2018 totaled approximately $2,666,000 and $2,389,000, respectively.

In addition to providing pension benefits, the Institute provides certain health care and life insurance benefits for retired employees and faculty. Substantially, all of the Institute's employees may become eligible for these benefits if they meet minimum age and service requirements. The Institute accrues these benefits over a period in which active employees become eligible under existing benefit plans.

The components of net periodic postretirement benefit cost other than the service cost component are included in a line item in the nonoperating activities section of the statement of activities.

The following table provides a reconciliation of the change in benefit obligation of the plan at June 30, 2019 and 2018. There are no plan assets at June 30, 2019 or 2018.

		2019	2018
Postretirement benefit obligation:			
Retirees	$	6,494,495	6,508,512
Fully eligible active plan participants		3,012,837	3,014,814
Other active plan participants		10,077,450	8,785,626
Postretirement benefit obligation	$	19,584,782	18,308,952
Change in benefit obligation:			
Benefit obligation at beginning of year	$	18,308,952	17,832,643
Service cost		800,235	799,501
Interest cost		745,173	680,320
Benefits paid		(450,870)	(437,552)
Actuarial gain		181,292	(565,960)
Benefit obligation at end of year	$	19,584,782	18,308,952
Components of net periodic benefit cost:			
Service cost	$	800,235	799,501
Interest cost		745,173	680,320
Amortization of net gain		181,292	(565,960)
Net periodic postretirement benefit cost	$	1,726,700	913,861

	2019	2018
Benefit obligation weighted average assumptions at June 30, 2019 and 2018:		
Discount rate	3.50 %	4.13 %
Periodic benefit cost weighted average assumptions for the years ended June 30, 2019 and 2018:		
Discount rate	4.13 %	3.87 %

The healthcare trend rate is assumed to be 6.5% in fiscal 2019 and 6.0% in fiscal 2018, trending to an ultimate rate of 5.0% in 2028 and thereafter.

The effects of a 1% increase or decrease in trend rates on total service and interest cost and the postretirement benefit obligation are as follows:

	2019		2018	
	Increase	Decrease	Increase	Decrease
Effect on total service and interest cost	$ 465,436	(334,858)	461,657	(323,423)
Effect on the postretirement benefit obligation	4,924,714	(3,542,289)	4,236,423	(3,129,519)

Projected payments for each of the next five fiscal years and thereafter through 2029 are as follows:

	Amount
Year ending June 30:	
2020	$ 493,000
2021	502,000
2022	518,000
2023	541,000
2024	574,000
2025 through 2029	3,467,000

The Institute funds claims as they are incurred. The Institute does not expect to contribute any amounts in fiscal year 2019 or 2018, except as needed to provide for benefit payments.

(10) Natural Allocation of Expenses

The costs of providing program services and support services of the Institute have been summarized on a functional basis in the statement of activities. The following chart shows the relationship between the functional and natural classifications of expenses. Certain operating costs have been allocated among the functional categories as disclosed in note 1(b).

Expenses by natural classification for the year ended June 30, 2019 consist of the following:

	2019							
	Schools of				Library	Administration		
	Mathematics	Natural Sciences	Historical Studies	Social Science	and other Academic	and general	Auxiliary Activity	Total
Salaries	$ 2,663,909	3,597,476	3,576,217	1,052,821	1,614,822	9,660,809	1,947,108	24,113,162
Stipends	5,069,737	3,612,469	2,451,392	1,328,841	138,950	—	—	12,601,389
Employee benefits and taxes	1,057,075	1,389,777	1,355,750	385,194	545,894	3,454,253	588,689	8,776,632
Materials and supplies	39,831	98,981	40,315	44,193	84,766	817,788	455,854	1,581,728
Conferences and travel	506,039	535,660	493,234	152,048	1,809,252	1,112,078	653,273	5,261,584
Insurance, legal and professional fees	34,488	369,590	379,405	8,900	755,894	2,923,323	211,354	4,682,954
Occupancy (inc. utilities and real estate taxes)	—	—	—	—	—	850,000	1,402,842	2,252,842
Interest expense	—	—	—	—	—	1,690,559	1,517,259	3,207,818
Books and periodicals	127	3,533	1,396	333	741,664	10,904	794	758,751
Other expenses	644,251	882,720	388,021	193,394	410,863	129,432	35,615	2,684,296
Depreciation	14,484	89,462	36,990	4,042	139,687	2,360,802	3,883,270	6,528,737
Subtotal	10,029,941	10,579,668	8,722,720	3,169,766	6,241,792	23,009,948	10,696,058	72,449,893
Academic building allocation	1,236,677	1,583,658	1,064,935	533,648	—	(4,418,918)	—	—
	$ 11,266,618	12,163,326	9,787,655	3,703,414	6,241,792	18,591,030	10,696,058	72,449,893

Expenses by natural classification for the year ended June 30, 2018 consist of the following:

	2018							
	Schools of				Library	Administration		
	Mathematics	Natural Sciences	Historical Studies	Social Science	and other Academic	and general	Auxiliary Activity	Total
Salaries	$ 3,271,580	3,513,247	2,639,523	903,076	1,607,712	9,033,173	1,975,882	22,944,193
Stipends	4,412,930	3,236,985	2,489,233	1,413,776	91,300	—	—	11,644,224
Employee benefits and taxes	1,663,230	1,703,428	1,373,816	507,626	580,806	3,127,934	594,766	9,551,606
Materials and supplies	34,494	46,180	39,335	39,271	85,724	676,351	327,313	1,248,668
Conferences and travel	537,269	530,977	374,454	188,021	1,552,742	1,161,446	611,155	4,956,064
Insurance, legal and professional fees	110,352	367,271	119,192	18,475	398,448	2,458,341	178,433	3,650,512
Occupancy (inc. utilities and real estate taxes)	—	—	—	—	—	773,773	1,331,123	2,104,896
Interest expense	—	—	—	—	—	1,470,640	1,475,422	2,946,062
Books and periodicals	94	3,569	8,280	—	847,127	18,485	1,324	878,879
Other expenses	680,064	749,023	210,525	168,941	1,107,970	43,430	24,465	2,984,418
Depreciation	43,001	89,151	36,963	4,025	136,443	2,016,453	3,443,742	5,769,778
Subtotal	10,753,014	10,239,831	7,291,321	3,243,211	6,408,272	20,780,026	9,963,625	68,679,300
Academic building allocation	1,146,299	1,467,926	987,110	494,647	—	(4,095,982)	—	—
	$ 11,899,313	11,707,757	8,278,431	3,737,858	6,408,272	16,684,044	9,963,625	68,679,300

(11) Net Assets

Net assets are comprised of the following at June 30, 2019 and 2018:

		2019	2018
Net assets without donor restrictions:			
Undesignated	$	223,454,839	235,900,368
Designated for specific purpose funds:			
School of Mathematics		16,308,145	15,974,456
School of Natural Sciences		21,936,096	22,233,177
School of Historical Studies		17,251,781	17,143,252
School of Social Science		1,505,873	1,445,076
Libraries and other academic		70,895,415	70,207,753
Administration and general		4,676,015	4,469,184
Designated for specific purpose funds		132,573,325	131,472,898
Total net assets without donor restrictions	$	356,028,164	367,373,266
Net assets with donor restrictions and appropriation through endowment spending policy:			
Subject to expenditure for specific purpose:			
School of Mathematics	$	28,787,317	30,227,248
School of Natural Sciences		21,646,276	20,939,995
School of Historical Studies		36,675,554	38,004,769
School of Social Science		58,140,108	59,192,260
Libraries and other academic		6,624,038	6,595,422
Administration and general		56,790,270	58,313,850
Net assets with donor-purpose restrictions		208,663,563	213,273,544
Net assets held as endowed fund corpus to generate income for specified purposes		258,946,153	253,636,411
Total net assets with donor restrictions	$	467,609,716	466,909,955

(12) Subsequent Events

The Institute evaluated events subsequent to June 30, 2019 through October 28, 2019, the date on which the financial statements were issued, and determined there were no subsequent events required to be disclosed.