Calvin University

Financial Report
(Dollars in thousands)
June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
Calvin University

Report on the Financial Statements

We have audited the accompanying financial statements of Calvin University (the "University"), which comprise the balance sheet as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Calvin University 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 accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 3 to the financial statements, the University adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended June 30, 2019, applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Calvin University

As described in Note 6, the financial statements include investments of $69,806 and $64,977 (in thousands), or 20 and 19 percent of net assets, at June 30, 2019 and 2018, respectively, which have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of Calvin University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calvin University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 30, 2019

Balance Sheet

June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Assets		
Cash and cash equivalents	$ 12,430	$ 14,445
Investments (Note 4)	248,140	230,073
Accounts receivable - Net	6,042	6,098
Contributions receivable (Note 7)	10,296	8,478
Other assets:		
Other assets	3,002	2,437
Cash surrender value life insurance	1,587	1,602
Loans and notes receivable - Net	2,582	3,617
Property and equipment - Net (Note 8)	204,590	205,335
Total assets	**$ 488,669**	**$ 472,085**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 4,382	$ 3,250
Deferred tuition and fees	5,429	3,640
Annuity and trust obligations (Note 5)	5,602	5,800
Tuition gift certificates (Note 9)	4,271	4,365
Accrued liabilities and other:		
Accrued compensation	4,392	5,275
Other accrued liabilities	3,330	3,141
Refundable Federal Perkins Loan advances	4,102	4,090
Postretirement health benefits (Note 17)	13,902	12,279
Interest rate swaps (Note 12)	18,039	13,345
Debt obligations (Note 11)	75,492	76,504
Total liabilities	138,941	131,689
Net Assets (Note 15)		
Without donor restrictions	160,652	166,239
With donor restrictions	189,076	174,157
Total net assets	349,728	340,396
Total liabilities and net assets	**$ 488,669**	**$ 472,085**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018
(Dollars in thousands)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Student tuition and fees:						
Student tuition and fees	$ 121,482	$ -	$ 121,482	$ 120,104	$ -	$ 120,104
Less financial aid	(55,767)	-	(55,767)	(53,973)	-	(53,973)
Total net student tuition and fees	65,715	-	65,715	66,131	-	66,131
Auxiliary activities	21,781	-	21,781	21,715	-	21,715
Private gifts and grants	8,235	4,953	13,188	7,428	12,704	20,132
Government grants	2,486	4	2,490	2,928	66	2,994
Endowment earnings allocated for operations	765	5,064	5,829	759	4,983	5,742
Investment income	2,225	354	2,579	646	50	696
Other income	5,719	935	6,654	6,232	1,109	7,341
Total revenue, gains, and other support	106,926	11,310	118,236	105,839	18,912	124,751
Net Assets Released from Restrictions	13,395	(13,395)	-	12,184	(12,184)	-
Total revenue, gains, other support, and net assets released from restrictions	120,321	(2,085)	118,236	118,023	6,728	124,751
Operating Expenditures						
Program expenses:						
Instruction	45,567	-	45,567	47,393	-	47,393
Research	3,814	-	3,814	2,984	-	2,984
Public service	5,722	-	5,722	5,635	-	5,635
Academic support	11,581	-	11,581	11,175	-	11,175
Student services	19,574	-	19,574	20,117	-	20,117
Auxiliary activities	19,404	-	19,404	19,681	-	19,681
Support expenses - Institutional support	15,084	-	15,084	14,877	-	14,877
Operations and maintenance of facilities	8,427	-	8,427	9,016	-	9,016
Interest	4,150	-	4,150	4,275	-	4,275
Unfunded depreciation and amortization	6,537	-	6,537	6,580	-	6,580
Other	897	-	897	72	-	72
Less allocated expenses	(20,011)	-	(20,011)	(19,943)	-	(19,943)
Total operating expenditures	120,746	-	120,746	121,862	-	121,862
(Decrease) Increase in Net Assets from Operating Activities	(425)	(2,085)	(2,510)	(3,839)	6,728	2,889

See notes to financial statements.

Statement of Activities and Changes in Net Assets (Continued)

Years Ended June 30, 2019 and 2018

(Dollars in thousands)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating Activities						
Private gifts and grants	$ 163	$ 10,646	$ 10,809	$ 1,829	$ 7,910	$ 9,739
Endowment earnings allocated for operations	(765)	(5,064)	(5,829)	(759)	(4,983)	(5,742)
Investment income	1,728	11,374	13,102	1,875	9,418	11,293
Change in fair value of interest rate swap agreements	(4,695)	-	(4,695)	5,264	-	5,264
Change in the value of split-interest agreements	12	48	60	36	(10)	26
Adjustment to prior service cost and actuarial liability for retiree health plan	(1,605)	-	(1,605)	(87)	-	(87)
Total nonoperating activities	(5,162)	17,004	11,842	8,158	12,335	20,493
(Decrease) Increase in Net Assets	(5,587)	14,919	9,332	4,319	19,063	23,382
Net Assets - Beginning of year	166,239	174,157	340,396	161,920	155,094	317,014
Net Assets - End of year	**$ 160,652**	**$ 189,076**	**$ 349,728**	**$ 166,239**	**$ 174,157**	**$ 340,396**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018
(Dollars in thousands)

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 9,332	$ 23,382
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	6,537	6,580
Loss on disposal of property and equipment	1,375	89
Permanently restricted gifts and grants	(7,803)	(7,032)
Net realized and unrealized capital gains in investments	(10,703)	(8,472)
Change in value of cash surrender value of life insurance	15	880
Change in value of tuition gift certificates and units redeemed	(692)	(819)
Change in value of postretirement health benefit liability	1,605	87
Change in value of split-interest agreements	(531)	500
Change in value of interest rate swap agreements	4,695	(5,264)
Perkins loan administrative cost charge	(12)	85
Student loans advanced	-	(5)
Student loans collected	966	1,376
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(1,693)	(5,669)
Other assets	(565)	(432)
Accounts payable	1,132	439
Accrued compensation and other liabilities	(663)	958
Deferred tuition and fees	1,789	392
Amounts held for other organizations	(13)	(38)
Net cash and cash equivalents provided by operating activities	4,771	7,037
Cash Flows from Investing Activities		
Proceeds from sales of investments	27,651	19,401
Purchases of investments	(35,015)	(24,306)
Purchase of property and equipment	(7,165)	(3,890)
Net cash and cash equivalents used in investing activities	(14,529)	(8,795)
Cash Flows from Financing Activities		
Gifts and grants to be held in perpetuity	7,803	7,033
Payments on debt	(1,013)	(1,687)
Federal Perkins Loan (repayments) advances	23	(2,102)
Tuition gift certificates sold	598	821
Annuity and trust contracts received	891	56
Annuity and trust beneficiary payments	(559)	(577)
Net cash and cash equivalents provided by financing activities	7,743	3,544
Net (Decrease) Increase in Cash and Cash Equivalents	(2,015)	1,786
Cash and Cash Equivalents - Beginning of year	14,445	12,659
Cash and Cash Equivalents - End of year	**$ 12,430**	**$ 14,445**
Supplemental Cash Flow Information - Cash paid for interest	$ 4,150	$ 4,323

See notes to financial statements.

Note 1 - Nature of Business

Calvin University (the "University" or Calvin), founded in 1876, is an educational institution of the Christian Reformed Church of North America (CRCNA) and has its primary residential campus located in Grand Rapids, Michigan; additional campuses are located at Handlon Correctional Facility in Ionia, Michigan and the Lumina campus in Hong Kong. Dedicated to rigorous intellectual inquiry, Calvin students study the liberal arts and select from a broad range of majors and professional programs. The University fosters scholarship that creates new knowledge, performs creative work, and sustains natural and cultural resources. A Calvin education, marked by scholarly engagement with enduring questions and emerging concerns, prepares students to think deeply, act justly, and live wholeheartedly as Christ's agents of renewal in the world.

The University generates its operating revenue primarily from student tuition, auxiliary services, and contributions.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the University have been prepared on the basis of generally accepted accounting principles (GAAP). The financial statements of the University have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

Revenue Recognition of Tuition, Fees, and Other Student Revenue

The academic programs are offered in traditional fall and winter semesters along with an interim period in January. Revenue from tuition and student fees and sales and services of certain auxiliary enterprises (principally room and board) are recognized during the academic term. Tuition revenue is reported at the established rates, net of institutional financial aid and discounts provided directly by the University to students.

Scholarship Discounts and Allowances

Student tuition and fee revenue, and certain other revenue from students, is reported net of scholarship discounts and allowances in the statement of activities and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Note 2 - Significant Accounting Policies (Continued)

Measure of Operations

The University's measure of operations, as presented in the statement of activities and changes in net assets, includes revenue from tuition (net of certain institutional financial aid and discounts) and fees, grants and contracts, auxiliary activities (room and board), contributions for operating programs, and other revenue. Operating expenses are reported on the statement of activities and changes in net assets by functional classification.

The University's nonoperating activity within the statement of activities and changes in net assets includes long-term benefit plan obligation funding changes and amounts dedicated to future capital projects. These activities are not considered part of the University's operating cycle.

Cash and Cash Equivalents

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The University has cash equivalents included in its investment portfolio that are combined with total investments.

The University considers all cash and any other asset that can be converted into cash to be a financial asset for liquidity purposes.

Concentration of Credit Risk

The University maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The accounts, at times, exceed federally insured limits. The University evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash deposits.

Investments and Investment Return

Investments in equity and debt securities are reported at fair value. Other investments are valued at estimated fair value. See Note 6 for methods and assumptions used by the University in estimating fair value of investments.

Investment return includes dividend, interest, and other investment income and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without restrictions. Other investment return is reflected in the statement of activities and changes in net assets as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Note 2 - Significant Accounting Policies (Continued)

Student Loans Receivable

Student loans receivable are carried at unpaid principal balances less an allowance for uncollectible loans. The University considers a loan to be in default when it has been past due for a period of nine months. Past-due accounts are subject to internal collection efforts for a period of one year and are subsequently placed with third-party collection agencies for another year. If an account is still delinquent after the two-year collection period, the loan is assigned to the Department of Education, in the case of Federal Perkins Loans, or written off, in the case of institutional loans. The allowance for uncollectible accounts is calculated as the average of the outstanding loan balance multiplied by the cohort default rate and one-half of Federal Perkins Loans in default and one-half of institutional loans in default. The University has recorded an allowance for uncollectible loans of $871 as of June 30, 2019 and 2018. The Federal Perkins Loan Program has provisions for deferment, forbearance, and cancellation of individual loans. The deferment and forbearance provisions of the Federal Perkins Loan Program are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

The Federal Perkins Loan Program expired as of September 30, 2017. As of June 30, 2019, the University has made $1,063 in institutional capital contributions, which are reflected as part of the University's refundable Federal Perkins Loan advances. Under current guidance issued by the Department of Education, at the time the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University will be forgoing its institutional capital contribution not yet received back through loan collections.

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable are reported net of any anticipated losses due to uncollectible accounts. The collectibility of individual accounts is evaluated at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level that, in management's judgment, is adequate to absorb potential losses inherent to the receivable portfolio. The allowance as of June 30, 2019 and 2018 is $300.

Property and Equipment

Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which is 7 to 80 years for buildings and improvements and 3 to 15 years for furniture and equipment. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Tuition and Fees

The University receives advance payments on tuition, fees, and various summer camp programs, which are reported as deferred revenue and recognized when earned.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as contributions without donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the University are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the University.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the University or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Government Grants

The University has been awarded several grants from the federal and state governments. These grants are primarily paid on an expense reimbursement basis and are recorded as revenue as the funds are expended.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a natural classification and functional basis in Note 19.

Fundraising costs are charged to expense as incurred. Total fundraising costs totaled approximately $3,110 and $3,354 for the years ended June 30, 2019 and 2018, respectively, and are included within institutional support on the statement of activities and changes in net assets. The financial statements include certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations performed within the financial statements include fringe benefit expenses, federal work-study reimbursement, capitalized expenses, interest, depreciation, and facilities expenses. Fringe benefit expenses are allocated based on the relative salaries and wages of the function. Federal work-study reimbursements are allocated based on student wages. All other costs are allocated based on square footage of departments. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Taxes

The University is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 30, 2019, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the University's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The University has not yet determined which application method it will use.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the University’s year ending June 30, 2020 and will be applied on a modified prospective basis. The University does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 3 - Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the University adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the University, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: Net assets of $58,289 previously reported as temporarily restricted net assets and net assets of $116,241 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions, and $372 of underwater endowments previously included in net assets without donor restrictions have been reclassified to net assets with donor restrictions. The disclosures of quantitative and qualitative information about liquidity and availability of resources is not comparative, as allowed by the ASU.

(Dollars in thousands)

Note 4 - Investments

The details of the University's investments at June 30 are as follows:

	2019	2018
Cash and cash equivalents	$ 10,522	$ 13,244
U.S. equity	47,394	43,962
Non-U.S. equity	17,911	17,978
Investment-grade fixed income	79,252	65,006
Other fixed income	11,538	13,731
Tactical tilts	8,915	8,373
Services	2,768	2,768
Other	34	34
Alternatives	69,806	64,977
Total	$ 248,140	$ 230,073

Note 5 - Beneficial Interest and Obligations Under Split-interest Agreements

The University is the beneficiary of certain trusts held in trust by others, which represent resources neither in the possession nor under the control of the University, but held in perpetuity and administered by outside trustees, with the University deriving income from a portion of the assets held in such trusts. The beneficial interests (market value of assets) related to these agreements totaled $556 and $553 at June 30, 2019 and 2018, respectively, and are included in other assets on the balance sheet. The present value is computed using discount rates ranging from 2.2 to 8.2 percent.

The University is party to split-interest agreements with certain donors. These agreements include contracts entered into with certain donors and trust agreements from which the University benefits (charitable remainder unitrusts and irrevocable trusts). Under each agreement, the donor has contributed funds to be held in trust, with the University as the beneficiary. As a condition of accepting the gift, the University is required to pay a specified amount each year to the donor or a designated beneficiary until his or her death. Upon death of the beneficiaries, the remaining funds become the property of the University. The beneficial interests (market value of assets) related to these agreements totaled $6,448 and $6,681 at June 30, 2019 and 2018, respectively, and are included in investments. The University has recorded a liability at June 30, 2019 and 2018 of $4,189 and $4,343, respectively, which represents the present value of the future beneficiary obligations.

Obligations under split-interest agreements represent the present value of payments to beneficiaries required under the agreements. The present value is computed based on the normal life expectancy of beneficiaries, using discount rates ranging from 2.2 to 8.2 percent.

The University has been the recipient of several gift annuities that require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2019 and 2018 of $1,413 and $1,457, respectively, which represents the present value of the future annuity obligations. The liability has been determined using the present value based on interest rates in place at the date established, with rates ranging from 4.1 to 10.1 percent and the normal life expectancy of the annuity beneficiaries. The beneficial interests (market value of invested assets) related to these gift annuities totaled $2,345 and $2,440 at June 30, 2019 and 2018, respectively, and are included in investments.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the University’s assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the University to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy.

The University has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 and investments valued at NAV fair value measurements. These processes include at least semiannual meetings with the University's investment committee for calibration and review of the Level 3 investments and investments valued at NAV, monthly or quarterly fund manager statements, and annual audited financial statements. The University cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The University utilizes a third-party investment manager to monitor, participate in fund manager calls, and obtain underlying financial information on the Level 3 investments and investments valued at NAV.

(Dollars in thousands)

Note 6 - Fair Value Measurements (Continued)

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets				
Investments:				
Cash and money markets	$ 10,522	$ -	$ -	$ 10,522
U.S. equity	47,394	-	-	47,394
Non-U.S. equity	17,911	-	-	17,911
Investment-grade fixed income	79,252	-	-	79,252
Other fixed income	10,109	1,429	-	11,538
Tactical tilt mutual funds	8,915	-	-	8,915
Other	34	-	-	34
Investments measured at net asset value:				
U.S. equity				7,222
Non-U.S. equity				13,618
Hedge funds				8,757
Private equity				33,761
Total investments owned directly	174,137	1,429	-	238,924
Assets held in trusts - Investments measured at net asset value - Hedge funds				6,448
Other assets - Beneficial interest in trusts	-	-	556	556
Total investments	$ 174,137	$ 1,429	$ 556	245,928
Total assets				$ 245,928
Liabilities - Derivative financial instruments	$ -	$ 18,039	$ -	$ 18,039

(Dollars in thousands)

Note 6 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets				
Investments:				
Cash and money markets	$ 13,244	$ -	$ -	$ 13,244
U.S. equity	43,962	-	-	43,962
Non-U.S. equity	17,978	-	-	17,978
Investment-grade fixed income	65,006	-	-	65,006
Other fixed income	12,875	856	-	13,731
Tactical tilt mutual funds	8,373	-	-	8,373
Other	34	-	-	34
Investments measured at net asset value:				
U.S. equity				6,748
Non-U.S. equity				10,585
Hedge funds				39,086
Private equity				1,877
Total investments owned directly	161,472	856	-	220,624
Assets held in trusts - Investments measured at net asset value - Hedge funds				6,681
Other assets - Beneficial interest in trusts	-	-	553	553
Total investments	$ 161,472	$ 856	$ 553	227,858
Total assets				$ 227,858
Liabilities - Derivative financial instruments	$ -	$ 13,345	$ -	$ 13,345

The University also holds a certain service entity equity investment valued at $2,768 as of June 30, 2019 and 2018 that is excluded from the table above and is disclosed in Note 13.

The fair value of the beneficial interest in trusts included in the fair value tables is based on the market value of the trust assets with the University as the 100 percent beneficiary of the trust and also IRS published tables for the life expectancy of the beneficiaries, which range from 10 to 30 years.

The following tables set forth a summary of the changes in the fair value of the University's Level 3 assets for the years ended June 30, 2019 and 2018:

	Fair Value at July 1, 2018	Net Purchases and Issuances (Sales and Settlements)	Total Realized Gains (Losses)	Total Unrealized Gains	Net Transfers into (Out of) Level 3	Fair Value at June 30, 2019
Beneficial interest in trusts at fair value	$ 553	$ -	$ -	$ 3	$ -	$ 556

(Dollars in thousands)

Note 6 - Fair Value Measurements (Continued)

	Fair Value at July 1, 2017	Net Purchases and Issuances (Sales and Settlements)	Total Realized Gains (Losses)	Total Unrealized Losses	Net Transfers into (Out of) Level 3	Fair Value at June 30, 2018
Beneficial interest in trusts at fair value	$ 556	$ -	$ -	$ (3)	$ -	$ 553

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Transfers into and out of Level 3 are made because of the lack of or presence of observable market and activity for the securities. The University's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

Investments in Entities that Calculate Net Asset Value per Share

The University holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds (a)	$ 33,761	$ 14,997	Ineligible	N/A
Hedge funds (b)	15,205	-	Ineligible	N/A
Multimanager growth funds (c)	20,840	-	Ineligible	N/A
Total	$ 69,806	$ 14,997		

	Investments Held at June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds (a)	$ 32,252	$ 9,658	Ineligible	N/A
Hedge funds (b)	15,392	-	Ineligible	N/A
Multimanager growth funds (c)	17,333	-	Ineligible	N/A
Total	$ 64,977	$ 9,658		

(a) *Private Equity Funds* - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investment or coinvestment opportunities.

(Dollars in thousands)

Note 6 - Fair Value Measurements (Continued)

(b) *Hedge Funds* - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using net asset value per share of the investments. These investments can be redeemed, and, currently, there are no restrictions.

(c) *Multimanager Growth Funds* - The purpose is to provide long-term capital growth to endowment funds and nonprofit organizations. These funds invest in a portfolio of equity investments in small capitalization issuers domiciled in the U.S. and internationally or whose securities are principally traded in the U.S. and internationally. The equity investments may include common stock, preferred stock, securities convertible into common stock, warrants, rights, and American and international depositary receipts. In addition, such investments may include futures, options, swaps, and other instruments with similar economic exposures. These funds use a multimanager approach and generally seek to achieve their investment objective by dynamically allocating their assets among multiple investment managers who are unaffiliated with the investment advisor.

Note 7 - Contributions Receivable

The University has accepted contributions receivable for plant construction, endowment growth, debt repayment, academic enrichment, research, financial aid, and the Calvin Annual Fund. Unconditional promises to give are reflected at the present value of estimated future cash flows using average discount rate of 3.6 percent at June 30, 2019 and 2018. The average discount rate is calculated using the daily treasury yield curve based on the date of the gift received and the period of payment. Pledges are analyzed annually before year end for collectibility and written off at that time if deemed uncollectible; therefore, no allowance is recorded as of June 30, 2019 and 2018.

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows:

	2019	2018
Contributions collectible in less than one year	$ 4,238	$ 3,417
Contributions collectible in one to five years	6,569	5,562
Contributions collectible in greater than five years	204	173
Less present value discount	(715)	(674)
Net contributions receivable	$ 10,296	$ 8,478

Note 8 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Land	$ 6,682	$ 6,776
Buildings and improvements	234,865	234,376
Furniture and equipment	65,671	64,087
Construction in progress	3,034	978
Total cost	310,252	306,217
Less accumulated depreciation	105,662	100,882
Net property and equipment	$ 204,590	$ 205,335

Depreciation expense for 2019 and 2018 was $6,537 and $6,580, respectively.

(Dollars in thousands)

Note 9 - Tuition Gift Certificate Program

The University has established a gift certificate program to provide for the prepayment of tuition on behalf of a specified potential student. The cost of a unit is 1.0 percent of the current year's tuition for full-time enrollment. The relative value of the units purchased remains constant with any future rate increases. The University records the purchase price of the certificate in other liabilities on the balance sheet and recognizes the income in the year the certificate is redeemed. An adjustment is made annually to carry the liability of total outstanding units at the current unit price. This adjustment, which is the result of changes in tuition rates, is reflected in the financial statements as an offset to investment income.

	Units	Amounts
Balance at July 1, 2017	13,184	$ 4,363
Units sold	2,480	821
Units redeemed	(3,047)	(1,008)
Change in unit price of tuition certificates	12,617	189
Balance at June 30, 2018		4,365
Units sold	1,728	598
Units redeemed	(2,513)	(869)
Change in unit price of tuition certificates	11,832	177
Balance at June 30, 2019		$ 4,271

Note 10 - Line of Credit

The University holds an $11,000 unsecured line of credit for general operating purposes at the bank prime rate (5.50 and 4.25 percent at June 30, 2019 and 2018, respectively) or LIBOR plus 1.50 percent (3.93 and 3.52 percent at June 30, 2019 and 2018, respectively) and matures in October 2019. The outstanding balance on the line of credit was $0 at June 30, 2019 and 2018.

Note 11 - Long-term Debt

Long-term debt at June 30 is as follows:

	2019	2018
MFA Revenue Refunding Bonds of 2016, Series A, direct bank purchase obligations, due serially each September 1 in amounts ranging from $630 in 2019 to $2,400 in 2047. The bonds were issued at a variable interest rate and are hedged with the existing swaps, effectively converting the bonds to a fixed rate of 5.32 percent per annum, payable monthly	$ 37,770	$ 38,400
MFA Revenue Refunding Bonds of 2016, Series B, direct bank purchase obligations, due serially each September 1 in amounts ranging from $630 in 2019 to $2,400 in 2047. The bonds were issued at a variable interest rate and are hedged with the existing swaps, effectively converting the bonds to a fixed rate of 5.11 percent per annum, payable monthly	37,770	38,400
Other debt	328	115
Unamortized debt issuance costs	(376)	(411)
Long-term debt less unamortized debt issuance costs	$ 75,492	$ 76,504

(Dollars in thousands)

Note 11 - Long-term Debt (Continued)

The balance of the above debt matures as follows:

Years Ending	Amount
2020	$ 1,591
2021	1,426
2022	1,471
2023	1,520
2024	1,600
Thereafter	68,260
Unamortized debt discount	(376)
Total	$ 75,492

Interest expense for 2019 and 2018 was $4,150 and $4,275, respectively.

Under the agreements with the bank, the University is subject to various financial covenants, including the following:

- Maintain a historical debt service coverage ratio of at least 1.10 to 1.00, tested annually, at the end of each fiscal year.
- Maintain a liquidity ratio of at least 0.75 to 1.00 as of June 30 and December 31 of each year.

Effective June 21, 2018, the University refinanced the MFA Revenue Refunding Bonds of 2016, Series A and Series B. The refinancing agreements address the impact on the adjusted tax-exempt rate when there is an increase or decrease in the corporate tax rate. No other terms of the agreements were restated.

Note 12 - Interest Rate Swaps

The University is exposed to certain risks in the normal course of its business operations. The only derivatives used by the University are interest rate swaps, which are used to manage the risks associated with interest rates on variable rate borrowings. The University has elected not to apply hedge accounting on the interest rate swaps used. Therefore, the interest rate swaps are recorded at fair value on the balance sheet within other accrued expenses, and the gain or loss recognized on the swaps is recognized in the current year earnings.

At June 30, 2019 and 2018, the University had the following interest rate swap agreements:

					Notional Amount at June 30		Fair Value at June 30	
Description	Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	2019	2018	2019	2018
MFA Revenue Refunding Bonds of 2012, Series A	7/1/2016	9/1/2033	3.725%	79% of USD-LIBOR	$ 34,940	$ 37,505	$ 5,352	$ 4,143
MFA Revenue Refunding Bonds of 2012, Series B	7/1/2016	9/1/2037	3.623%	79% of USD-LIBOR	49,465	50,395	12,687	9,202
Total					$ 84,405	$ 87,900	$ 18,039	$ 13,345

For the year ended June 30, 2019 and 2018, the amounts of gain or loss and changes in fair value are recorded in the statement of activities and changes in net assets as nonoperating expenses.

(Dollars in thousands)

Note 13 - Related Party Transactions

The University has a 38.2 percent interest in Creative Dining Services, Inc., which is reported using the equity method and included in investments of the University. Creative Dining Services, Inc. provides catering services to the west Michigan area and several other midwestern states. Services acquired from Creative Dining Services, Inc. totaled $9,500 and $10,137 for the years ended June 30, 2019 and 2018, respectively.

The University provides a plan through which employees enrolled in courses at the University can receive tuition waivers. Such individuals must meet certain employment and academic requirements. Employees' dependents enrolled at the University can also receive tuition remission. Benefits under the plan do not vest. Total tuition charges waived under the plan during the years ended June 30, 2019 and 2018 totaled $3,664 and $3,310, respectively.

The University provides various services to Calvin Theological Seminary (the Seminary of the CRCNA), which is located adjacent to the University on property owned by the University. Various costs are allocated between the University and the seminary to the extent practicable. The seminary paid the University a monthly amount of $64 for these services rendered in 2019 and 2018. The seminary also reimburses the University for costs paid by the University on behalf of the seminary. At June 30, 2019 and 2018, the University had receivables from the seminary in the amounts of $134 and $217 respectively.

Note 14 - Employees' Retirement Plans

The University participates in a defined contribution plan, which covers substantially all full-time employees. The University may elect to make a discretionary matching contribution up to 2 percent of participants' salaries on a monthly basis to the Teachers Insurance and Annuity Association. The University's total contribution was approximately $3,335 and $3,921 for the years ended June 30, 2019 and 2018, respectively. All contributions vest immediately. Employees may also make voluntary contributions to this plan up to the limits allowed by law.

Note 15 - Net Assets

Net assets released from net assets with donor restriction consist of the following:

	2019	2018
Instructional	$ 1,289	$ 1,298
Research	824	625
Public service	3,996	3,868
Academic support	1,190	490
Student services	290	351
Institutional support	1,174	1,225
Operation and maintenance of plant	18	18
Financial aid	4,137	3,923
Gifts restricted for specific purpose	1,307	(472)
Donor redesignation of restriction	(830)	858
Total net assets released from restriction	$ 13,395	$ 12,184

(Dollars in thousands)

Note 15 - Net Assets (Continued)

Net assets without donor restriction consist of the following as of June 30:

	2019	2018
Net assets without donor restriction:		
Available for operations	$ 17,050	$ 16,264
University-designated for loan funds	182	322
Endowment investment earnings in excess of amounts spent and quasi-endowments	24,301	22,310
Gift portion of annuities held in the annuity fund	964	1,015
Investment in and funds designated for property and equipment - Net of related debt	150,096	151,951
Interest rate swap liability	(18,039)	(13,345)
Postretirement benefit obligation	(13,902)	(12,278)
Total net assets without donor restriction	$ 160,652	$ 166,239

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2019	2018
Net assets with donor restriction:		
Available for donor-specific projects and activities	$ 28,015	$ 27,492
Accumulated unappropriated earnings on endowments	33,841	27,905
Charitable remainder unitrusts	3,014	2,892
Endowments	124,117	115,779
Restricted to loan funds	89	89
Total net assets with donor restriction	$ 189,076	$ 174,157

Note 16 - Donor-restricted and Board-designated Endowments

The University's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Dollars in thousands)

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The University is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the University had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The University has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, 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 purpose 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 Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 23,929	$ -	$ 23,929
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	124,117	124,117
Accumulated investment gains	-	33,841	33,841
Total donor-restricted endowment funds	-	157,958	157,958
Total	$ 23,929	$ 157,958	$ 181,887

(Dollars in thousands)

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 22,311	$ 143,684	$ 165,995
Investment return	1,736	11,000	12,736
Contributions	-	7,803	7,803
Appropriation of endowment assets for expenditure	(1,138)	(4,692)	(5,830)
Other changes - Transfers to create board-designated endowment funds	1,020	163	1,183
Endowment net assets - End of year	$ 23,929	$ 157,958	$ 181,887

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 22,311	$ -	$ 22,311
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	116,152	116,152
Accumulated investment gains	-	27,532	27,532
Total donor-restricted endowment funds	-	143,684	143,684
Total	$ 22,311	$ 143,684	$ 165,995

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 19,962	$ 131,838	$ 151,800
Investment return	1,821	9,418	11,239
Contributions	-	7,033	7,033
Appropriation of endowment assets for expenditure	(760)	(4,982)	(5,742)
Other changes - Transfers to create board-designated endowment funds and donor redesignation	1,288	377	1,665
Endowment net assets - End of year	$ 22,311	$ 143,684	$ 165,995

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature exist in a donor-restricted endowment fund, which together have an original gift value of $1,659 and $5,788, a current fair value of $1,494 and $5,416, and a deficiency of $165 and $372 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that will achieve the stated endowment objectives within the constraints of a prudent level of investment risk.

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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year a certain percent of its endowment fund's average fair value over the prior 12 quarters leading up to the fiscal year end one year prior to the fiscal year end in which the distribution is planned. The spending rate was 4.5 percent for the fiscal years ended June 30, 2019 and 2018. The endowment spending rate is evaluated on an annual basis with the objective of managing the spending rate to maintain the purchasing power of endowment assets in the long term.

Note 17 - Postretirement Health Benefit Plans

The University offers a Retiree Health Plan, which was amended during 2013. Each employee who, as of September 1, 2014, has at least 10 full years of full-time service for the University is eligible for benefits under the amended Retiree Health Plan (the "Plan") if the employee retires from the University after attaining at least age 62. The Plan is unfunded.

A retiree's benefit under the Plan is an annual contribution by the University to the retiree's health reimbursement account (HRA). The retiree can use the amounts contributed to the retiree's HRA to purchase retiree health coverage on a retiree health exchange.

The University's annual contribution to a retiree's HRA is called a stipend. The number of years that the University will provide a stipend to the retiree depends on the retiree's years of full-time service for the University as of September 1, 2014:

- If the retiree has at least 20 years of full-time service as of September 1, 2014, the stipend is provided for the retiree's lifetime.
- If the retiree has 10 to 19 years of full-time service as of September 1, 2014, the stipend is paid for the same number of years as the retiree's years of full-time service as of September 1, 2014.
- No stipend is provided if the retiree has less than 10 years of full-time service as of September 1, 2014.

The amount of a retiree's annual stipend is determined as follows:

- Retirees as of September 1, 2014 - $2 for retiree and $2 for spouse

(Dollars in thousands)

Note 17 - Postretirement Health Benefit Plans (Continued)

- Current employees (regardless of age) who have at least 20 years of full-time service (determined as of September 1, 2014) - $2 for employee/retiree and $1.5 for spouse
- Current employees who are at least age 60 and have 10 to 19 years of full-time service (both determined as of September 1, 2014) - $2 for employee/retiree and $1.5 for spouse
- Current employees who are less than age 60 and have 10 to 19 years of full-time service (both determined as of September 1, 2014) - $1.5 for employee/retiree and $0 for spouse

The actuarial valuations as of June 30, 2019 and 2018 took into consideration the changes in the Plan due to the amended Retiree Health Plan adopted by the University.

The following is a reconciliation of the accrued postretirement benefit liability as of June 30, 2019 and 2018:

	2019	2018
Accumulated benefit obligation at beginning of year	$ 12,279	$ 12,555
Service cost	88	96
Interest cost	454	438
Change due to plan change and change in assumptions	2,006	75
Benefits paid	(925)	(885)
Accumulated benefit obligation at end of year	$ 13,902	$ 12,279

At June 30, 2019 and 2018, the University used a discount rate of 3.25 and 4.00 percent, respectively, in accounting for the postretirement benefit obligation.

As this is a fixed stipend plan, inflation and changes in medical healthcare cost trends are not considered for this valuation.

No contributions other than those needed to pay current retiree benefits are expected.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits
2020	$ 935
2021	926
2022	926
2023	929
2024	918
2025-2029	4,388

Note 18 - Liquidity and Availability of Resources

The following reflects the University's financial assets as of the June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

(Dollars in thousands)

Note 18 - Liquidity and Availability of Resources (Continued)

Cash and cash equivalents	$ 12,430
Investments	248,140
Accounts and loans receivable	8,624
Contributions receivable	10,296
Financial assets - At year end	279,490
Less assets unavailable for general expenditures:	
Contributions receivable restricted by donor with time or purpose restrictions	10,092
Investments with donor restriction	188,340
Investments held in trust	556
Financial assets available to meet cash needs for general expenditures within one year	$ 80,502

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The University is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors.

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The University also realizes there could be unanticipated liquidity needs.

The University has a committed line of credit in the amount of $11,000 at June 30, 2019, which it could draw upon if needed, as further described in Note 10.

Included within the financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are board-designated endowments of $23,929.

As described in Note 16, the board-designated endowment has a spending rate of 4.5 percent at June 30, 2019. A total of $1,077 of appropriations from the board-designated endowment will be available within the next 12 months. Although the University does not intend to spend from its board-designated endowment, with the exception of amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The University’s endowment funds consist of donor-restricted endowments of $158,331 at June 30, 2019. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

(Dollars in thousands)

Note 19 - Functional Expenses

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

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliaries	Total
Salaries and wages	$ 25,389	$ 2,489	$ 1,088	$ 4,937	$ 8,486	$ 7,473	$ 2,160	$ 52,022
Employee benefits	10,162	667	289	2,296	3,266	2,466	338	19,484
Food service	-	-	-	-	-	-	9,500	9,500
Repairs, maintenance, and utilities	1,774	33	3	1,210	1,338	1,354	1,741	7,453
Equipment, supplies, and books	659	292	845	1,293	912	509	115	4,625
Travel and off-campus programs	3,258	136	371	82	962	415	5	5,229
Professional services, advertising, and other	1,157	140	3,126	854	2,316	2,733	1,420	11,746
Depreciation and amortization	1,938	35	-	556	1,403	82	2,523	6,537
Interest	1,230	22	-	353	891	52	1,602	4,150
Total	$ 45,567	$ 3,814	$ 5,722	$ 11,581	$ 19,574	$ 15,084	$ 19,404	$ 120,746

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

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliaries	Total
Salaries and wages	$ 25,718	$ 1,873	$ 1,609	$ 4,889	$ 8,625	$ 7,361	$ 2,063	$ 52,138
Employee benefits	10,485	598	355	2,296	3,381	2,489	358	19,962
Food service	-	-	-	-	-	-	9,612	9,612
Repairs, maintenance, and utilities	1,998	41	2	1,303	1,468	1,201	2,200	8,213
Equipment, supplies, and books	712	216	456	1,044	1,002	498	124	4,052
Travel and off-campus programs	3,598	110	481	110	979	415	7	5,700
Professional services, advertising, and other	1,659	88	2,732	603	2,326	2,778	1,145	11,331
Depreciation and amortization	1,954	35	-	564	1,416	82	2,529	6,580
Interest	1,269	23	-	366	920	53	1,643	4,274
Total	$ 47,393	$ 2,984	$ 5,635	$ 11,175	$ 20,117	$ 14,877	$ 19,681	$ 121,862