REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

UNIVERSITY OF PORTLAND

June 30, 2019 and 2018

MOSSADAMS

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Report of Independent Auditors

To the Board of Regents
University of Portland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the University of Portland as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, as of July 1, 2018, the University of Portland adopted Accounting Standards update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Also as discussed in Note 1, as of and for the year ended June 30, 2019, the University adopted Accounting Standards update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective method applied to all contracts. The University also adopted Accounting Standards update (ASU) No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited the University's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

Portland, Oregon
November 22, 2019

University of Portland
Statements of Financial Position
June 30, 2019 and 2018
(in thousands)

ASSETS

	2019	2018
ASSETS		
Cash and cash equivalents	$ 27,045	$ 54,755
Accounts receivable, net	1,461	1,288
Prepaid expenses, inventories, and deposits	1,276	1,253
Contributions receivable, net	15,854	20,427
Student loans receivable, net	6,596	6,590
Investments – beneficial interest in assets held by others	251,932	226,054
Investments	11,352	13,706
Property, plant, and equipment, net	295,633	262,672
Other assets	1,892	1,905
Total assets	$ 613,041	$ 588,650

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable and accrued liabilities	$ 11,964	$ 12,704
Deferred revenues and deposits	7,344	7,938
Government advances for student loans	2,331	2,347
Annuities payable	3,458	4,531
Bonds payable	88,281	90,325
Total liabilities	113,378	117,845
NET ASSETS		
Net assets without donor restrictions	245,574	229,477
Net assets with donor restrictions	254,089	241,328
Total net assets	499,663	470,805
Total liabilities and net assets	$ 613,041	$ 588,650

University of Portland
Statement of Activities
For the Year Ended June 30, 2019
(in thousands)

(with Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
OPERATING ACTIVITIES				
Revenues and gains				
Student tuition and fees	$ 189,163	$ -	$ 189,163	$ 186,924
Less scholarships	(85,863)	-	(85,863)	(83,071)
Net student tuition and fees	103,300	-	103,300	103,853
Room and board	25,596	-	25,596	25,452
Grants and contracts	2,423	471	2,894	2,391
Contributions	5,312	1,421	6,733	6,775
Investment return on endowment, distributed	1,123	6,523	7,646	7,088
Other investment gains	2,832	-	2,832	4,172
Other revenues and gains	6,267	-	6,267	6,150
Net assets released from restrictions and reclassifications	5,133	(5,133)	-	-
Total operating revenues, gains, and other support	151,986	3,282	155,268	155,881
Expenses				
Instruction, research, and academic support	64,778	-	64,778	60,762
Student services	32,056	-	32,056	28,648
Auxiliary enterprises	22,812	-	22,812	22,030
Institutional support	22,606	-	22,606	24,555
Total operating expenses	142,252	-	142,252	135,995
Increase in net assets from operating activities	9,734	3,282	13,016	19,886
NONOPERATING ACTIVITIES				
Contributions	-	8,774	8,774	28,020
Endowment gains, net of amounts distributed	1,026	5,009	6,035	12,848
Change in value of split interest agreements	(15)	911	896	433
Other investment (loss) income	(3)	140	137	120
Net assets released from restrictions and reclassifications	5,355	(5,355)	-	-
Increase in net assets from nonoperating activities	6,363	9,479	15,842	41,421
CHANGE IN NET ASSETS	16,097	12,761	28,858	61,307
NET ASSETS, beginning of year	229,477	241,328	470,805	409,498
NET ASSETS, end of year	$ 245,574	$ 254,089	$ 499,663	$ 470,805

See accompanying notes.

University of Portland
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 28,858	$ 61,307
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	9,636	9,147
(Recovery) provision for doubtful contributions receivable	(58)	2,004
(Decrease) increase in contributions receivable discount	(889)	5,345
Contributions restricted for long-term investment	(13,343)	(23,269)
Contributions subject to annuity and unitrust agreements	-	(43)
Change in value of assets held in charitable trusts	(896)	(433)
Loss on disposal of property, plant and equipment	394	-
Net unrealized and realized gains on investments	(16,044)	(23,796)
Increase (decrease) in cash due to changes in assets and liabilities:		
Accounts receivable, net	(173)	490
Prepaid expenses, inventories, and deposits	(23)	228
Contributions receivable	5,520	(12,056)
Other assets	13	70
Accounts payable, accrued liabilities, deferred revenues, and deposits	(1,334)	4,146
Annuities payable	(1,073)	(515)
Net cash from operating activities	10,588	22,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of student loans receivable, net	(6)	(776)
Purchases of investments	(9,564)	(12,645)
Proceeds from sale of investments	2,980	4,562
Purchases of property, plant, and equipment	(43,265)	(23,199)
Net cash used in investing activities	(49,855)	(32,058)

University of Portland
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(in thousands)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in endowment	$ 3,911	$ 3,052
Investment in plant	9,428	20,215
Loan fund	4	3
Investment subject to annuity and unitrust agreements	-	43
Decrease in advances from federal government for student loans	(16)	(174)
Payments on bonds payable	(1,770)	(1,730)
Net cash from financing activities	11,557	21,409
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,710)	11,976
CASH AND CASH EQUIVALENTS, beginning of year	54,755	42,779
CASH AND CASH EQUIVALENTS, end of year	$ 27,045	$ 54,755
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest, including capitalized interest of $373 and $15 for the years ended June 30, 2019 and 2018, respectively	$ 3,238	$ 3,637

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The University of Portland (the University) is a private institution of higher education accredited by the Northwest Commission on Colleges and Universities and by other accrediting bodies for specific programs. It is affiliated with the Roman Catholic Congregation of the Holy Cross. The University offers students both graduate and undergraduate degrees in programs covering a wide variety of academic and professional disciplines. The University is a not-for-profit organization funded by student tuition revenue as well as outside contributions.

Recently adopted standards

The University has adopted ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance 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 main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowments funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and function classification.

Adoption of ASU 2016-14 resulted in changes to disclosures in the notes to the financial statements and the presentation of the financial statements. The adoption has no impact on overall change in net assets or net cash from operating activities.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014 09). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, The FASB has recently issued ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12, and ASU No. 2016-20, all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2018 for non-public companies. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The University adopted this standard as of July 1, 2018 using the modified retrospective approach (see Note 1).

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to improve the evaluation and determination of whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. In addition, the standard requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Adoption of ASU 2018-08 resulted in no significant changes in the presentation of the financial statements. The adoption has minimal impact on overall change in net assets or net cash from operating activities.

Basis of presentation
These financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, have been prepared to focus on the University as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net asset balances and transactions into two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category as reported as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that either never expire, or will be satisfied by actions of the University and/or the passage of time. Items included in this net asset category are contributions and grants for land and depreciable assets; endowment, split-interest agreements; unconditional promises to give, regardless of purpose; and investments returns on donor-restricted endowments. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restrictions unless such revenues are limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The University's measure of operations presented in the statement of activities includes revenues from tuition and fees, grants and contracts, contributions except those for endowments or land and depreciable assets, investment income from non-endowment investment amounts appropriated for expenditure from endowments in the current year, and revenues from auxiliary enterprises and other sources. Operating expenses are reported by functional categories, after allocating costs for maintenance of plant, information services, interest on long-term indebtedness and depreciation.

Nonoperating activities presented in the statements of activities include contributions for endowments, loan funds, and land and depreciable assets; unconditional promises to give and split-interest agreements, regardless of purpose; investment gains and losses on loan funds and endowments that have not been appropriated for expenditure in the current year; changes in the value of split-interest agreements; and gains and losses from changes in the value of assets due to the fluctuation of discount rates.

Revenue recognition

On July 1, 2018, the University adopted FASB-issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective method applied to all contracts, and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively.

Student tuition and fees – The University uses the output measure for revenue recognition of student tuition and fees revenue which means that revenue is recognized pro-rata over each instructional course as performance obligations associated with the delivery of educational services are met. Registration and other fees that do not relate to instruction are recognized when no longer refundable. The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are not recorded until students have begun a course and the revenue recognition has commenced.

The University maintains an institutional tuition refund policy, which provides for a full or partial refund of tuition if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statements of financial position.

Almost half of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (DOE). Disbursements under each program are subject to disallowance by the DOE and repayment by the University. In addition, as an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the DOE.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Student room and board – The University uses the output measure for revenue recognition of room and board revenue which means the revenue is recognized pro-rata as performance obligations associated with the delivery of room and board services are provided. The University's receivables represent unconditional rights to consideration from its contacts with students; accordingly, receivables are not recorded until students have moved into student housing.

As with tuition and fees revenue, the University maintains an institutional refund policy for student room and board, which provides for a full or partial refund of room and board fees if a student withdraws during stated refund period. If a student withdraws at a time when only a portion, or none of the room and board is refundable, then, in accordance with its revenue recognition policy, the University continues to recognize room and board that was not refunded pro-rata over the applicable housing period. Students are generally billed for room and board prior to moving in. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statements of financial position.

Grants and contracts – Individual governmental and private grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution – until the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Contributions and promises to give – Contributions, in cash or in-kind, including unconditional promises to give, are recognized in the period in which they are received. Unconditional promises to give are recognized as revenues in the period in which the unconditional promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and the nature of the fund-raising activity.

Contributed services are reported when specialized services are performed, or would otherwise be purchased or performed by employees, and when the University exercises control over the duties of the donor's services. These services totaling approximately $298 and $300, at June 30, 2019 and 2018, respectively, have been recorded as gifts and contributions revenue and instruction expense on the accompanying statement of activities with summarized comparative financial information for the year ended June 30, 2018.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Income and realized and unrealized gains (losses) on investments of endowment and similar funds are reported as:

- Increases (decreases) in net assets with donor restrictions if applicable law or the terms of the gift require that they be added to the principal of a perpetual endowment fund; or,
- Impose restrictions on the use of the income; or,
- As increases (decreases) in net assets without donor restrictions in all other cases

Gifts contributed for the purchase of property, plant, and equipment are reported as increases to net assets with donor restrictions and are released when the related assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents consist primarily of demand deposits, certificates of deposit, money market funds, and U.S. government securities with original maturity dates of 90 days or less.

Beneficial interest in assets held by others

The University invests the majority of its endowment with a religious affiliate that shares the University's Catholic ministry and educational mission. These assets are held in the affiliate's endowment and are invested for the University's benefit. The endowment, managed to provide a stable source of financial support, is invested in a diversified portfolio with an allocation emphasizing equity-based instruments to obtain capital appreciation and current yield. Investments held in the affiliate's endowment include U.S. public equities, non-U.S. public equities, long/short public equities, fixed income securities, marketable alternatives, private equity, real estate, and other real assets. The University has no unfunded commitments related to its beneficial interest in assets held by others as of June 30, 2019.

The University may redeem its interest as necessary. Redemption of up to 2 percent of the total units is allowed every month with payment in 30 days. Redemption requests of up to 12.5 percent of the total units are to be paid within two quarters. Full payout at a quarterly 12.5 percent rate would be made in two years.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

The University invests in a variety of investment securities that are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Receivables

Accounts receivable represents amounts due from various individuals and organizations and are recorded at the invoiced amount, net of an allowance for doubtful accounts. Student loans receivable are recorded at the invoiced amount, net of allowances (see Note 4). The allowance for doubtful accounts for all receivables represents the University's best estimate of the amount of probable credit losses in the University's existing accounts receivable and student loans receivable. The University determines the allowance by performing on-going evaluations of its creditors and students and their ability to make payments. The University determines the adequacy of the allowance based on length of time past due, historical experience and judgment of economic conditions. Account and loan balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote.

Property, plant, and equipment

Property, plant, and equipment are recorded at cost on the date of acquisition or fair value at the date of donation in the case of gifts.

The University computes depreciation using the straight-line method over the estimated useful lives of fixed assets as follows:

Land improvements	60 years
Buildings	60 years
Library holdings	20 years
Real estate holdings	20 years
Furniture, fixtures, and equipment	10 years
Computer equipment	5 years

Additions and betterments of $5 or more are capitalized except for computer equipment and library holdings, which are capitalized at any value. Repairs and maintenance that do not extend the useful lives, or upgrade the functionality of the respective assets are expensed in the current period.

Deferred revenues and deposits

Deferred revenues and deposits consist primarily of tuition fees and housing deposits received in advance related to future academic periods.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Charitable gift annuities and charitable remainder trusts
The University has entered into several charitable gift annuity agreements and charitable remainder trusts whereby the donor contributes assets in exchange for distributions to the donor or other beneficiaries based on the value of the donation or the trust assets. These distributions may continue until the death of the donor or for a specified period of time. Upon the death of the donor, or at the end of the specified time, the remaining assets are available for the University's use. Assets received are recorded at fair value, and a liability equal to the present value of the expected future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the University recalculates the liability based on applicable mortality tables and discount rates. For the values reported as of June 30, 2019 and 2018, the University used 2000 CM mortality tables with a discount rate of 3.40%.

Comparative financial information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Functional allocation of expenses
Expenses are allocated to programs and organized by functional categories that correlate to the educational mission. Natural expenses are charged directly to the appropriate program where possible, and expenses attributable to more than more one functional expense category (including costs for information services and operation and maintenance of plant, collectively labeled "Support Services" in Note 12) are allocated using a variety of cost allocation techniques, including square footage and employee head count.

Income taxes
The University is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the University qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The University recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The University recognizes interest accrued and penalties related to unrecognized tax benefits in administrative expense. During the years ended June 30, 2019 and 2018, the University recognized no interest and penalties. There were no unrecognized tax benefits at June 30, 2019 or 2018, and the University has no uncertain tax positions requiring accrual.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The University files an exempt organization income tax return and an unrelated business income tax return in the U.S. federal jurisdiction. The appropriate state and local returns are also filed for any unrelated business income.

Fair value measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the University's market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 – Inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model. Securities classified within Level 3 investments are based on valuations provided by the external investment managers. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. Management, in conjunction with the Vice President for Financial Affairs, reviews the valuation of the investments on a quarterly basis.

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value, or other valuation techniques. Most financial assets and liabilities for which the carrying amount approximates fair value are considered by the University to be Level 1 measurements in the fair value hierarchy.

Determination of the fair value of student loan receivables, which are primarily federally sponsored student loans with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs. The University issued Oregon Facilities Authority (OFA) revenue bonds that are reported at an amortized cost of $88,281 and $90,325 at June 30, 2019 and 2018, respectively, in the statements of financial position. These OFA bonds have an approximate fair value of $93,454 and $91,755 as of June 30, 2019 and 2018, respectively. The University determined these OFA bonds to be Level 2 measurements in the fair value hierarchy. See Note 10 for other disclosures of debt obligations.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Endowments
The University is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which identifies specific factors that must be considered in the University's policies on investing and spending earnings from endowed funds (see Note 13).

Use of estimates
The preparation of these financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Related party transactions
Members of the University's Board of Regents and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover regents, senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Regents can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws.

Subsequent events
Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The University recognizes in its financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The University's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position, but arose after the statements of financial position date and before the financial statements are available to be issued. The University has evaluated subsequent events through November 22, 2019, the date the financial statements were available to be issued.

(in thousands)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements
In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-12 is effective for all interim and annual reporting periods beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The University is planning on adopting the provisions of this statement during the year ending June 30, 2020 and expects no significant impact on its financial position, results of operations, and liquidity.

Reclassifications
Certain prior year amounts have been reclassified to conform with the 2019 presentation. Such reclassifications had no impact on the University's total financial condition, operating results, cash flows, or net assets.

Note 2 – Liquidity and Availability

The University regularly monitors liquidity and availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures for its mission-related activities and the cost of service in support of those activities to be general expenditures. The following table presents the University's financial assets available for general use within one year:

	June 30, 2019
Financial assets:	
Cash	$ 22,274
Accounts receivable, net	1,349
Contributions receivable, net	2,392
Investments	22,757
Endowment appropriation	15,614
Total financial assets available within one year	64,386
Liquidity resources:	
Available line of credit	15,000
Net assets without donor restrictions funds functioning as endowment, net of appropriation	30,852
Total financial assets and liquidity resources available within one year	$ 110,238

The University's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a reserve against unexpected liquidity needs, the University maintains a $15,000 line of credit (Note 9).

(in thousands)

Note 2 – Liquidity and Availability (continued)

The University also maintains funds not subject to donor restrictions that function as an endowment or "quasi-endowment" (see Note 13). With the consent of the University's Board of Regents, these funds may be drawn upon for general use. While a limit exists on the amount that may be drawn from the beneficial interest in assets held by others in any one-year period, a complete draw of the University's quasi-endowment together with its regular appropriation would not exceed that limit.

Note 3 – Contributions Receivable

The University calculates contributions receivable at the present value of estimated future cash flows using a 4.1% to 6.0% discount rate. The annual payments are scheduled to be received as follows:

	June 30, 2019	June 30, 2018
Less than one year	$ 5,954	$ 9,335
One to five years	7,700	9,486
More than five years	24,439	24,791
	38,093	43,612
Less discount	(13,434)	(14,323)
Less reserve for uncollectible accounts	(8,805)	(8,862)
Contributions receivable, net	$ 15,854	$ 20,427

Contributions due from twenty related party donors represent 84% of contributions receivable outstanding at June 30, 2019. Contributions due from twenty-six related party donors represent 82% of contributions receivable outstanding at June 30, 2018.

Note 4 – Student Loans Receivable

Student loans receivable is comprised of Federal Perkins and Nursing Student loans that are generally payable with interest at 3.0% and 5.0% over approximately 11 years following University attendance and institutional loan funds payable on similar terms. Principal payments, interest and losses due to cancellation are shared by the University and the U.S. government in proportion to their share of funds provided. The program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations). Student loans are considered past due if payment is not received by the 15th day of the month. Loans more than 60 days past due are sent to a collection agency. The student loans receivable are as follows:

(in thousands)

Note 4 – Student Loans Receivable (continued)

	June 30, 2019	June 30, 2018
Federal Perkins loans	$ 3,114	$ 3,668
Federal Nursing loans	969	985
Institutional loans	3,991	3,303
	8,074	7,956
Less reserve for uncollectible accounts	(1,478)	(1,366)
Total student loans receivable, net	$ 6,596	$ 6,590

At June 30, 2019 and 2018, student loans receivable represented 1.08% and 1.12% of total assets, respectively.

On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permits disbursements to students of any kind after June 30, 2018. The University has been notified that the government will begin collecting the federal share of the University's Perkins Loan Revolving Funds sometime thereafter. There were no funds advanced by the federal government for the years ended June 30, 2019 and 2018. Funds advanced in prior years by the Federal government, totaling $2,331 and $2,347 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under student loan programs:

	June 30, 2019	June 30, 2018
1–60 days	$ 296	$ 232
61–90 days	19	34
91+ days	1,183	1,053
Total past due	$ 1,498	$ 1,319

The University has recorded an allowance for doubtful accounts against the outstanding loan balances of $1,478 and $1,366 at June 30, 2019 and 2018, respectively. There were no write-offs of loan funds during the years ended June 30, 2019 and 2018.

(in thousands)

Note 5 – Investments

The fair value of investments is as follows:

	June 30, 2019	June 30, 2018
Equity holdings	$ 6,215	$ 10,311
Private equity funds	488	771
Corporate bonds	4,479	2,462
Cash surrender value of life insurance	170	162
	11,352	13,706
Beneficial interest in assets held by others	251,932	226,054
	$ 263,284	$ 239,760

The following schedule summarizes the investment return and its presentation in the statements of activities:

	June 30, 2019	June 30, 2018
Interest and dividend income	$ 1,502	$ 865
Net unrealized and realized gains on investments carried at fair value	16,044	23,796
Total investment return	17,546	24,661
Less investment return on endowment, distributed	(7,646)	(7,088)
Less other operating investment gains	(2,832)	(4,172)
Nonoperating investment gain	$ 7,068	$ 13,401

Nonoperating returns reported on the statements of activities:

	June 30, 2019	June 30, 2018
Endowment gains, net of amounts distributed	$ 6,035	$ 12,848
Change in value of split interest agreements	896	433
Other investment income	137	120
Nonoperating investment gain	$ 7,068	$ 13,401

Note 5 – Investments (continued)

The University may employ derivatives and other strategies to hedge against market risks, arbitrage mispricing of related securities, and to replicate long or short positions more cost effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps and other vehicles that may be appropriate in certain circumstances.

The University did not directly hold any derivative securities as detailed above, but held shares of commingled investment vehicles, such as hedge funds of funds, which may hold such investments. Derivatives held by limited partnerships and commingled investment trusts in which the University invests, involve varying degrees of off-balance sheet risk, and may result in losses due to changes in the market.

Note 6 – Fair Value of Assets

The University used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value on a recurring basis in the financial statements:

Equity holdings – Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar assets.

Corporate bonds – Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar securities.

Cash surrender value of life insurance – Fair value is based on the cash surrender value provided by each policy's respective insurer, which represents the discounted cash flow of each policy.

Private equity funds – Investments in private equity funds are carried at fair value as determined by the net asset value of the fund as determined in good faith by the fund manager. Because of inherent uncertainty in valuing investments in private equity funds for which no active market exists, the estimated value may differ significantly from the value that could be realized in a secondary market transaction, and the ultimate amounts realized could be significantly different from the values reported.

Investment strategies of such funds include the use of margin and other forms of leverage including taking short positions, swaps, futures, options, warrants, private placements, forward contracts, trade claims and credit default swaps and real estate instruments, when deemed appropriate by fund managers. Other event-driven investment strategies include merger arbitrage, distressed securities and special situations. All investment objectives and strategies used by the fund managers comply with the University's Investment Policy.

(in thousands)

Note 6 – Fair Value of Assets (continued)

The University is unable to redeem its investment in these private equity funds until the liquidation of the funds. The remaining lives of these funds range from 1 to 2 years with all commitments due on demand. At June 30, 2019, the University had outstanding commitments to invest an additional $224 with certain alternative investment managers through December 31, 2019. These commitments may or may not be called upon by the private equity funds; however, the University deems it unlikely that the private equity firms will call upon these commitments.

Beneficial interest in assets held by others – Fair value is based on the net asset value as reported by the affiliate, unless specific evidence indicates that net asset value should be adjusted. This may involve using significant unobservable inputs. The valuation methods utilized by the affiliate are subject to regular review by the University.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments				
Equity holdings	$ 6,215	$ -	$ -	$ 6,215
Corporate bonds	-	4,479	-	4,479
Cash surrender value of				-
life insurance	-	170	-	170
Total investments in fair value hierarchy	6,215	4,649	-	10,864
Investments measured at NAV				
(practical expedient)				252,420
	$ 6,215	$ 4,649	$ -	$ 263,284

(in thousands)

Note 6 – Fair Value of Assets (continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Equity holdings	$ 10,311	$ -	$ -	$ 10,311
Corporate bonds	-	2,462	-	2,462
Cash surrender value of life insurance	-	162	-	162
Total investments in fair value hierarchy	10,311	2,624	-	12,935
Investments measured at NAV (practical expedient)				226,825
	$ 10,311	$ 2,624	$ -	$ 239,760

The University's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2, or 3 for the years ended June 30, 2019 and 2018. There were no changes in valuation methods or assumptions during the years ended June 30, 2019 or 2018.

(in thousands)

Note 6 – Fair Value of Assets (continued)

The University uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major class:

	Fair Value June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Private equity funds					
Event-driven private equity funds (a)	$ 37	$ -	N/A*	N/A*	N/A*
Multi-strategy private equity funds (b)	402	124	N/A*	N/A*	N/A*
Restructured companies private equity funds (c)	49	100	N/A*	N/A*	N/A*
Beneficial interest in assets held by others					
Multi-strategy (d)	251,932	-	Quarterly	30 days–2 years	N/A
	$ 252,420	$ 224			

* These funds are in private equity structure, with no ability to be redeemed.

(a) The primary objective is to achieve long-term capital appreciation primarily through investments in equity and debt obligations of corporations, partnerships, limited liability companies, and other similar entities that the managers believe are undervalued, offer an opportunity for growth if funded appropriately, and provide an attractive risk/return profile.

(b) These partnerships invest in closed-end private equity limited partnerships specializing in venture capital, buyout, mezzanine/subordinated debt, restructuring/distressed debt and special situation.

(c) These partnerships invest primarily in the securities of entities which are undergoing, are considered likely to undergo, or have undergone (i) reorganization under the federal bankruptcy law or similar laws in other countries or (ii) other extraordinary transactions, such as debt restructuring, reorganizations and liquidations outside of bankruptcy.

(d) Investment objectives seek to preserve the real purchasing power of the investment, while providing a stable source of financial support. To satisfy its long-term rate of return objectives, a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) is used. In addition, a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints is used.

(in thousands)

Note 7 – Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	June 30, 2019	June 30, 2018
Land and improvements	$ 27,890	$ 23,628
Buildings	252,014	251,204
Furniture, fixtures, and equipment	53,450	47,777
Library holdings	18,476	18,271
Real estate holdings	8,417	7,738
	360,247	348,618
Less accumulated depreciation	(110,815)	(102,310)
	249,432	246,308
Construction in progress	46,201	16,364
Property, plant, and equipment, net	$ 295,633	$ 262,672

Depreciation expense totaled approximately $9,910 and $9,425 for the years ended June 30, 2019 and 2018, respectively.

The University periodically reviews its property, plant, and equipment to remove from its assets any fully depreciated items that have been discarded, or fully depreciated items that are no longer in use. The University removed $1,076 and $1,034 of fully depreciated assets from property, plant, and equipment in 2019 and 2018, respectively.

(in thousands)

Note 8 – Commitments and Contingencies

The University leases certain office equipment and facilities under an operating lease agreement. Future minimum payments under this lease are as follows for the years ending June 30:

2020	$	491
2021		355
2022		209
2023		209
2024		209
Thereafter		802
	$	2,275

The University incurred operating lease expenses of approximately $916 and $849 for the years ended June 30, 2019 and 2018, respectively.

The University is obligated under a guarantee bond agreement with the Province of Alberta to provide educational services in the province. Under the terms of the agreement, if all services required are completed by the University, the obligation shall be null and void. As of June 30, 2019, the University is scheduled to provide the services as agreed upon. As such, no liability has been recorded.

Note 9 – Line of Credit

The University has an annually renewable line of credit on which it can borrow up to a maximum of $15,000. The line of credit is payable on demand, or on January 31, 2020, if no demand, and bears interest at either the bank's prime rate plus 0.25% or at LIBOR plus 1.75% at the time of borrowing. There were no borrowings on this line of credit during the years ended June 30, 2019 and 2018, and no outstanding balance on this line of credit as of June 30, 2019 or 2018.

(in thousands)

Note 10 – Bonds Payable

In May 2015, the University issued State of Oregon, Oregon Facilities Authority (University of Portland Projects) 2015 Series A and Series B bonds for $69,645 and $21,645, respectively, at a premium totaling $5,503. A portion of the proceeds were used to defease legally and in substance the 2007 series bonds. The remaining proceeds are being used for various building improvement and expansion projects.

Bonds payable consist of the following:

	June 30, 2019	June 30, 2018
Bonds payable, 2015 Series A, in annual principal installments of between $2,345 and $5,345, interest payable semiannually at 3.25% to 5.0%, secured by investments and unrestricted revenues, due 2045	$ 69,645	$ 69,645
Bonds payable, 2015 Series B, in annual principal installments of between $1,690 and $2,280, interest payable semiannually at 1.7% to 4.1%, secured by investments and unrestricted revenues, due 2027	14,260	16,030
	83,905	85,675
Add unamortized premium	4,376	4,650
Total bonds payable	$ 88,281	$ 90,325

The following is a summary of scheduled principal maturities of bonds payable for the years ending June 30:

2020	$ 1,820
2021	1,880
2022	1,945
2023	2,020
2024	2,100
Thereafter	74,140
	$ 83,905

Interest expense was approximately $3,224 and $3,626 for the years ended June 30, 2019 and 2018, respectively.

The loan agreement associated with the above referenced bonds contains covenants that require the University to maintain an unrestricted debt service coverage ratio of 1.1 annually for each fiscal year.

(in thousands)

Note 11 – Defined Contribution Plan

The University has a defined contribution retirement plan covering substantially all employees under arrangements with the TIAA 403(b) plan. Retirement plan expense was approximately $4,553 and $4,366 for the years ended June 30, 2019 and 2018, respectively.

Note 12 – Functional Expenses

The table below presents natural categories of expenses and their allocation by functional category for the year ended June 30, 2019:

	Instruction, Research, & Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Support Services	Total Expenses
Salaries and wages	$ 33,683	$ 10,637	$ 1,262	$ 9,222	$ 6,599	$ 61,403
Employee benefits	9,892	2,810	1,140	5,392	2,638	21,872
Services purchased	3,521	3,781	8,095	4,451	1,498	21,346
Depreciation	2,668	1,975	4,695	404	168	9,910
Interest expense	955	641	1,524	44	60	3,224
Supplies	2,564	1,528	94	338	842	5,366
Other	5,002	7,141	188	1,283	5,517	19,131
Personnel and program costs	58,285	28,513	16,998	21,134	17,322	142,252
Allocation of support services	6,493	3,543	5,814	1,472	(17,322)	-
Total functional expenses	$ 64,778	$ 32,056	$ 22,812	$ 22,606	$ -	$ 142,252

Fundraising expenses of $2,631 and $2,771, exclusive of expenditures for alumni relations and news and publications, are included in institutional expense in the statement of activities for the year ended June 30, 2019 with summarized comparative financial information for the year ended June 30, 2018.

Note 13 – Endowments

The University’s endowment consists of approximately 532 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the University’s governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law
The State of Oregon has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), the provisions of which apply to endowment funds. The Board of Regents of the University has interpreted the Act as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Funds with deficiencies
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 UPMIFA requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2019 and 2018.

Note 13 – 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(s) as well as board-designated funds. Under this policy, as approved by the Board of Regents, the endowment assets are invested in a manner that is intended to produce results over the long-term that meet or exceed the aggregate amount needed to support both the endowment spending policy and growth in principal commensurate with the rate of inflation.

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 4.5% of its endowment fund's average market value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment, which is expected to exceed this appropriation by, at least, the general rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment.

(in thousands)

Note 13 – Endowments (continued)

Endowment net asset composition by type of fund at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 177,075	$ 177,075
Funds functioning as endowment	32,050	-	32,050
	$ 32,050	$ 177,075	$ 209,125

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 29,964	$ 164,432	$ 194,396
Investment return			
Investment income	238	1,264	1,502
Net appreciation	1,931	10,269	12,200
Total investment return	2,169	11,533	13,702
Contributions	-	3,586	3,586
Investment return on endowment, distributed	(1,123)	(6,267)	(7,390)
Other changes	1,040	3,791	4,831
Endowment net assets, end of year	$ 32,050	$ 177,075	$ 209,125

(in thousands)

Note 13 – Endowments (continued)

Endowment net asset composition by type of fund at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 164,432	$ 164,432
Funds functioning as endowment	29,964	-	29,964
	$ 29,964	$ 164,432	$ 194,396

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 27,796	$ 149,846	$ 177,642
Investment return			
Investment income	138	727	865
Net appreciation	3,038	16,031	19,069
Total investment return	3,176	16,758	19,934
Contributions	-	3,461	3,461
Investment return on endowment, distributed	(1,081)	(6,007)	(7,088)
Other changes	73	374	447
Endowment net assets, end of year	$ 29,964	$ 164,432	$ 194,396

(in thousands)

Note 14 – Net Assets Released from Restrictions

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, completing the construction of depreciable assets, or by occurrence of other events specified by donors, as follows:

	June 30, 2019	June 30, 2018
Capital projects	$ 5,355	$ 4,072
Endowment related	5,043	4,592
Other	90	487
	$ 10,488	$ 9,151

Note 15 – Net Assets

Purpose and time restrictions

Net assets with donor restrictions contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the University. These net assets are available for the following specific purposes, or time restrictions have been placed on the use of the funds as noted in the following schedule at June 30:

	June 30, 2019	June 30, 2018
Investments restricted for payments to annuity and trust beneficiaries	$ 367	$ 367
Unappropriated appreciation on perpetual endowments	79,437	74,172
Gifts and bequests restricted for investment in land, buildings, and equipment	60,347	59,425
Scholarships	1,149	1,022
Loan fund	5,564	4,116
Other net assets with purpose and time restrictions	5,269	4,940
Total net assets with donor restrictions – purpose and time restricted	$ 152,133	$ 144,042

(in thousands)

Note 15 – Net Assets (continued)

Perpetual in nature
Net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity, and consist of the following at June 30:

	2019	2018
Endowment funds	$ 97,638	$ 90,260
Annuities and trusts	4,318	7,026
Total net assets with donor restrictions – perpetual in nature	$ 101,956	$ 97,286

Note 16 – Legal Contingencies

The University is subject to legal proceedings generally incidental to its business. Although the final outcome of any legal proceeding is subject to many variables and cannot be predicted with any degree of certainty, the University presently believes that the ultimate outcome resulting from these proceedings would not have a material effect on the University's financial position or changes in its net assets.

Note 17 – Concentration of Credit Risk

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and other investments, and accounts and loans receivable. The University places substantially all of its cash and liquid investments with financial institutions; however, cash balances generally exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by an investment manager. Student loans and receivables are due from a variety of sources. As of June 30, 2019 and 2018, management considers the University to have no significant concentration of credit risk.

Beneficial interest in assets held by others represents 41% and 38% of total assets at June 30, 2019 and 2018, respectively.

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