FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

FAIRLEIGH DICKINSON UNIVERSITY

Table of Contents

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Fairleigh Dickinson University:

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson University (the University), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairleigh Dickinson University at June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 16, 2018

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2018 and 2017

(In thousands of dollars)

Assets		**2018**	**2017**
Cash and cash equivalents	$	83,778	63,571
Restricted cash and cash equivalents		8,304	8,314
Student accounts receivable, net of allowance for doubtful accounts of $14,066 and $14,346 in 2018 and 2017, respectively		5,486	5,562
Accounts receivable and other current assets		4,528	3,643
Contributions receivable, net		2,521	1,922
Student loans receivable, net of allowance for doubtful accounts of $2,745 and $2,738 in 2018 and 2017, respectively		7,157	7,765
Investments, at fair value		123,720	119,611
Property, plant and equipment, net		187,496	191,239
Total assets	$	422,990	401,627
Liabilities			
Accounts payable and accrued liabilities	$	13,617	10,896
Accrued salaries and liabilities for compensated absences		8,208	10,378
Deferred tuition revenues		3,621	3,550
Other liabilities		6,130	5,392
U.S. government grants refundable		9,665	9,845
Long-term debt, net		66,743	72,339
Post-retirement benefits liability		25,091	37,491
Asset retirement obligations		14,350	13,720
Total liabilities		147,425	163,611
Net Assets			
Unrestricted		218,801	186,180
Temporarily restricted		33,218	28,955
Permanently restricted		23,546	22,881
Total net assets		275,565	238,016
Total liabilities and net assets	$	422,990	401,627

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2018 and 2017

(In thousands of dollars)

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues, gains and other support:								
Tuition and fees	$ 284,000	—	—	284,000	271,071	—	—	271,071
Less scholarships, tuition grants and aid	(106,380)	—	—	(106,380)	(90,680)	—	—	(90,680)
Net tuition and fees	177,620	—	—	177,620	180,391	—	—	180,391
Contributions	6,397	1,937	—	8,334	2,422	1,704	—	4,126
New Jersey State aid	284	—	—	284	229	—	—	229
Contracts and grants	3,635	—	—	3,635	3,400	—	—	3,400
Investment return-endowment spending rate and other	3,554	609	—	4,163	2,934	549	—	3,483
Other sources	5,951	59	—	6,010	4,123	72	—	4,195
Auxiliary enterprises	34,608	—	—	34,608	31,621	—	—	31,621
Less scholarships, tuition grants and aid	(1,054)	—	—	(1,054)	(986)	—	—	(986)
Total revenues, gains and other support	230,995	2,605	—	233,600	224,134	2,325	—	226,459
Net assets released from restrictions	1,081	(1,081)	—	—	1,111	(1,111)	—	—
Total operating revenues, gains and other support	232,076	1,524	—	233,600	225,245	1,214	—	226,459
Expenses:								
Educational and general:								
Instruction	80,030	—	—	80,030	83,009	—	—	83,009
Research	726	—	—	726	542	—	—	542
Academic support	36,685	—	—	36,685	37,011	—	—	37,011
Student services	41,129	—	—	41,129	42,365	—	—	42,365
Institutional support	32,061	—	—	32,061	32,364	—	—	32,364
Other	134	—	—	134	433	—	—	433
Total educational and general expenses	190,765	—	—	190,765	195,724	—	—	195,724
Auxiliary enterprises	23,805	—	—	23,805	22,254	—	—	22,254
Total expenses and losses	214,570	—	—	214,570	217,978	—	—	217,978
Increase in net assets from operating activities	17,506	1,524	—	19,030	7,267	1,214	—	8,481
Nonoperating:								
Contributions	—	1,510	656	2,166	7	269	524	800
Change in fair value of interests in split interest agreements	—	(3)	(45)	(48)	—	7	(50)	(43)
Investment return in excess of endowment spending rate	1,515	1,437	5	2,957	3,472	3,288	8	6,768
Transfer between net assets	(3)	(46)	49	—	(143)	50	93	—
Post-retirement medical plan changes other than net periodic cost	13,360	—	—	13,360	4,527	—	—	4,527
State bond grant revenue	84	—	—	84	1,327	—	—	1,327
Faculty retirement incentive program	—	—	—	—	(876)	—	—	(876)
Net assets released from restrictions – for capital	159	(159)	—	—	567	(567)	—	—
Increase in net assets from nonoperating activities	15,115	2,739	665	18,519	8,881	3,047	575	12,503
Increase in net assets	32,621	4,263	665	37,549	16,148	4,261	575	20,984
Net assets:								
Beginning of year	186,180	28,955	22,881	238,016	170,032	24,694	22,306	217,032
End of year	$ 218,801	33,218	23,546	275,565	186,180	28,955	22,881	238,016

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(In thousands of dollars)

		2018	2017
Cash flows from operating activities:			
Increase in net assets	$	37,549	20,984
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		12,875	11,996
Provision for doubtful student accounts receivable		1,405	739
Change in allowance for doubtful student loans receivable		7	27
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		(2,135)	(2,075)
Loss on disposal of property, plant and equipment		16	288
Gain on sale of property		(1,607)	—
Net realized and unrealized gains on investments		(4,010)	(9,254)
Post-retirement medical plan changes other than net periodic cost		(13,360)	(4,527)
Changes in operating assets and liabilities:			
Student accounts receivable		(1,329)	826
Accounts receivable and other current assets		(885)	1,063
Contributions receivable		40	244
Accounts payable and accrued liabilities		2,127	(3,112)
Accrued salaries and liabilities for compensated absences		(2,170)	49
Deferred tuition revenues		71	583
Post-retirement benefits liability		960	2,389
Other liabilities		738	425
Net cash provided by operating activities		30,292	20,645
Cash flows from investing activities:			
Deposits to restricted cash and cash equivalents		(26,218)	(27,071)
Distributions from restricted cash and cash equivalents		26,228	27,051
Proceeds from student loans collections		1,292	1,430
Student loans issued		(691)	(1,252)
Proceeds from sale of investments		26,312	70,484
Purchases of investments		(26,411)	(102,397)
Proceeds from sale of property		1,625	—
Purchases of property, plant and equipment		(7,889)	(11,892)
Decrease in accounts payable for property, plant, and equipment		—	(1,053)
Net cash used in investing activities		(5,752)	(44,700)
Cash flows from financing activities:			
Gifts, donations and grants permanently restricted and temporarily restricted for capital improvements		1,496	2,249
Proceeds from issuance of debt		—	1,435
Principal payments of debt		(5,649)	(5,423)
Decrease in U.S. government grants refundable		(180)	(677)
Net cash used in financing activities		(4,333)	(2,416)
Net increase (decrease) in cash and cash equivalents		20,207	(26,471)
Cash and cash equivalents:			
Beginning of year		63,571	90,042
End of year	$	83,778	63,571
Supplemental information:			
Interest paid	$	2,514	2,671
Noncash gifts-in-kind		780	237
Increase in accounts payable for property, plant, and equipment		594	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the University), founded in 1942, is the largest independent nonsectarian institution of higher education in New Jersey, serving approximately 12,000 students. With a wide range of academic programs and two main campuses in New Jersey, each with its own identity and separate mission, the University preserves the intimacy of a small college within a large suburban institution. The University also operates international campuses: Wroxton College in Oxfordshire, England, and the Fairleigh Dickinson University of British Columbia, Foundation. Courses are also offered at many locations around the State of New Jersey, and through online courses accessible from anywhere in the world.

The University offers over 100 degree programs on the undergraduate and graduate levels, including doctoral programs in pharmacy, clinical psychology, school psychology, and nursing practice, and programs in an Association to Advance Collegiate Schools of Business (AACSB) – accredited business school. Programs lead to associate, baccalaureate, master, and doctoral degrees. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, pharmacy, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University's wholly owned subsidiary, Harbinger Corporation, currently inactive, is subject to income tax.

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

(b) Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation (the University's Vancouver Campus), a wholly owned subsidiary, which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

(c) Net Assets

In the accompanying consolidated financial statements, the University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Permanently Restricted** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets for either a specific purpose or the general use of the University (note 9).
- **Temporarily Restricted** – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Investment income and gains/losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor-imposed stipulations. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in note 9.
- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as net assets released from restrictions. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the consolidated statements of activities.

(d) Agency Transactions

Agency transactions such as externally provided tuition aid grants, federal direct loans, federal supplemental educational opportunity grants, the federal pell grant program and others received by government agencies and provided to students are not included in the consolidated financial statements. Agency receipts and disbursements were $99,288 and $99,287, respectively, in 2018 and $97,765 and $97,786, respectively, in 2017.

(e) Cash and Cash Equivalents

Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased.

(f) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use. These funds are primarily cash and U.S. treasuries and are considered Level 1 in the fair value hierarchy (see note 1(t) below).

(g) Investments

The fair value of marketable investments, which consists of debt and equity securities, is based upon quoted market prices at year-end. Investments in mutual and commingled funds are stated at estimated fair value based on the published net asset value (NAV) of funds. For funds that do not have a readily determinable fair value, these funds' reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein. The NAV is provided by the investment managers, and evaluated for reasonableness by the University.

The consolidated statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are calculated using the average cost method to determine the cost of securities.

(h) Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

(i) Property, Plant and Equipment

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, generally, 15 to 60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Contributions restricted by donors for the acquisition and/or construction of land, buildings and equipment are reported as temporarily restricted revenues in nonoperating activities. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the constructed assets have been placed in service.

(Continued)

(j) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying consolidated statements of financial position as a liability.

(k) Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned. Amounts received in advance for tuition and fees that are not earned in the current year are included in deferred tuition revenues and are recognized as revenue in the subsequent year.

(l) Scholarships, Tuition Grants and Aid

The policy of the University has been to award internal scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid are netted against tuition and fees.

(m) Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value based on estimated undiscounted future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2018 and 2017.

(n) Endowment Spending Rate

The University’s endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. The revenues from applying this endowment spending rate policy are recorded in the unrestricted and temporarily restricted operating revenues section in the consolidated statements of activities. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

(o) Operating Measure

The operating activities of the University include all revenues, gains and other support and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the 4.5% – 5.0% spending rate (amounting to $3,666 and $3,212 for the years ended June 30, 2018 and 2017, respectively, which represents a rate of 5% for both years) while nonoperating activities include endowment returns (less than) in excess of the spending rate. Nonoperating activities include

(Continued)

contributions and grants for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. Nonoperating activities also include the change in fair value of interest in split interest agreements, transfer between net assets, post-retirement medical plan changes other than net periodic costs, faculty retirement incentive program, state bond grant revenue, early retirement of debt, and net assets released from restrictions for capital.

(p) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include liabilities for postretirement benefits, the allowance for doubtful student accounts and loans receivable, valuation of investments, functional allocation of expenses, and the asset retirement obligations. Actual results could differ from those estimates.

(q) Advertising

All advertising costs are expensed in the year they are incurred. The amount totaled $1,768 in 2018 and $1,593 in 2017.

(r) Allocation of Expenses

Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of $32,096 and $31,313 in fiscal years 2018 and 2017, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $2,567 and $2,725 in fiscal years 2018 and 2017, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $32,840 and $33,899 in fiscal years 2018 and 2017, respectively, were allocated functionally based on salary expenses.

(s) Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The liability recorded at June 30, 2018 and 2017 was $14,350 and $13,720, respectively.

(t) Fair Value Accounting

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or

(Continued)

paid to transfer liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices or published net asset values in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same terms of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes “observable” requires significant judgment by the University. The University considers observable data to be that market data, which is readily available; regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is, based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the University in determining fair value is greatest for instruments categorized in Level 3.

(u) New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The University plans to adopt ASU 2016-14 for the year ending June 30, 2019.

(v) Subsequent Events

The University has performed an evaluation of subsequent events through October 16, 2018, the date the consolidated financial statements were issued and has determined that there are no subsequent events for disclosure.

(2) Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded as contributions when donor stipulations are substantially met.

Interests in split interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of $128 and $177 at June 30, 2018 and 2017, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $160 and $162 at June 30, 2018 and 2017, with a liability for future payments to other beneficiaries included at an estimated amount of $8 and $11 at June 30, 2018 and 2017, respectively.

(In thousands of dollars)

The components of contributions receivable at June 30 are as follows:

		2018	2017
Unconditional promises to give	$	2,469	1,728
Interests in split interest agreements		288	339
		2,757	2,067
Less discount to present value		(235)	(142)
		2,522	1,925
Less allowance for uncollectibles		(1)	(3)
Net contributions receivable	$	2,521	1,922

Discount rates ranged as follows at June 30:

	2018	2017
Split interest agreements	3.75%–9.2%	3.75%–9.2%
Unconditional promises to give	4.2%–6.4%	4.2%–5.9%

Unconditional promises to give and interests in split interest agreements at June 30 are expected to be realized in the following periods:

		2018	2017
Within one year	$	755	865
Between one to five years		1,478	718
More than five years		288	339
	$	2,521	1,922

At June 30, 2018 and 2017, approximately 51% and 69% of the gross receivable was due from 3 donors. In fiscal 2018, approximately 48% of contributions was from 1 donor.

Expenses related to fundraising activities are $3,707 and $3,919 for the years ended June 30, 2018 and 2017, respectively.

(In thousands of dollars)

(3) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs.

The following is an analysis of student loans receivable aging as of June 30:

		2018	2017
Past due:			
1–89 days	$	940	691
Greater than 90 days		233	227
Collections		1,128	1,132
Litigation		1,771	1,753
Total past due		4,072	3,803
Current		5,830	6,700
Total gross student loans receivable		9,902	10,503
Less allowance for doubtful receivables		2,745	2,738
Total net student loans receivable	$	7,157	7,765

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's receivable includes the amounts due from current and former students. Loans disbursed under the federal government loan programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's annual analysis.

(Continued)

(In thousands of dollars)

(4) Investments

Investments, which are recorded at fair value, at June 30, consist of:

		2018		2017	
		Fair value	Cost	Fair value	Cost
U.S. government securities	$	19,706	19,923	20,746	20,869
Corporate stocks:					
Equities-nonmarketable		30	30	30	30
Total corporate stocks		30	30	30	30
Corporate stock funds:					
Multi-strategy equity fund		19,884	9,240	17,722	9,072
International equity mutual funds		17,046	16,190	14,948	14,612
Domestic equity mutual funds		13,988	12,406	13,547	13,316
Small cap commingled funds		4,203	3,920	3,804	3,888
Total stock funds		55,121	41,756	50,021	40,888
Total corporate stocks and stock funds		55,151	41,786	50,051	40,918
Corporate bond funds:					
Fixed income mutual funds		15,444	15,581	15,017	14,861
Total corporate bond funds		15,444	15,581	15,017	14,861
Other investments:					
Certificates of deposit		16,222	16,493	15,606	15,736
Multi-asset fund		4,056	4,158	8,110	8,008
Real asset mutual funds		6,708	6,528	6,139	6,250
Hedge fund		6,433	6,200	3,942	3,942
Total other investments		33,419	33,379	33,797	33,936
Total investments	$	123,720	110,669	119,611	110,584

Included in U.S. Government Securities at June 30, 2018 and 2017 is $6,602 and $6,627, respectively, restricted for debt service and renewal and replacement. At June 30, 2018 and 2017, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $167 and $161, respectively.

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2018, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Total fair value	Level 1	Level 2	Level 3
Investments:				
U.S. government securities	$ 19,706	—	19,706	—
Equities – nonmarketable	30	—	—	30
Corporate stock funds:				
International equity mutual funds	17,046	17,046	—	—
Domestic equity mutual funds	13,988	13,988	—	—
Fixed income mutual funds	15,444	15,444	—	—
Other Investments:				
Certificates of deposit	16,222	—	16,222	—
Real asset mutual funds	6,708	6,708	—	—
Total	89,144	$ 53,186	35,928	30
Investments reported at NAV or its equivalent:				
Multi-strategy equity fund (a)	19,884			
Hedge fund (b)	6,433			
Small cap commingled fund (c)	4,203			
Multi-asset fund (d)	4,056			
Total investments	$ 123,720			
Cash and cash equivalents:				
Short term investments, primarily U.S. government obligations	$ 1,468	—	1,468	—
Contributions receivable:				
Interest in split interest agreements	288	—	—	288
	$ 1,756	—	1,468	288

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2017, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Total fair value	Level 1	Level 2	Level 3
Investments:				
U.S. government securities	$ 20,746	—	20,746	—
Equities – nonmarketable	30	—	—	30
Corporate stock funds:				
International equity mutual funds	14,948	14,948	—	—
Domestic equity mutual funds	13,547	13,547	—	—
Fixed income mutual funds	15,017	15,017	—	—
Other Investments:				
Certificates of deposit	15,606	—	15,606	—
Multi-asset mutual fund	8,110	8,110	—	—
Real asset mutual funds	6,139	6,139	—	—
Total	94,143	$ 57,761	36,352	30
Investments reported at NAV or its equivalent:				
Multi-strategy equity fund (a)	17,722			
Hedge fund (b)	3,942			
Small cap commingled fund (c)	3,804			
Total investments	$ 119,611			
Cash and cash equivalents:				
Short term investments, primarily U.S. government obligations	$ 2,182	—	2,182	—
Contributions receivable:				
Interest in split interest agreements	339	—	—	339
	$ 2,521	—	2,182	339

The following are investment objectives for investments valued at net asset value:

(a) The investment objective of the Multi-Strategy Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The funds seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index. Redemption frequency is monthly with a notice period at end of month.

(b) The hedge fund seeks to generate strong absolute returns by diversifying risk and maintaining a low correlation to broad asset classes across a market cycle. They allocate across geographies and hedge fund strategies. Redemption frequency is quarterly with a 90 day notice period.

(In thousands of dollars)

(c) The small cap commingled fund focuses on high quality companies with a proven record of above average rates of profitability that sell at a discount relative to the overall small cap market. The fund believes that a company with a history of above average profitability is likely to have a strong and sustainable position within a market niche. These type of companies typically generate strong cash flows that can be used to build the value of the business, or in some other way benefit the shareholder. Redemption frequency is monthly with a notice period of seven days.

(d) The Fund seeks to provide concentrated exposure to the best asset allocation ideas in the equity and fixed income markets. Redemption frequency is monthly with a notice period of thirty days.

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

		Other	Interest in split interest agreements
Fair values at June 30, 2016	$	30	384
Total losses (realized/unrealized)		—	(45)
Fair values at June 30, 2017		30	339
Total losses (realized/unrealized)		—	(51)
Fair values at June 30, 2018	$	30	288

Realized and unrealized losses in the table above are included in investment return in excess of the endowment spending amount in the consolidated statements of activities.

(In thousands of dollars)

(5) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

		2018	2017
Land and land improvements	$	21,847	21,470
Buildings and building improvements		277,670	275,510
Furniture and equipment		45,185	42,717
Construction in progress		3,794	1,140
		348,496	340,837
Less accumulated depreciation:			
Buildings and building improvements		(131,761)	(123,678)
Furniture and equipment		(29,239)	(25,920)
		(161,000)	(149,598)
Property, plant and equipment, net	$	187,496	191,239

Depreciation of property, plant, and equipment for the years ended June 30, 2018 and 2017 amounted to $12,192 and $11,869, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2018 and 2017 was $986 and $868, respectively.

The University had unfulfilled commitments for the years ended June 30, 2018 and 2017 of $614 and $629, respectively.

(6) Revolving Credit Facility

At June 30, 2018, the University has a $5,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2019. The interest rate is 200 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn (2.72% and 1.72% at June 30, 2018 and 2017, respectively). The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under this agreement in fiscal years 2018 and 2017.

The Credit Agreement contains certain covenants that, among other things, place limitations on the University. For the year ended June 30, 2018, the most restrictive of these provisions required that the University's change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2018 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to $0 for a period of at least 30 consecutive days at any one time prior to the expiration of the Credit Agreement. For the years ended June 30, 2018 and 2017, the University was in compliance with these covenants.

(In thousands of dollars)

(7) Long-Term Debt, Net

Long-term debt at June 30 consists of:

		2018	2017
Bonds payable:			
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$	—	120
Mortgages payable, privately held:			
Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement		9,385	10,015
Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement		605	656
Higher Education Facilities Revenue Refunding Bonds of 2014, Series B due serially through 2032, interest of 3.65% through 2029, adjusted thereafter based on terms stated in the loan agreement		42,575	44,845
Higher Education Facilities Revenue Refunding Bonds of 2015, Series B due serially through 2023, interest from 2.41% subject to adjustment per terms of loan agreement		12,185	14,410
Other debt:			
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest		—	40
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest through 2021		75	107
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%		778	1,020
NJEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5%		242	252
NJEFA Capital Improvement Fund, 2016 Series B, due serially through 2037, interest from 3% to 5.5%		1,366	1,395
		67,211	72,860
Add unamortized bond premium		45	48
Less deferred bond issuance costs		(513)	(569)
Net long-term debt	$	66,743	72,339

(Continued)

(In thousands of dollars)

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (note 4) with the trustee, having an aggregate fair value of $9,204 and $9,924 at June 30, 2018 and 2017, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of unrestricted gross revenues. The University was in compliance with these restrictive covenants for the years ended June 30, 2018 and 2017.

Interest expense was $2,567 and $2,725 in fiscal years 2018 and 2017, respectively.

As of June 30, 2018, the total principal payments due over the next five fiscal years and thereafter are:

2019	$	5,692
2020		5,883
2021		6,063
2022		5,967
2023		6,178
Thereafter		37,428
	$	67,211

(8) Postretirement Benefits

(a) Retirement Plan

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions.

All faculty, nonunion and clerical employees make contributions to the plan in addition to the contributions made by the University. The University's contributions to the plan for the years ended June 30, 2018 and 2017 were $6,576 and $6,516, respectively.

(b) Medical Plan

The University sponsors a defined benefit postretirement medical plan (the Plan) that covers all of its full-time tenured faculty (or those on the tenured track) and certain administrators. The employees eligible to receive benefits are those who have attained age 62 with 10 years of continuous tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

The University recognized the difference between the benefit obligations and any plan assets of the University's defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

(In thousands of dollars)

On September 1, 2017, the University adopted an amendment to the Plan with an effective date of January 1, 2018. Medicare-eligible retirees receiving coverage through AARP Plan F and a prescription drug plan provided through United Healthcare are now to be covered through a United Healthcare Medicare Advantage Group PPO Plan. The amendment resulted in a decrease to the accumulated postretirement benefit obligation of approximately $8,784 relating to prior service cost, which will be amortized over the average years of service until full eligibility of plan participants.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended June 30, 2018 and 2017 and statements of the funded status both years.

		2018	2017
Change in accumulated postretirement benefit obligation (APBO):			
APBO at July 1	$	37,491	39,629
Service cost		889	1,159
Interest cost		1,159	1,419
Retiree contributions		499	534
Amendments/Curtailments/Special Termination		(8,784)	—
Benefits paid		(1,558)	(1,622)
Actuarial gain		(4,605)	(3,628)
APBO at June 30	$	25,091	37,491
Change in plan assets:			
University's contribution	$	1,059	1,088
Retiree contributions		499	534
Benefits paid		(1,558)	(1,622)
Net change in plan assets	$	—	—

		2018	2017
Funded status of the plan:			
APBO in excess of plan assets	$	25,091	37,491
Accrued liabilities	$	25,091	37,491
Periodic costs recognized in income:			
Service cost	$	889	1,159
Interest cost		1,159	1,419
Amortization of prior service credit		(607)	—
Amortization of net actuarial loss		578	900
Net postretirement expense	$	2,019	3,478

The amount recorded from unrestricted net assets into net periodic benefit cost in 2018 was net actuarial gain of $13,360.

		2018	2017
Weighted average assumptions used to determine benefit obligations at end of year:			
Discount rate		4.20 %	3.93 %
Rate of compensation increase		N/A	N/A
Healthcare cost trend:			
Increase from current to next fiscal year:			
Pre-65 medical		8.00	8.50
Post-65 medical		5.00	5.70
Prescription drug		10.25	10.50
Ultimate rate of decline		3.886	3.886
Year that the ultimate rate is attained		2075	2075
Amounts recognized in accumulated unrestricted net assets:			
Net actuarial (gain)/loss	$	(1,967)	11,394

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2019 relates to an actuarial gain of $439.

(Continued)

(In thousands of dollars)

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

		1% Point increase	1% Point decrease
Effect on the accumulated postretirement benefit obligation	$	4,855	(3,789)

	2018	2017
Weighted average assumptions used to determine the net periodic benefit cost at beginning of year:		
Discount rate (see below)	3.93 %	3.93 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend:		
Increase from current to next fiscal year:		
Pre-65 medical	8.50	9.00
Post-65 medical	5.70	6.00
Prescription drug	10.50	10.50
Ultimate rate of decline	3.886	3.886
Year that the ultimate rate is attained	2075	2075

As a result of the amendment, the Plan was re-measured at September 1, 2017 using a discount rate that was also 3.93%.

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

		1% Point increase	1% Point decrease
Effect on total service and interest cost components	$	598	(429)

(Continued)

(In thousands of dollars)

Expected Benefit Payments

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

		Postretirement benefits
Fiscal year:		
2019	$	934
2020		962
2021		982
2022		1,044
2023		1,112
Years 2024–2028		6,044

Expected benefit payments is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2018 are the same as expected benefit payments.

(9) Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of 139 individual funds established for a variety of purposes. The 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.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for

(Continued)

(In thousands of dollars)

expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

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 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-specific period(s) 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 is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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 objective within prudent risk constraints.

The University has a policy of appropriating for distribution each year 4.5% – 5.0% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term 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 specific term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	19,903	23,546	43,449
Board-designated funds		44,264	—	—	44,264
Total funds	$	44,264	19,903	23,546	87,713

During 2018, the University transferred $0 of surplus funds into board designated endowment funds.

(In thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2018, consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$	42,748	17,671	22,881	83,300
Investment return:					
Investment income		1,207	1,149	5	2,361
Net appreciation (realized and unrealized)		2,181	2,078	4	4,263
Total investment gain		3,388	3,227	9	6,624
Contributions		—	—	656	656
Change in fair value of interests in split-interest agreements		—	—	(45)	(45)
Appropriation of endowment assets for expenditure		(1,872)	(1,790)	(4)	(3,666)
Other transfers		—	795	49	844
Endowment net assets at end of year June 30, 2017	$	44,264	19,903	23,546	87,713

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	17,671	22,881	40,552
Board-designated funds		42,748	—	—	42,748
Total funds	$	42,748	17,671	22,881	83,300

During 2017, the University transferred $3,025 of surplus funds into board designated endowment funds.

(Continued)

(In thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2017, consisted of the following:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$	36,248	13,545	22,306	72,099
Investment return:					
Investment income		365	349	3	717
Net appreciation (realized and unrealized)		4,749	4,507	8	9,264
Total investment gain		5,114	4,856	11	9,981
Contributions		—	—	524	524
Change in fair value of interests in split-interest agreements		—	—	(50)	(50)
Appropriation of endowment assets for expenditure		(1,639)	(1,570)	(3)	(3,212)
Other changes:					
Transfers to create board-designated endowment funds		3,025	—	—	3,025
Other transfers		—	840	93	933
Endowment net assets at end of year June 30, 2017	$	42,748	17,671	22,881	83,300

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 to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2018 and 2017.

(In thousands of dollars)

(10) Net Assets

(a) Composition of Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

		2018	2017
Split interest agreements	$	279	282
Endowment return restricted for scholarships and other		19,903	17,671
Scholarships		2,761	2,897
Buildings and equipment		2,079	1,274
University programs and other		8,196	6,831
	$	33,218	28,955

(b) Composition of Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds and the related investment income, which is restricted for the following purposes at June 30:

		2018	2017
Split interest agreements	$	—	45
Pledges-endowed scholarships		504	531
Endowments-scholarships		19,659	18,944
Endowments-endowed chairs and other		3,335	3,315
Other-scholarships		48	46
	$	23,546	22,881

(In thousands of dollars)

(11) Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

	2018			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net interest and dividend income	$ 2,501	609	—	3,110
Net realized and unrealized gains	2,568	1,437	5	4,010
Total return on investments	5,069	2,046	5	7,120
Less investment return designated for current operations:				
Endowment return-spending rate	3,057	609	—	3,666
Other investment return	497	—	—	497
Investment return in excess of endowment spending amount	$ 1,515	1,437	5	2,957

	2017			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net interest and dividend income	$ 458	539	—	997
Net realized and unrealized gains	5,948	3,298	8	9,254
Total return on investments	6,406	3,837	8	10,251
Less investment return designated for current operations:				
Endowment return-spending rate	2,663	549	—	3,212
Other investment return	271	—	—	271
Investment return in excess of endowment spending amount	$ 3,472	3,288	8	6,768

(Continued)

(In thousands of dollars)

(12) Commitments and Contingencies

At June 30, 2018, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating $23,974. These obligations are payable for the following fiscal years ending:

2019	$	3,521
2020		3,074
2021		2,728
2022		2,703
2023		2,688
2024 and thereafter		9,260
	$	23,974

Equipment, software, and space rental expenses for the years ended June 30, 2018 and 2017 were $5,585 and $6,132, respectively.

The University is involved in various legal proceedings, which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures that would be absorbed by the University, in management’s opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

(13) Concentration of Credit Risk

Financial instruments that potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, student accounts receivable and investments. The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits of $250 at June 30, 2018 and 2017, which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that their financial institutions are viable entities, and therefore, risk of loss is minimized. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University’s student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments, and believes that credit risk is limited.