The College of William & Mary Foundation

Consolidated Financial Statements as of and for the Years Ended June 30, 2019 and 2018, and Independent Auditors' Report

THE COLLEGE OF WILLIAM & MARY FOUNDATION

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Trustees Emeriti (Continued)

Trustees Emeriti (Continued)

Trustees Emeriti (Continued)

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THE COLLEGE OF WILLIAM & MARY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The College of William & Mary Foundation
Williamsburg, Virginia

We have audited the accompanying consolidated financial statements of The College of William & Mary Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year 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 these 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 these consolidated 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 The College of William & Mary Foundation 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.

Report on Summarized Comparative Information

We have previously audited The College of William & Mary Foundation's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 18, 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 consolidated financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, for the year ended June 30, 2019, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

September 17, 2019

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 20,546,910	$ 14,364,276
Short-term investments	35,904,486	26,286,326
Accounts receivable	1,461,475	948,642
Prepaid expenses	290,553	325,220
Notes receivable	907,667	907,667
Pledges receivable—net	15,437,960	19,734,170
Property and equipment—net	8,873,288	9,360,016
Collections	6,093,244	6,093,294
Investments	622,955,627	590,662,988
Receivable from remainder trusts	6,453,650	6,398,486
Assets held in charitable remainder trusts	480,916	483,827
Cash surrender value of life insurance policies	1,540,632	1,482,920
Funds held in trust by others	168,268,914	148,702,952
TOTAL	$889,215,322	$825,750,784
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 1,409,300	$ 364,402
Accrued expenses	258,887	232,974
Accrued interest payable	76,207	90,327
Notes payable	634,560	929,404
Deferred compensation liability	626,214	722,627
Deferred income	32,862	32,957
Life estates retained by donors	1,162,277	1,180,485
Obligations under split-interest agreements	1,296,946	1,318,954
Bonds payable (net of unamortized bond issuance costs)	8,068,628	8,060,079
Interest in New Town Associates, LLC	346,637	332,664
Funds held for others	17,369,231	17,160,118
Total liabilities	31,281,749	30,424,991
NET ASSETS:		
Without donor restrictions:		
Undesignated	12,618,435	11,319,130
Designated for operating reserve	600,000	500,000
Designated for endowment	22,078,810	21,850,146
Invested in property and equipment—net of related debt	(1,556,730)	(1,099,887)
Total without donor restrictions	33,740,515	32,569,389
With donor restrictions:		
Restricted in perpetuity	506,740,285	460,183,563
Restricted to the passage of time or for specified purpose	138,885,323	128,914,640
Restricted subject to the Foundation’s spending policy and appropriation	176,206,060	171,258,377
Invested in property and equipment—net of related debt	2,361,390	2,399,824
Total with donor restrictions	824,193,058	762,756,404
Total net assets	857,933,573	795,325,793
TOTAL	$889,215,322	$825,750,784

See notes to consolidated financial statements.

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Total
OPERATING ACTIVITY:				
Revenue and support:				
Contributions	$ 334,211	$ 46,806,210	$ 47,140,421	$ 34,896,614
Income on funds held by others	5,018,257	196,000	5,214,257	4,937,344
Investment return for current operations	4,275,852	20,335,279	24,611,131	20,984,194
CEI—technology fees and revenue from special projects	2,514,236	-	2,514,236	1,689,725
Other	1,023,858	115,599	1,139,457	1,347,537
	13,166,414	67,453,088	80,619,502	63,855,414
Net assets released from restrictions	32,293,798	(32,293,798)	-	-
Total revenue and support	45,460,212	35,159,290	80,619,502	63,855,414
Expenses:				
Program services:				
Instruction	5,903,126	-	5,903,126	5,450,033
Research	658,509	-	658,509	535,326
Public service	40,109	-	40,109	21,664
Academic support	2,641,163	-	2,641,163	2,347,140
Institutional support	1,314,755	-	1,314,755	1,222,381
Athletic programs	1,162,053	-	1,162,053	869,411
Student life and other	197,889	-	197,889	134,121
Plant and facilities	11,483,027	-	11,483,027	3,715,122
Scholarships and fellowships	10,463,496	-	10,463,496	9,047,877
Technology—CEI	2,931,124	-	2,931,124	2,614,248
Total program services	36,795,251	-	36,795,251	25,957,323
Supporting services—fundraising	6,816,163	-	6,816,163	6,384,829
Administrative and general:				
Board expenses	75,000	-	75,000	68,409
Office of Investment Administration	1,013,969	-	1,013,969	1,021,284
Expenses of the Real Estate Foundation	52,744	-	52,744	55,531
Expenses of Reliance Holdings, LLC	1,982	-	1,982	2,585
Other	324,606	-	324,606	370,682
Total administrative and general	1,468,301	-	1,468,301	1,518,491
Total supporting services	8,284,464	-	8,284,464	7,903,320
Total expenses	45,079,715	-	45,079,715	33,860,643

(Continued)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2018 Total**
CHANGE IN NET ASSETS FROM OPERATIONS	$ 380,497	$ 35,159,290	$ 35,539,787	$ 29,994,771
NONOPERATING ACTIVITY:				
Investment return	675,872	6,531,630	7,207,502	25,668,254
Net unrealized gain (loss) on funds held in trust by others	-	19,565,962	19,565,962	(982,593)
Change in value of split-interest agreements	128,731	179,772	308,503	379,580
Change in value of interest in New Town Associates, LLC	(13,974)	-	(13,974)	(36,281)
Total nonoperating activity	790,629	26,277,364	27,067,993	25,028,960
CHANGE IN NET ASSETS	1,171,126	61,436,654	62,607,780	55,023,731
NET ASSETS—Beginning of year	32,569,389	762,756,404	795,325,793	740,302,062
NET ASSETS—End of year	$ 33,740,515	$ 824,193,058	$ 857,933,573	$ 795,325,793

See notes to consolidated financial statements.

(Concluded)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$62,607,780	$55,023,731
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized (gain) loss on funds held in trust by others	(19,565,962)	982,593
Depreciation	497,288	511,564
Proceeds from sale of donated securities	940,968	6,852,975
Net realized gain on investments sold	(415,611)	(730,781)
Net unrealized (gain) loss on investments and short-term investments	(308,073)	64,183
Change in value of investment in William and Mary Investment Trust	(30,103,171)	(45,788,454)
Change in value of investment in William and Mary Investment Trust in funds held for others	(868,098)	(1,365,923)
Change in value of interest in New Town Associates, LLC	13,973	36,281
Amortization of bond issuance costs	8,549	8,549
Contributions restricted for endowment	(19,213,905)	(14,270,914)
Contributions restricted for split-interest agreements	(15,980)	(143,885)
Noncash gifts	(6,272,312)	(10,828,955)
Investment return designated for long term investment	(2,162,374)	(2,093,677)
Loss on disposal of property and equipment and collections	50	30,028
(Increase) decrease in assets:		
Accounts receivable	(512,833)	1,889,324
Prepaid expenses	34,667	252,989
Notes receivable	-	172,631
Pledges receivable	4,296,210	4,649,555
Receivable from remainder trusts	(55,164)	(254,087)
Assets held in charitable remainder trusts	2,911	(2,446)
Cash surrender value of life insurance policies	(57,712)	103,284
Increase (decrease) in liabilities:		
Accounts payable	1,044,898	113,731
Accrued expenses	25,913	(39,155)
Accrued interest payable	(14,120)	24,763
Deferred compensation liability	(96,413)	129,710
Deferred income	3,309	(61,477)
Life estates retained by donors	(18,208)	(17,715)
Obligations under split-interest agreements	142,851	(88,326)
Funds held for others	209,113	916,152
Net cash used in operating activities	(9,851,456)	(3,923,752)

(Continued)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	$ (10,560)	$ (44,720)
Purchase of collections	-	(60,954)
Purchase of investments	(85,030,232)	(61,381,600)
Payments received on investment note receivable	600,000	300,000
Proceeds from investments sold	74,320,942	51,148,168
Net cash (used in) provided by investing activities	(10,119,850)	(10,039,106)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment:		
Contributions restricted for endowment	19,213,905	14,270,914
Proceeds from sale of donated securities	5,259,302	3,985,018
Investment subject to split-interest agreements	15,980	143,885
Investment return designated for long-term investment	2,162,374	2,093,677
Other financing activities:		
Receipts funding split-interest obligations	34,019	131,243
Payments of split-interest obligations	(236,796)	(217,467)
Payments on notes	(294,844)	(280,830)
Net cash provided by financing activities	26,153,940	20,126,440
NET INCREASE IN CASH	6,182,634	6,163,582
CASH AND CASH EQUIVALENTS—Beginning of year	14,364,276	8,200,694
CASH AND CASH EQUIVALENTS—End of year	$20,546,910	$14,364,276

SUPPLEMENTAL DATA—Noncash investing and financing activities:

Noncash gifts designated for endowment and other purposes consist of securities and other investments.

Cash paid for interest on bonds and notes for the years ended June 30, 2019 and 2018, was $350,093 and $299,348, respectively.

Cash refunded for taxes for the years ended June 30, 2019 and 2018 was $2,592 and $620, respectively. Taxes resulted from unrelated business income in limited partnerships.

See notes to consolidated financial statements. (Concluded)

1. ORGANIZATION AND PURPOSE

The College of William & Mary Foundation (the "Foundation") is a private corporation, established as a nonprofit public charity under Section 501(c)(3) of the Internal Revenue Code and organized under the laws of the Commonwealth of Virginia. The Foundation was chartered in 1939 to "aid, strengthen, and expand in every proper and useful way" the work of The College of William and Mary in Virginia (the "University"). Members of the Foundation raise funds for the benefit of the University and manage its privately held assets.

The Foundation has five affiliated entities that are consolidated for financial reporting purposes:

THE COLLEGE OF WILLIAM AND MARY REAL ESTATE FOUNDATION, INC.

The College of William and Mary Real Estate Foundation, Inc. ("REF") was created in 1994 to hold title to real and personal property, collect income therefrom, and transfer the income to the Foundation, which is the sole stockholder of the corporation.

COLLEGE ENTERPRISES, INC.

In March 1996, the Board approved funding support by the Foundation for the installation of a campus-wide communications system. The Foundation received approval from the Attorney General's Office of the Commonwealth of Virginia to use private funds to finance the telecommunications project for the University as it was not feasible to use state funds. The Foundation and the University created an entity under the name of College Enterprises, Inc. ("CEI"). In accordance with accounting guidance for reporting of related entities by not-for-profit organizations, the financial statements of the Foundation include the accounts of CEI because control of and economic interest in CEI rests with the Foundation. CEI receives student technology fees, billed to the students by the University, and from this revenue pays for network maintenance, improvements and personnel costs related to operating the system. In addition, the University has agreed to pay CEI for its costs of various construction projects relating to the telecommunications network.

RELIANCE HOLDINGS, LLC

Reliance Holdings, LLC ("Reliance"), created in March 2000, holds a 50% interest in New Town Associates, LLC ("New Town Associates"), a real estate joint venture, and receives 50% of the associated gains and losses. Reliance, which is wholly owned by the REF and the Foundation, is considered a subsidiary of the Foundation for consolidation purposes.

Investment real estate which was owned by the REF and C.C. Casey, Limited Company ("Casey") was sold to New Town Associates in June 2000 in exchange for a $26,789,834 note receivable, including accrued interest (the "Note"). Effective July 1, 2003, the note was restructured to decrease the aggregate balance due to the REF and Casey to $12,000,000. Based on revised cash flow projections, the face amount of the note due to the REF and Casey was increased to $13,600,000, including interest, during the year ended June 30, 2009, with an effective date of June 30, 2007.

Effective December 31, 2012, the due date of the note was extended to December 31, 2013, with automatic one year extensions unless the REF or Casey provide written notice by September 30 of any year stating that the note shall not be extended. All other terms of the note continued in full force and effect. Under the terms of the automatic extension, the current due date is December 31, 2019.

In accordance with the Intercreditor Agreement between the REF and Casey, the REF is entitled to receive 75% of the first $12,000,000 of Note payments and 25% of Note payments in excess of $12,000,000. During the fiscal year ended June 30, 2015, management determined that the realization of further interest was not probable. Therefore, no additional interest has been recorded. Based on analysis of financial results and cash flow projections of New Town Associates, the recorded value of the note was increased during the fiscal year ended June 30, 2015 to reflect the estimated amount to be received. Additional interest will be recognized as note payments are received in excess of the recorded value, or as new information indicates collection is likely. Payments of $600,000 and $300,000 were received on the Note in the fiscal years ended June 30, 2019 and 2018, respectively. The REF's interest in the Note is recorded at a value of $750,000 and $1,350,000 at June 30, 2019 and 2018, respectively, and is included in investments on the Consolidated Statements of Financial Position.

CWMF VENTURES, LLC

During the year ended June 30, 2007, the Foundation established CWMF Ventures, LLC ("CWMF Ventures"), a limited liability company, in which the Foundation is the sole member. The purpose of CWMF Ventures is to own the Discovery 1 Building, an office building which was completed and placed in service during the year ended June 30, 2008, and which is leased to the University. Together with the Foundation, CWMF Ventures is also a party to agreements relating to the issuance of certain revenue bonds issued to finance the Discovery Building 1 (see Note 13).

MURRAY 1693 SCHOLARS FOUNDATION

The Murray 1693 Scholars Foundation ("1693 Foundation") was created in 2013 to develop, expand, manage, oversee and strengthen in every proper and useful way the 1693 Scholars Program on behalf of the University and the Foundation. The Foundation is required to appoint a majority of the board of the 1693 Foundation, and as a result of this control, the accounts of the 1693 Foundation are included in the consolidated financial statements of the Foundation. With consent of donors, during the fiscal year ended June 30, 2016, the Foundation transferred endowments to the 1693 Foundation, and these endowments are included in the total invested in the Trust.

2. SUMMARY OF SIGNIFICANT OPERATIONS AND ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements of the Foundation include the accounts of its affiliates (see Note 1). Inter-company accounts and transactions have been eliminated in consolidation.

Basis of Accounting—The accompanying consolidated financial statements are prepared under accounting principles generally accepted in the United States of America ("GAAP"). Revenue and support are recognized in the accounting period in which it is realized or realizable and earned and expenses are recognized in the accounting period in which the related liability is incurred. Nonoperating activity is recognized in accordance with these same principles.

Cash Equivalents—Cash equivalents include highly-liquid investment instruments with an original maturity of three months or less when purchased.

Investments—The Foundation's investment activities expose it to a variety of risks, including but not limited to interest rate risk, liquidity risk, credit risk, concentration risk and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Investments (see Note 4) are generally carried at fair value. Securities traded on U.S. or foreign exchanges are valued at the last reported sales price or, if there are no sales, at the latest bid quotation. Mutual funds and exchange traded funds traded on U.S. or foreign exchanges are valued at the closing net asset value; mutual funds not traded on national exchanges are valued in good faith at the pro-rata interest in the net assets of these entities. Short-term investments held in the William and Mary Investment Trust (the "Trust") are valued at their net asset value at each valuation date. Short-term government and agency bonds and notes, included in Short-term investments in the Consolidated Statements of Financial Position, are valued based on market driven observations and securities characteristics including ratings, coupons and redemptions. The values of limited partnerships, commingled investment funds and investment trusts are determined in good faith at the pro-rata interest in the net assets of these entities. Investments held by these entities are valued at amounts which approximate fair value. The estimated fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors or third party administrators of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. These investments are valued using valuation techniques included in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, including the market approach, income approach, and cost approach. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

Short-term investments have maturities of one year or less as of June 30.

Investment transactions are accounted for on a trade date basis. Dividends are recognized on the ex-dividend date and interest income is recognized on the accrual basis. Net realized and unrealized gains and losses are reflected in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions in accordance with the donor's stipulations concerning the purposes for which income may be used.

Fair Value Measurement—Certain assets and liabilities of the Foundation are reflected in the accompanying financial statements at fair value. The Foundation follows the provisions in ASC Topic 820. ASC Topic 820 establishes a fair value hierarchy and specifies that the valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1—Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2—Quoted prices in markets which are not active, or inputs that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3—Prices, inputs or sophisticated modeling techniques, which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As a practical expedient, ASC 820 permits an entity holding investments in certain entities that have the attributes described in ASC 946, *Financial Services—Investment Companies*, or have attributes similar to such entities, and which calculate Net Asset Value ("NAV") per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The Foundation uses the practical expedient to value its investments in certain mutual funds, limited partnerships, limited liability companies, commingled investment funds and investment trusts. Investments valued using the practical expedient are not categorized within the fair value hierarchy, and are presented as Other in the tables in Note 5 for purposes of reconciling to the Consolidated Statements of Financial Position.

Endowments—The Foundation's endowment consists of funds established for a variety of purposes, and includes donor-restricted endowment funds, funds designated by donors as long-term in nature but allowing distributions from principal under certain circumstances, and funds designated by the Board of Trustees (the "Board") of the Foundation to function as endowments. As required by GAAP, net assets associated with endowments and funds functioning as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring preservation of the fair value, as of the gift date, of gifts to a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions restricted in perpetuity for endowment (a) the original value of all gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions restricted subject to the Foundation's spending policy until appropriated for expenditure in a manner consistent with the standards of prudence prescribed by UPMIFA, and, where income is designated by the donor for use for a specific purpose, when the funds are used for the purpose specified by the donor. In accordance with UPMIFA, the Foundation considers the following factors in making a determination, in the aggregate, to appropriate for expenditure or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund;
(2) The purposes of the institution and the endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation or deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the institution; and
(7) The investment policy of the institution

Generally, endowment assets are pooled on a market value basis. Each individual fund purchases or disposes of units on the basis of the market value per unit at the beginning of the calendar quarter within which the transaction takes place. Annual payout, including unrealized and realized net gains, as necessary, is distributed pro rata based upon the number of units owned by each fund. These amounts are either expendable at the discretion of the Board or according to donor restrictions.

Pledges Receivable— ASC Topic 958, *Not-for-Profit Entities*, requires that unconditional promises to give (pledges) be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The pledges receivable reflects management's estimate of the funds to be received after an allowance for uncollectible pledges discounted to the net present value using an assumed risk free interest rate.

Property and Equipment—Property and equipment used in operations are reported at cost or the current estimated value at the date of gift, if donated. Depreciation is computed by the straight-line method using the following estimated useful lives:

	Useful Life
Land improvements	15 years
Buildings and improvements	15–50 years
Equipment	5–30 years
Furniture and fixtures	12–30 years
Telecommunications system	3–15 years
Other	5–20 years

Gains and losses arising from retirement or sale of property and equipment are recognized in the Consolidated Statements of Activities.

Property and equipment includes certain assets to which the Foundation has legal title, but are used and controlled by the University.

Collections—Collections presented in the Consolidated Statements of Financial Position represent non-depreciable works of art and historical items reported at cost or fair market value at the time of donation. There were no purchases or contributions to collections for the year ended June 30, 2019. There were no contributions to collections for the year ended June 30, 2018. Purchase of collections were $60,954 for the year ended June 30, 2018.

Receivable from Remainder Trusts—Gifts in which the Foundation has an irrevocable remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily or permanently restricted based on donor stipulations and reported as a receivable from remainder trusts. Upon termination of life interests in the trusts, the remainder will be distributed to the Foundation. The receivables are valued using present value and actuarial techniques to estimate the present value of expected future cash flows.

Life Estates Retained by Donors—The Foundation owns land and buildings in which the donors have retained the right to occupy for their lifetime. The value of the land and buildings is reported in investments or in property and equipment, with the value of the life estate reported as a liability.

Split-Interest Agreements—Through planned giving agreements, donors have contributed assets to the Foundation or to trusts for which the Foundation serves as trustee. In exchange, the donor or other beneficiaries will receive a fixed amount or percentage of assets over their lifetime. The present values of these commitments are liabilities and are classified as obligations under split interest agreements in the Consolidated Statements of Financial Position. Discount rates of 1.2% to 9.6% were used in determining the actuarial liability for fiscal years 2019 and 2018. The related assets are classified in investments and assets held in charitable remainder trusts on the Consolidated Statements of Financial Position.

Funds Held for Others—The Foundation holds certain assets for the benefit of two organizations. In accordance with ASC Topic 958, contributions received by the Foundation which have been designated for the benefit of other organizations are recorded as liabilities unless the organization is financially interrelated with the Foundation or the Foundation has been granted variance power.

The Omohundro Institute of Early American History and Culture (the "Institute") is not financially interrelated with the Foundation. Since assets held by the Foundation to benefit the Institute were either contributed by third parties without granting variance power or were transferred from the Institute, these funds are recorded as liabilities under funds held for others. The value of the liability is measured at the fair value of the assets, the majority of which are invested in the Trust.

The William & Mary Alumni Association (the "Association") and the Foundation were established primarily to support the University. As such, the Association is considered a financially interrelated organization of the Foundation, and therefore, activities of assets held by the Foundation in support of its operations are included in the accompanying Consolidated Statements of Activities and are reflected in the net assets of the Foundation. Funds held for the benefit of the Association, included in net assets, were valued at $7,407,578 and $6,122,023 at June 30, 2019 and 2018, respectively.

Net Assets—ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

> ***Net Assets Without Donor Restrictions***— Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions generally result from receiving unrestricted contributions, unrealized and realized gains and losses on board designated funds functioning as endowments with no donor-imposed or legal restrictions on income, income from funds held in trust

by others with no restrictions as to use, and revenue from investing non-endowment funds in income-producing assets. The Board of Trustees of the Foundation (the "Board") has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowments.

Net Assets With Donor Restrictions — Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions—Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Gifts received by bequests are recognized as revenue when the will is declared valid by the respective probate court and when all conditions are substantially met. Contributions to the Foundation are either unrestricted as to use or carry specific restrictions imposed by the donors. Unrestricted gifts are reflected as contributions in net assets without donor restrictions. Restricted contributions are reflected as contributions in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Investment Return—The Foundation segregates investment return into operating and nonoperating components. Operating investment return includes investment income, net of fees, that is available for current operations and payout on endowments and similar funds calculated in accordance with the Board-adopted payout policy. Non-operating investment return represents investment return in excess of or less than amounts available for current operations.

Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Comparative 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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Recent Accounting Pronouncements—In February 2016, the Financial Accounting Standards Board ("FASB") adopted Accounting Standards Update ("ASU") 2016-02 which amends the ASC by creating Topic 842, *Leases*. The ASU requires that a lessee should recognize the assets and liabilities that arise from leases. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for the Foundation's fiscal year ending June 30, 2021. Management is evaluating the impact this ASU will have on the financial statements.

In August 2016, the FASB adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends several requirements for financial statements and notes, including net asset classifications in the statement of financial position and statement of activities and enhanced disclosures in numerous areas. The ASU is effective for the Foundation's fiscal year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented. The Foundation has elected to apply the new disclosure requirements on liquidity and availability of funds and expenses by both their functional and natural classification prospectively.

The following reclassifications were made to the prior year consolidated financial statements for compliance with the requirements of ASU 2016-14.

Net assets as of June 30, 2018 have been reclassified as follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Assets**
2018 Net Asset Classifications:			
Unrestricted	$ 32,569,389	$ -	$ 32,569,389
Temporarily restricted	-	301,122,222	301,122,222
Permanently restricted	-	461,634,182	461,634,182
Total net assets	$ 32,569,389	$ 762,756,404	$ 795,325,793

Investment expense in the amount of $27,038 was reclassified from Office of Investment Administration expense to investment return for current operations on the Consolidated Statement of Activities for the year ended June 30, 2018.

In June 2018, the FASB adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Additionally, the ASU requires that an entity 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. The amendments in this ASU should generally be applied on a modified prospective basis beginning for the Foundation's fiscal year ending June 30, 2020, and applied to agreements that are either not completed as of the ASU effective date or entered into after the effective date. Management is evaluating the impact this ASU will have on the financial statements.

In August 2018, the FASB adopted ASU 2018-13, *Fair value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU improves the effectiveness of disclosure requirements for fair value measurement. The effective date for ASU 2018-13 is for fiscal years beginning December 15, 2019. As permitted by the ASU, the Foundation adopted the guidance related to removed or modified disclosures prior to the effective date for the year ended June 30, 2019.

In March 2019, the FASB adopted ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The ASU improves the definition of *collections* by realigning it with the definition in the American Alliance of Museums' *Code of Ethics for Museums*. The ASU is effective for the Foundation's fiscal year ending June 30, 2021. Early adoption is permitted. Management is evaluating the impact this ASU will have on the financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019
Cash and cash equivalents	$ 6,057,243
Accounts receivable	308,612
Investments	1,809,432
Distributions from funds held in trust by others	5,166,000
Endowment distributions and appropriations	5,021,606
	$ 18,362,893

The Foundation is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board designated a portion of its unrestricted resources for endowment (see Note 14). The Board-designated endowments are subject to an annual spending rate (see Note 6). Although the Foundation does not intend to spend from the Board-designated endowments (other than amounts appropriated for expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. However, the funds are subject to the withdrawal provisions of The William and Mary Investment Trust (see Note 4).

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As part of its liquidity management plan, the Foundation invests cash in excess of its daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $600,000 and $500,000 as of June 30, 2019 and 2018, respectively.

4. INVESTMENTS

Investments, which are generally carried at fair value, at June 30, 2019 and 2018, were comprised of the following:

	2019	2018
Short-term investments:		
Government and agency bonds and notes	$ 35,904,486	$ 26,286,326
Investments:		
Cash pending investment	$ 9,851,385	$ 563,773
Common stock	547,685	417,628
Investment in William and Mary Investment Trust	604,739,352	581,526,009
Mutual funds and commingled funds—equity	3,781,302	2,703,630
Mutual funds and commingled funds—fixed income	204,538	1,237,703
U.S. government bonds	1,535,533	1,235,579
Real estate	987,982	987,982
Notes receivable (Note 1)	750,000	1,350,000
Private equity and other	557,850	640,684
Total investments	$622,955,627	$590,662,988

The following schedules summarize the investment return and its classification in the consolidated statements of activities:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment return—net	$ 1,261,890	$ 453,572	$ 1,715,462
Change in value of William and Mary Investment Trust	3,689,834	26,413,337	30,103,171
Total investment return	$ 4,951,724	$ 26,866,909	$ 31,818,633
Reported on Consolidated Statements of Activities			
Investment return from pooled investments budgeted for current operations	$ 3,469,606	$ 20,208,842	$ 23,678,448
Other investment return designated for current operations	806,246	126,437	932,683
Total for current operations	4,275,852	20,335,279	24,611,131
Investment return in excess of amounts for current operations	675,872	6,531,630	7,207,502
Total investment return	$ 4,951,724	$ 26,866,909	$ 31,818,633

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment return, net	$ 453,540	$ 410,454	$ 863,994
Change in value of William and Mary Investment Trust	4,066,436	41,722,018	45,788,454
Total investment return	$ 4,519,976	$ 42,132,472	$ 46,652,448
Reported on Consolidated Statements of Activities			
Investment return from pooled investments budgeted for current operations	$ 3,039,115	$ 17,562,201	$ 20,601,316
Other investment return designated for current operations	328,917	53,961	382,878
Total for current operations	3,368,032	17,616,162	20,984,194
Investment return in excess of amounts for current operations	1,151,944	24,516,310	25,668,254
Total investment return	$ 4,519,976	$ 42,132,472	$ 46,652,448

Effective July 1, 2004, the Foundation established The William and Mary Investment Trust, a grantor group trust. The purpose of the Trust is to provide a means by which tax-exempt organizations, including the Foundation, whose principal purpose is to support the functions and activities of the University, may take advantage of the investment strategies and opportunities developed, implemented, and monitored by the Foundation. The Foundation serves as trustee of the Trust, and The Northern Trust Company acts as custodian. Each grantor to the Trust owns an interest proportional to the value of the assets transferred to the Trust and is increased or decreased with subsequent contributions or distributions.

At June 30, 2019 and 2018, the investments in the Trust were composed of:

	2019	2018
Common stocks	$ 90,636,213	$ 104,657,406
Investment in exchange listed funds	51,096,875	17,418,250
Investment in private investment funds	517,213,103	520,742,720
Short-term investments	50,882,671	43,867,447
Total investments	709,828,862	686,685,823
Cash	247	-
Receivables	386,503	373,722
Receivable for investments sold	5,243,375	263,303
Payables and accrued expenses	(77,037)	(590,549)
Net assets	$ 715,381,950	$ 686,732,299

At June 30, 2019 and 2018, the Foundation, which includes the 1693 Foundation as a consolidated entity, owned 84.53% and 84.68% of the net assets of the Trust, respectively.

For the years ended June 30, 2019 and 2018, the net investment return for the Trust was $36,654,450 and $55,504,051, respectively.

The Foundation, which includes the 1693 Foundation as a consolidated entity, received 84.5% and 85.0% of the total investment return of the Trust for the years ended June 30, 2019 and 2018, respectively, which includes amounts of $868,098 and $1,365,922, respectively, for investment return on funds held for others.

The majority of the Foundation's financial assets are held in the Trust. Each year the grantors notify the Trust of the amount to be withdrawn quarterly representing spending rate distributions. At the discretion of the Trustee, providing sufficient liquidity exists in the portfolio such that special withdrawals will not adversely impact the asset allocation or expected return of the portfolio, special withdrawals may be made in accordance with the following schedule:

- First $5 million within four months
- Next $15 million within seven months
- Next $30 million within ten months
- More than $50 million within thirteen months

Disbursements may be made on a more accelerated basis if sufficient liquidity can be generated without affecting the Trust's investment strategy. However, disbursements may be delayed due to liquidation schedules affecting illiquid securities held in the portfolio.

The following table summarizes the liquidity provisions related to the Trust's investments in private investment funds by investment strategy as of June 30, 2019:

Private Investment Funds by Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Absolute Return [(A)]					
Redeemable ≤ 1 year [(1)]	$ 30,388,626	$ -	Monthly, Quarterly, Annually	16–90 days	1 day - 6 months
Redeemable > 1 year [(1)]	11,811,372	-	Every 2 years	90 days	16 months
Illiquid [(2)]	11,847,784	-	Illiquid	NA	Termination of fund
Domestic Equity [(B)]					
Redeemable ≤ 1 year [(1)]	76,737,084	-	Quarterly, Annually	30-90 days	1 day–12 months
Redeemable > 1 year [(1)]	7,939,163	-	Every 3 years	60 days	18 months
Illiquid [(2)]	1,117,691	-	Illiquid	NA	Termination of fund
Fixed Income [(C)]					
Redeemable ≤ 1 year [(1)]	27,821,479	-	Daily	1 day	1 day
Foreign Equity (Developed) [(D)]					
Redeemable ≤ 1 year [(1)]	70,658,756	-	Monthly, Quarterly, Every 3 years	5–90 days	1 day–8 months
Redeemable > 1 year [(1)]	6,266,842	-	Every 3 years	90 days	13–32 months
Foreign Equity (Emerging Markets) [(E)]					
Redeemable ≤ 1 year [(1)]	47,130,088	-	Daily, Monthly	12–28 days	1 day–1 month
Private Equity [(F)]					
Illiquid [(2)]	118,219,105	49,485,176	Illiquid	NA	Termination of fund
Real Assets [(G)]					
Illiquid [(2)]	61,348,369	57,091,491	Illiquid	NA	Termination of fund
Special Situations [(H)]					
Illiquid [(2)]	45,854,494	30,925,196	Illiquid	NA	Termination of fund
Transitional Trading [(I)]					
Illiquid [(2)]	72,250	-	Illiquid	NA	Termination of fund
	$ 517,213,103	$ 137,501,863			

The following table summarizes the liquidity provisions related to the Trust's investments in private investment funds by investment strategy as of June 30, 2018:

Private Investment Funds by Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Absolute Return [A]					
Redeemable ≤ 1 year [1]	$ 50,435,900	$ -	Monthly, Quarterly, Annually, Every 2 years	16–90 days	1 day–6 months
Illiquid [2]	1,653,085	-	Illiquid	NA	Termination of fund
Domestic Equity [B]					
Redeemable ≤ 1 year [1]	98,630,239	-	Quarterly, Semi-annually, Annually	30-90 days	1 day–12 months
Redeemable > 1 year [1]	9,026,631	-	Quarterly, Every 3 years	60-90 days	15-32 months
Illiquid [2]	67,144	-	Illiquid	NA	Termination of fund
Fixed Income [C]					
Redeemable ≤ 1 year [1]	25,726,620	-	Daily	1 day	1 day
Foreign Equity (Developed) [D]					
Redeemable ≤ 1 year [1]	72,960,499	-	Monthly, Quarterly, Every 3 years	5–90 days	1 day–12 months
Redeemable > 1 year [1]	6,691,676	-	Every 3 years	90 days	15–32 months
Foreign Equity (Emerging Markets) [E]					
Redeemable ≤ 1 year [1]	47,041,655	-	Daily, Monthly	12–90 days	1 day–1 month
Private Equity [F]					
Illiquid [2]	107,809,264	52,038,050	Illiquid	NA	Termination of fund
Real Assets [G]					
Illiquid [2]	49,970,414	53,821,183	Illiquid	NA	Termination of fund
Special Situations [H]					
Redeemable ≤ 1 year [1]	11,431,840		Quarterly	65 days	3–12 months
Illiquid [2]	39,219,734	20,857,606	Illiquid	NA	Termination of fund
Transitional Trading [I]					
Illiquid [2]	78,019	-	Illiquid	NA	Termination of fund
	$ 520,742,720	$ 126,716,839			

[1] Redeemable investments may be redeemed at the discretion of the Trust in accordance with the terms of the governing agreement, which may include restrictions that do not allow redemption for a specified period of time following an investment. Investments held at June 30, 2019 and 2018 that are available for redemption during the next fiscal year totaled $252,736,033 and $306,226,753, respectively. Investments held at June 30, 2019 and 2018 that are available for redemption in more than one year totaled $26,017,377 and $15,718,307, respectively. Estimated remaining holding period reflects the period until the next available redemption date subsequent to June 30, including expiration of lockup periods.

[2] Illiquid investments cannot be redeemed with the investment fund. This category includes investments from which distributions will be received as the underlying investments are liquidated, and may include investments on which redemption restrictions of unknown duration have been imposed. If allowed under the terms of the fund agreement, illiquid investments can be sold to other eligible investors through private placements arranged through the general partner. Illiquid investments at June 30, 2019 and 2018 totaled $238,459,693 and $198,797,660, respectively.

[A] Absolute Return represents miscellaneous types of equity and equity-like as well as fixed income securities held by managers that operate under broadly defined investment guidelines, indicative of the hedge fund industry. This category is populated by multi-strategy, credit-driven, event arbitrage and fund-of-fund hedge funds. Securities can be of all types, public and private, foreign and domestic, of all capitalization sizes, industry concentrations, including exposures to various long/short and option strategies, managed futures, global tactical asset allocation, currency, and various forms of real estate or other hard assets.

[B] Domestic Equity represents equity securities held by managers who primarily invest in securities listed on United States exchanges. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

[C] Fixed Income represents various bond and bond-like securities that have an income stream as a component part of the security's total rate of return. These securities are designed to be liquid and traded through established bond markets, both foreign and domestic. In cases where there is no bid or established market, pricing can be determined through modeling and other means of comparative analysis. Fixed income strategies employed by the Trust can include the engagement of investment managers who use various derivative instruments as a component part of their commingled fund portfolios.

[D] Foreign Equity (Developed) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI EAFE index. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

[E] Foreign Equity (Emerging Markets) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI Emerging Markets index. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

[F] Private Equity represents equity interests held primarily through various limited partnerships in asset categories of venture capital and private equity (buyouts), foreign and domestic.

[G] Real Assets include miscellaneous foreign and domestic partnership interests in various asset classes of real estate, managed futures (commodities), energy (oil and gas), timber, and self-storage facilities. Whereas most held securities are equity and equity-like interests, the engaged investment managers may employ various derivative instruments as a component part of their commingled fund portfolios.

[H] Special Situations includes miscellaneous types of foreign and domestic equity and equity-like as well as fixed income securities held by managers who were hired to pursue specific opportunistic strategies. This category is populated by managers who were investing in distressed debt situations, specialized credit opportunities, privately negotiated lending facilities with public or private companies, event-driven arbitrage, life settlements and aviation assets.

[I] Transitional Trading includes a variety of assets that have been distributed or redeemed from a manager's holdings in the portfolio. These assets include specific securities traded on major exchanges, mutual fund shares, and specific illiquid investments that are in the process of being liquidated during the wind down of a fund investment.

The Trust may invest in exchange traded funds in any of the above strategies in situations of investment manager transitions, portfolio rebalancing, or portfolio completion.

5. FAIR VALUE MEASUREMENTS

As required by ASC Topic 820, certain assets and liabilities are classified within the level of the lowest significant input considered in determining fair value. Assets and liabilities classified within Level 3 consider several inputs which may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

At June 30, 2019, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Short-term investments:					
Government and agency bonds and notes	$ -	$ 35,904,486	$ -	$ -	$ 35,904,486
Investments:					
Investments—Foundation investment in William and Mary Investment Trust:					
Common stock	76,618,211	-	-	-	76,618,211
Exchange traded funds	43,194,116	-	-	-	43,194,116
Private investment funds					
Absolute return	-	-	-	45,688,629	45,688,629
Domestic equity	-	-	-	72,524,853	72,524,853
Fixed income	-	-	-	23,518,546	23,518,546
Foreign equity (developed)	-	-	-	65,028,110	65,028,110
Foreign equity (emerging markets)	-	-	-	39,840,842	39,840,842
Private equity	-	-	-	99,935,070	99,935,070
Real assets	-	-	-	51,860,091	51,860,091
Special situations	-	-	-	38,762,534	38,762,534
Transitional trading	-	-	-	61,103	61,103
Short-term investments	47,707,247	-	-	-	47,707,247
Total Foundation investment in William and Mary Investment Trust	167,519,574	-	-	437,219,778	604,739,352
Cash pending investment	-	-	-	9,851,385	9,851,385
Common and preferred stocks and corporate bonds	547,685	-	-	-	547,685
Mutual and commingled funds	3,985,840	-	-	-	3,985,840
Government and agency bonds		1,535,533	-	-	1,535,533
Private equity and other	-	-	20,000	537,850	557,850
Real estate	-	-	987,982	-	987,982
Notes receivable	-	-	750,000	-	750,000
Total investments	172,053,099	1,535,533	1,757,982	447,609,013	622,955,627
Assets held in charitable remainder trusts	480,916	-	-	-	480,916
Funds held in trust by others:					
Equity securities	164,926,268	-	-	-	164,926,268
Mutual funds and other	3,342,646	-	-	-	3,342,646
Total funds held in trust by others	168,268,914	-	-	-	168,268,914
Fair value of assets	$ 340,802,929	$ 37,440,019	$ 1,757,982	$ 447,609,013	$ 827,609,943
Liabilities—funds held for others	$ 5,016,192	$ -	$ -	$ 12,353,039	$ 17,369,231
Fair value of liabilities	$ 5,016,192	$ -	$ -	$ 12,353,039	$ 17,369,231

At June 30, 2018, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Short-term investments:					
Government and agency bonds and notes	$ -	$ 26,286,326	$ -	$ -	$ 26,286,326
Investments:					
Investments—Foundation investment in William and Mary Investment Trust:					
Common stock	88,624,059	-	-	-	88,624,059
Exchange traded funds	14,749,802	-	-	-	14,749,802
Private investment funds					
Absolute return	-	-	-	44,109,036	44,109,036
Domestic equity	-	-	-	91,220,867	91,220,867
Fixed income	-	-	-	21,785,343	21,785,343
Foreign equity (developed)	-	-	-	67,449,589	67,449,589
Foreign equity (emerging markets)	-	-	-	39,834,949	39,834,949
Private equity	-	-	-	91,293,057	91,293,057
Real assets	-	-	-	42,315,027	42,315,027
Special situations	-	-	-	42,891,834	42,891,834
Transitional trading	-	-	-	66,062	66,062
Short-term investments	37,186,384	-	-	-	37,186,384
Total Foundation investment in William and Mary Investment Trust	140,560,245	-	-	440,965,764	581,526,009
Cash pending investment	-	-	-	563,773	563,773
Common and preferred stocks and corporate bonds	417,628	-	-	-	417,628
Mutual and commingled funds	3,941,333	-	-	-	3,941,333
Government and agency bonds	-	1,235,579	-	-	1,235,579
Private equity and other	-	-	34,823	605,861	640,684
Real estate	-	-	987,982	-	987,982
Notes receivable	-	-	1,350,000	-	1,350,000
Total investments	144,919,206	1,235,579	2,372,805	442,135,398	590,662,988
Assets held in charitable remainder trusts	483,827	-	-	-	483,827
Funds held in trust by others:					
Equity securities	145,276,912	-	-	-	145,276,912
Mutual funds and other	3,426,040	-	-	-	3,426,040
Total funds held in trust by others	148,702,952	-	-	-	148,702,952
Fair value of assets	$ 294,105,985	$ 27,521,905	$ 2,372,805	$ 442,135,398	$ 766,136,093
Liabilities—funds held for others	$ 4,360,514	$ -	$ -	$ 12,799,604	$ 17,160,118
Fair value of liabilities	$ 4,360,514	$ -	$ -	$ 12,799,604	$ 17,160,118

There were no additions or transfers in or out related to Level 3 investments for the years ended June 30, 2019 and 2018. The Foundation determines the fair value of transfers between levels using the most recent valuation.

6. ENDOWMENT

In accordance with ASC Topic 958 and UPMIFA, net assets associated with endowments and funds functioning as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table presents endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 21,673,790	$ 69,228,554	$ 90,902,344
Donor-restricted funds:			
Funds that allow distribution of principal	405,020	8,251,874	8,656,894
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	323,136,148	323,136,148
Accumulated investment gains	-	176,206,060	176,206,060
Total endowment funds	$ 22,078,810	$ 576,822,636	$ 598,901,446

The following table presents endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$21,449,313	$ 66,993,718	$ 88,443,031
Donor-restricted funds:			
Funds that allow distribution of principal	400,833	8,128,449	8,529,282
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	298,746,019	298,746,019
Accumulated investment gains	-	171,258,377	171,258,377
Total endowment funds	$21,850,146	$545,126,563	$566,976,709

The following table presents the change in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	$21,850,146	$545,126,563	$566,976,709
Investment return—net	3,623,343	26,472,060	30,095,403
Contributions received	-	23,879,447	23,879,447
Appropriation of endowment assets for expenditure	(3,437,089)	(20,261,131)	(23,698,220)
Transfers to board-designated endowment funds	42,410	1,605,697	1,648,107
Endowment net assets—end of year	$22,078,810	$576,822,636	$598,901,446

The following table presents the change in endowment net assets for the fiscal year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	$20,849,661	$500,022,180	$520,871,841
Investment return—net	3,987,025	41,823,137	45,810,162
Contributions received	-	19,144,116	19,144,116
Appropriation of endowment assets for expenditure	(3,006,893)	(17,611,229)	(20,618,122)
Transfers to board-designated endowment funds	20,353	1,748,359	1,768,712
Endowment net assets—end of year	$21,850,146	$545,126,563	$566,976,709

The above amounts exclude $17,086,072 and $16,879,547 of investments in funds held for others as of June 30, 2019 and 2018, respectively.

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 Foundation to retain as a fund of perpetual duration. These deficiencies result largely from unfavorable market fluctuations that occurred after the establishment of endowments. There were no deficiencies as of June 30, 2019 and 2018.

Return Objectives and Risk Parameters—The Foundation 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 enhance the inflation-adjusted purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with an objective to achieve real growth of 2% over the long term (i.e., real total return less that of annual spending and management fees). The measure of inflation used in adjusting for real purchasing power is the Higher Education Price Index, a measure of college and university costs. The majority of the Foundation's endowment funds are invested in the Trust, which follows an investment policy that is consistent with these objectives.

Strategies Employed in Achieving Objectives—To satisfy its long-term return objectives, the Trust follows a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust's portfolio is highly diversified among asset classes, strategies, and investment managers. This diversification in holdings and manager relationships is intended as a means to consistently produce returns in excess of policy benchmarks with less concentration of risk. The Trust has established asset allocation ranges in each of its major asset classes within which policy targets are set and monitored against actual allocations.

Spending Policy—The Foundation sets a spending rate annually for its respective investment portfolios. For the years ended June 30, 2019 and 2018, the rate was applied to a trailing 20-quarter average market value through December 31 of the previous fiscal year to calculate the payout from investment pools available for current operations. The spending rate for the Foundation's three discrete investment portfolios, Pooled Investments, Eminent Scholars, and Virginia Graduate and Undergraduate Assistance Program, was 4.75% for the fiscal year ended June 30, 2019 and 4.75%, 5.00%, and 4.75%, respectively, for the year ended June 30, 2018. Other investment returns for current operations include income on funds without donor restrictions and funds restricted to the passage of time or for a specified purpose by the donor.

7. NOTES RECEIVABLE

In July 2009, the Foundation agreed to advance a total of $250,000 as a loan to support legal costs associated with the defense of certain claims made against two estates by one plaintiff. The Foundation is a potential beneficiary of the estates. The Foundation is joined by other parties in the loan. The agreement provides that the loan will be repaid, with interest at 5% per year, with first priority from assets received from the estates in the same proportion as amounts loaned by each party. During fiscal years 2010–2013, additional loans were extended on similar terms committing total additional amounts of $814,490 to support legal costs and to fund costs associated with maintenance of real estate constituting the primary asset of one of the estates. Interest was accrued on the notes receivable through June 30, 2015. The loans are recorded in notes receivable and had a carrying value of $907,667 at June 30, 2019 and 2018, including interest.

8. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables at their net present value in the year promised and are recognized as temporarily restricted or permanently restricted support, as appropriate. Pledges receivable include amounts due from trustees and officers of the Foundation, which are considered related party transactions. Pledges receivable at June 30, 2019, have been discounted using discount rates ranging from 1.00% to 3.07%.

Pledges receivable to be collected within one year have not been discounted. At June 30, 2019 and 2018, the net present value of pledges receivable was as follows:

	2019	2018
Less than one year	$ 5,559,070	$ 3,806,575
One to five years	10,511,582	9,949,149
More than five years	728,809	9,268,177
Total pledges receivable—gross	16,799,461	23,023,901
Less allowance for uncollectible amounts	(542,791)	(702,459)
Total pledges receivable—net of allowance	16,256,670	22,321,442
Discount to reduce pledges to present value	(818,710)	(2,587,272)
Pledges receivable—net	$ 15,437,960	$ 19,734,170

9. PROPERTY AND EQUIPMENT

The summary of property and equipment at June 30, 2019 and 2018, is as follows:

	2019	2018
Land and nondepreciable assets	$ 2,280,527	$ 2,280,527
Land improvements	338,138	338,138
Buildings and improvements	8,516,815	8,506,255
Equipment	927,782	927,782
Furniture and fixtures	429,170	429,170
Telecommunications system	6,010,388	6,030,349
Other	55,792	55,792
Total	18,558,612	18,568,013
Less accumulated depreciation	(9,685,324)	(9,207,997)
Property and equipment—net	$ 8,873,288	$ 9,360,016

10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others represent resources neither in the possession nor under the control of the Foundation but held and administered by outside fiscal agents, with the Foundation deriving income from such funds. The balance is comprised of three trusts, the most significant of which is derived from the bequest of Lettie Pate Evans, which provides a distribution of 5% of the annual net income of the Lettie Pate Evans Foundation, Inc. At June 30, 2019 and 2018, the fair value of the Foundation's interest was reported as $163,875,596 and $144,260,788, respectively. The Lettie Pate Evans Foundation, Inc. has specified that the annual income distributed to the Foundation may be used for the benefit of the University in such manner as the governing board of the Foundation may determine.

11. NOTES PAYABLE

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of $2,636,140 for renovation of the University's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times net assets without donor restrictions and net assets restricted by the donor due to the passage of time or for a specified purpose and subject to the Foundation's spending policy and appropriation in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2019 and 2018, was $634,560 and $929,404, respectively. Interest paid during the fiscal years ended June 30, 2019 and 2018, on the loan was $40,891 and $55,390, respectively.

The Foundation and its affiliates are in compliance with all debt covenants.

The carrying value of the above debt approximates fair value.

The following represents principal amounts due for the note payable for the years ending:

2020	$309,551
2021	325,009
Total notes payable	$634,560

12. DEFERRED COMPENSATION PLAN

During the fiscal year ended June 30, 2009, the Foundation entered into a deferred compensation agreement with then President of the University. The arrangement is unfunded and intended to comply with ERISA and Internal Revenue Code Sections 409A and 457(f). As of June 30, 2019 and 2018, a liability of $626,214 and $722,627, respectively, has been recorded.

13. BONDS PAYABLE

In December 2011, the Economic Development Authority of James City County, Virginia ("Authority") issued a revenue refunding bond in the amount of $8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and CWMF Ventures ("Obligors"). The Series 2011 Bond was acquired by SunTrust Bank, as Series 2011 Bondholder. Proceeds from the sale of the Series 2011 Bond were used to redeem bonds issued in December 2006 by the Authority to finance the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the University. The Series 2011 Bond bore interest at a fixed rate of 2.96% per annum through December 31, 2017. As of January 1, 2018, the Series 2011 Bond bears interest at a fixed rate of 3.59752% per annum, subject to the put rights of the Series 2011 Bondholder as described below, and interest payments are due quarterly on each January 1, April 1, July 1 and October 1. The Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2021, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2026. An additional extension may be made to not earlier than December 1, 2031. The final maturity date is December 1, 2036. The Obligors are required to maintain at all times net assets without donor restrictions and net assets restricted by the donor due to the passage of time or for a specified purpose and subject to the Foundation's spending policy and appropriation in excess of 200% of the total funded debt of the Obligors.

The following represents the face value of bonds and unamortized bond issuance costs as of June 30, 2019 and 2018:

	2019	2018
Face amount of bonds	$ 8,090,000	$ 8,090,000
Unamortized bond issuance costs	(21,372)	(29,921)
Bonds payable	$ 8,068,628	$ 8,060,079

Interest expense, including amortization of bond issuance costs, on the Series 2011 Bond during the fiscal years ended June 30, 2019 and 2018, was $303,630 and $277,270, respectively.

The Foundation is in compliance with all bond covenants.

14. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were designated for endowment for the following purposes:

	2019	2018
Institutional support	$ 13,847,475	$ 13,704,334
Student life and other	621,952	615,088
Scholarships and fellowships	7,609,383	7,530,724
Total	$ 22,078,810	$ 21,850,146

15. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Restricted in perpetuity:		
For endowment:		
Instruction	$ 75,405,830	$ 72,507,248
Research	10,187,463	9,546,730
Public service	772,645	772,645
Academic support	32,422,625	20,935,862
Student life and other	17,439,819	16,730,248
Institutional support	3,797,260	3,797,260
Plant and facilities	3,177,254	2,108,013
Scholarships and fellowships	132,698,149	125,246,369
General operations	36,687,877	36,663,447
Requiring reinvestment of income until year 2076	10,547,226	10,438,197
Total restricted in perpetuity for endowment	323,136,148	298,746,019
Deferred gifts	7,384,252	7,198,856
Pledges receivable and other	7,950,971	5,535,736
Funds held in trust by others	168,268,914	148,702,952
Total restricted in perpetuity	506,740,285	460,183,563

	2019	2018
Restricted for specified purpose or passage of time:		
Designated for endowment:		
Instruction	$ 26,878,775	$ 25,889,441
Research	2,725,090	2,397,112
Public service	203,599	181,713
Academic support	12,019,089	11,763,732
Student life and other	6,190,907	6,103,116
Institutional support	2,250,832	2,173,473
Plant and facilities	1,748,743	1,618,932
Scholarships and fellowships	23,438,295	22,990,484
General operations	2,025,098	2,004,164
Total designated for endowment	77,480,428	75,122,167
Subject to expenditure for specified purpose or to the passage of time:		
Instruction	7,101,388	6,634,320
Research	2,501,601	1,485,140
Public service	113,487	81,378
Academic support	6,823,415	6,922,185
Student life and other	1,118,389	783,202
Institutional support	1,671,239	496,927
Plant and facilities	35,122,870	30,442,595
Scholarships and fellowships	3,347,660	3,268,887
Total subject to expenditure for specified purpose or to the passage of time	57,800,049	50,114,634
Deferred gifts	3,604,846	3,677,839
Total restricted for specified purpose or to passage of time	138,885,323	128,914,640
Restricted subject to the Foundation’s spending policy:		
Instruction	51,763,462	50,733,949
Research	2,199,774	2,121,199
Public service	796,303	750,459
Academic support	10,836,580	10,252,852
Student life and other	7,509,386	7,418,117
Institutional support	3,996,676	3,947,739
Plant and facilities	1,374,819	1,100,262
Scholarships and fellowships	80,760,587	78,546,965
General	16,968,473	16,386,835
Total restricted subject to the Foundation’s spending policy	176,206,060	171,258,377

(Continued)

	2019	2018
Invested in property and equipment—net of related debt, used for:		
Instruction	$ 4,150	$ 4,293
Research	904,494	941,412
Academic support	1,353,500	1,353,500
General	99,246	100,619
Total invested in property and equipment—net of related debt	2,361,390	2,399,824
Total net assets with donor restrictions	$ 824,193,058	$ 762,756,404

(Concluded)

16. NET ASSETS RELEASED FROM RESTRICTIONS

The following table presents net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors:

	2019	2018
Purpose restriction accomplished or time restriction expired	$ 13,425,977	$ 5,417,973
Appropriation of endowment amounts and subsequent satisfaction of donor-related restrictions	18,867,821	16,471,150
Total net assets released from restrictions	$ 32,293,798	$ 21,889,123

17. OTHER MATTERS

Concentration of Risk—Financial instruments, which potentially subject the Foundation to concentration of risk, consist primarily of an equity investment in a large U.S. company. This investment comprised 80.72% and 81.62% of total funds held in trust by others as of June 30, 2019 and 2018, respectively. The trustees of the Foundation have no control over this investment.

Amounts on deposit with one federally insured financial institution in excess of the $250,000 insurance limit as of June 30, 2019 and 2018, for each entity are as follows:

	2019	2018
The College of William & Mary Foundation	$ -	$ 141,634
College Enterprises, Inc.	1,424,594	1,475,811
CWMF Ventures, Inc.	84,225	160,282

18. EXPENSE CLASSIFICATION MATRIX

The composition of the Foundation's operating expenses by natural and functional classification for the year ended June 30, 2019, is as follows:

	Compensation and Benefits	Conferences, Travel, Training and Development	Equipment, Supplies and Services	Occupancy and Utilities	Interest, Insurance and Taxes	Depreciation	Provided to Related Organizations	Provided / Conveyed to the University	Total Expenses
Expenses:									
Program services:									
Instruction	$ -	$ 12,730	$ 4,764	$ -	$ -	$ -	$ 11,702	$ 5,873,930	$ 5,903,126
Research	-	-	3,184	-	-	-	-	655,325	658,509
Public service	-	-	9,000	-	-	-	-	31,109	40,109
Academic support	-	46,140	78,913	195,687	-	-	13,147	2,307,276	2,641,163
Institutional support	-	213,260	192,580	3,821	48,391	-	173,781	682,922	1,314,755
Athletic programs	-	-	-	-	-	-	-	1,162,053	1,162,053
Student life and other	-	-	-	-	-	-	-	197,889	197,889
Plant and facilities	-	21,806	66,683	107,142	362,111	197,134	1,193,419	9,534,732	11,483,027
Scholarships and fellowships	-	-	-	-	-	-	3,980	10,459,516	10,463,496
Technology—CEI	-	9,775	1,675,478	142,092	-	261,028	-	842,751	2,931,124
Total program services	-	303,711	2,030,602	448,742	410,502	458,162	1,396,029	31,747,503	36,795,251
Supporting services—fundraising	-	450,728	401,106	213,952	5,566	2,209	63,892	5,678,710	6,816,163
Administrative and general:									
Board expenses	-	48,546	24,038	-	-	-	293	2,123	75,000
Office of Investment Administration	775,909	24,149	152,569	81	47,853	-	-	13,408	1,013,969
Expenses of the Real Estate Foundation, Inc.	-	100	10,492	2,117	3,117	36,918	-	-	52,744
Expenses of Reliance Holdings, LLC	-	-	1,968	-	14	-	-	-	1,982
Other	133,175	5,000	34,085	-	152,346	-	-	-	324,606
Total administrative and general	909,084	77,795	223,152	2,198	203,330	36,918	293	15,531	1,468,301
Total supporting services	909,084	528,523	624,258	216,150	208,896	39,127	64,185	5,694,241	8,284,464
Total expenses	$ 909,084	$ 832,234	$ 2,654,860	$ 664,892	$ 619,398	$ 497,289	$ 1,460,214	$ 37,441,744	$ 45,079,715

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Compensation and benefits, including amounts provided/conveyed to the University or related organizations to support compensation and benefits, are allocated on the basis of estimates of time and effort. Insurance is allocated on the basis of estimates of the values of the properties covered.

19. LEASE AND RENT EXPENSE

The Foundation leases office space in Washington, DC, New York, NY, and Arlington, VA, under non-cancelable agreements. Future minimum lease payments under these agreements are:

2020	$ 215,215
2021	202,580
2022	196,753
2023	26,315
Total	$ 640,863

Total rent expense for all operating leases for the years ended June 30, 2019 and 2018, was $413,215 and $395,236, respectively.

20. INCOME TAXES

The Foundation, CEI and the 1693 Foundation are nonstock corporations which have been determined by the Internal Revenue Service to be exempt from taxes on income derived from activities related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. The REF is a stock corporation, wholly owned by the Foundation, which has been determined by the Internal Revenue Service to be exempt from taxes on income derived from activities related to its exempt purpose under Section 501(c)(2) of the Internal Revenue Code. Reliance is a limited liability company which is not disregarded for tax purposes, and therefore is subject to tax. CWMF Ventures is a disregarded entity for income tax purposes, and all activity is reported on the Foundation's tax return.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing tax returns of the Foundation, CEI, REF and Reliance to determine whether the tax positions will "more-likely-than-not" be sustained by the applicable tax authority. As a result, tax positions not meeting the more-likely-than-not threshold would result in a current year expense or the absence of a benefit, as appropriate for the tax position. The Foundation has concluded that no provision for income tax is required in the Foundation's financial statements for the years ended June 30, 2019 and 2018.

As of June 30, 2018, the Foundation had federal net operating losses available for carryforward in the amount of $1,003,375 as a result of unrelated business taxable income ("UBTI") resulting from investments in The William and Mary Investment Trust. UBTI is taxed at the prevailing corporate tax rate. Reliance had a net operating loss carryforward of $99,457 as of June 30, 2018. The loss carryforwards begin to expire in 2027. Due to the uncertainty about whether these losses will result in a tax asset, no tax asset is recorded in the financial statements. Net operating losses arising in tax years ending after December 31, 2017 have an indefinite carryforward period. Losses arising in earlier tax years have a carryforward period of twenty years. Losses arising in tax years beginning after December 31, 2017 are limited to 80% of taxable income in the year deducted. The filing deadline for the June 30, 2019 return is May 15, 2020. In addition to the fiscal year ended June 30, 2019, the years ended June 30, 2018, 2017, and 2016 are open for inspection by the taxing authorities.

In December, 2017, The Tax Cuts and Jobs Act (the Act) was signed into law which includes several provisions that affect tax-exempt organizations. The Act will generally be effective for the Foundation and affiliated entities for tax years beginning after December 31, 2017. Under the Act's UBTI "silo" rule, net operating loss deductions can only be taken with respect to a trade or business from which the loss arose, rather than against total UBTI, as had been allowed prior to the Act. Additionally, the Internal Revenue Service issued Notice 2018-67 (the Notice) on August 21, 2018 which provides interim guidance, including rules specifying whether UBTI from certain partnership interests can be aggregated in determining taxable UBTI. Based upon the guidance in the Notice, Management does not expect the Act to have a material impact on the financial statements. However, this assessment may change when final guidance from the United States Treasury Department is issued.

21. RELATED PARTY TRANSACTIONS

Pledges receivable from trustees and officers of the Foundation at June 30, 2019 and 2018, totaled $3,876,758 and $2,832,810, respectively, and are considered related party transactions. Gift receipts from trustees and officers, including payments on pledges, totaled $1,674,540 and $3,190,785 for the years ended June 30, 2019 and 2018, respectively.

The Foundation leases certain property to the University for dormitories and office space. Total rent income during the years ended June 30, 2019 and 2018, was $874,417 and $875,237, respectively.

The Trust invests in certain private investment funds in which a member of the Board of Trustees and Investments Committee of the Foundation is an officer and a managing partner. The total invested in these private investment funds as of June 30, 2019 and 2018, was $4,906,917 and $2,918,019, respectively. Total outstanding commitment (uncalled capital) to the funds as of June 30, 2019 and 2018, was $1,418,574 and $2,595,233, respectively. Total management fees for the fiscal years ended June 30, 2019 and 2018, were $102,316 and $102,732, respectively. Before investing in these funds, management followed guidelines and procedures prescribed by the Foundation's Conflict of Interest Policy ensuring full disclosure of such relationships.

22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 17, 2019, the date the consolidated financial statements were available to be issued.

Effective July 1, 2019, CEI will no longer receive student technology fees billed to the students by the University. The University will retain the fees and will assume functional and financial responsibility for network maintenance, improvements and personnel costs related to operating the system. The University will pay CEI for its costs of various construction projects relating to the telecommunications network currently under contract. New telecommunication network projects will be contracted through the University. The intent is to dissolve CEI as a subsidiary of the Foundation once all activities have been transitioned to the University.

* * * * * *