KENYON COLLEGE

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2019

KENYON COLLEGE

CONTENTS

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Maloney
Maloney + Novotny LLC

Independent Auditors' Report

The Board of Trustees
Kenyon College
Gambier, Ohio

We have audited the accompanying consolidated financial statements of Kenyon College (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Kenyon College 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 Prior Year Summarized Comparative Information

We have previously audited the College's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 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.

Maloney + Novotny LLC

Cleveland, Ohio
October 24, 2019

KENYON COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019
(With Comparative Totals as of June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 62,872,925	$ 29,723,976
Investments	513,746,110	559,519,216
Accounts and interest receivable	1,793,734	1,702,498
Inventories	1,016,415	1,026,797
Present value of pledges receivable	35,101,667	36,641,709
Loans receivable	4,737,743	4,919,677
Interests in charitable trusts	2,675,970	2,640,188
Property and equipment, net	295,055,495	271,714,952
Other assets	4,656,022	3,919,047
Total assets	$ 921,656,081	$ 911,808,060
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and agency funds	$ 11,450,502	$ 9,301,738
Fair value of interest rate swaps	2,877,200	3,184,385
Deposits and advances	2,417,713	2,338,108
Liability for post-retirement benefits	7,277,807	6,727,601
Split interest agreements payable	5,715,543	5,140,800
Government loan funds	1,355,861	1,360,735
Capital lease obligations, net	268,441,827	270,037,869
Total liabilities	299,536,453	298,091,236
NET ASSETS		
Without donor restrictions	324,737,559	295,476,110
With donor restrictions	297,382,069	318,240,714
Total net assets	622,119,628	613,716,824
Total liabilities and net assets	$ 921,656,081	$ 911,808,060

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING REVENUES				
Tuition and mandatory fees	$ 100,311,476		$ 100,311,476	$ 92,390,879
Less: Financial aid	(38,522,344)		(38,522,344)	(34,907,937)
Net tuition and mandatory fees	61,789,132		61,789,132	57,482,942
Auxiliary enterprise revenues	28,856,875		28,856,875	26,967,881
Investment return designated for operations	15,862,677	$ 10,413,603	26,276,280	22,717,672
Private gifts and grants	5,894,848	268,293	6,163,141	10,402,522
Government grants	1,507,268		1,507,268	1,726,413
Miscellaneous fees	168,960		168,960	164,053
Other income	1,397,178	94,642	1,491,820	1,315,857
Net assets released from restrictions	43,015,967	(43,015,967)	-	-
Total operating revenues	158,492,905	(32,239,429)	126,253,476	120,777,340
OPERATING EXPENSES				
Program services				
Instruction	46,950,146		46,950,146	43,974,195
Student services	25,322,595		25,322,595	24,041,502
Academic support	9,591,499		9,591,499	10,798,185
Research	1,014,840		1,014,840	824,565
Community partnership	261,418		261,418	212,161
Auxiliary enterprises	24,359,929		24,359,929	22,510,919
Total program services	107,500,427		107,500,427	102,361,527
Management and general	11,417,894		11,417,894	11,890,180
Fundraising	5,020,051		5,020,051	4,507,936
Total operating expenses	123,938,372		123,938,372	118,759,643
Change in net assets from operating activities	34,554,533	(32,239,429)	2,315,104	2,017,697
NON-OPERATING ACTIVITIES				
Contributions and pledges		16,945,007	16,945,007	82,050,391
Loss on write-off of pledges receivable		(890,000)	(890,000)	-
Investment return, less amounts designated for operations	(4,818,191)	995,854	(3,822,337)	14,811,611
Change in fair value of interest rate swaps	307,185		307,185	518,736
Net change in split interest agreements	(54,383)	(1,134,075)	(1,188,458)	(450,022)
Loss on disposal of property and equipment	(2,429,132)		(2,429,132)	(546,788)
Art installation	(2,745,473)		(2,745,473)	-
Miscellaneous	(132,138)	43,046	(89,092)	(21,968)
Net assets released from restrictions	4,579,048	(4,579,048)	-	-
Change in net assets from non-operating activities	(5,293,084)	11,380,784	6,087,700	96,361,960
CHANGE IN NET ASSETS	29,261,449	(20,858,645)	8,402,804	98,379,657
NET ASSETS AT BEGINNING OF YEAR	295,476,110	318,240,714	613,716,824	515,337,167
NET ASSETS AT END OF YEAR	$ 324,737,559	$ 297,382,069	$ 622,119,628	$ 613,716,824

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 41,384,511	$ 3,604,869	$ 2,521,685	$ 47,511,065
Employee benefits	14,704,614	1,636,505	904,272	17,245,391
Total salaries and benefits	56,089,125	5,241,374	3,425,957	64,756,456
Professional and outside services	3,067,196	2,102,302	39,619	5,209,117
Interest and bond costs	10,427,937	505,338		10,933,275
Other expenses	2,872,265	254,184	746,350	3,872,799
Travel and entertainment	4,328,511	406,318	269,103	5,003,932
Cost of food service	4,627,270			4,627,270
Off Campus Studies program	4,510,953			4,510,953
Rent and utilities	3,519,424	524,079	35,054	4,078,557
Equipment and furniture	1,091,949	36,641	273	1,128,863
Materials, printing and supplies	1,390,008	1,462,190	269,955	3,122,153
Fees and honoraria	1,764,300	1,000	2,800	1,768,100
Cost of sales and inventory	1,724,347			1,724,347
Books and periodicals	298,488			298,488
Dues and memberships and postage	730,449	291,902	114,151	1,136,502
Total current operating expenditures	96,442,222	10,825,328	4,903,262	112,170,812
Art installation	2,745,473			2,745,473
Depreciation	11,058,205	592,566	116,789	11,767,560
Total functional expenses	110,245,900	11,417,894	5,020,051	126,683,845
Less:				
Art installation expenses reported in non-operating activities	(2,745,473)			(2,745,473)
Total expenses	$107,500,427	$ 11,417,894	$ 5,020,051	$123,938,372

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 8,402,804	$ 98,379,657
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	11,767,560	11,338,116
Amortization of bond premiums and issuance costs, net	(486,042)	(317,605)
Change in fair value of interest rate swaps	(307,185)	(518,736)
Loss on disposal of property and equipment	2,429,132	546,788
Net realized and unrealized gains	(21,685,891)	(32,637,708)
Contributions for long-term purposes	(16,777,151)	(5,440,380)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(91,236)	330,550
Inventories	10,382	20,496
Present value of pledges receivable	1,540,042	1,930,128
Loans receivable	181,934	101,789
Interests in charitable trusts	(35,782)	(127,488)
Other assets	(736,975)	60,626
Accounts payable, accrued expenses and agency funds	2,148,764	(2,448,482)
Deposits and advances	79,605	(307,310)
Liability for postretirement benefits	550,206	336,725
Split interest agreements payable	574,743	489,680
Government loan funds	(4,874)	(264,195)
Net cash (used) provided by operating activities	(12,439,964)	71,472,651
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(37,537,235)	(27,399,234)
Purchase of securities	(11,367,910)	(131,770,597)
Sale of securities	135,723,932	55,280,610
Increased investment in limited partnerships	(56,897,025)	(28,721,747)
Net cash provided (used) by investing activities	29,921,762	(132,610,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	16,777,151	5,440,380
Payments on capital lease obligations	(1,110,000)	(1,070,000)
Proceeds from issuance of bonds	-	68,730,000
Proceeds from premium on bond issuance	-	6,939,523
Payment for bond issuance costs	-	(669,264)
Net cash provided by financing activities	15,667,151	79,370,639
CHANGE IN CASH AND CASH EQUIVALENTS	33,148,949	18,232,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,723,976	11,491,654
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 62,872,925	$ 29,723,976

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

A. *Organization* – Kenyon College (the College), a private educational institution, derives its revenues from student tuition and fees, investment earnings, gifts and grants, operation of residence and dining halls and related activities. The College is institutionally committed to promoting a liberal arts education. Skills are promoted and developed that are not only useful to any career but essential for a fulfilling and valuable life.

B. *Basis for Consolidation* – The accounts of the Kenyon Inn Management Company, a wholly-owned subsidiary of the College, have been consolidated with the accounts of the College in the accompanying consolidated financial statements. In addition, the accounts of the Kenyon Review, the College's literary periodical, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy (all legally separate entities) have also been consolidated in the accompanying consolidated financial statements of Kenyon College due to the College's control of and financial interest in each entity. All significant intercompany accounts and transactions have been eliminated.

C. *Basis of Accounting* – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, and in all material respects, in accordance with generally accepted accounting principles in the United States of America (GAAP).

D. *Comparative Information* – The consolidated 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 College's audited financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

E. *New Accounting Principles* – In 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return.

In 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update addresses accounting and disclosures related to the recognition of revenue considering the unique aspects of an entity's performance obligations under contracts with customers. As a result of the College's capital lease obligations and the underlying outstanding bonds being publicly traded (see Note 8), management has determined the College to be a "public business entity" which requires adoption of this ASU for the June 30, 2019 consolidated financial statements.

The provisions of both ASUs have been adopted retrospectively during the year ended June 30, 2019 and adjusted the presentation in these consolidated financial statements accordingly. There was no cumulative effect on the opening balances for implementing ASU 2014-09. Upon implementing ASU 2016-14, net assets with donor restrictions as of July 1, 2017 of $61,985 were reclassified to net assets without donor restrictions.

F. *Use of Estimates* – Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

G. *Liquidity* – Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the accompanying notes within these consolidated financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Fair Values of Financial Instruments* – GAAP provides a framework for measuring fair value and requires a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements related to financial instruments:

Level 1 – Uses unadjusted quoted prices that are available in active public markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short maturity of those instruments.

Equity Investments

Common Stocks

The fair values of these investments are estimated based on quoted market prices for these or similar investments, generally considered Level 1 valuations.

Mutual Funds

The fair values of these investments are estimated based on quoted market prices for these or similar investments, generally considered Level 1 valuations.

Fixed Income Investments

Marketable Funds

Fixed income marketable funds are investments where a readily verifiable fair value may or may not exist. Fair value in these investments is reported by management based on readily available public market data, generally considered Level 1 valuations.

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Fair Values of Financial Instruments (Continued)*

Fixed Income Investments (Continued)

Alternative Funds

Alternative funds are investments in securities where a readily verifiable fair value may not exist and/or is not available to management. Fair value of these investments is reported by management based on information provided by the investment managers as validated by management and its advisors and, as such, additional quantitative disclosures are not required. Values may be based on readily available public market data and values may be measured using net asset value (NAV) per share as a practical expedient. Investments that are measured using NAV have been categorized separately.

Pledges Receivable

Pledges receivable are recorded at the present value of the discounted future cash flows, based on current market interest rates on the date of the contribution. The carrying value of pledges receivable, therefore, approximates their fair value.

Loans Receivable

Federal Perkins Loans Receivable

The interest rates charged on Perkins loans receivable are fixed by the U.S. Department of Education. The carrying value of these loans approximates fair value.

Kenyon College Loans Receivable

The interest rates charged on Kenyon College loans are fixed by the College and are consistent with market rates. Accordingly, the carrying amount reported approximates fair value.

Interests in Charitable Trusts

Contributions receivable from remainder trusts are recorded at the present value of the projected net future cash flows to be received, based on current market interest rates. Their carrying value, therefore, approximates their fair value. The College's share of interests in perpetual trusts is recorded at fair market value. Because the College does not have access to these assets on a short-term basis, these are considered Level 3 valuations.

Split Interest Agreements Payable

The carrying value of these accounts is actuarially determined based on the present value of the discounted estimated future cash flows using market interest rates on the date of contribution and, therefore, approximates fair value. The annual payments on the annuities range from $1,152 to $53,414.

Long-Term Debt

The fair value of the College's long-term debt, based on the College's current incremental borrowing rates for similar types of borrowing arrangements, approximates its carrying amount.

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Fair Values of Financial Instruments (Continued)*

Interest Rate Swaps

The fair value of the interest rate swaps is based on projected interest rates for the duration of the swaps, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument. The resulting fair values are generally considered Level 2 valuations.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

The following tables set forth by level within the fair value hierarchy the College's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of June 30, 2019 and 2018. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Equity investments				
Common stocks	$ 31,841,082	$ -	$ -	$ 31,841,082
Mutual funds	13,649,405	-	-	13,649,405
Total equity investments	45,490,487	-	-	45,490,487
Fixed income - marketable funds	100,452,825	-	-	100,452,825
	$145,943,312	$ -	$ -	145,943,312
Alternative investments measured at NAV				367,802,798
				$513,746,110
Interests in charitable trusts			$ 2,675,970	$ 2,675,970
Liabilities				
Interest rate swaps		$ 2,877,200		$ 2,877,200

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Fair Values of Financial Instruments (Continued)*

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Equity investments				
Common stocks	$ 37,185,852	$ -	$ -	$ 37,185,852
Mutual funds	11,489,895	-	-	11,489,895
Total equity investments	48,675,747	-	-	48,675,747
Fixed income - marketable funds	149,210,759	-	-	149,210,759
	$197,886,506	$ -	$ -	$197,886,506
Alternative investments measured at NAV				361,632,710
				$559,519,216
Interests in charitable trusts			$ 2,640,188	$ 2,640,188
Liabilities				
Interest rate swaps		$ 3,184,385		$ 3,184,385

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the years ended June 30, 2019 and 2018:

Interests in Charitable Trusts	2019	2018
Beginning balance	$ 2,640,188	$ 2,512,700
Distributions	77,406	(74,588)
Unrealized gain	(41,624)	202,076
	$ 2,675,970	$ 2,640,188

I. *Cash Equivalents* – The College considers investments with a maturity of three months or less when purchased to be cash equivalents on the consolidated statement of financial position and for purposes of preparing the consolidated statement of cash flows. The College maintains cash and cash equivalent balances at various financial institutions which, at times, may exceed federally insured limits and may exceed reported values due to outstanding checks.

J. *Interest Rate Swaps* – Derivative instruments (interest rate swaps) are recorded by the College on the consolidated statement of financial position at fair value, as described in Note 1.H. The College's interest rate swap agreements are used to manage exposure to interest rate movement by effectively changing the variable rates on the College's bonds payable to a fixed rate. The critical terms of the interest rate swap agreements and the interest-bearing debt associated with the swap agreements are similar. The interest rate swaps qualify and have been designated and accounted for as fair value hedges. Changes in fair market value of the interest rate swaps are recognized as a change in net assets on the consolidated statement of activities in the period of change, following GAAP guidance specific to non-for-profit organizations (see Note 8).

Note 1. Summary of Significant Accounting Policies (Continued)

K. *Investments* – Investments are carried at fair value as described in Note 1.G. Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return includes interest, dividends and both realized and unrealized gains and losses.

Alternative investments include interests in hedge funds, private equity, real estate and commodities funds. The College held alternative investments valued at $367,802,798 and $361,632,710, representing 40% and 40% of the total assets as of June 30, 2019 and 2018, respectively. Because alternative investments may not be entirely readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been reported had a ready market for such investments existed. Such differences could be material. Also see *Fair Values of Financial Instruments* section.

L. *Restricted Cash and Investments* – At June 30, 2019, cash and investments include restricted bond proceeds of $41,924,985 and $19,961,914, respectively (see Note 8).

M. *Loans Receivable* – Loans receivable, which include Perkins and Kenyon College loans, are carried at unpaid principal balances, less an allowance for uncollectible loans of $40,000 at June 30, 2019 and 2018. Periodic evaluation of the adequacy of the allowance is based on past loan loss experience and current economic conditions. Interest income is recorded as monthly payments are received. Loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. Interest on past due loans is not accrued and recognized only to the extent cash payments are received.

N. *Interests in Charitable Trusts* – Irrevocable charitable remainder trusts and charitable lead trusts that are held in trust by others have been included in the College's accompanying consolidated financial statements as an asset and as contribution revenue as of the date the College is notified of its interest in the irrevocable trust.

O. *Property and Equipment, Net* – Acquisitions of property and equipment are stated at cost or at the fair market value of the properties when acquired by gift. It is the policy of the College to capitalize additions and, for replacements, to capitalize the incremental increase in cost of plant and equipment items. Maintenance, repairs and minor renewals are charged to expense when incurred.

The College recognizes depreciation on the straight-line method over the estimated useful life for each major category of assets. These estimated useful lives are summarized in the following table:

Land improvements	10-40 years
Buildings and building improvements	50 years
Equipment and furniture	3-10 years
Library books	25 years

Collections and Works of Art – Collections are not capitalized under the provisions of ASC 958-605, *Revenue Recognition-Contributions Received*. All works of art and collections are held for public exhibition, education or research; are protected, kept unencumbered, cared for and preserved; and are subject to policies governing their use. Prior to ASC 958-05 adoption, the College did capitalize works of art and collections. At June 30, 2019 and 2018, the net book value of these items is $1,862,696 and is reflected as equipment in the consolidated statement of financial position.

Note 1. Summary of Significant Accounting Policies (Continued)

O. *Property and Equipment, Net (Continued)*

Property and equipment consist of the following at June 30:

	2019	2018
Land and land improvements	$ 3,237,855	$ 3,237,855
Buildings and building improvements	342,615,644	334,621,080
Equipment and furniture	41,790,642	39,312,964
Library books	27,293,595	26,329,660
Construction work in progress	40,299,672	23,614,309
	455,237,408	427,115,868
Accumulated depreciation	(160,181,913)	(155,400,916)
Property and equipment, net	$ 295,055,495	$ 271,714,952

Depreciation expense for the years ended June 30, 2019 and 2018 was $11,767,560 and $11,338,116, respectively.

Through June 30, 2019, the College has incurred costs of $26,068,537 under construction contracts which are included in construction work in progress on the consolidated statement of financial position. As of June 30, 2019, the College has outstanding commitments of $86,159,191 remaining for the construction of new facilities. Construction work in progress also includes costs for planning and architectural reviews related to projects for which contracts have not yet been executed. Project costs for these contracts are anticipated to be approximately $43 million.

P. *Net Assets* – Net assets are classified into two categories: without donor restrictions, which result from the receipt of funds which have no donor-imposed restrictions related to the timing or use of the funds, and net assets with donor restrictions, which result from funds received with donor-imposed restrictions that limit the use of the asset. Some donor restrictions are temporary in nature, such as those resulting from timing differences between the receipt of funds and the incurrence of the related expenses. Other donor-imposed restrictions are permanent in nature where the funds are to be invested in perpetuity and only the income be utilized. These assets also include interests in perpetual trusts.

Q. *Expiration of Donor-Imposed Restrictions* – The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues with donor restrictions. The restrictions are considered to be released at the time such long-lived assets are placed in service.

Note 1. Summary of Significant Accounting Policies (Continued)

R. *Revenue Recognition* – Substantially all revenue recognized from contracts with customers is generated by the College's tuition and fee revenue from students. Tuition and fee revenues are recognized over the academic term to which they relate.

S. *Allocation of Functional Expenses* – The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, operation and maintenance of plant and other expenses which are allocated based on either a percentage of full-time equivalents of employees assigned to various departments or a percentage of square footage of total space used by each department.

T. *Federal Income Taxes* – The Internal Revenue Service has determined that the College, the Kenyon Review, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as public charities described in Section 501(c)(3); accordingly, no provision for federal income taxes has been made in the consolidated financial statements. The Kenyon Inn Management Company is subject to federal income taxes, which for June 30, 2019 and 2018 were not significant to these consolidated financial statements. There were no unrecognized tax benefits as of June 30, 2019.

The income tax returns for all entities remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities, generally for three years.

U. *Operations* – The consolidated statement of activities include a subtotal for the change in net assets from operating activities. This subtotal reflects revenues that the College and all consolidated entities received for operating purposes, including investment income derived from the College's endowment payout formula. Nonoperating activity reflects the change in appreciation/depreciation on long-term investments net of the amount appropriated using the endowment payout formula, contributions for endowment and plant purposes, gains or losses on the disposal of property and equipment, the net change in annuity and life income funds and other nonoperating revenues and expenses.

V. *Conditional Asset Retirement Obligations* – Management has considered the provisions of GAAP, specifically as it relates to its legal obligations to perform asset retirement activities on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the College may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2019.

W. *Reclassifications* – Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

X. *Contingencies* – The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.

Y. *Subsequent Events* – The College has evaluated subsequent events through October 24, 2019, which is the date the consolidated financial statements were available to be issued and has determined that the event described in Note 8 should be disclosed.

Note 2. Investments

The fair value of investments is as follows (refer to Note 1 for information related to fair values):

	June 30	
	2019	2018
Equity investments:		
Common stocks	$ 31,841,082	$ 37,185,852
Mutual funds	13,649,405	11,489,895
Alternative investments:		
Hedge and alternative funds	247,176,017	254,619,690
Private equity	50,801,328	47,482,436
Real estate	16,960,672	8,719,449
Commodities	22,694,749	19,379,383
Total alternative investments	337,632,766	330,200,958
Total equity investments	383,123,253	378,876,705
Fixed income investments:		
Marketable funds	100,452,825	149,210,759
Alternative funds	30,170,032	31,431,752
Total fixed income investments	130,622,857	180,642,511
	$ 513,746,110	$ 559,519,216

The College was obligated at June 30, 2019 to invest additional funds in limited partnership investments in the amount of $70,381,092 at the direction of the general partners. These capital calls may be funded through distributions from current limited partnerships, liquidations of investments currently held by the College, new gifts and/or available cash.

Investment funds in equity funds and alternative investment classes are typically organized as limited partnerships. A unique characteristic of these structures is that the investment manager requests (or calls) capital commitments from the investors as investment opportunities arise and distributes capital only when investments are liquidated. Capital calls are typically made by the investment manager during years 1-5 of a fund's life while the majority of capital distributions do not occur until years 8-10 of a fund's life.

Due to the nature of alternative investments and the use of some limited partnerships and commingled vehicles in traditional asset classes (public equities and fixed income), the College contractually agrees to liquidity restrictions. The College, in response to this risk, closely monitors the liquidity of the portfolio. As of June 30, 2019, the following liquidity characteristics applied to the College's investments in equity funds and alternative investments:

Liquid Within:	% of Investment Portfolio
1 year	58.9%
3 years	12.7%
Illiquid	28.4%

Note 2. Investments (Continued)

Illiquid investments represent those invested in real assets and private equity limited partnerships. There is a very limited secondary market for these interests and selling them would require considerable time. The College is not actively trying to sell any of its illiquid investments at this time.

Note 3. Endowment Funds

The College places great importance on risk reduction through asset allocation and style diversification. The College has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure from a donor-restricted endowment fund such amounts as the Board of Trustees determines is prudent, except as otherwise provided by the donor in a gift agreement. Factors considered in making investment and appropriation decisions for such funds are described below. The following are investment performance objectives for the portfolio:

The Investment Committee is charged by the Board of Trustees to oversee the investment process. For endowment funds, the objective is to achieve superior long-term total returns such that the requirements of the annual budget are met, all within the confines of reasonable risk. In this regard, specific responsibilities include the hiring, monitoring and changing of investment managers, performance monitoring, establishing asset classes, allocation targets and ranges and rebalancing strategies. As part of its overall mission, the Investment Committee maintains a detailed *Statement of Purpose and Policies* and it regularly reviews the appropriateness of the contents in light of the current investment environment. In conjunction with the Budget and Finance Committee of the Board of Trustees, the Investment Committee recommends to the full Board spending policies in respect to the annual distribution from endowment funds.

The College's endowment assets consist of two groupings: 1) those funds which can be pooled together for purposes of investment and payout and 2) those funds which by donor restriction, either as to investment or payout, must be separately invested. The assets of the pooled funds consist of all investment types disclosed in Note 2 and income is distributed based on a Board approved payout formula as described below. The endowment funds with donor restrictions generally consist of mutual funds and life insurance policies.

For the year ended June 30, 2019, the College utilized a spending formula to calculate the distribution out of its pooled investment portfolio. The formula is composed of two elements: 1) a market element adjusts annual endowment spending to the long-term sustainable target spending of 4.00% of the average actual market value of the endowment for the most recent three years. This element of the spending rate receives a 30% weighting in the spending rate calculation and 2) a spending element increases last year's spending rate by a factor for inflation (3.5%) plus budget growth (1.50%). This element of the spending rate receives a weight of 70%. The distributed earnings are considered appropriated for expenditure and recorded as net assets released from restrictions on the consolidated statement of activities as spent. The College has temporarily frozen the payout rate while slightly increasing the payout amount due to new cash gifts received during the year.

Prior to June 30, 2019, the College maintained two separate investment pools: an endowment fund and an unrestricted reserve fund. Effective June 30, 2019, the College's Board of Trustees voted to classify the unrestricted reserve fund as a board designated endowment fund. The payout from this unrestricted fund is determined annually in the budgeting process, and has historically averaged approximately 6% of the market value of the fund.

Note 3. Endowment Funds (Continued)

The College's endowment funds were as follows as of June 30, 2019 and 2018:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	With Donor Restrictions: Accumulated Earnings	With Donor Restrictions: Total	Total
Endowment assets, beginning of year,	$217,092,593	$168,131,109	$ 31,008,261	$199,139,370	$416,231,963
Investment return:					
Investment income	1,132,449	133,897	1,101,127	1,235,024	2,367,473
Net appreciation (realized and unrealized)	8,337,357	19,950	7,773,095	7,793,045	16,130,402
Total investment return	9,469,806	153,847	8,874,222	9,028,069	18,497,875
Cash contributions	4,433,242	9,386,115	-	9,386,115	13,819,357
Transfers	1,503,681	-	(1,503,681)	(1,503,681)	-
Appropriation of endowment assets for expenditure	(14,445,449)	-	(9,650,314)	(9,650,314)	(24,095,763)
Endowment assets, end of year	$218,053,873	$177,671,071	$ 28,728,488	$206,399,559	$424,453,432

June 30, 2018	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	With Donor Restrictions: Accumulated Earnings	With Donor Restrictions: Total	Total
Endowment assets, beginning of year,	$ 56,232,062	$159,150,875	$ 25,286,498	$184,437,373	$240,669,435
Investment return:					
Investment income	244,408	143,605	1,436,709	1,580,314	1,824,722
Net appreciation (realized and unrealized)	4,800,067	30,230	14,536,998	14,567,228	19,367,295
Total investment return	5,044,475	173,835	15,973,707	16,147,542	21,192,017
Cash contributions	263,645	8,832,464	-	8,832,464	9,096,109
Transfers from other unrestricted funds	156,033,334	-	-	-	156,033,334
Transfers	452,709	(26,065)	(426,644)	(452,709)	-
Appropriation of endowment assets for expenditure	(933,632)	-	(9,825,300)	(9,825,300)	(10,758,932)
Endowment assets, end of year	$217,092,593	$168,131,109	$ 31,008,261	$199,139,370	$416,231,963

Note 3. Endowment Funds (Continued)

Based on the College's spending formula, as of June 30, 2019 and 2018, an additional $2,434,390 and $2,367,560, respectively, has been appropriated for expenditure out of accumulated earnings with donor restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as a reduction of net assets with donor restrictions. As of June 30, 2019 and 2018, endowment funds with market values of $340,556 and $7,544,279, respectively, were $2,981 and $278,034, respectively, below the original gift amount.

Note 4. Pledges Receivable

As of June 30, 2019, the College had received unconditional promises to give as follows:

Within one year	$ 9,540,538
One to two years	7,634,452
Two to three years	10,374,017
Three to four years	2,753,731
Four to five years	970,000
More than five years	6,512,007
	37,784,745
Discount on long-term pledges	(2,683,078)
	$ 35,101,667

The amounts are recorded at the present value of future cash flows discounted using rates for one to twenty-six year treasury securities ranging from 0.64% to 3.71%. Management estimates an allowance for uncollectible pledges based upon its review of outstanding pledges and historical collections. As of June 30, 2019, the allowance for uncollectible pledges was $197,592, which is included in the discount on long-term pledges presented above.

As of June 30, 2018, the College had received gross unconditional promises totaling $39,646,676 net of allowances for uncollectible pledges of $220,460 and discount on long-term pledges of $2,784,507.

Note 5. Available Line of Credit

Under an unused and unsecured line of credit with a bank, the College may borrow up to $15,000,000 at a rate of 5.25% as of June 30, 2019.

Note 6. Guaranteed Loans

The College offers a home mortgage loan guarantee program to certain members of its faculty and administration. Under this program, the College guarantees 100% of the outstanding mortgage loans until such time as the outstanding amount on each loan is reduced to 70% of the original appraised value or contract price of the property, at which time the guarantee is released. Under the program, the College has the right to purchase the mortgage loans from the lenders in the event of default by an employee. As of June 30, 2019, the College has guaranteed mortgage loans aggregating $3,398,954. All loans were current as of June 30, 2019. The College deems it unlikely that any amount of the guarantee would be called by the banks.

Note 7. Retirement and Postretirement Benefit Plans

The College has three defined contribution retirement plans which cover substantially all employees. Eligible employees may contribute a percentage of their compensation. The College contributes 9.5% of the employee's compensation for all employees who contribute a minimum deferral of 3% or 5%, depending on the plan. The College's contributions to the plans were $3,880,740 and $3,803,690 during the years ended June 30, 2019 and 2018, respectively.

In addition to the College's defined contribution retirement plans, the College has two additional postretirement benefit plans. One plan provides certain health care benefits for retired employees. The College makes defined contributions to the plan on behalf of eligible employees who are 35 years of age or older and have completed at least one year of service. The College's contributions are limited to 25 years or the employee's separation from employment, whichever occurs first. The College contributed $890,286 and $818,584 for the years ended June 30, 2019 and 2018, respectively.

The second plan is a defined benefit postretirement plan which provides life insurance benefits applicable only to two groups: 1) grandfathered members of the collective bargaining unit who were active as of February 4, 1974 and 2) members of the faculty who retire under early retirement agreements with coverage to continue for a maximum of five years. Because of the short period of coverage for faculty members covered by this plan, the value of this benefit for them is not material to the calculation of the postretirement valuation and, therefore, has not been included. The College reserves the right to modify or terminate these retiree payments at any time. The amount of funding activity is determined at the discretion of management. Currently, the College has not funded any portion of the liability.

The College recognizes the underfunded status of the defined benefit plan on its consolidated statement of financial position, measured as the difference between the fair value of plan assets and the projected benefit obligation. The College recognizes the change in the funded status of the plan in the year in which the change occurs through net assets without donor restrictions.

Included in net assets without donor restrictions at June 30, 2019 and 2018 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $2,725,061 and $2,728,702, respectively, and unrecognized net prior service credit of $4,354 and $18,391, respectively. The contributions, actuarial loss and prior service credit expected to be recognized during the year ended June 30, 2019 are $476,659, $201,949 and $4,354, respectively.

Note 7. Retirement and Postretirement Benefit Plans (Continued)

The following sets forth the plan status with amounts reported in the College's consolidated financial statements:

	Fiscal Years Ended June 30 2019	2018
Net Periodic Postretirement Cost		
Service cost	$ 312,812	$ 326,127
Interest cost	265,652	236,091
Amortization of prior service cost	(14,037)	(14,037)
Amortization of unrecognized loss	207,307	299,615
Total net periodic postretirement cost	$ 771,734	$ 847,796

	Fiscal Years Ended June 30 2019	2018
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 6,727,601	$ 6,390,876
Service cost	312,812	326,127
Interest cost	265,652	236,091
Actuarial loss (gain)	203,666	(50,252)
Plan participant contributions	71,015	75,838
Benefits paid	(302,939)	(251,079)
Benefit obligation at end of year	$ 7,277,807	$ 6,727,601

During 2010, the plan was amended to provide benefits to the spouse and/or children for 12 months following the death of the participant. Previously, benefits would continue indefinitely provided the spouse remained unmarried.

Estimated future benefit payments as of June 30, 2019 are as follows:

2020	$ 477,000
2021	529,000
2022	565,000
2023	611,000
2024	691,000
2025-2029	3,625,000

Note 7. Retirement and Postretirement Benefit Plans (Continued)

	Fiscal Years Ended June 30	
	2019	2018
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the year	4.10%	3.50%
Accumulated plan benefit obligation (at year-end)	3.22%	4.10%
Medical trend:		
For next year	6.65%	6.95%
Ultimate trend rate	4.50%	4.50%
Year reached	2026	2026

The medical trend rate assumption has a significant effect on the benefit obligation and other amounts reported. If the medical trend rates were to increase by 1% for each year, the benefit obligation as of June 30, 2019 would increase by $627,304 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2019 would increase by $62,219. If the medical trend rates were to decrease by 1% for each year, the benefit obligation as of June 30, 2019 would decrease by $560,326 and the sum of the service and interest cost components of the NPPBC for fiscal year 2019 would decrease by $54,704.

Note 8. Capital Lease Obligations

As of June 30, 2019, the College has in place five lease agreements with the Ohio Higher Educational Facility Commission (the Commission) to finance various building and improvement projects. These leases serve as security for the Commission's Higher Educational Facility Revenue Bonds. The bonds are collateralized by a security interest in the buildings and improvements comprising the various projects.

Rental payments under the leases equal the interest and principal payments on related bonds issued by the Commission. The leases give the College the option to purchase the assets at nominal amounts after all bonds are retired. Accordingly, the College has recorded buildings and improvements with a cost of $221,662,234 and accumulated depreciation of $92,469,064 as of June 30, 2019 and the liabilities as capital lease obligations. Amortization of these assets is included in depreciation expense.

All revenues generated by the leased facilities are pledged as collateral for retirement of the bonds.

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding

The College's bonds outstanding are as follows as of June 30:

	2019	2018
2010 Revenue Bonds:		
Maturing through July 1, 2044 with rates ranging from 4.75% to 5.25%		
outstanding principal	$ 56,985,000	$ 56,985,000
unamortized discount	(189,600)	(197,844)
unamortized issuance costs	(372,758)	(389,702)
2013 Revenue Bonds:		
Maturing through July 1, 2037 with a rate of 5.00%		
outstanding principal	43,610,000	43,610,000
unamortized premium	770,592	813,402
unamortized issuance costs	(359,599)	(378,525)
2015 Revenue Bonds:		
Maturing through July 1, 2040 with rates ranging from 4.00% - 5.00%		
outstanding principal	39,400,000	39,400,000
unamortized premium	1,026,771	1,078,110
unamortized issuance costs	(364,884)	(381,469)
2016 Revenue Bonds:		
Maturing through July 1, 2044 with rates ranging from 3.25% to 5.00%		
outstanding principal	53,330,000	53,330,000
unamortized premium	2,841,191	2,960,826
unamortized issuance costs	(514,768)	(536,217)
2017 Revenue Bonds:		
Maturing through July 1, 2047 with rates ranging from 4.00% to 5.00%		
outstanding principal	66,550,000	67,660,000
unamortized premium	6,354,530	6,731,245
unamortized issuance costs	(624,648)	(646,957)
Total outstanding principal	259,875,000	260,985,000
Total unamortized premium/discount, net	10,803,484	11,385,739
Total unamortized issuance costs	(2,236,657)	(2,332,870)
Capital lease obligations, net	$ 268,441,827	$ 270,037,869

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

In February 2010, the College issued Ohio Educational Facility Commission Revenue Bonds, Kenyon College 2010, in the amount of $100,665,000. These new bonds were used to refinance, in full, three variable rate bond issues. In addition, $29,500,000 was used to advance refund previous bond issues. The 2010 bonds were issued at a discount for a true interest cost of 5.14%. The original bond discount of $475,133 is being amortized over the average life of the bonds. $43,680,000 of the 2010 bonds was defeased with the proceeds from the 2016 bond issuance.

In July 2013, the College issued $43,610,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund $40,500,000 of previous bond issues and provided for issuance costs. The 2013 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the $40,500,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 4.86%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2035, 2036 and 2037.

In May 2015, the College issued $39,400,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund $37,535,000 of a previous bond issue and provided for issuance costs. The 2015 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the $37,535,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 4.19%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2038, 2039 and 2040.

In November 2016, the College issued $53,330,000 of revenue bonds through the Commission. The proceeds of the bonds were used to refund the remaining outstanding principal of $4,960,000 of a previous bond issue and $43,680,000 of the 2010 bonds. The 2016 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest on the 2006 and 2010 bonds. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the $48,640,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 3.84%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption maturing on July 1, 2040, 2042 and 2044. The refunding of the 2010 bonds resulted in a loss of $7,802,553, which has been reported separately on the consolidated statement of activities.

In December 2017, the College issued $68,730,000 of revenue bonds through the Commission. The proceeds of the bonds will be used to pay the costs of and relating to constructing, furnishing and equipping library facilities and an academic quad, and other College academic, administrative and student resident facilities. The 2017 bonds were issued at a premium of $6,939,523 for a true interest cost of 3.80%. The bond premium is being amortized over the life of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2042 and 2047.

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

The amount of rent paid by the College on its bonds for the year ended June 30, 2019 was $12,582,681 of which $1,110,000 represented principal and $11,472,681 represented interest. For the year ended June 30, 2019, the College capitalized interest of $1,038,388, which is included in construction work in progress. The amount of rent paid by the College on its bonds for the year ended June 30, 2018 was $11,334,789 of which $1,070,000 represented principal and $10,264,789 represented interest.

At June 30, 2019, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

2020	$ 13,178,375
2021	13,177,175
2022	13,184,175
2023	13,186,425
2024	13,190,425
Remaining amount due	432,138,800
	498,055,375
Amount representing interest	(238,180,375)
Fixed rate obligations outstanding	259,875,000
Unamortized premiums/discount	10,803,484
Unamortized bond issuance costs	(2,236,657)
Fixed rate obligations outstanding	$ 268,441,827

On October 2, 2019, the College entered into a tax-exempt forward delivery refunding transaction for the 2010 revenue bonds with a delivery date of April 2, 2020. The above future minimum payments have not been updated to reflect the issue.

Interest Rate Swap Agreements

As part of a strategy to manage the College's debt position over time and decrease variable rate risk, the College entered into an interest rate swap agreement in February 2006 in which the College pays a fixed rate, 3.514%, in exchange for receiving a variable rate which is indexed to LIBOR and calculated on a notional amount of $57,600,000. The difference between the fixed interest rate and the variable interest rate is settled on a quarterly basis. The agreement terminates in February 2026.

At the time the 2010 bonds were issued, which refunded the College's variable rate bonds with fixed rate bonds, it would have cost the College approximately $5,700,000 to terminate the 2006 swap agreement. The College entered into a second interest rate swap agreement which is the reverse of the February 2006 swap. Under the terms of this agreement, the College pays a variable rate indexed to LIBOR and receives a fixed payment of 2.67% on a notional amount of $57,600,000. This agreement also terminates in February 2026 and effectively finances the $5,700,000 over the remaining life of the initial swap agreement.

At June 30, 2019 and 2018, the net value of the swap agreements was a liability of $2,877,200 and $3,184,385, respectively. For the fiscal years ended June 30, 2019 and 2018, the College's interest expense was increased by $486,144 as a result of the interest rate swaps.

Note 9. Net Assets

Net assets without donor restrictions include funds functioning as endowment, as designated by the Board of Trustees, amounting to $218,053,873, which are subject to the College's investment and spending policies as described in Note 3.

Net assets with donor restrictions were restricted as follows:

	2019	2018
Net assets with donor restrictions		
Net assets subject to time restrictions:		
Pledges receivable restricted to capital or program	$ 11,501,999	$ 14,879,770
Pledges receivable restricted for endowment	23,599,668	21,761,939
Total net assets subject to time restrictions	35,101,667	36,641,709
Net assets subject to purpose restrictions:		
Faculty and academic support	34,436,721	62,559,592
Student programs	2,358,976	472,678
Scholarships, prizes and awards	741,350	592,726
Plant improvements	1,694,988	1,077,465
General support	668,539	632,055
Other programs	443,148	997,496
Total net assets subject to purpose restrictions	40,343,722	66,332,012
Net assets subject to spending policy and appropriation:		
Original gift amount	177,671,071	168,131,109
Accumulated earnings	28,728,488	31,008,261
Total net assets subject to spending policy and appropriation	206,399,559	199,139,370
Net assets not subject to spending:		
Beneficial interest in trusts	7,497,036	8,409,174
Loan funds	8,040,085	7,718,449
Total net assets not subject to spending	15,537,121	16,127,623
Total net assets with donor restrictions	$ 297,382,069	$ 318,240,714

Restricted net assets released from restrictions for the years ended June 30 were as follows:

	2019	2018
Restricted net assets released		
Unexpended endowment income and gifts and grants:		
Faculty and academic support	$ 35,155,303	$ 19,939,509
Student programs	865,313	423,215
Scholarships, prizes and awards	5,344,148	5,199,572
Plant improvements	1,072,508	170,483
Other programs	4,784,159	4,310,850
Gifts pending donor designation	1,044,874	463,835
Gifts redesignated by donor	(671,290)	(469,885)
Total restricted net assets released	$ 47,595,015	$ 30,037,579

Note 10 Liquidity and Availability of Financial Assets

The College regularly monitors liquidity required to meet its operating needs. The College has various sources of liquidity including cash and cash equivalents and investments. In addition to financial assets available to meet general expenditures over the next 12 months, the College strives to operate within a balanced budget and anticipates collecting revenues sufficient to cover operating expenses. The College receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The College manages its financial assets available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets and maintaining sufficient reserves to provide that future opportunities of a long-term nature can be acted upon. The College forecasts its future cash flows and monitors its liquidity and reserves on a routine basis. As described in Note 5, the College has a line of credit available for additional liquidity needs in short-term, emergency circumstances.

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

Cash and cash equivalents	$ 62,872,925
Investments	513,746,110
Accounts and interest receivable	1,793,734
Present value of pledges receivable	35,101,667
Loans receivable	4,737,743
Interests in charitable trusts	2,675,970
Total financial assets	620,928,149
Less assets not available for general expenditure within one year:	
Pledges receivable due greater than one year or restricted to long-term purposes	(31,318,194)
Cash restricted by donor for long-term purposes	(1,717,682)
Revolving loan funds not available for general expenditure	(4,737,743)
Interests in charitable trusts, net of anticipated distributions	(2,598,564)
Donor-restricted endowment funds	(207,903,240)
Cash and investments designated by the Board for long-term investment	(278,437,091)
Add approved appropriations from donor and board designated funds	23,369,552
Financial assets available for general expenditure within one year	$ 117,585,187

Note 11. Our Path Forward

In September 2017, the College received a $75 million gift from an anonymous donor as part of the *Our Path Forward* campaign. This gift will be used to support the College's academic programs. Three major priorities for the $300 million comprehensive campaign include fundraising for endowed scholarships and professorships; support for internship and research opportunities, community-engaged learning and off-campus study; and increased capacity to adapt the College's campus for more innovative and collaborative learning and teaching. As part of the campaign, the West Quad Project will be a hub for 21st century learning and teaching and will allow the College to make significant progress toward a more physically accessible campus. Through September 30, 2019, the College has raised approximately $243 million toward this campaign.