

**The Trustees of Amherst College**  
**Financial Statements**  
**June 30, 2019**

# The Trustees of Amherst College

## Index

June 30, 2019

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1–2
<b>Consolidated Financial Statements</b>	
Consolidated and Individual Balance Sheets.....	3
Statement of Activities - Amherst College.....	4
Statement of Activities - Folger Shakespeare Memorial Library.....	5
Consolidated Statement of Activities .....	6
Consolidated and Individual Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8–33



## Report of Independent Auditors

To The Board of Trustees of Amherst College

We have audited the accompanying consolidated financial statements of The Trustees of Amherst College and its subsidiary and the individual financial statements of Amherst College and Folger Shakespeare Memorial Library, which comprise the consolidated and individual balance sheets as of June 30, 2019, and the related consolidated and individual statements of activities and of cash flows for the year then ended.

### ***Management's Responsibility for the Consolidated and Individual Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated and individual 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 and individual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated and individual 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 Company'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 and individual 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 and individual financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Trustees of Amherst College and its subsidiary and the individual financial positions of Amherst College and Folger Shakespeare Memorial Library as of June 30, 2019, and the consolidated and individual changes in their net assets and their consolidated and individual cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



***Emphasis of Matter***

As discussed in Note 1 to the consolidated and individual financial statements, the Company changed the manner in which it accounts for net assets in 2019. Our opinion is not modified with respect to this matter.

*PriceWaterhouseCoopers LLP*

Hartford, Connecticut

November 25, 2019

**The Trustees of Amherst College**  
**Consolidated and Individual Balance Sheets**  
**June 30, 2019**

	<b>Amherst College</b>	<b>Folger Shakespeare Memorial Library</b>	<b>Total Consolidated</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 145,218,899	\$ 9,341,902	\$ 154,560,801
Accounts receivable, net	4,785,946	434,079	5,220,025
Contributions receivable, net	92,351,328	3,655,856	96,007,184
Beneficial interest in perpetual trusts	17,655,000	-	17,655,000
Other assets	5,346,240	1,048,359	6,394,599
Investments	2,752,359,683	365,403,187	3,117,762,870
Student loans receivable, net	1,388,245	-	1,388,245
Property, plant and equipment, net	635,412,454	49,696,067	685,108,521
Total assets	<u>\$ 3,654,517,795</u>	<u>\$ 429,579,450</u>	<u>\$ 4,084,097,245</u>
<b>Liabilities and Net Assets</b>			
Accounts payable	\$ 13,142,649	\$ 1,052,903	\$ 14,195,552
Accrued liabilities	5,037,143	453,000	5,490,143
Deferred income and deposits	2,075,110	724,721	2,799,831
Liability for life income obligations	34,333,968	633,449	34,967,417
Pension and postretirement benefit obligations	66,790,094	9,053,954	75,844,048
Bonds payable	473,654,570	-	473,654,570
Interest rate swap agreement	14,253,868	-	14,253,868
Asset retirement obligations	5,457,564	189,399	5,646,963
Other liabilities	4,975,316	865,505	5,840,821
Total liabilities	<u>619,720,282</u>	<u>12,972,931</u>	<u>632,693,213</u>
<b>Net Assets</b>			
Without donor restriction	1,137,089,479	75,395,229	1,212,484,708
With donor restriction	1,897,708,034	341,211,290	2,238,919,324
Total net assets	<u>3,034,797,513</u>	<u>416,606,519</u>	<u>3,451,404,032</u>
Total liabilities and net assets	<u>\$ 3,654,517,795</u>	<u>\$ 429,579,450</u>	<u>\$ 4,084,097,245</u>

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

**The Trustees of Amherst College**  
**Statement of Activities – Amherst College**  
**Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and other support			
Net student revenue			
Tuition fees, room and board, net of financial aid of \$56,788,805	\$ 68,648,121	\$ -	\$ 68,648,121
Endowment distribution	41,806,254	69,700,166	111,506,420
U. S. Government grants	2,628,700	-	2,628,700
Gifts and other grants	25,547,848	1,360,263	26,908,111
Other	10,636,370	-	10,636,370
Net assets released from restrictions for operations	93,705,087	(93,705,087)	-
Total operating revenues and other support	<u>242,972,380</u>	<u>(22,644,658)</u>	<u>220,327,722</u>
Operating expenses			
Instruction and academic programs	63,154,938	-	63,154,938
Academic support	26,438,374	-	26,438,374
Student services	36,435,062	-	36,435,062
Library	10,810,131	-	10,810,131
Research and public programs	5,852,929	-	5,852,929
Institutional support	30,050,812	-	30,050,812
Academic prizes, fellowships and awards	1,171,653	-	1,171,653
Auxiliary activities	33,513,122	-	33,513,122
Other	12,233,411	-	12,233,411
Total operating expenses	<u>219,660,432</u>	<u>-</u>	<u>219,660,432</u>
Change in net assets from operations	<u>23,311,948</u>	<u>(22,644,658)</u>	<u>667,290</u>
Nonoperating activities			
Realized and change in unrealized gains on investments, and investment income	56,219,804	122,998,290	179,218,094
Allocation of endowment spending to operations	(41,806,254)	(69,700,166)	(111,506,420)
Change in net value of life income funds	-	693,294	693,294
Unrealized loss and net settlement on interest rate swap	(5,454,621)	-	(5,454,621)
Gifts to life funds, endowment, and plant	9,123	52,216,325	52,225,448
Change in post-retirement benefits, other than periodic benefit cost	(5,018,758)	-	(5,018,758)
Transfers between net asset categories	(19,359,166)	19,359,166	-
Net assets released from restrictions for nonoperations	9,377,865	(9,377,865)	-
Total nonoperating activities	<u>(6,032,007)</u>	<u>116,189,044</u>	<u>110,157,037</u>
Increase in net assets	<u>17,279,941</u>	<u>93,544,386</u>	<u>110,824,327</u>
<b>Net assets</b>			
Beginning of year	<u>1,119,809,538</u>	<u>1,804,163,648</u>	<u>2,923,973,186</u>
End of year	<u>\$ 1,137,089,479</u>	<u>\$ 1,897,708,034</u>	<u>\$ 3,034,797,513</u>

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

**The Trustees of Amherst College**  
**Statement of Activities – Folger Shakespeare Memorial Library**  
**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Operating revenues and other support			
Net student revenue			
Tuition fees, room and board, net of financial aid	\$ -	\$ -	\$ -
Endowment distribution	11,126,956	4,110,681	15,237,637
U. S. Government grants	651,079	-	651,079
Gifts and other grants	1,232,679	1,126,260	2,358,939
Other	3,656,921	-	3,656,921
Net assets released from restrictions for operations	15,005,640	(15,005,640)	-
Total operating revenues and other support	<u>31,673,275</u>	<u>(9,768,699)</u>	<u>21,904,576</u>
Operating expenses			
Instruction and academic programs	4,222,268	-	4,222,268
Library	8,987,321	-	8,987,321
Research and public programs	5,673,390	-	5,673,390
Institutional support	6,002,245	-	6,002,245
Total operating expenses	<u>24,885,224</u>	<u>-</u>	<u>24,885,224</u>
Change in net assets from operations	<u>6,788,051</u>	<u>(9,768,699)</u>	<u>(2,980,648)</u>
Nonoperating activities			
Realized and change in unrealized gains on investments, and investment income	3,587,516	20,698,209	24,285,725
Allocation of endowment spending to operations	(11,126,956)	(4,110,681)	(15,237,637)
Change in net value of life Income funds	-	5,006	5,006
Gifts to life funds, endowment, and plant	448	4,089,603	4,090,051
Change in post-retirement benefits, other than periodic benefit cost	(1,269,408)	-	(1,269,408)
Total nonoperating activities	<u>(8,808,400)</u>	<u>20,682,137</u>	<u>11,873,737</u>
(Decrease) increase in net assets	<u>(2,020,349)</u>	<u>10,913,438</u>	<u>8,893,089</u>
<b>Net assets</b>			
Beginning of year	<u>77,415,578</u>	<u>330,297,852</u>	<u>407,713,430</u>
End of year	<u>\$ 75,395,229</u>	<u>\$ 341,211,290</u>	<u>\$ 416,606,519</u>

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

**The Trustees of Amherst College**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Operating revenues and other support			
Net student revenue			
Tuition fees, room and board, net of financial aid of \$56,788,805	\$ 68,648,121	\$ -	\$ 68,648,121
Endowment distribution	52,933,210	73,810,847	126,744,057
U. S. Government grants	3,279,779	-	3,279,779
Gifts and other grants	26,780,527	2,486,523	29,267,050
Other	14,293,291	-	14,293,291
Net assets released from restrictions for operations	108,710,727	(108,710,727)	-
Total operating revenues and other support	<u>274,645,655</u>	<u>(32,413,357)</u>	<u>242,232,298</u>
Operating expenses			
Instruction and academic programs	67,377,206	-	67,377,206
Academic support	26,438,374	-	26,438,374
Student services	36,435,062	-	36,435,062
Library	19,797,452	-	19,797,452
Research and public programs	11,526,319	-	11,526,319
Institutional support	36,053,057	-	36,053,057
Academic prizes, fellowships and awards	1,171,653	-	1,171,653
Auxiliary activities	33,513,122	-	33,513,122
Other	12,233,411	-	12,233,411
Total operating expenses	<u>244,545,656</u>	<u>-</u>	<u>244,545,656</u>
Change in net assets from operations	<u>30,099,999</u>	<u>(32,413,357)</u>	<u>(2,313,358)</u>
Nonoperating activities			
Realized and change in unrealized gains on investments, and investment income	59,807,320	143,696,499	203,503,819
Allocation of endowment spending to operations	(52,933,210)	(73,810,847)	(126,744,057)
Change in net value of life income funds	-	698,300	698,300
Unrealized loss and net settlement on interest rate swap	(5,454,621)	-	(5,454,621)
Gifts to life funds, endowment, and plant	9,571	56,305,928	56,315,499
Change in post-retirement benefits, other than periodic benefit cost	(6,288,166)	-	(6,288,166)
Transfers between net asset categories	(19,359,166)	19,359,166	-
Net assets released from restrictions for nonoperations	9,377,865	(9,377,865)	-
Total nonoperating activities	<u>(14,840,407)</u>	<u>136,871,181</u>	<u>122,030,774</u>
Increase in net assets	15,259,592	104,457,824	119,717,416
<b>Net assets</b>			
Beginning of year	<u>1,197,225,116</u>	<u>2,134,461,500</u>	<u>3,331,686,616</u>
End of year	<u>\$ 1,212,484,708</u>	<u>\$ 2,238,919,324</u>	<u>\$ 3,451,404,032</u>

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

**The Trustees of Amherst College**  
**Consolidated and Individual Statements of Cash Flows**  
**June 30, 2019**

	<b>Amherst College</b>	<b>Folger Shakespeare Memorial Library</b>	<b>Total Consolidated</b>
<b>Cash flows from operating activities</b>			
Increase in net assets	\$ 110,824,327	\$ 8,893,089	\$ 119,717,416
Adjustments to reconcile increase in net assets to net cash used in operating activities			
Depreciation and amortization	19,370,289	1,075,584	20,445,873
Realized and unrealized gains on investments	(159,647,539)	(21,899,522)	(181,547,061)
Unrealized loss on interest rate swap agreement	4,377,976	-	4,377,976
Change in beneficial interest in perpetual trusts	12,565	-	12,565
Contributions for long term investment	(45,250,179)	(3,019,949)	(48,270,128)
Change in bond discount and issue costs	283,250	-	283,250
Gain on the sale of assets	(353,380)	(10,000)	(363,380)
Decrease (increase) in assets			
Accounts receivable, net	3,741,949	1,615,991	5,357,940
Contributions receivable	(618,487)	(1,065,033)	(1,683,520)
Other assets	(1,225,247)	142,391	(1,082,856)
Increase (decrease) in liabilities			
Accounts payable	3,404,148	214,703	3,618,851
Accrued liabilities	(14,255,741)	(18,582)	(14,274,323)
Deferred income and deposits	150,976	170,806	321,782
Liability for life income obligations	(1,780,712)	(5,006)	(1,785,718)
Pension and postretirement benefit obligations	8,400,186	1,779,897	10,180,083
Asset retirement obligations	2,124,672	6,928	2,131,600
Other liabilities	497,192	215,987	713,179
Net cash used in operating activities	<u>(69,943,755)</u>	<u>(11,902,716)</u>	<u>(81,846,471)</u>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment, net	(39,756,357)	(3,094,955)	(42,851,312)
Net change in student loans receivable	138,923	-	138,923
Purchases of investments	(583,626,884)	(54,929,625)	(638,556,509)
Proceeds from sales and maturities of investments	669,499,943	68,286,909	737,786,852
Net cash provided by investing activities	<u>46,255,625</u>	<u>10,262,329</u>	<u>56,517,954</u>
<b>Cash flows from financing activities</b>			
Contributions for long term investment	45,250,179	3,019,949	48,270,128
Payments to beneficiaries under split interest agreements	(4,399,597)	(61,545)	(4,461,142)
Payments on long-term debt	(5,275,000)	-	(5,275,000)
Net cash provided by financing activities	<u>35,575,582</u>	<u>2,958,404</u>	<u>38,533,986</u>
Net change in cash and cash equivalents	11,887,452	1,318,017	13,205,469
<b>Cash and cash equivalents</b>			
Beginning of year	133,331,447	8,023,885	141,355,332
End of year	<u>\$ 145,218,899</u>	<u>\$ 9,341,902</u>	<u>\$ 154,560,801</u>
<b>Supplemental data</b>			
Interest and net swap settlements paid	\$ 18,365,507	\$ -	\$ 18,365,507
Gifts in kind	\$ 703,727	\$ -	\$ 703,727
Purchases of plant and equipment included in accounts payable	\$ 3,533,251	\$ 170,739	\$ 3,703,990
Contributed securities	\$ 23,727,824	\$ 476,040	\$ 24,203,864

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

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

#### 1. Accounting Policies

##### Organization

The Trustees of Amherst College (the "Institution") comprises a legal entity and board overseeing the activities of Amherst College (the "College") and Folger Shakespeare Memorial Library (the "Library"). All entities and activities within the Institution are ultimately governed by the board. The Institution qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

The College is an academically rigorous, residential, full-time, private, nonsectarian institution of higher education committed to the liberal education of young men and women. The Library is a center for advanced research in Shakespeare and the early modern period. It also sponsors a rich and varied season of cultural, educational and academic programs.

In accordance with the terms of the wills of Henry Clay Folger, class of 1879, and his wife, Emily Jordan Folger, the Institution established the Folger Shakespeare Memorial Library. The original gift to establish the Library provides that 25% of the Folger Fund's annual investment income up to a maximum of \$226,000 is to be distributed for the general operations of the College. The maximum was distributed in fiscal year 2019.

The Institution owns 100% of the common stock of its subsidiary, Amherst Inn Company (the "Inn"). The Inn has been consolidated in the Institution's consolidated financial statements. For purposes of presentation, the Inn's activity is included within the Amherst College financial information.

##### Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues, gains and expenses recognized during the reporting period. Actual results could differ from those estimates.

The Institution's significant estimates include the fair value of certain of its investments, reserves for contributions, retirement and postretirement benefit obligations, and its liability for life income obligations.

The statements have been prepared with the adopted principles of the Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which requires classification of net assets into two categories according to donor-imposed restrictions. The principles require that revenues, gains, expenses and losses be classified as either net assets without donor-imposed restrictions or net assets with donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been reported as follows:

**Net Assets without Donor Restriction** - This classification includes all revenues, gains, expenses and losses not subject to donor-imposed restrictions. Periodically donor restrictions related to net assets may be clarified or changed; such changes are reflected as fund transfers in the period in which they are identified.

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

**Net Assets with Donor Restrictions** - This classification of net assets are subject to donor-imposed restrictions that are either maintained in perpetuity or that will be met either by actions of the Institution or by the passage of time. Generally, a donor-imposed restriction is a stipulation that specifies the use of a contributed assets only for specific purposes. Some donor-imposed restrictions are temporary in nature, including gifts for capital projects or buildings not yet placed in service; annuity and life income gifts and pledges. Other donor-imposed restrictions are perpetual or permanent in nature, such as donor-restricted endowment funds.

Expenses are reported as decreases in net assets without donor restrictions. Revenues from most sources are generally reported as increases in net assets without donor restrictions. See Note 2 for further discussion on investment returns. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long lived assets are considered met in the period in which the assets are acquired or placed in service.

Contributions of cash and other assets, including unconditional promises to give, are recognized as revenues in the period received. Contributions with donor-imposed restrictions that are not met in the same year as received or earned are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor stipulated restrictions are met or purpose restrictions are satisfied. Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Conditional promises to give are not recognized until the conditions are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Grant revenue from exchange contracts is recognized in the period in which the grant expenditures are incurred.

Nonoperating activities include transactions of a capital nature such as realized and changes in unrealized gains and losses on investments to be reinvested by the Institution to generate a return that will support operations, additions or changes in the value of split-interest agreements, contributions to endowment, life income and plant, unrealized gains and net settlement on interest rate swaps, postretirement benefit changes other than net periodic pension cost, transfers between net asset categories, and net assets released from restrictions for nonoperations.

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

#### **Interpretation of Relevant Law**

Absent explicit donor stipulations to the contrary, The Board of Trustees of the Institution has interpreted Massachusetts' Uniform Prudent Management of Institutional Funds Act ("UPMIFA") statute, which was enacted in July 2009, and related Commonwealth of Massachusetts Attorney General guidance to require the preservation of donor-restricted endowment funds at their fair value measured on the date of the gift. As a result of this interpretation, the Institution classifies as net assets with donor restrictions (a) the original value of 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 funds are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

#### **Investments**

The Institution has established a diversified investment portfolio in accordance with the investment strategy determined by the Investment Committee of the Board of Trustees.

Investments are recorded at fair value. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of nonpublicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market values of the underlying securities. Private equities and certain other nonmarketable securities, including alternative investments, are valued using current estimates of fair value based upon the net asset value of the funds determined by the general partner or investment manager for the respective funds. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The Institution's alternative investments include venture capital funds, private equity funds and investments in real estate and natural resources. These alternative investments represented approximately 40% of the Institution's investments at June 30, 2019.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect investment balances and results included in the consolidated financial statements.

Under the terms of certain limited partnership agreements that represent venture capital, private equity, real estate and natural resources investments, the Institution is obligated to remit additional funding periodically as capital calls are exercised.

Purchases and sales of investments are recorded on the trade date of the transaction. Realized investment gains and losses are recorded based on the average cost method for all investments except where specific identification is required by tax law.

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

#### **Derivative Financial Instruments**

The Institution's investment policies allow for the use of derivative financial instruments to manage currency exchange and interest rate risks arising from investments in nonderivative assets in proportion to the assets at risk. Such potential instruments consist of forward foreign exchange and interest rate futures contracts entered into as part of the investments of the Institution.

The Institution utilizes swap agreements to moderate its exposure to interest rate risk on certain bond issuances. (Note 7)

The Institution also has investments which participate directly, or have the option to participate in, derivative financial instruments. These investments represent 26% of the Institution's total consolidated endowment funds. Derivatives held by fund managers in which the Institution invests pose no off balance sheet risk to the Institution due to the limited liability structure of the investment.

#### **Beneficial Interest in Perpetual Trusts**

Beneficial interest in perpetual trusts represent resources neither in the possession of nor under the control of the Institution, but held and administered by outside fiscal agents, with the College deriving income from such funds. The trusts are recorded at their respective fair values, which are reported periodically to us by the outside fiscal agent.

#### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. The cost of collections at the College are expensed as incurred.

The Institution capitalizes the cost of construction and major improvements to buildings, and purchases of equipment, and library books. Depreciation is calculated on a straight line basis over the estimated useful life of the asset. Purchases for the Library's collections are recorded at cost. (Note 6)

#### **Cash Equivalents**

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets of endowment and similar funds and life income funds are included in long-term investments. Cash equivalents are recorded at cost which approximates fair value.

#### **Life Income Obligations**

Life income obligations result from annuity and life income agreements which are irrevocable charitable remainder agreements. The assets held for these agreements are reported as part of the Institution's investments at their fair value. The Institution records contribution revenue for the gift, net of the liability calculated as the present value of the estimated future payments to be made to the beneficiaries. The liability has been determined using discount rates ranging from 1.0% to 6.9% dependent upon the year in which the agreement was entered. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

**Asset Retirement Obligations**

An asset retirement obligation (“ARO”) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the Institution records period to period changes in the ARO resulting from the passage of time or revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The Institution reduces the ARO when the related obligations are settled.

**Income Tax**

The Institution is generally exempt from federal and state income taxes. Management performs an annual review for uncertain tax positions along with any related interest and penalties. Management believes that the Institution has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate, upon the Institution’s balance sheet, or the related statements of activities, or cash flows.

In December 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. The Act impacts the Institution in several ways, including new excise taxes on net investment income, increases to unrelated business taxable income (“UBTI”), changes to the net operating loss rules, repeal of the alternative minimum tax, and the computation of UBTI separately for each unrelated trade or business.

The Institution is subject to federal excise tax imposed on private colleges and universities if certain conditions are met, including an endowment per student ratio. The excise tax of 1.4% is imposed on net investment income, as defined under federal law to include interest, dividends, net realized gains on sales of investments, and income from student room revenue and other sources. The Institution has reflected the appropriate tax liabilities in the financial statements based upon reasonable estimates under the currently available regulatory guidance on the Act.

**Student Revenue**

The College is a residential community with the majority of students living in campus housing and dining in campus facilities and therefore considers tuition, room and board as one contract. Tuition is charged per semester at the same rate for all students. Tuition, room and board are all fully earned by June 30. Financial aid is calculated based on total cost of attendance. The College records student related revenue within the fiscal year in which services are provided. Institutional financial aid includes amounts funded by the College’s operations, endowments, and gifts and provide funding to offset the published price of tuition and fees, room, and board for students. Student related revenue by performance obligation is as follows:

	Tuition and Fees	Room	Board	Total
Gross student charges	\$ 99,703,600	\$ 14,176,646	\$ 11,556,680	\$ 125,436,926
Allocation of financial aid	(45,138,608)	(6,418,164)	(5,232,033)	(56,788,805)
Total net student revenue	<u>\$ 54,564,992</u>	<u>\$ 7,758,482</u>	<u>\$ 6,324,647</u>	<u>\$ 68,648,121</u>

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

#### **New Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-04, on “Presentation of Financial Statements for Not-for-Profit Entities”. This standard revised the not-for-profit financial reporting model. The previously existing three-categories of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) were collapsed to two categories: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The guidance also enhances disclosures about the composition of net assets, liquidity and expenses by both natural and functional classification. The Institution adopted this standard for the fiscal year 2019. There is no impact on total net assets or total expenses from these changes.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. Under the new guidance, recognition of revenue from customer contracts is a principles-based framework. Within the framework, revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. This standard is for fiscal years beginning after December 15, 2017. The Institution adopted the provisions of this standard as of July 1, 2018 and there was no material impact to the consolidated financial statements as a result of adoption. Following the adoption of the standard, we continue to recognize revenue from students as services are provided which corresponds to the related academic term.

In June 2018, the FASB issued an amendment to the Topic 958 – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard provides specific guidance on accounting for contributions in order to evaluate whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions and whether a contribution is conditional. This standard is for applicable for fiscal years beginning after June 15, 2018. The Institution adopted this standard in fiscal year 2019 and it did not have a material impact on the revenue recognized in the Consolidated Statement of Activities.

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for the fiscal year ended June 30, 2020; the Institution is currently evaluating the impact that its adoption will have on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. ASU No. 2017-07 is effective for the fiscal year ended June 30, 2020; the Institution is currently evaluating the impact its adoption will have on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement”. Under the guidance, the Institution is no longer required to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. For investments in entities that calculate net asset value, the requirement to disclose the estimated period of time over which

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

underlying asset might be liquidated is modified to only require disclosure if the investee has communicated the timing to the Institution or announced the timing publicly. ASU 2018-13 is effective for the fiscal year ended June 30, 2021; the Institution is currently evaluating the impact this adoption will have on its consolidated financial statements.

**Reclassifications**

As a result of adopting ASU 2016-14, the College and Library restated the July 1, 2018 net assets and consolidated statement of activities by combining prior year amounts for temporarily restricted and permanently restricted net assets into net assets with donor restrictions to arrive at the fiscal year 2019 opening balances as follows:

	<b>College</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Assets</b>
2019 beginning net assets prior to reclass:			
Unrestricted	\$ 1,119,809,538	\$ -	\$ 1,119,809,538
Temporarily restricted	-	1,289,195,669	1,289,195,669
Permanently restricted	-	514,967,979	514,967,979
2019 beginning net assets after reclass	<u>\$ 1,119,809,538</u>	<u>\$ 1,804,163,648</u>	<u>\$ 2,923,973,186</u>

	<b>Library</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Assets</b>
2019 beginning net assets prior to reclass:			
Unrestricted	\$ 77,415,578	\$ -	\$ 77,415,578
Temporarily restricted	-	304,319,113	304,319,113
Permanently restricted	-	25,978,739	25,978,739
2019 beginning net assets after reclass	<u>\$ 77,415,578</u>	<u>\$ 330,297,852</u>	<u>\$ 407,713,430</u>

**2. Investments**

The Institution records its investments at fair value. Fair value is the amount that would be received when selling an asset or paying to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in developing those assumptions generally correlate to the level of pricing observability. The availability of observable inputs can vary among financial assets and liabilities.

For investments, fair value is affected by a wide variety of factors including the type of investment, whether the investment is new and not yet established in the market place and other characteristics particular to the investment. The inputs used for valuing investments are not necessarily an indication of the risk associated with investing in those securities.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

The Institution's investments have been categorized based upon a fair value hierarchy comprised of the following three broad levels:

- Level 1 Valuations based on observable inputs that reflect quoted prices in active markets for identical assets and liabilities. Assets and liabilities utilizing Level 1 inputs include exchange traded securities, short term money market funds and actively-traded obligations issued by the U.S. Treasury.
- Level 2 Valuations based upon quoted prices for identical or similar assets or liabilities in markets that are less active or other significant market-based inputs which are observable, either directly or indirectly.
- Level 3 Valuations based on unobservable inputs that are significant to determining an overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include real estate partnerships, private equity investments, and other illiquid securities with little, if any, market activity that is not recorded at Net Asset Value ("NAV"). Valuation of these instruments entails a significant degree of estimation and judgment. The investments of the Institution classified as Level 3 are perpetual trusts where the College has been named a beneficiary, investments described above not at NAV, and certain investments held in custody by TIAA and further disclosed in Note 9.

In accordance with ASU 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, the Institution has displayed those investments valued at NAV outside of the leveling table. The Institution has performed due diligence procedures related to these investments and has controls in place in order to utilize NAV as a practical expedient.

The fair value for investments in accordance with the fair value hierarchy was as follows as of June 30, 2019:

Description	College				
	Fair Value Measurements as of June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
<b>Financial assets</b>					
Cash and equivalents	\$ 147,173,262	\$ -	\$ -	\$ -	\$ 147,173,262
Domestic equities	125,836,976	-	-	-	125,836,976
Global equities	-	-	-	195,450,450	195,450,450
Foreign equities	-	-	-	302,251,431	302,251,431
Private equities	-	-	-	849,900,317	849,900,317
Fixed income	164,633,680	-	-	2,484,903	167,118,583
Absolute return	-	-	-	726,951,270	726,951,270
Real estate and natural resources	-	-	4,150,579	221,964,445	226,115,024
Other	-	-	-	11,562,370	11,562,370
Total investments	437,643,918	-	4,150,579	2,310,565,186	2,752,359,683
Beneficial interest in perpetual trusts	-	-	17,655,000	-	17,655,000
Total financial assets	\$ 437,643,918	\$ -	\$ 21,805,579	\$ 2,310,565,186	\$ 2,770,014,683

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

As of June 30, 2019, the College had interest rate swaps with a fair value liability of \$14,253,868 which were valued using significant other observable inputs (Level 2).

Description	Library				
	Fair Value Measurements as of June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
<b>Financial assets</b>					
Cash and equivalents	\$ 18,379,922	\$ -	\$ -	\$ -	\$ 18,379,922
Domestic equities	17,323,722	-	-	-	17,323,722
Global equities	-	-	-	25,972,967	25,972,967
Foreign equities	-	-	-	40,165,507	40,165,507
Private equities	-	-	-	112,941,325	112,941,325
Fixed income	21,026,369	-	-	330,213	21,356,582
Absolute return	-	-	-	96,602,905	96,602,905
Real estate and natural resources	-	-	551,561	29,574,697	30,126,258
Other	169,906	-	1,652	2,362,442	2,534,000
Total investments	\$ 56,899,919	\$ -	\$ 553,213	\$ 307,950,055	\$ 365,403,187

The Institution's investments as of June 30, 2019 are comprised of the following:

	College	Library	Total
Endowment assets	\$ 2,473,283,206	\$ 361,277,318	\$ 2,834,560,524
Other assets invested	195,775,254	3,034,762	198,810,016
Life income assets	83,301,223	1,091,107	84,392,330
	\$ 2,752,359,683	\$ 365,403,187	\$ 3,117,762,870

Other assets invested comprise funds set aside by the College and Library administration that are invested for long term, specific purposes.

The Institution's major investment categories are comprised of the following:

**Domestic Equities**

The Domestic Equities category includes investments in separate accounts and institutional commingled funds that invest primarily in the equity securities of U.S. domiciled corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality.

**Global Equities**

The Global Equities category includes investments in institutional commingled funds that invest primarily in the equity securities of both U.S. domiciled and non-U.S. domiciled corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality.

**Foreign Equities**

The Foreign Equities category includes investments in institutional commingled funds that invest primarily in the equity securities of non-U.S. domiciled corporations. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality.

#### **Private Equities**

The Private Equities category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. domiciled companies. Private Equity includes venture capital (early-stage) and buyout (later-stage) investments. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, uniqueness of market and product, strategic advantage, corporate management quality, financial conditions and financing requirements, and anticipated exit strategies. These investments are generally illiquid, with partnership commitment terms of often at least ten years.

#### **Fixed Income**

The Fixed Income category includes investments in separate accounts and commingled funds that invest primarily in the debt securities of U.S. domiciled corporations and U.S. government issued securities. Fund managers generally hold long portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, duration, convexity, liquidity, credit risk, term structures, and strategic advantage. Liquidity for these funds is provided daily.

#### **Absolute Return**

The Absolute Return category includes investments in commingled funds that invest primarily in the equity, debt, and derivative securities of U.S. and non-U.S. domiciled corporations. Unlisted, non-public assets and/or other alternative asset classes may be held by the funds as well. Fund managers hold long and short portfolio capital assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, free cash flow, profitability, strategic advantage, and corporate management quality.

#### **Real Estate and Natural Resources**

The Real Estate and Natural Resources category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. real estate, timber, and energy assets. Underlying investment securities in the funds are selected based upon several criteria, including, but not limited to: absolute and relative valuation, uniqueness of market and product, strategic advantage, corporate management quality, financial conditions and financing requirements, and anticipated exit strategies. Further, the investment office encourages its investment managers to incorporate consistent and thoughtful environmental considerations into their investment processes. Investment managers are aware that sustainability is a key diligence criterion for the Institution. These investments are generally illiquid, with partnership commitment terms of often at least ten years.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

The unfunded commitment and redemption frequencies of the Institution's investment categories as of June 30, 2019 were as follows:

<b>Institution</b>		
<b>Investment Strategy</b>	<b>Unfunded Commitment</b>	<b>Notice Period and Redemption Frequency</b>
Domestic equities	\$ -	No notice period; immediate redemption
Global equities	10,000,000	10 business days to 60 day notice; between monthly and three year redemption
Foreign equities	-	6-90 day notice; between monthly and five year redemption
Private equities	352,390,000	Not redeemable
Fixed income	23,214,000	No notice period; between immediate and not redeemable
Absolute return	5,000,000	90 day notice; between annual and three year redemption
Real estate and natural resources	93,430,000	Not redeemable
	<u>\$ 484,034,000</u>	

The investments in domestic equities do not possess a defined liquidation period. These investments can be liquidated as deemed appropriate by the Institution. The Institution is unable to redeem its investments in private equities, real estate and natural resources until the underlying partnerships are dissolved and the funds closed, although the Institution would have the ability to liquidate these partnerships through a negotiated transaction in the secondary market. Investments in private equities, real estate and natural resources have remaining durations from one to fifteen years as of June 30, 2019. Lockup periods on the investment strategies above range from thirty days to five years.

The rollforward of the Level 3 total financial assets for the Institution as of June 30, 2019 is as follows:

<b>Investment Category</b>	<b>Institution</b>					<b>Ending Balance</b>
	<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>					
	<b>Beginning Balance</b>	<b>Net Unrealized Loss</b>	<b>Purchases and Issuances</b>	<b>Sales and Settlements</b>	<b>Net Transfers In Level 3</b>	
Perpetual trusts	\$ 17,667,565	\$ (12,565)	\$ -	\$ -	\$ -	\$ 17,655,000
Real estate and natural resources	4,703,811	(19)	-	-	-	4,703,792
Total investments	<u>\$ 22,371,376</u>	<u>\$ (12,584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,358,792</u>

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Institution has adopted a spending policy that is calculated as a percentage of the average market value of the endowment for the three previous years. This allows for the smoothing of growth and decline in endowment fair values. Specifically, the formula used to set the amount of annual spending increases the prior year's distribution by a factor equal to inflation plus the percentage growth in the endowment from prior year capital gifts. This amount is compared to the budgetary needs of the Institution and is increased, if possible, with approval of the Board of Trustees to reflect market growth over time. The calculated amount is also evaluated as a percentage of the endowment's market value and the growth portion of the formula would be held

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

to a rate at or below inflation if the spending rate were to continue to exceed 5.0% over time. It is expected that over time the rate will range between 3.5% and 5.0% of the average market value of the endowment for the three previous years, higher in years of market decline and lower in years of market growth.

The Institution has adopted investment policies for its endowment assets that seek to ensure that current and future spending requirements are supported, while also preserving the endowment fund in perpetuity. Endowment assets include those assets that have been restricted by the donor or designated by the Trustees and are invested to provide future revenue to support the Institution's activities. Under the Institution's investment policy, as approved by the Investment Committee of the Board of Trustees, an asset allocation or strategic policy portfolio is developed based on long-term return, risk and correlation assumptions that seek to balance the need for liquidity, preservation of purchasing power, and risk tolerance. The Institution uses two benchmarks to assess aggregate performance:

- Simple Market Benchmark- serves to help evaluate the value added from asset allocation in creating a well-diversified investment program versus a non-diversified market index. This benchmark consists of: 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.
- Strategic Policy Portfolio Benchmark- serves to help evaluate the impact of manager selection and active management versus passive management. This benchmark is a weighted average return derived from applying the target policy weights of each asset class to the performance of the respective asset class benchmarks.

The Institution expects its endowment funds, over time, to provide an average real rate of return of approximately 3.5% percent annually (or a nominal annual rate of return of approximately 6.0%). The investments in the Institution's endowment portfolio involve various risks, and actual returns in any given year may vary from this anticipated long-term average annual rate of return.

To satisfy its long-term return objectives, the Institution relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institution has established a strategic policy portfolio that is diversified across asset classes.

### **3. Endowment and Similar Funds**

Included in net assets with and without donor restrictions are the College's and Library's endowment and similar funds and life income funds.

Endowment and similar funds is a commonly used term to refer to the resources that have been restricted by donors or designated by the Trustees that will be invested to provide future revenue to support the Institution's activities. Included in endowment are funds which were not restricted by the donor and, accordingly, are net assets without donor restriction of the Institution.

In accordance with UPMIFA statutes, the Institution considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration of the fund
- (2) The purpose of the Institution and donor restricted endowment fund

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institution
- (7) The investment policies of the Institution

Included in endowment are the consolidated endowment funds for both the College and the Library and separately invested endowment funds. The fair value of the Amherst College consolidated endowment fund as of June 30, 2019 was \$2,472,207,808 with a per share fair value of \$27.32. The fair value of the separately invested endowment funds as of June 30, 2019 was approximately \$1,075,000. The fair value of the Folger fund as of June 30, 2019 was \$361,277,318 with a per share fair value of \$41.90. The total endowment shares in the Amherst College consolidated endowment Fund as of June 30, 2019 were 90,499,002. The total endowment shares in the Folger fund as of June 30, 2019 were 8,694,766.

Net assets of life income funds represent the difference between the investment assets of the funds and the estimated liability for the obligation to beneficiaries.

Net assets included the following endowment and similar funds at June 30, 2019:

	<b>College</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment funds</b>			
Endowment	\$ 29,773,421	\$ 1,739,030,872	\$ 1,768,804,293
Quasi-endowment	704,478,913	-	704,478,913
	<u>\$ 734,252,334</u>	<u>\$ 1,739,030,872</u>	<u>\$ 2,473,283,206</u>
<b>Life income funds</b>	\$ -	\$ 48,967,256	\$ 48,967,256

	<b>Library</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment funds</b>			
Endowment	\$ 4,706,521	\$ 330,438,645	\$ 335,145,166
Quasi-endowment	26,132,152	-	26,132,152
	<u>\$ 30,838,673</u>	<u>\$ 330,438,645</u>	<u>\$ 361,277,318</u>
<b>Life income funds</b>	\$ -	\$ 457,658	\$ 457,658

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

Included in quasi-endowment are funds designated for spending on scholarships, instruction, academic support, and other purposes.

The activity of the endowment and similar funds net assets for the College and Library for the year ended June 30, 2019 is as follows:

	<b>College</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 717,139,052	\$ 1,660,398,194	\$ 2,377,537,246
Investment return	57,070,328	137,537,442	194,607,770
Contributions	9,123	36,261,794	36,270,917
Appropriation of endowment return for expenditure	(38,967,349)	(97,785,246)	(136,752,595)
Other changes	(998,820)	2,618,688	1,619,868
Endowment net assets, end of year	<u>\$ 734,252,334</u>	<u>\$ 1,739,030,872</u>	<u>\$ 2,473,283,206</u>

	<b>Library</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 30,290,875	\$ 322,629,589	\$ 352,920,464
Investment return	2,197,593	24,499,181	26,696,774
Contributions	448	103,000	103,448
Appropriation of endowment return for expenditure	(1,481,897)	(16,644,523)	(18,126,420)
Other changes	(168,346)	(148,602)	(316,948)
Endowment net assets, end of year	<u>\$ 30,838,673</u>	<u>\$ 330,438,645</u>	<u>\$ 361,277,318</u>

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

**4. Liquidity and Availability**

For purposes of analyzing resources, the Institution considers various sources of liquidity including cash and cash equivalents, and investments. As of June 30, 2019, the financial assets included in the categories below can readily be made available within one year of the balance sheet date to meet general expenditures.

	<u>College</u>	<u>Library</u>	<u>Total</u>
Cash and cash equivalents	\$ 145,218,899	\$ 9,341,902	\$ 154,560,801
Accounts receivable, net	3,320,207	410,801	3,731,008
Contributions receivable, net	12,557,027	1,099,587	13,656,614
Other assets	137,000	60,000	197,000
Student loans, net	192,375	-	192,375
Board-approved endowment distribution for current operations	106,610,000	15,128,000	121,738,000
	<u>\$ 268,035,508</u>	<u>\$ 26,040,290</u>	<u>\$ 294,075,798</u>

The Institution has various sources of internal liquidity as displayed above. In addition to these financial assets to meet its general expenses, the Institution operates within a balanced budget and anticipates collecting the operating revenue outlined in that budget.

Additionally, the Institution maintains uncollateralized bank lines of credit of \$100,000,000 for operational purposes and \$50,000,000 for the purpose of repurchasing its outstanding bonds if they are unable to be remarketed. A failed remarketing has never occurred in the history of the Institution. While these lines of credit have expiration dates within the next twelve months, they are expected to be successfully renegotiated.

Although the Institution has no current intention to spend from its endowment or other long term invested assets, other than those balances distributed as part of the approved annual distribution or other limited approved budgeted activities, other amounts are available for liquidation if necessary. As of June 30, 2019 the College has the ability to liquidate approximately \$1,280,000,000 and the Library \$170,000,000 of its long term investments within twelve months.

**5. Contributions**

Contributions receivable, net, are summarized as follows at June 30, 2019:

	<u>College</u>	<u>Library</u>
Unconditional promises expected to be collected within		
One year	\$ 28,604,461	\$ 1,484,587
Two to five years	44,891,865	2,229,815
Over five years	24,597,488	30,000
	<u>98,093,814</u>	<u>3,744,402</u>
Less: Unamortized discount and allowance for uncollectible accounts	<u>(5,742,486)</u>	<u>(88,546)</u>
	<u>\$ 92,351,328</u>	<u>\$ 3,655,856</u>

At June 30, 2019 the College had also received conditional promises to give of \$59,175,000. These conditional promises are not recognized as assets until the conditions are substantially met and are comprised of both donor-imposed and general support funding.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

**6. Property, Plant and Equipment**

Property, plant and equipment as of June 30, 2019 consisted of the following:

	<u>Useful Life</u>	<u>College</u>	<u>Library</u>
Land	-	\$ 8,744,293	\$ 908,397
Land improvements	10	27,128,788	-
Buildings and improvements	50	756,899,619	31,120,798
Faculty residences	30	14,395,656	-
Equipment	5-10	76,062,501	6,797,375
Library books	10	33,104,423	-
Folger collection		-	27,537,622
		<u>916,335,280</u>	<u>66,364,192</u>
Less: Accumulated depreciation		<u>(286,661,742)</u>	<u>(20,619,933)</u>
		629,673,538	45,744,259
Construction in progress		<u>5,738,916</u>	<u>3,951,808</u>
		<u>\$ 635,412,454</u>	<u>\$ 49,696,067</u>

In fiscal year 2019 depreciation was \$19,108,701 for the College and \$1,082,512 for the Library.

**7. Bonds Payable**

The Institution has financed the cost of constructing and renovating various College facilities through the issuance of Massachusetts Development Finance Agency (the "Agency" or "MDFFA") bonds. The Institution issued taxable bonds in fiscal year 2009 for working capital and other eligible purposes and in fiscal years 2013 and 2016 issued taxable bonds to finance certain capital projects and other eligible purposes.

The Institution's fiscal year 2019 debt service and bonds payable as of June 30, 2019 were as follows:

<u>MDFFA Series/Taxable Bonds</u>	<u>Final Year of Maturity</u>	<u>2019 Debt Service</u>	<u>Bonds Payable</u>
H	2033	\$ 486,058	\$ 24,425,000
I	2028	2,526,567	21,200,000
J-1	2035	448,019	30,000,000
J-2	2035	288,510	20,000,000
K-1	2021	711,317	2,030,000
K-2	2038	663,759	45,650,000
Taxable Bonds, Series 2009A	2039	5,875,000	100,000,000
Taxable Bonds, Series 2012A	2042	5,404,603	85,705,000
Taxable Bonds, Series 2015	2045	6,150,000	150,000,000
Less bond discounts/issue costs		-	(5,355,430)
		<u>\$ 22,553,833</u>	<u>\$ 473,654,570</u>

# The Trustees of Amherst College

## Notes to Consolidated Financial Statements

### June 30, 2019

---

The Series H bonds are a variable rate issue and a general obligation of the Institution. The average interest rate during fiscal year 2019 was 1.99%. The bonds are subject to optional redemption at par plus accrued interest at the option of the Institution.

The Series I bonds are a variable rate issue and a general obligation of the Institution. The average interest rate for fiscal year 2019 was 1.49% and the interest rate at June 30, 2019 was 1.78%. The bonds are subject to optional redemption at par plus accrued interest at the option of the Institution.

The Series J bonds are a variable rate issue and a general obligation of the Institution. The interest rate on the issue averaged 1.49% for the Series J-1 bonds and 1.44% for the Series J-2 bonds for the fiscal year 2019. The interest rate was 1.78% for the Series J-1 bonds and 1.93% for the Series J-2 bonds at June 30, 2019. The bonds are subject to optional redemption at par plus accrued interest at the option of the Institution.

The Series K-1 bonds were issued at a fixed rate and are a general obligation of the Institution. The average interest rate on the issue was 4.08% for the year ended June 30, 2019. The Series K-2 bonds are a variable rate issue and a general obligation of the Institution. The interest rate during fiscal year 2019 was 1.41%. The proceeds were used for capital projects. The Series K-1 bonds maturing on or after November 1, 2018 are subject to optional redemption after that date, at the option of the Agency with the written consent of the Institution or at the written direction of the Institution. The Series K-2 bonds are not subject to optional redemption.

The Series 2009A taxable bonds were issued at a fixed rate of 5.875% and are a general obligation of the Institution. The proceeds of the bonds were used by the College for the payment of the issuance costs, working capital, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the Institution with a make-whole provision.

The Series 2012A taxable bonds outstanding during fiscal year 2019 were issued at rates fixed between 1.435% and 3.794% and are a general obligation of the Institution. The proceeds of the bonds were used by the College for the payment of the issuance costs, certain capital projects, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the Institution with a make-whole provision.

The Series 2015 taxable bonds were issued at a fixed rate of 4.10% and are a general obligation of the Institution. The proceeds of the bonds were used by the College for the payment of the issuance costs, certain capital projects, and other eligible expenses. The bonds are subject to optional redemption at the discretion of the Institution with a make-whole provision.

In connection with the issuance of the Series I and Series J bonds, the Institution entered into interest rate swap agreements to moderate its exposure to interest rate changes. The swaps were not designated as cash flow hedges for the bonds. The interest rate swap agreements effectively change the interest rate exposure on the issues from a variable rate to a fixed rate of 3.07% for Series I and 3.13% for Series J. The interest rate swap agreements have a notional amount of \$71,200,000 as of June 30, 2019 and termination date equal to the maturity date of the respective bonds. On June 30, 2019, the fair value of the interest rate swap agreements was a liability of \$14,253,868, which is a Level 2 fair value measurement. The net change in the fair value of the liability from the prior year balance and the net settlements was \$5,454,621 for the year ended June 30, 2019.

The principal payments on the Institution's bonds for the fiscal years 2020 through 2024 is \$5,605,000; \$5,245,000; \$5,480,000; \$5,005,000; and \$5,050,000, respectively. The combined principal payments thereafter is \$452,645,000.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

The Series H, I, J and K-2 bonds are subject to tender by bondholders. As of June 30, 2019, the Series J-2 bonds are set to remarket in a daily mode, the Series I and J-1 bonds set in a weekly mode and Series H and K-2 in a term mode until December 2022 and November 2021, respectively. If these bonds had been fully tendered as of June 30, 2019, or on their next remarketing date, the principal payments for fiscal years 2020 through 2024 would have been approximately, \$120,100,000; \$3,000,000; \$3,300,000; \$27,100,000; and \$2,700,000, respectively. The principal payments thereafter would have approximated \$322,800,000. The Institution has not experienced a failed remarketing of its bonds.

**8. Lines of Credit**

The College has uncollateralized bank lines of credit for purposes of repurchasing its outstanding bonds if they are unable to be remarketed as of June 30, 2019 as follows:

<u>Available Borrowing Capacity</u>	<u>Balance Outstanding</u>	<u>Interest Rate</u>	<u>Termination Date</u>
\$ 50,000,000	\$ -	Greater of Prime + 1.5%, Federal Funds Rate+ 3.0%, or 7.5%	June 29, 2020

The College has uncollateralized bank lines of credit for operational purposes as of June 30, 2019 as follows:

<u>Available Borrowing Capacity</u>	<u>Balance Outstanding</u>	<u>Interest Rate</u>	<u>Termination Date</u>
\$ 37,500,000	\$ -	LIBOR plus 0.25%	August 27, 2020
37,500,000	-	The greater of (a) Wall Street journal published National Prime Rate minus 2.25% per annum or (b) 2.75% per annum	November 30, 2019
25,000,000	-	LIBOR plus 0.25%	February 21, 2020

**9. Pension Benefits**

The Institution has defined contribution pension plans administered by TIAA for faculty, administrative and staff employees of the College, and for Library administrative and staff employees. Eligibility for the plans begins following two years of employment for individuals, unless they were previously enrolled in a qualifying plan, or had qualifying service in another institution within six months of employment with the College or Library, in which case they would be immediately eligible. Contributions to the plans, based on a percentage of salaries, were \$7,743,471 for the College and \$572,442 for the Library for the year ended June 30, 2019.

The Institution has maintained a TIAA noncontributory, defined benefit pension plan for College staff employees who, prior to July 1, 1994, were not covered by the defined contribution plan, were at least twenty-one years of age, and had completed one year of service. All participants in this plan are fully vested as of June 30, 2019. Retirement benefits are calculated based on a

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

percentage of final three-year average salary times the participant's years of service with a minimum benefit payable equal to \$50 per year times the number of years of credited service. Years of service for purposes of calculating the benefit accrual were frozen on June 30, 1994, when all active College employees began participating in the defined contribution plan. The defined benefit plan continues to provide prior service benefits for participants active at July 1, 1994, and supplemental benefits to certain long-term employees whose retirement benefit would have been negatively affected by the change.

The Institution has a TIAA noncontributory, defined benefit pension plan for Library employees who are not covered by the defined contribution plan, who are at least twenty-one years of age, and who have completed one year of service. An employee is fully vested after five years of participation in the plan. Retirement benefits are calculated based on a percentage of final three-year average salary times the participant's years of service with a minimum benefit payable equal to \$50 per year times the number of years of credited service. Effective July 1, 2013, the Library Plan was amended to close the Plan to new participants, discontinue service accruals for participants less than the age of forty, and to determine the amount of offset attributable to participation in the defined contribution plan as the earlier of the employee's termination or retirement date.

For those who have participated in the defined contribution plans, benefits purchased by employer contributions will reduce the benefits from these defined benefit plans. This defined contribution offset benefit is the annual single life annuity retirement benefit commencing at the normal retirement date which is the actuarial equivalent of the defined contribution account balance using the applicable mortality and interest rates under the Internal Revenue Code.

The Institution contributes to each defined benefit pension plan an amount equal to the required minimum plan contribution as of the beginning of the plan year with interest to the date of payment.

The accumulated benefit obligation at June 30, 2019 was approximately \$25,700,000 and \$3,700,000 for the College Plan and Library Plan, respectively. Net actuarial loss amortization of approximately \$647,000 is expected to be recognized in fiscal year 2020 for the College Plan and \$44,000 for the Library Plan. Amortization of prior service cost of approximately \$5,400 is expected to be recognized in fiscal year 2020 for the Library Plan.

The following were the components of net periodic pension cost for the defined benefit pension plans for the fiscal year ended June 30, 2019:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
Service cost	\$ 490	\$ 48,705
Interest cost	953,986	143,497
Expected return on plan assets	(1,483,684)	(184,123)
Amortization of unrecognized prior service cost	-	(5,391)
Amortization of net actuarial loss	178,112	-
Net periodic pension cost	<u>\$ (351,096)</u>	<u>\$ 2,688</u>

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

The following is a summary of the projected benefit obligation, plan assets, and funded status of the defined pension plans as of June 30, 2019.

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
<b>Change in projected benefit obligation</b>		
Projected benefit obligation, June 30, 2018	\$ 24,962,229	\$ 3,631,845
Decrease due to benefits paid	(1,484,461)	(157,032)
Increase due to employee service	490	48,705
Increase due to accrual of interest	953,986	143,497
Increase due to changes in actuarial assumptions and other sources	2,048,445	732,664
Projected benefit obligation, June 30, 2019	<u>\$ 26,480,689</u>	<u>\$ 4,399,679</u>
<b>Change in plan assets</b>		
Fair value of plan assets, June 30, 2018	\$ 20,395,487	\$ 2,485,388
Actual return	870,916	109,569
Employer contributions	338,438	91,599
Benefits paid	(1,484,461)	(157,032)
Change in surrender charge	(243,480)	(15,461)
Fair value of plan assets, June 30, 2019	<u>\$ 19,876,900</u>	<u>\$ 2,514,063</u>
<b>Funded status</b>		
Projected benefit obligation	\$ (26,480,689)	\$ (4,399,679)
Fair value of assets	19,876,900	2,514,063
Funded status	<u>\$ (6,603,789)</u>	<u>\$ (1,885,616)</u>
<b>Cumulative net actuarial loss</b>		
Cumulative net actuarial loss(gain), June 30, 2018	\$ 3,415,607	\$ (55,131)
Amortization	(178,112)	-
Net loss	2,904,693	822,679
Cumulative net actuarial loss, June 30, 2019	<u>\$ 6,142,188</u>	<u>\$ 767,548</u>

Defined benefit plan assets consist of Deposit Administration Group Annuity Contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund.

The discount rates used in determining benefit obligations as of June 30, 2019 were 3.16% for the College Employee Plan and 3.42% for the Library Employee Plan. The rate of compensation increase used in determining benefit obligations and the net periodic pension cost was 3.00% for both plans. The discount rates used in determining the net periodic pension cost were 3.94% for the College Employee Plan and 4.09% for the Library Employee Plan. The long-term expected rate of return was 7.50% for both plans.

The expected long-term rate of return on plan assets is determined by reviewing historical returns, taking into account current asset diversification between equity and fixed income investments.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

Current market factors such as inflation and interest rates are evaluated. The asset allocations at June 30, 2019 of the defined benefit plans were as follows:

	<b>College Employee Plan</b>		<b>Library Employee Plan</b>	
Equity securities	\$ 10,250,078	52 %	\$ 1,287,429	51 %
Fixed income	9,626,822	48	1,226,634	49
	<u>\$ 19,876,900</u>	<u>100 %</u>	<u>\$ 2,514,063</u>	<u>100 %</u>

The defined benefit plans' assets are valued using the same fair value hierarchy as the Institution's investments as described in Note 2, Investments.

The following table summarizes the Institution's fair values of investments by major type held by the defined benefit plans at June 30, 2019:

	<b>College Employee Plan</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ -	\$ 10,250,078	\$ -	\$ 10,250,078
Fixed income	-	-	9,626,822	9,626,822
	<u>\$ -</u>	<u>\$ 10,250,078</u>	<u>\$ 9,626,822</u>	<u>\$ 19,876,900</u>

  

	<b>Library Employee Plan</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ -	\$ 1,287,429	\$ -	\$ 1,287,429
Fixed income	-	-	1,226,634	1,226,634
	<u>\$ -</u>	<u>\$ 1,287,429</u>	<u>\$ 1,226,634</u>	<u>\$ 2,514,063</u>

The reconciliation of Level 3 total investments for the defined benefit plans as of June 30, 2019 is as follows:

	<b>Level 3 Fair Value Measurements</b>		
	<b>College Employee Plan</b>	<b>Library Employee Plan</b>	<b>Total</b>
Beginning balance	\$ 3,114,334	\$ 819,984	\$ 3,934,318
Interest income	163,027	34,487	197,514
Purchases	7,871,881	489,398	8,361,279
Sales and other, net	(1,522,420)	(117,235)	(1,639,655)
	<u>\$ 9,626,822</u>	<u>\$ 1,226,634</u>	<u>\$ 10,853,456</u>

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

The equity securities account seeks a favorable long-term return through both appreciation of capital and investment income by investing primarily in a broadly diversified portfolio of common stocks. The account is divided into three segments. One segment is designed to track U.S. equity markets and invests in the Russell 3000 Index. Another segment contains stocks that are selected for their investment potential and the third segment invests in foreign stocks and other equity securities.

The fixed income account guarantees both principal and a specified interest rate. The account seeks to achieve the highest rate of return over long periods of time, within reasonable risk measures. Investments are held in funds which invest in publicly traded bonds, loans to business and industry, commercial mortgages and income producing real estate.

The Institution expects the 2020 contribution to be reasonably consistent with the current year. The following benefit payments, which reflect expected future service, are expected to be paid:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
2020	\$ 1,690,000	\$ 171,000
2021	1,584,000	185,000
2022	1,579,000	204,000
2023	1,623,000	207,000
2024	1,649,000	211,000
2025-2029	8,181,000	1,108,000
	<u>\$ 16,306,000</u>	<u>\$ 2,086,000</u>

The Institution offers a phased retirement program to faculty of the College. Faculty members may enter the program at any time between age 60 and 65. Upon entering the program, faculty members receive a reduced salary. Participants also receive stipends for part-time work which they can continue until age 70 when they fully retire. The Institution has recorded a liability for this program of approximately \$1,300,000 as of June 30, 2019. This program is funded on a cash basis as benefits are paid.

**10. Other Postretirement Benefits**

The Institution provides a defined benefit health insurance plan to eligible College employees employed before July 1, 2003 who have met certain age and service criteria. The Institution also provides a defined benefit health insurance plan to eligible Library employees and their dependents who have met certain age and service criteria. The Institution funds these plans on a cash basis as benefits are paid.

The Institution provides a defined contribution health program for the College employees that do not qualify for the defined benefit plan described above. Under this plan, each year eligible participants (regular, benefited employees) are entitled to a contribution based on 66.7% of the College's Medicare supplemental insurance cost and interest that is credited to a notional account. Eligibility for contributions begins at age 40 for a maximum of 25 years and vesting requires 10 years of service after the age of 40 and attainment of age 62 when retiring from the College.

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

The components of net periodic postretirement benefit cost for the Institution's plans as of June 30, 2019 were as follows:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
Service cost	\$ 1,341,308	\$ 224,910
Interest cost	2,080,785	247,580
Amortization of actuarial loss	648,869	35,613
Net periodic postretirement benefit cost	<u>\$ 4,070,962</u>	<u>\$ 508,103</u>

The following provides a reconciliation of the accumulated benefit obligation, plan assets and funded status of the plans:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
<b>Change in accumulated postretirement benefit obligation:</b>		
Benefit obligation, June 30, 2018	\$ 52,558,554	\$ 6,127,598
Service cost	1,341,308	224,910
Interest cost	2,080,785	247,580
Medicare Part D subsidy	145,528	-
Plan participants' contributions	335,075	14,934
Actuarial loss, net	4,676,452	748,330
Benefits paid	<u>(2,216,009)</u>	<u>(195,014)</u>
Projected benefit obligation, June 30, 2019	<u>\$ 58,921,693</u>	<u>\$ 7,168,338</u>
<b>Change in plan assets:</b>		
Fair value of plan assets, June 30, 2018	\$ -	\$ -
Employer contribution	1,735,406	180,080
Plan participants' contributions	335,075	14,934
Medicare Part D subsidy	145,528	-
Benefits paid	<u>(2,216,009)</u>	<u>(195,014)</u>
Fair value of plan assets, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status:</b>		
Retirees and dependents	\$ (26,551,092)	\$ (3,755,828)
Actives fully eligible	(1,761,641)	(999,182)
Actives not fully eligible	<u>(30,608,960)</u>	<u>(2,413,328)</u>
Accumulated post retirement benefit obligation	(58,921,693)	(7,168,338)
Fair value of plan assets	-	-
<b>Funded status</b>	<u>\$ (58,921,693)</u>	<u>\$ (7,168,338)</u>

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

As of June 30, 2019 the College Plan had a cumulative net actuarial loss of approximately \$15,100,000. The Library Plan had a cumulative net actuarial loss of approximately \$1,800,000. In fiscal year 2020 the College and Library have an expected amortization from net assets without donor restrictions into net periodic benefit of approximately \$1,029,000 and \$82,000, respectively.

Included in actuarial loss, net for the College Plan and Library Plan are losses from assumption changes in the discount rate amounting to approximately \$5,445,000 and \$750,000, respectively, and offset by other gains including a mortality gain of approximately \$275,000 and \$35,000 for the College Plan and Library Plan, respectively. Additionally, the College Plan had a benefit payment gain against actuarial assumptions of approximately \$625,000, while the Library Plan had a loss of approximately \$2,000.

The discount rate used in determining the accumulated postretirement benefit obligation as of June 30, 2019 for the College Plan was 3.35%. The discount rate for the Library Plan was 3.47% as of June 30, 2019.

The assumed health care cost trend rate used in measuring both plans' accumulated postretirement benefit obligations for participants not yet Medicare eligible was 8.00%. A trend rate of 5.00% was used for participants who are Medicare eligible in both Plans. The ultimate trend rates for both plans declines gradually to 5.00% in 2023. The discount rate used in determining the net periodic postretirement benefit cost for the fiscal year ending June 30, 2019, which is determined as of July 1, 2018, was 4.05% for the College Plan and 4.10% for the Library Plan.

Following is the effect of a change in the trend rates at June 30, 2019:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
	<u>Plan</u>	<u>Plan</u>
Impact of 1% increase in health care cost trend		
Interest cost plus service cost	\$ 426,886	\$ 99,939
Accumulated postretirement benefit obligation	9,238,316	1,529,929
Impact of 1% decrease in health care cost trend		
Interest cost plus service cost	(436,688)	(90,804)
Accumulated postretirement benefit obligation	(7,574,113)	(1,197,819)

The following benefit payments, which reflect expected future service, are expected to be paid by the Institution:

	<b>College Employee Plan</b>	<b>Library Employee Plan</b>
	<u>Plan</u>	<u>Plan</u>
2020	\$ 2,385,000	\$ 194,000
2021	2,523,000	205,000
2022	2,628,000	219,000
2023	2,765,000	227,000
2024	2,919,000	244,000
2025-2029	15,807,000	1,547,000
	<u>\$ 29,027,000</u>	<u>\$ 2,636,000</u>

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

**11. Natural Expenses**

Expenses reported by functional classification on the consolidated statement of activities are summarized by expense type (natural classification) as follows:

	<b>College</b>					<b>Total</b>
	<b>Salaries</b>	<b>Benefits</b>	<b>Interest</b>	<b>Depreciation</b>	<b>Other Operating</b>	
<b>Operating expenses</b>						
Instruction and academic programs	\$ 37,221,796	\$ 13,127,716	\$ 2,758,307	\$ 4,064,972	\$ 5,982,147	\$ 63,154,938
Academic support	8,959,295	3,225,982	4,224,913	3,332,658	6,695,526	26,438,374
Student services	16,989,612	5,691,525	2,213,316	2,492,447	9,048,162	36,435,062
Library	3,980,213	1,464,181	417,634	794,445	4,153,658	10,810,131
Research and public programs	1,660,658	377,504	-	147,519	3,667,248	5,852,929
Institutional support	14,131,368	4,245,340	2,388,686	960,390	8,325,028	30,050,812
Academic prizes, fellowships and awards	-	-	-	-	1,171,653	1,171,653
Auxiliary operations	9,341,674	3,824,390	2,778,926	7,311,199	10,256,933	33,513,122
Other	412,366	275,016	1,333,821	5,071	10,207,137	12,233,411
<b>Total expenses</b>	<b>\$ 92,696,982</b>	<b>\$ 32,231,654</b>	<b>\$ 16,115,603</b>	<b>\$ 19,108,701</b>	<b>\$ 59,507,492</b>	<b>\$ 219,660,432</b>

  

	<b>Library</b>					<b>Total</b>
	<b>Salaries</b>	<b>Benefits</b>	<b>Interest</b>	<b>Depreciation</b>	<b>Other Operating</b>	
<b>Operating expenses</b>						
Instruction and academic programs	\$ 890,197	\$ 207,310	\$ -	\$ 50,878	\$ 3,073,883	\$ 4,222,268
Library	1,931,311	784,356	-	681,983	5,589,671	8,987,321
Research and public programs	2,452,557	577,149	-	116,911	2,526,773	5,673,390
Institutional support	3,988,418	1,353,824	-	232,740	427,263	6,002,245
<b>Total expenses</b>	<b>\$ 9,262,483</b>	<b>\$ 2,922,639</b>	<b>\$ -</b>	<b>\$ 1,082,512</b>	<b>\$ 11,617,590</b>	<b>\$ 24,885,224</b>

Certain expenses have been allocated to functional areas based on the following:

Interest – by bond issue, by underlying use of original funding

Depreciation – by square footage, by functional nature of building use

Operation and maintenance of plant – by square footage, by functional nature of building use

**The Trustees of Amherst College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**

---

**12. Net Assets with Donor-Imposed Restrictions**

The composition of net assets with donor-imposed restrictions were as follows June 30, 2019:

	<u>College</u>	<u>Library</u>
Endowment funds - unspent returns	\$ 1,232,995,010	\$ 304,917,493
Endowment funds - original principal	506,064,613	25,521,150
Contributions receivable	92,351,328	2,729,302
Life income funds, net	48,308,614	2,401,311
Plant restricted gifts not yet spent	-	5,388,585
Other	17,988,469	253,449
	<u>\$ 1,897,708,034</u>	<u>\$ 341,211,290</u>

The donor-restricted net assets above are primarily for endowments for faculty support, scholarships, building improvements, or general operating support.

**13. Collections**

The Folger Shakespeare Memorial Library holds the largest and most complete collection of Shakespeareana in the world and the largest collection of English printed books from 1475 to 1640 outside of England, as well as extensive Continental Renaissance holdings. The collection includes books, manuscripts, documents, paintings, illustrations, tapestries, furnishings, musical instruments, scores, and curios from the Renaissance and theater history.

The Emily Dickinson Museum consists of two historic houses, and their contents, in the center of Amherst, Massachusetts, closely associated with the poet Emily Dickinson and members of her family during the nineteenth and early twentieth centuries.

The Mead Art Museum creates innovative and rigorous exhibitions from its diverse collection of 19,500 works including American art, Russian modernist art, French art, British portraiture, African art, Japanese art, 19th and 20th century photography, and master and modern prints and drawings. Over 150 Amherst College classes visit the two study rooms annually to learn from original works of art.

The Beneski Museum of Natural History houses research collections of vertebrate and invertebrate paleontology, minerals, anthropology and modern vertebrates, as well as numerous exhibits which illustrate the evolution and ecology of major groups of animals.

The College and the Library maintain policies and procedures addressing the collections' upkeep as well as other aspects of their management, including accession and deaccession policies.

**14. Subsequent Events**

Management has evaluated subsequent events through November 25, 2019 which is the date the consolidated financial statements were issued. Management is not aware of any other subsequent events that would have a material impact on the June 30, 2019 consolidated financial statements.