

# **Princeton University**

**Report on Federal Awards in Accordance with  
OMB Uniform Guidance and New Jersey Office of  
Management and Budget Circular 15-08**

**For the year ended June 30, 2018**

**Employer Identification Number 21-0634501**

**Princeton University**  
**Report on Federal Awards in Accordance with**  
**OMB Uniform Guidance and New Jersey Office**  
**of Management and Budget Circular 15-08**  
**For the year ended June 30, 2018**  
**Table of Contents**

---

	<b>Page(s)</b>
Report of Independent Auditors .....	2
Consolidated Statements of Financial Position as of June 30, 2018 and 2017 .....	3
Consolidated Statements of Activities for the years ended June 30, 2018 and June 30, 2017.....	4-5
Consolidated Statements of Cash Flows for the years ended June 30, 2018 and 2017.....	6
Notes to the Consolidated Financial Statements .....	7-31
Schedule of Expenditures of Federal Awards for the year ended June 30, 2018 .....	32-38
Schedule of Expenditures of State of New Jersey Awards for the year ended June 30, 2018 .....	39
Notes to Schedules of Expenditures of Federal and State Awards for the year ended June 30, 2018 ..	40-41
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	42-43
Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance and New Jersey Department of Treasury Circular Letter 15-08- Office of Management and Budget.....	44-45
Summary of Independent Auditors' Results.....	46-47
Schedule of Findings and Questioned Costs .....	48
Summary Schedule of Prior Audit Findings.....	49



## Report of Independent Auditors

To the Trustees of Princeton University:

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Princeton University and its subsidiaries (the "University", which as described in Note 2 is legally known as The Trustees of Princeton University), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Princeton University and its subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2018 and Schedule of Expenditures of State of New Jersey Awards for the year ended June 30, 2018 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and The State of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of Princeton University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2018. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton University's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

November 20, 2018

# Consolidated Statements of Financial Position

Princeton University  
June 30, 2018 and 2017

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash	\$ 23,230	\$ 14,981
Accounts receivable	87,710	115,667
Receivables associated with investments	30,526	14,920
Educational and mortgage loans receivable	437,313	418,456
Contributions receivable	273,598	168,867
Inventory and deferred charges	14,648	12,688
Managed investments at market value	25,646,173	23,545,982
Funds held in trust by others	113,070	110,033
Other investments	814,483	928,747
Property, net of accumulated depreciation	4,141,300	4,098,654
<b>Total assets</b>	<b>\$ 31,582,051</b>	<b>\$ 29,428,995</b>
<b>Liabilities</b>		
Accounts payable	\$ 41,393	\$ 75,435
Liabilities associated with investments	37,457	16,246
Deposits, advance receipts, and accrued liabilities	167,661	196,893
Deposits held in custody for others	135,916	123,495
Liability under planned giving agreements	94,742	94,447
Indebtedness to third parties	3,321,243	3,637,389
Accrued postretirement benefits	388,086	481,587
<b>Total liabilities</b>	<b>\$ 4,186,498</b>	<b>\$ 4,625,492</b>
<b>Net assets</b>		
Without donor restrictions controlled by the University	\$ 11,881,694	\$ 10,649,353
Without donor restrictions attributable to noncontrolling interests	200,961	191,425
<b>Total net assets without donor restrictions</b>	<b>12,082,655</b>	<b>10,840,778</b>
<b>Total net assets with donor restrictions</b>	<b>15,312,898</b>	<b>13,962,725</b>
<b>Total net assets</b>	<b>\$ 27,395,553</b>	<b>\$ 24,803,503</b>
<b>Total liabilities and net assets</b>	<b>\$ 31,582,051</b>	<b>\$ 29,428,995</b>

See notes to consolidated financial statements.

# Consolidated Statements of Activities

Princeton University  
Year ended June 30, 2018

<i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2018 Total
<b>Revenues</b>			
Tuition and fees	\$ 369,223	-	\$ 369,223
Less scholarships and fellowships	(260,958)	-	(260,958)
Net tuition and fees	108,265	-	108,265
Government grants and contracts	292,917	-	292,917
Private gifts, grants, and contracts	96,912	\$ 45,834	142,746
Auxiliary sales and services	95,315	-	95,315
Other operating revenues	62,409	-	62,409
Investment earnings distributed	580,790	730,117	1,310,907
<b>Total operating revenues</b>	<b>1,236,608</b>	<b>775,951</b>	<b>2,012,559</b>
Net assets released from restrictions	789,702	(789,702)	-
<b>Total revenues and other sources</b>	<b>2,026,310</b>	<b>(13,751)</b>	<b>2,012,559</b>
<b>Operating expenses</b>			
Salaries and wages	724,381	-	724,381
Employee benefits	222,104	-	222,104
Supplies, services and other	310,446	-	310,446
Space and occupancy	71,128	-	71,128
Student stipends and prizes	67,494	-	67,494
Depreciation	173,677	-	173,677
Interest on indebtedness	148,917	-	148,917
<b>Total operating expenses</b>	<b>1,718,147</b>	<b>-</b>	<b>1,718,147</b>
<b>Results of operations</b>	<b>308,163</b>	<b>(13,751)</b>	<b>294,412</b>
<b>Nonoperating activities</b>			
Adjustments to planned giving agreements	(236)	7,295	7,059
Increase in value of assets held in trust by others	-	3,037	3,037
Private gifts, noncurrent	19,227	208,055	227,282
Net realized and unrealized appreciation on investments	1,446,502	1,790,389	3,236,891
Distribution of investment earnings	(580,790)	(730,117)	(1,310,907)
Net periodic benefit cost other than service cost	(17,374)	-	(17,374)
Other postretirement benefit changes	142,114	-	142,114
Reclassifications, transfers, and other nonoperating	(85,265)	85,265	-
<b>Increase from nonoperating activities</b>	<b>924,178</b>	<b>1,363,924</b>	<b>2,288,102</b>
<b>Increase in net assets - University</b>	<b>1,232,341</b>	<b>1,350,173</b>	<b>2,582,514</b>
Change in non-controlling interests	9,536	-	9,536
<b>Total increase in net assets</b>	<b>1,241,877</b>	<b>1,350,173</b>	<b>2,592,050</b>
Net assets at the beginning of the year	10,840,778	13,962,725	24,803,503
<b>Net assets at the end of the year</b>	<b>\$ 12,082,655</b>	<b>\$ 15,312,898</b>	<b>\$ 27,395,553</b>

See notes to consolidated financial statements.

# Consolidated Statements of Activities

Princeton University  
Year ended June 30, 2017

<i>(dollars in thousands)</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2017 Total</b>
<b>Revenues</b>			
Tuition and fees	\$ 353,296	-	\$ 353,296
Less scholarships and fellowships	(244,598)	-	(244,598)
Net tuition and fees	108,698	-	108,698
Government grants and contracts	295,545	-	295,545
Private gifts, grants, and contracts	102,627	-	102,627
Auxiliary sales and services	93,148	-	93,148
Other operating revenues	115,122	-	115,122
Investment earnings distributed	489,544	\$ 609,145	1,098,689
<b>Total operating revenues</b>	<b>1,204,684</b>	<b>609,145</b>	<b>1,813,829</b>
Net assets released from restrictions	637,220	(637,220)	-
<b>Total revenues and other sources</b>	<b>1,841,904</b>	<b>(28,075)</b>	<b>1,813,829</b>
<b>Operating expenses</b>			
Salaries and wages	680,790	-	680,790
Employee benefits	229,967	-	229,967
Supplies, services and other	335,723	-	335,723
Space and occupancy	66,462	-	66,462
Student stipends and prizes	64,061	-	64,061
Depreciation	158,542	-	158,542
Interest on indebtedness	148,765	-	148,765
<b>Total operating expenses</b>	<b>1,684,310</b>	<b>-</b>	<b>1,684,310</b>
<b>Results of operations</b>	<b>157,594</b>	<b>(28,075)</b>	<b>129,519</b>
<b>Nonoperating activities</b>			
Adjustments to planned giving agreements	(975)	12,056	11,081
Increase in value of assets held in trust by others	-	8,053	8,053
Private gifts, noncurrent	77,877	76,809	154,686
Net realized and unrealized appreciation on investments	1,146,219	1,484,125	2,630,344
Distribution of investment earnings	(489,544)	(609,145)	(1,098,689)
Net periodic benefit cost other than service cost	(21,370)	-	(21,370)
Other postretirement benefit changes	91,012	-	91,012
Reclassifications, transfers, and other nonoperating	(4,603)	4,603	-
<b>Increase from nonoperating activities</b>	<b>798,616</b>	<b>976,501</b>	<b>1,775,117</b>
<b>Increase in net assets - University</b>	<b>956,210</b>	<b>948,426</b>	<b>1,904,636</b>
Change in non-controlling interests	191,425	-	191,425
<b>Total increase in net assets</b>	<b>1,147,635</b>	<b>948,426</b>	<b>2,096,061</b>
Net assets at the beginning of the year	9,693,143	13,014,299	22,707,442
<b>Net assets at the end of the year</b>	<b>\$ 10,840,778</b>	<b>\$ 13,962,725</b>	<b>\$ 24,803,503</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Princeton University

Years ended June 30, 2018 and 2017

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,592,050	\$ 2,096,061
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	173,677	158,542
Amortization of bond issuance costs and premiums	(18,876)	(14,023)
Property gifts-in-kind	(523)	(2,623)
Adjustments to planned giving agreements	(7,059)	(11,081)
Net realized and unrealized losses (gains) on investments	(3,236,891)	(2,509,376)
Loss on disposal of fixed assets	9,767	638
Decrease (increase) in value of assets held in trust by others	(3,037)	34,419
Contributions received for long-term investment	(65,641)	(72,665)
Change in non-controlling interest	(9,536)	(191,425)
Changes in operating assets and liabilities:		
Receivables	(95,629)	(26,517)
Inventory and deferred charges	(1,960)	(3,246)
Accounts payable	(29,006)	(11,580)
Deposits, advance receipts, and accrued liabilities	(29,232)	26,423
Deposits held in custody for others	12,421	1,828
Accrued postretirement benefits	(93,501)	(35,300)
<b>Net cash used by operating activities</b>	<b>(802,976)</b>	<b>(559,925)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(234,736)	(326,162)
Proceeds from disposal of property, plant, and equipment	4,132	7,322
Purchases of investments	(13,692,231)	(12,620,331)
Proceeds from maturities/sales of investments	14,958,334	13,263,020
<b>Net cash provided by investing activities</b>	<b>1,035,499</b>	<b>323,849</b>
<b>Cash flows from financing activities</b>		
Issuance of indebtedness to third parties	456,470	716,377
Payment of debt principal	(753,739)	(560,518)
Contributions received for long-term investment	65,641	72,665
Transactions on planned giving agreements	7,354	14,530
<b>Net cash (used) provided by financing activities</b>	<b>(224,274)</b>	<b>243,054</b>
<b>Net increase in cash</b>	<b>8,249</b>	<b>6,978</b>
<b>Cash at the beginning of the year</b>	<b>14,981</b>	<b>8,003</b>
<b>Cash at the end of the year</b>	<b>\$ 23,230</b>	<b>\$ 14,981</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 160,877	\$ 162,484

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

---

## 1. NATURE OF OPERATIONS

Princeton University (the “University”) is a private, not-for-profit, nonsectarian institution of higher learning. When originally chartered in 1746 as the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. First located in Elizabeth, and briefly in Newark, the school moved to Princeton in 1756.

The student body numbers approximately 5,260 undergraduates and 2,845 graduate students in more than 90 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science, and the Woodrow Wilson School of Public and International Affairs. The faculty numbers approximately 1,250, including visitors and part-time appointments.

---

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Princeton University (now legally known as “The Trustees of Princeton University”) are prepared on the accrual basis and include the accounts of its wholly owned subsidiaries, foundation, and investments controlled by the University. Financial information conforms to the statements of accounting principles of the Financial Accounting Standards Board (FASB) and to the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Entities*. Relevant pronouncements include FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

External consolidated financial statements of not-for-profit organizations require the preparation of a consolidated statement of financial position, a consolidated statement of activities, and a consolidated statement of cash flows. The classification of the organization’s net assets and its revenues and expenses into two categories according to the existence or absence of donor-imposed restrictions—net assets with donor restrictions and net assets without donor restrictions — is also required. Changes, including reclassification and transfers, in each category are reflected in the Consolidated Statement of Activities, certain of which are further categorized as nonoperating. Such nonoperating activities primarily reflect transactions of a long-term investment or capital nature, contributions receivable in future periods, contributions subject to donor-imposed restrictions, gains and losses on investments in excess of the University’s spending rule and other non-recurring activities.

Unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received. The amounts are discounted based on timing of expected collections. Amounts received from donors to planned giving programs are shown in part as a liability for the present value of annuity payments to the donor; the balance is shown as a gift of net assets with donor restrictions.

Other significant accounting policies are described elsewhere in these notes.

The preparation of the University’s consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated statements of financial position, and the reported amounts of revenue and expense included in the consolidated statements of activities. Actual results could differ from such estimates.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

## NEW AUTHORITATIVE PRONOUNCEMENTS

### Not-for-Profit Financial Statement Presentation

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the University to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into 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 University early adopted ASU 2016-14 in 2018 and applied the changes retrospectively. Additionally, in 2018 the University changed the presentation of expenses in the Consolidated Statement of Activities from a functional to a natural expense classification for comparability with peers and industry practice. This change has been retroactively applied to the 2017 Consolidated Statement of Activities. The University moved the presentation of functional expenses from the face of the Consolidated Statement of Activities to the financial statement notes alongside the natural expense classifications, and in 2018 the functional categories were changed from seven to four total categories to better reflect how the University manages its budgets and operations. There is no impact on net assets or total expenses from these changes.

As a result of the adoption of ASU 2016-14, net assets as of June 30, 2017 were reclassified as follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
<i>(dollars in thousands)</i>			
As previously presented:			
Unrestricted	\$ 10,649,353	-	\$ 10,649,353
Temporarily restricted	-	\$ 11,921,478	11,921,478
Permanently restricted	-	2,041,247	2,041,247
Noncontrolling interests	191,425	-	191,425
<b>Total net assets</b>	<b>\$ 10,840,778</b>	<b>\$ 13,962,725</b>	<b>\$ 24,803,503</b>

### Postretirement Benefit Cost

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a part of employee benefit expense. The other components of net periodic benefit cost, such as interest, gains or losses, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without donor restrictions. The University early adopted ASU 2017-07 in 2018 and the changes have been applied retrospectively in the 2017 Consolidated Statement of Activities by reclassifying \$21.4 million of non-service

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

related components of net periodic postretirement benefit cost and (\$91.0) million of other postretirement benefit changes from benefit expense to nonoperating changes in net assets without donor restrictions.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact on the University consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permissible. The University is evaluating the impact of the new standard on the University consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The ASU amends the financial reporting requirements in Topic 230, *Statement of Cash Flows*. Changes include revisions to the classification of cash flows related to certain transactions including the presentation of cash flows related to the settlement of debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing and distributions received from equity method investees. The ASU is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. The University is evaluating the impact of the new standard on the University consolidated financial statements.

---

## 3. INVESTMENTS

### Managed Investments

All managed investments are reported at fair value. The fair value of marketable equity, debt, and certain derivative securities (which include both domestic and foreign issues) is generally based upon a combination of published current market prices and exchange rates. The fair value of restricted securities and other investments for which published market prices are not available is based on estimated values using discounted cash flow analysis and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships and similar investment vehicles is based on the net asset value of such investments and is generally estimated by external investment managers, including general partners or valuation committees. These valuations necessarily involve assumptions and methods that are reviewed, evaluated, and adjusted, if necessary, by the University. Changes in assumptions could have a significant effect on the fair values of these investments. Actual results could differ from these estimates and could have a material impact on the consolidated financial statements. These investments are generally less liquid than other investments, and the values reported may differ from the values that would have been reported

# Notes to Consolidated Financial Statements

Princeton University  
Years ended June 30, 2018 and 2017

had a ready market for these securities existed. Securities transactions are reported on a trade-date basis. Realized gains and losses are calculated using the specific identification cost method.

A summary of managed investments by asset category at fair value at June 30, 2018 and 2017 is presented below. The managed investment categories are presented on a “manager-mandate” basis, that is, all of the assets and market value of the underlying funds and accounts are included in the asset class that is the primary focus of the fund or account. (Many funds and accounts have contractual flexibility to invest across more than one asset class.)

<i>(dollars in millions)</i>	<b>2018</b>	<b>2017</b>
Managed investments:		
Domestic equity	\$ 1,986.2	\$ 2,034.0
International equity	3,538.2	3,401.3
Independent return	6,496.8	6,288.5
Private equity	8,717.3	7,495.3
Real assets	3,741.7	3,346.4
Fixed income	844.2	580.5
Cash and other	321.8	400.0
<b>Gross managed investments<sup>1</sup></b>	<b>\$ 25,646.2</b>	<b>\$ 23,546.0</b>
Receivables (liabilities) associated with investments—net	(6.9)	(1.4)
Non controlling interests	(201.0)	(191.4)
<b>Net managed investments</b>	<b>\$ 25,438.3</b>	<b>\$ 23,353.2</b>

<sup>1</sup>Includes derivative financial instruments at fair value

The Princeton University Investment Company (PRINCO) manages investments for a foundation that the University controls, the Stanley J. Seeger Hellenic Fund, and deposits held in custody for others. The investment balances managed by PRINCO for these entities as of June 30, included in the University’s consolidated financial statements, are as follows:

<i>(dollars in millions)</i>	<b>2018</b>	<b>2017</b>
Princeton University	\$ 25,270.5	\$ 23,201.0
Stanley J. Seeger Hellenic Fund	48.8	45.1
Deposits held in custody for others	119.0	107.1
<b>Net managed investments</b>	<b>\$ 25,438.3</b>	<b>\$ 23,353.2</b>

The composition of net investment return from managed and other investments for the years ended June 30 was as follows:

<i>(dollars in millions)</i>	<b>2018</b>	<b>2017</b>
Net realized and unrealized gains (losses)	\$ 3,059.6	\$ 2,508.0
Interest, dividends, and other income	177.3	122.3
<b>Total</b>	<b>\$ 3,236.9</b>	<b>\$ 2,630.3</b>

Princeton University investments together with the Stanley J. Seeger Hellenic Fund and deposits held in custody for others are invested in a single unitized pool. The market value of each unit was \$12,187.80 and \$11,273.97 at June 30, 2018 and 2017, respectively. The average value of a unit during the years ending June 30, 2018 and 2017, was \$11,626.71 and \$10,863.01, respectively.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

The average invested market balance in the unitized pool during the years ending June 30, 2018 and 2017, was \$24.221 billion and \$22.489 billion, respectively.

The University follows a spending rule for its unitized investments, including funds functioning as endowment, that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings available for spending are shown in operating revenue, and the balance is shown as nonoperating revenue. Amounts distributed per unit under that rule were \$625.38 and \$525.53 for fiscal years 2018 and 2017, respectively.

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

## Derivative Financial Instruments

As part of its investment strategy, the University enters into transactions utilizing a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency contracts. These financial instruments and strategies allow the University to fine-tune the asset allocation of the investment portfolio. In the case of forward currency exchange contracts, options, and swap contracts, these instruments are traded through securities and commodities exchanges. These financial instruments are executed with creditworthy banks and brokerage firms, are subject to an enforceable master netting arrangement or similar agreement, and are presented at fair value on a net basis on the consolidated statements of financial position.

Investment related derivative exposures at June 30 are as follows:

<b>2018</b> <i>(dollars in millions)</i>	<b>Long Notional<sup>1</sup></b>	<b>Short Notional<sup>1</sup></b>	<b>Net Derivative Assets (Liabilities)</b>	<b>Gains (Losses)<sup>2</sup></b>
Index Futures	\$ 259.4	\$ (255.3)	\$ (4.4)	\$ (22.7)
Equity Swaps	220.3	(215.2)	19.3	(6.2)
Options Contracts	-	-	-	-
Forward Contracts	-	-	-	(29.2)
<b>Total</b>	<b>\$ 479.7</b>	<b>\$ (470.5)</b>	<b>\$ 14.9</b>	<b>\$ (58.1)</b>

<b>2017</b> <i>(dollars in millions)</i>	<b>Long Notional<sup>1</sup></b>	<b>Short Notional<sup>1</sup></b>	<b>Net Derivative Assets (Liabilities)</b>	<b>Gains (Losses)<sup>2</sup></b>
Index Futures	\$ 168.9	\$ 170.9	\$ 0.3	\$ 24.5
Equity Swaps	380.0	359.5	(44.5)	(118.8)
Options Contracts	-	-	-	(1.0)
Forward Contracts	-	1,103.6	(24.0)	6.3
<b>Total</b>	<b>\$ 548.9</b>	<b>\$ 1,634.0</b>	<b>\$ (68.2)</b>	<b>\$ (89.0)</b>

<sup>1</sup> Notional amounts are representative of the volume and activity of each derivative type during the years ended June 30, 2018 and June 30, 2017

<sup>2</sup> Gains and losses on derivatives are recorded under "Net realized and unrealized appreciation on investments" in the Consolidated Statement of Activities

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

Investment related derivative assets, liabilities and collateral by counterparty at June 30, are as follows:

		Fair Value				
<b>2018</b>		Gross Derivative	Gross Derivative	Collateral (Held)		
<i>(dollars in millions)</i>	# of Contracts	Assets	Liabilities	Pledged	Net	
Counterparty A	5	\$ 21.0	\$ (18.5)	\$ 18.5	\$ 21.0	
Counterparty B	1	5.3	-	-	5.3	
Counterparty C	-	-	-	-	-	
Counterparty D	1	7.0	-	-	7.0	
Counterparty E	-	-	-	-	-	
<b>Total</b>	<b>7</b>	<b>\$ 33.3</b>	<b>\$ (18.5)</b>	<b>\$ 18.5</b>	<b>\$ 33.3</b>	

		Fair Value				
<b>2017</b>		Gross Derivative	Gross Derivative	Collateral (Held)		
<i>(dollars in millions)</i>	# of Contracts	Assets	Liabilities	Pledged	Net	
Counterparty A	10	\$ 1.1	\$ (45.9)	\$ 45.1	\$ 0.3	
Counterparty B	3	-	(1.7)	-	(1.7)	
Counterparty C	3	-	(9.6)	-	(9.6)	
Counterparty D	6	-	(20.1)	5.9	(14.2)	
Counterparty E	1	7.9	-	-	7.9	
<b>Total</b>	<b>23</b>	<b>\$ 9.0</b>	<b>\$ (77.3)</b>	<b>\$ 51.0</b>	<b>\$ (17.3)</b>	

## Funds Held in Trust by Others

The University is the income beneficiary of various trusts that are held and controlled by independent trustees. In addition, the University is the income beneficiary of entities that qualify as supporting organizations under Section 509(a)(3) of the U.S. Internal Revenue Code. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. Funds held in trust by others, stated at fair value, amounted to \$113.1 million in 2018 and \$110.0 million in 2017.

## Other Investments

Other investments include working capital (consisting primarily of U.S. Treasury bonds), a small number of funds that must be separately invested due to donor or legal restrictions, planned giving investments, proceeds from debt, and local real estate holdings expected to be liquidated strategically over several years. A summary of other investments at fair value at June 30, 2018 and 2017, is as follows:

<i>(dollars in millions)</i>	<b>2018</b>	<b>2017</b>
Working capital	\$ 427.1	\$ 459.4
Planned giving investments	176.6	175.5
Proceeds from debt	125.1	215.0
Strategic real estate investments	31.6	32.6
Other	54.1	46.3
<b>Total</b>	<b>\$ 814.5</b>	<b>\$ 928.8</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

---

## 4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The University applies fair value measurements to certain assets and liabilities, including the University's managed investments, other investments, and funds held in trust by others, in accordance with the requirements described above.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities that the University has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

**Level 3:** Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist primarily of limited partnership interests and other similar investment vehicles.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations.

Investments in investee funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value levelling table. Where the University has the ability to redeem its investment

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy. Certain of these investments may be subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal.

The University has various processes and controls in place to ensure investment fair value is reasonable and performs due diligence procedures on its investments, including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency. The University holds direct real estate investments categorized as Level 3. Valuation for material directly held real estate investments is determined from periodic valuations prepared by independent appraisers or broker opinions.

The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2018 and 2017.

<i>(dollars in millions)</i>		Fair Value Measurements at Reporting Date Using				NAV as Practical Expedient
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
<b>2018</b>						
<b>Assets at fair value</b>						
Managed investments (gross):						
Domestic equity	\$ 1,986.2	\$ 125.6	\$ (1.1)	\$ 0.9	\$1,860.8	
International equity	3,538.2	425.0	-	-	3,113.2	
Independent return	6,496.8	-	-	3.1	6,493.7	
Private equity	8,717.3	29.2	-	199.9	8,488.2	
Real assets	3,741.7	306.4	20.4	4.1	3,410.8	
Fixed income	844.2	844.2	-	-	-	
Cash and other	321.8	329.7	(7.9)	-	-	
<b>Total managed investments (gross)</b>	<b>25,646.2</b>	<b>2,060.1</b>	<b>11.4</b>	<b>208.0</b>	<b>23,366.7</b>	
Funds held in trust by others	113.1	-	-	113.1	-	
Other investments	814.5	608.2	-	206.3	-	
<b>Total</b>	<b>\$ 26,573.8</b>	<b>\$ 2,668.3</b>	<b>\$ 11.4</b>	<b>\$ 527.4</b>	<b>\$ 23,366.7</b>	

<i>(dollars in millions)</i>		Fair Value Measurements at Reporting Date Using				NAV as Practical Expedient
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
<b>2017</b>						
<b>Assets at fair value</b>						
Managed investments (gross):						
Domestic equity	\$ 2,034.0	\$ 102.5	\$ (22.5)	\$ 1.2	\$ 1,952.8	
International equity	3,401.3	497.8	(25.2)	219.1	2,709.6	
Independent return	6,288.5	-	-	4.2	6,284.3	
Private equity	7,495.3	2.3	(11.7)	146.9	7,357.8	
Real assets	3,346.4	163.6	(9.1)	4.9	3,187.0	
Fixed income	580.5	580.5	-	-	-	
Cash and other	400.0	364.7	35.3	-	-	
<b>Total managed investments (gross)</b>	<b>23,546.0</b>	<b>1,711.4</b>	<b>(33.2)</b>	<b>376.3</b>	<b>21,491.5</b>	
Funds held in trust by others	110.0	-	-	110.0	-	
Other investments	928.8	721.0	-	207.8	-	
<b>Total</b>	<b>\$ 24,584.8</b>	<b>\$ 2,432.4</b>	<b>\$ (33.2)</b>	<b>\$ 694.1</b>	<b>\$ 21,491.5</b>	

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

Assets and liabilities of a majority-owned and controlled investment fund have been consolidated for reporting purposes at June 30, 2018 and 2017. Gross managed investments, specifically the independent return asset class, includes consolidated investment fund assets of \$1,096.9 million and \$1,046.2 million at June 30, 2018 and 2017, respectively, and liabilities associated with investments includes consolidated investment fund liabilities of \$5.4 million and \$7.5 million at June 30, 2018 and 2017, respectively. The portion of consolidated net assets not owned by the University is reported as a noncontrolling interest.

The following tables present the net change in the assets measured at fair value on a recurring basis and included in the Level 3 fair value category for the years ended June 30, 2018 and 2017:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
(dollars in millions)	June 30, 2017	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers	Transfers	June 30, 2018
					into Level 3	out of Level 3	
<b>Assets at fair value</b>							
Managed investments (gross):							
Domestic equity	\$ 1.2	\$ (0.3)	-	-	-	-	\$ 0.9
International equity	219.1	-	-	-	-	-\$ (219.1)	-
Independent return	4.2	(0.7)	-	\$ (0.4)	-	-	3.1
Private equity	146.9	(13.8)	\$ 5.1	(58.0)	\$ 119.7	-	199.9
Real assets	4.9	(1.2)	0.8	(0.4)	-	-	4.1
<b>Total Managed</b>							
Investments (gross)	376.3	(16.0)	5.9	(58.8)	119.7	(219.1)	208.0
Funds held in trust by others	110.0	2.8	0.4	(0.1)	-	-	113.1
Other investments	207.8	-	4.8	(6.3)	-	-	206.3
<b>Total Level 3 investments</b>	<b>\$ 694.1</b>	<b>\$ (13.2)</b>	<b>\$ 11.1</b>	<b>\$ (65.2)</b>	<b>\$ 119.7</b>	<b>\$ (219.1)</b>	<b>\$ 527.4</b>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
(dollars in millions)	June 30, 2016	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers	Transfers	June 30, 2017
					into Level 3	out of Level 3	
<b>Assets at fair value</b>							
Managed investments (gross):							
Domestic equity	\$ 1.2	\$ (0.1)	-	\$ 0.1	-	-	\$ 1.2
International equity	210.8	25.3	\$ 0.2	(17.2)	-	-	219.1
Independent return	5.4	(0.5)	-	(0.7)	-	-	4.2
Private equity	240.4	(13.3)	3.4	(22.9)	-	-\$ (60.7)	146.9
Real assets	7.5	(2.2)	-	(0.4)	-	-	4.9
<b>Total Managed</b>							
Investments (gross)	465.3	9.2	3.6	(41.1)	-	(60.7)	376.3
Funds held in trust by others	144.5	7.0	1.6	(43.1)	-	-	110.0
Other investments	206.1	12.5	2.3	(13.1)	-	-	207.8
<b>Total Level 3 investments</b>	<b>\$ 815.9</b>	<b>\$ 28.7</b>	<b>\$ 7.5</b>	<b>\$ (97.3)</b>	<b>-</b>	<b>\$ (60.7)</b>	<b>\$ 694.1</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies, liquidity, and/or redemption terms. Four transfers out of Level 3 to NAV assets and seven transfers out of NAV to Level 3 occurred in the year ended June 30, 2018. The University's policy is to recognize transfers at the beginning of the reporting period.

Realized gains of \$33.7 million and \$5.8 million related to Level 3 investments and unrealized gains of \$43.2 million and \$22.9 million related to Level 3 investments are included in net realized and unrealized appreciation on investments in the consolidated statements of activities for the years ended June 30, 2018 and 2017, respectively.

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2018 and 2017. The information is presented on a "manager-mandate" basis.

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>2018</b>				
<b>Managed investments (gross)</b>				
Domestic equity (a)	\$ 1,986.2	\$ 122.9	daily—annually	4–90 days
International equity—developed (b)	1,179.6	-	daily—annually	7–90 days
International equity—emerging (c)	2,358.6	220.3	daily—annually	7–90 days
Independent return (d)	6,496.8	598.3	monthly—annually	30–90 days
Fixed income and cash (e)	1,166.0	-	daily	1 day
<b>Marketable asset classes</b>	<b>\$ 13,187.2</b>	<b>\$ 941.5</b>		
Private equity (f)	8,717.3	2,703.7		
Real assets (g)	3,741.7	1,543.9		
<b>Nonmarketable asset classes</b>	<b>\$ 12,459.0</b>	<b>\$ 4,247.6</b>		
<b>Total gross managed investments</b>	<b>\$ 25,646.2</b>	<b>\$ 5,189.1</b>		

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>2017</b>				
<b>Managed investments (gross)</b>				
Domestic equity (a)	\$ 2,034.0	\$ 122.9	daily—annually	4–90 days
International equity—developed (b)	1,121.8	-	daily—annually	7–90 days
International equity—emerging (c)	2,279.5	220.3	daily—annually	7–90 days
Independent return (d)	6,288.5	619.9	monthly—annually	30–90 days
Fixed income and cash (e)	980.5	-	daily	1 day
<b>Marketable asset classes</b>	<b>\$ 12,704.3</b>	<b>\$ 963.1</b>		
Private equity (f)	7,495.3	2,680.3		
Real assets (g)	3,346.4	1,660.6		
<b>Nonmarketable asset classes</b>	<b>\$ 10,841.7</b>	<b>\$ 4,340.9</b>		
<b>Total gross managed investments</b>	<b>\$ 23,546.0</b>	<b>\$ 5,304.0</b>		

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

**(a) Domestic Equity:** This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges or in domestic over-the-counter markets. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds, or, in the case of custodied accounts, the fair value of the securities held. Investments representing approximately 5 percent of the market value of this asset class are invested in nonredeemable assets.

**(b) International Equity—Developed:** This asset class includes funds primarily invested in public equity and debt securities traded in countries with developed economies other than the United States. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds. Investments representing approximately 17 percent of the market value of this asset class are invested in nonredeemable assets.

**(c) International Equity—Emerging:** This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economies. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or, in the case of custodied accounts, the fair value of the securities held, at prevailing exchange rates. Investments representing approximately 10 percent of the market value of this asset class are invested in nonredeemable assets.

**(d) Independent Return:** This asset class includes funds invested in equity and debt securities and financial instruments such as options, swaps, futures, and other derivatives. Funds in this asset class may hold both long and short positions in any of these instruments and pursue a variety of investment strategies based upon the fund's investment mandate and the current opportunity set. In general terms, approximately 33 percent of independent return market value is invested in funds principally focused on long/short equity investments, 25 percent is invested in event-driven/arbitrage strategies, and 42 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 18 percent of the market value of this asset class are invested in nonredeemable assets.

**(e) Fixed Income and Cash:** On a combined basis, these asset classes include primarily U.S. government and U.S. government-guaranteed securities held in separate accounts at the custodial bank. Virtually all of the investments in these asset classes can be liquidated on a daily basis.

**(f) Private Equity:** This asset class includes funds invested primarily in buyouts or venture capital. The fair values of the investments in this asset class have generally been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

**(g) Real Assets:** This asset class includes funds invested primarily in real estate, energy, and timber. The fair values of the investments in this asset class have been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. However, a small portion, \$474.6 million at June 30, 2018, and \$270.0 million at June 30, 2017, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments of the funds are liquidated.

Investments in the marketable asset classes are generally redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately \$1.7 billion of the marketable asset classes are invested in "nonredeemable assets," which are not eligible for redemption by the University. Nonredeemable assets are specific investments within a fund designated by the fund manager as ineligible for withdrawal.

# Notes to Consolidated Financial Statements

Princeton University  
Years ended June 30, 2018 and 2017

Due to the illiquid nature of nonredeemable assets, it is impossible for the University to predict when these assets will liquidate and the proceeds be distributed to investors.

In addition to nonredeemable assets, the University may be limited in its ability to effect a withdrawal if a fund manager invokes a “gate” provision restricting redemptions from its fund. Gates are generally triggered when aggregate fund withdrawal requests exceed a contractually predetermined threshold. No withdrawal requests were impacted by a gate in the year ended confirmed June 30, 2018.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. At June 30, 2018, the University had unfunded commitments of \$5.2 billion. Such commitments are generally called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

---

## 5. ENDOWMENT

The University’s endowment consists of approximately 4,600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the state of New Jersey in June 2009.

**Interpretation of relevant law**—The University interprets the UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also classified as net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

Endowment net asset composition by type of fund as of June 30, 2018 and 2017, was:

<b>2018</b> (dollars in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 1,947,377	\$ 1,947,377
Appreciation	-	12,747,483	12,747,483
Board-designated endowment funds	\$ 10,621,362	-	10,621,362
<b>Total</b>	<b>\$ 10,621,362</b>	<b>\$ 14,694,860</b>	<b>\$ 25,316,222</b>

<b>2017</b> (dollars in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 1,864,500	\$ 1,864,500
Appreciation	-	11,678,195	11,678,195
Board-designated endowment funds	\$ 9,702,394	-	9,702,394
<b>Total</b>	<b>\$ 9,702,394</b>	<b>\$ 13,542,695</b>	<b>\$ 23,245,089</b>

Changes in endowment net assets for the years ended June 30, 2018 and 2017, were:

<b>2018</b> (dollars in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 9,702,394	\$ 13,542,695	\$ 23,245,089
Net investment return	1,411,787	1,783,798	3,195,584
Contributions	11,732	73,695	85,427
Appropriation of endowment assets for expenditure	(572,259)	(724,456)	(1,296,715)
Reclassifications, transfers, and board designations	67,708	19,128	86,836
<b>Endowment net assets, end of year</b>	<b>\$ 10,621,362</b>	<b>\$ 14,694,860</b>	<b>\$ 25,316,222</b>

<b>2017</b> (dollars in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 9,049,240	\$ 12,546,208	\$ 21,595,448
Net investment return	1,224,826	1,479,100	2,703,926
Contributions	18,298	68,886	87,184
Appropriation of endowment assets for expenditure	(479,704)	(604,121)	(1,083,825)
Reclassifications, transfers, and board designations	(110,266)	52,622	(57,644)
<b>Endowment net assets, end of year</b>	<b>\$ 9,702,394</b>	<b>\$ 13,542,695</b>	<b>\$ 23,245,089</b>

**Funds with Deficiencies**—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires the University to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2018 and 2017. Deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions while continued appropriations are deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Both fund deficiencies and subsequent gains above that amount are recorded in net assets with donor restrictions.

# Notes to Consolidated Financial Statements

Princeton University  
Years ended June 30, 2018 and 2017

**Return objectives and risk parameters**—The University has adopted investment and spending policies for endowment assets that attempt to support the University’s current and future operating needs, while preserving intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods as well as University-designated funds. Under these policies, the endowment assets are invested in a manner that is intended to produce returns that exceed both the annual rate of spending and university inflation.

**Strategies employed for achieving objectives**—The vast majority of the endowment assets are actively managed by PRINCO, which is structured as a University office, but maintains its own Board of Directors, and operates under the final authority of the University’s Board of Trustees (the “Trustees”).

In pursuit of the investment return objectives, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

**Spending policy and how the investment objectives relate to spending policy**—Each year the Trustees decide upon an amount to be spent from the endowment for the following fiscal year. In their deliberations, the Trustees use a spending framework that is designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. The framework targets annual spending rates of between 4.0 percent and 6.25 percent.

The endowment must seek investment returns sufficient to meet spending policy targets as well as to maintain future purchasing power without deterioration of corpus resulting from university inflation.

---

## 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The university's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statement of Financial Position were as follows:

<i>(dollars in thousands)</i>	2018	2017
<b>Financial assets:</b>		
Cash	\$ 23,230	\$ 14,981
Accounts receivable	49,564	67,069
Educational and mortgage receivable	16,532	17,608
Contributions receivable	77,963	81,163
Working capital	427,100	459,351
Investments: appropriated for		
spending in the following year	1,357,000	1,302,756
<b>Total financial assets available within one year</b>	<b>\$ 1,951,389</b>	<b>\$ 1,942,928</b>
<b>Liquidity resources:</b>		
Taxable debt and commercial paper (unexpended)	254,991	303,045
Bank lines of credit (undrawn)	290,100	283,700
<b>Total financial assets and resources available within one year</b>	<b>\$ 2,496,480</b>	<b>\$ 2,529,673</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

As part of the university's liquidity management strategy, the university structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the university invests cash in excess of daily requirements in short-term working capital investments. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses and other factors affecting available cash. Endowment funds appropriated for spending are distributed to university department and program budgets for spending, subject to donor-restrictions where applicable, however, cash withdrawals from the investment pool are available for general liquidity purposes. To help manage unanticipated liquidity needs, the university has committed bank lines of credit in the amount of \$300 million, which it could draw upon, and a taxable commercial paper program authorized to a maximum level of \$180 million.

Additionally, the university has board-designated endowment funds of \$10.6 billion and \$9.7 billion as of June 30, 2018 and 2017, respectively. Although the university does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 4 for disclosures about investments).

---

## 7. EDUCATIONAL AND MORTGAGE LOANS

Educational loans include donor-restricted and federally sponsored educational loans that bear mandated interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition. These loans totaled \$62.0 million and \$64.0 million at June 30, 2018 and 2017, respectively.

Through a program designed to attract and retain excellent faculty and senior staff, the University provides home acquisition and financing assistance on residential properties in the area surrounding the University. Notes receivable from faculty and staff and co-ownership interests in the properties are included in mortgage loans and are collateralized by mortgages on those properties. These loans and interests totaled \$375.5 million and \$354.7 million at June 30, 2018 and 2017, respectively.

### Allowance for Doubtful Loans

Management assesses the adequacy of the allowance for doubtful loans by performing evaluations of the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of borrowers, the economic environment, the level of delinquent loans, and the value of any collateral associated with the loans. In addition to general economic conditions and other factors described above, a detailed review of the aging of loans receivable is considered in management's assessment. The level of the allowance is adjusted according to the results of management's analysis.

Loans less than 120 days delinquent are deemed to have a minimal delay in payment and are generally not written off. Loans delinquent by 120 days or more are subject to standard collection practices, including litigation. Only loans that are deemed uncollectible are written

# Notes to Consolidated Financial Statements

Princeton University  
Years ended June 30, 2018 and 2017

off, and this occurs only after several unsuccessful collection attempts, including placement at an external collection agency. Considering the other factors discussed herein, management considers the allowance for doubtful loans at June 30, 2018 and 2017, to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2018 and 2017, are reported net of allowances for doubtful loans of \$0.2 million and \$0.3 million, respectively.

---

## 8. CONTRIBUTIONS

At June 30, 2018 and 2017, the University had received from donors unconditional pledges receivable in the following periods:

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
Less than one year	\$ 77,963	\$ 81,163
One to five years	208,186	88,038
More than five years	27,630	19,869
<b>Total</b>	<b>\$ 313,779</b>	<b>\$ 189,070</b>
Less unamortized discount	33,676	16,119
Less allowance for doubtful pledges	6,505	4,084
<b>Net amount</b>	<b>\$ 273,598</b>	<b>\$ 168,867</b>

The amounts pledged have been recorded after discounting the future cash flows to the present value (discount rates ranged from 0.72 percent to 6.18 percent). Current-year pledges are included in revenue as additions to net assets with donor restrictions and are included in contributions receivable at fair value based on observable ASC 820 Level 2 inputs.

In addition, at June 30, 2018, the University had received from donors pledges totaling \$67.4 million, conditioned upon the raising of matching gifts from other sources and other criteria. These amounts will be recognized as income in the periods in which the conditions have been fulfilled.

---

## 9. PROPERTY

Land additions are reported at estimated market value at the date of gift, or on a cost basis. Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as property at June 30, 2018 and 2017, consisted of the following:

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
Land	\$ 112,214	\$ 114,599
Buildings and improvements	4,766,309	4,441,228
Construction in progress	31,258	225,521
Equipment and systems	441,933	362,733
Rare books	119,279	112,375
Library books, periodicals, and bindings	299,545	292,190
Fine art objects	141,649	137,053
<b>Total property</b>	<b>5,912,187</b>	<b>5,685,699</b>
Accumulated depreciation	(1,770,887)	(1,587,045)
<b>Total</b>	<b>\$ 4,141,300</b>	<b>\$ 4,098,654</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

Equipment, library books, periodicals, and bindings are stated at cost net of accumulated depreciation. Equipment includes items purchased with federal government funds; an indeterminate portion of those items are expected to be transferred to the University at the termination of the respective grant or contract.

In addition to making purchases with University funds, the University, since its inception, has received a substantial number of fine art objects and rare books from individual gifts and bequests. Art objects and rare books acquired through June 30, 1973, are carried at insurable values at that date because it is not practicable to determine the historical cost or market value at the date of gift. Art objects and rare books acquired subsequent to June 30, 1973, are recorded at cost or fair value at the date of gift. Works of art, literary works, historical treasures, and artifacts that are part of a collection are protected, preserved, and held for public exhibition, education, and research in furtherance of public service. Collections are not capitalized, and contributed collection items are not recognized as revenues in the University's consolidated financial statements.

The University uses componentized depreciation for buildings and building improvements used for research. The costs of research facilities are separated into building shell, service system, and fixed equipment components that are separately depreciated.

Annual depreciation is calculated on the straight-line method over useful lives ranging from 15 to 50 years for buildings and improvements, 30 years for library books, and 10 and 15 years for equipment. Art objects and rare books having cultural, aesthetic, or historical value are not depreciated.

---

## 10. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under ASC 410-20, *Asset Retirement and Environmental Obligations—Asset Retirement Obligations*, companies must accrue costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement was estimated using site-specific surveys where available and a per-square-foot estimate based on historical cost where surveys were unavailable. The estimate is recorded as a liability and as an increase to the asset, and the capitalized portion is depreciated over the remaining useful life of the asset. The asset retirement obligation included in accrued liabilities was \$12.5 million and \$11.6 million at June 30, 2018 and 2017, respectively, and accretion expense on the asset retirement obligation was \$0.4 million and \$0.3 million for June 30, 2018 and 2017, respectively.

---

## 11. INCOME TAXES

ASC 740, *Income Taxes*, prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the consolidated financial statements. The University continues to evaluate its tax positions pursuant to the principles of ASC 740, and has determined that there is no material impact on the University's consolidated financial statements.

# Notes to Consolidated Financial Statements

Princeton University  
Years ended June 30, 2018 and 2017

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income. The University files U.S. federal and various state and local tax returns. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2015, through the present.

## 12. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2018 and 2017, the University's debt consisted of taxable bonds, taxable notes, loans through the New Jersey Educational Facilities Authority (NJEFA), commercial paper, various parent loans, and a note as follows:

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
<b>Taxable Revenue Bonds</b>		
2009 Series A, 4.95% and 5.70%, due March 2019 and March 2039, net of unamortized discount of \$1,730 and \$2,416	\$ 748,270	\$ 997,584
2016 Series A, 1.85%, 2.61%, 3.63%, due July 2021, July 2026, July 2046	100,000	100,000
2017 Series A, 3.84% due July 2048	150,000	150,000
<b>Taxable Notes</b>		
2012, 3.37%, due July 2042	170,000	170,000
2013, 4.73%, due July 2044	75,000	75,000
<b>NJEFA Revenue Bonds</b>		
2003 Series D, 3.73%, due July 2019, including unamortized premium of \$685 and \$1,369	11,815	23,050
2008 Series J, 4.39%, due July 2038, including unamortized premium of \$0 and \$3,305	-	212,485
2008 Series K, 4.36%, due July 2023, including unamortized premium of \$0 and \$0	-	16,655
2010 Series B, 4.03%, due July 2019, including unamortized premium of \$992 and \$9,326	6,777	229,901
2011 Series B, 4.09%, due July 2041, including unamortized premium of \$12,543 and \$13,088	234,003	239,893
2014 Series A, 3.77%, due July 2044, including unamortized premium of \$16,687 and \$17,329	208,622	212,054
2015 Series A, 2.32% due July 2035, including unamortized premium of \$25,749 and \$27,263	160,484	171,934
2015 Series D, 3.40% due July 2045, including unamortized premium of \$17,814 and \$18,474	162,229	165,749
2016 Series A, 2.53% due July 2035, including unamortized premium of \$19,814 and \$20,979	125,424	130,479
2016 Series B, 1.77% due July 2027, including unamortized premium of \$23,594 and \$26,216	136,614	142,106
2017 Series B, 2.91% due July 2036, including unamortized premium of \$50,854 and \$53,680	376,309	395,920
2017 Series C, 3.50% due July 2047, including unamortized premium of \$20,648 and \$21,361	161,743	162,456
2017 Series I, 2.97% due July 2040, including unamortized premium of \$66,693	423,798	-
<b>NJEFA Capital Improvement Fund Bonds</b>		
2014 Series B, 3.67%, due September 2033, including unamortized premium of \$178 and \$189	2,865	2,986
2016 Series A, 2.53%, due September 2020	479	627
<b>Commercial Paper</b>		
Taxable, 2.12% and 1.04% with maturities up to one year	28,500	3,000
<b>Parent Loans</b> , 0.56% to 5.40% with maturities up to nine years	47,691	47,103
<b>Notes</b>	376	546
<b>Total Borrowings</b>	<b>\$ 3,330,999</b>	<b>\$ 3,649,528</b>
Unamortized debt issuance costs	(9,756)	(12,137)
<b>Total Borrowings Net of Unamortized Issuance Costs</b>	<b>\$ 3,321,243</b>	<b>\$ 3,637,389</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

In December 2017, the University issued the NJEFA 2017 Series I Bonds. The 2017 Series I Bonds were issued for the purpose of the current refunding and defeasance of the 2008 Series J Bonds, and for the purpose of advance refunding and defeasance of a portion of the 2010 Series B Bonds. The University is authorized by the Trustees to issue new debt up to \$350 million annually. The University intends to issue additional debt in the future.

The full faith and credit of the University is pledged in all loan agreements with the NJEFA.

In fiscal year 1999, the University entered into a loan facility with a national bank to fund its parent loan program, which is currently authorized by the Trustees up to \$100 million. Fixed or variable rates may be selected on a pass-through basis to the borrowers; terms may be as long as 14 years.

In fiscal year 1998, a commercial paper program was authorized as an initial step of financing to provide construction funds for approved capital projects. The commercial paper proceeds are primarily used to finance construction expenditures until permanent financing from gifts or other sources is made available. The program is currently authorized to a maximum level of \$300 million.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2018, excluding commercial paper, are as follows:

<i>(dollars in thousands)</i>	Principal Payments
2019	\$ 347,924
2020	92,529
2021	103,321
2022	84,983
2023	77,887
Thereafter	2,341,333
<b>Subtotal</b>	<b>3,047,977</b>
Unamortized premium	254,522
<b>Net long-term debt</b>	<b>\$ 3,302,499</b>

The University has committed bank lines of credit totaling \$300 million, under which the University may borrow on an unsecured basis at agreed-upon rates. There were \$9.9 million and \$16.3 million in letters of credit outstanding under these credit facilities at June 30, 2018 and 2017, respectively.

---

## 13. EMPLOYEE BENEFIT PLANS

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which invests in the Teachers Insurance and Annuity Association and College Retirement Equities Fund and Vanguard Fiduciary Trust Funds. The University's contributions were \$62.0 million and \$59.2 million for the years ended June 30, 2018 and 2017, respectively. The University also provides deferred compensation arrangements for certain officers, faculty and staff. Accrued benefits of \$388.1 million and \$481.6 million for the years ended June 30, 2018 and 2017 respectively, include the Accumulated Postretirement Benefit Obligation and deferred compensation.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

## Postretirement Benefits Other Than Pensions

ASC 715, *Compensation—Retirement Benefits*, requires the recognition of a defined benefit postretirement plan's funded status as either an asset or a liability on the Consolidated Statement of Financial Position. Actuarial gains or losses and prior service costs or credits that arise during the period must be recognized as a component of unrestricted net assets. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which was initially elected in 1993 and amortized over 20 years. The University continues to recognize the cost of providing postretirement benefits for employees over the service period until their full retirement eligibility under the plan.

The University provides single-coverage health insurance to its retirees who meet certain eligibility requirements. Participants may purchase additional dependent or premium coverage. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the University's expressed intent to increase retiree contributions in line with medical costs.

The benefit costs for the years ended June 30, 2018 and 2017, consisted of the following:

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
Service cost	\$ 22,835	\$ 25,302
Interest cost	17,379	17,948
Gain/(loss) amortization	(5)	3,421
<b>Total</b>	<b>\$ 40,209</b>	<b>\$ 46,671</b>

The APBO at June 30, 2018 and 2017, consisted of actuarially determined obligations to the following categories of employees:

<i>(dollars in thousands)</i>	<b>2018</b>	<b>2017</b>
Retirees	\$ 110,964	\$ 136,047
Active employees eligible to retire	88,782	119,080
Other active participants	137,421	183,943
<b>Total</b>	<b>\$ 337,167</b>	<b>\$ 439,070</b>

As of June 30, 2018 and 2017, the APBO was unfunded.

An assumed discount rate of 4.25 percent and 4.00 percent was used to calculate the APBO at June 30, 2018 and 2017, respectively. The assumed health care cost trend rate used to calculate the APBO at June 30, 2018 was 5.88 percent, declining by 0.13 percent per year until the long-term trend rate of 5.00 percent is reached for medical claims. For prescription drug claims, the assumed health care cost trend rate used to calculate the APBO at June 30, 2018 was 7.84 percent, declining by 0.41 percent per year until the long-term trend rate of 5.00 percent is reached. The assumed health care cost trend rate used to calculate the APBO at June 30, 2017 was 6.0 percent, declining by 0.13 percent per year until the long-term trend rate of 5.0 percent is reached for medical claims. For prescription drug claims, the assumed health care cost trend rate used to calculate the APBO at June 30, 2017 was 8.25 percent, declining by 0.41 percent per year until the long-term trend rate of 5.0 percent is reached. An increase of 1 percent in the cost trend rate would raise the APBO to \$409.4 million and \$536.2 million and cause the service and interest cost components of the net periodic cost to be increased by \$12.1 million and \$13.5 million for the years ended June 30, 2018 and 2017, respectively. A decrease of 1 percent in the cost trend rate would decrease the APBO to \$281.5 million and \$364.6 million and cause the service and interest cost components of the net periodic cost to be decreased by \$8.8 million and \$9.7 million for the years ended June 30, 2018 and 2017, respectively.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

Postretirement plan benefit payments for fiscal years 2019 through 2023 are expected to range from \$7.7 million to \$10.4 million per year, with aggregate expected payments of \$64.0 million for fiscal years 2024 through 2028. These amounts reflect the total benefits expected to be paid from the plan, net of the participants' share of the cost and federal subsidies. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The University provides Medicare retiree drug coverage through an employer group waiver plan (EGWP). Under EGWP, the cost of drug coverage is offset through direct federal subsidies, brand-name drug discounts, and reinsurance reimbursements. The net effect of these subsidies has been recognized in the calculation of the University's postretirement benefit obligation as of June 30, 2018 and 2017.

---

## 14. NET ASSETS

Net assets are categorized as without donor restrictions and with donor restrictions. Net assets without donor restrictions are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain net assets classified as without donor restrictions for external reporting purposes are board-designated for specific purposes or uses under the internal operating budget practices of the University. Net assets with donor restrictions are generally established by donors in support of schools or departments of the University, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, the library, the art museum, building construction, and other specific purposes. This category includes gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Donor restrictions are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Certain donor restrictions are perpetual in nature and may include gifts, pledges, trusts and remainder interests, and income and gains that are required to be permanently retained.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

The composition of net assets by restriction and purpose at June 30, 2018, and 2017 were as follows:

<b>2018</b> <b>Net Assets</b> <i>(dollars in millions)</i>	<b>Without Donor restrictions</b>	<b>With Donor restriction</b>	<b>Total Net assets</b>
Endowment:			
Teaching and research	\$ 1,274	\$ 5,496	\$ 6,770
Student financial aid	593	4,013	4,606
Department programs and support	2,684	3,528	6,212
Designated for operations	3,458	1,659	5,117
Designated for capital	2,612	-	2,612
Other:			
Pledges	-	273	273
Capital and unallocated gifts	-	149	149
Annuities and trusts	-	195	195
Net investment in plant	1,741	-	1,741
Operating	(480)	-	(480)
Noncontrolling interests	201	-	201
<b>Total</b>	<b>\$ 12,083</b>	<b>\$ 15,313</b>	<b>\$ 27,396</b>

<b>2017</b> <b>Net Assets</b> <i>(dollars in millions)</i>	<b>Without Donor restrictions</b>	<b>With Donor restriction</b>	<b>Total Net assets</b>
Endowment:			
Teaching and research	\$ 1,171	\$ 5,052	\$ 6,223
Student financial aid	540	3,700	4,240
Department programs and support	2,386	3,262	5,648
Designated for operations	2,876	1,529	4,405
Designated for capital	2,729	-	2,729
Other:			
Pledges	-	169	169
Capital and unallocated gifts	-	58	58
Annuities and trusts	-	193	193
Net investment in plant	1,722	-	1,722
Operating	(774)	-	(774)
Noncontrolling interests	191	-	191
<b>Total</b>	<b>\$ 10,841</b>	<b>\$ 13,963</b>	<b>\$ 24,804</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

## 15. EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION

Expenses are presented by functional classification in alignment with the overall mission of the university. The University's primary service mission is academic instruction and research which includes directly supporting functions such as the University's library system and art museum. Student services and support include various student supporting functions such as admission, health, career and athletics, as well as auxiliary enterprises and related student aid. The Princeton Plasma Physics Laboratory, which is operated by the University on behalf of the US Department of Energy, is classified as an independent operation.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation, plant operations and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to the functional categories which have benefited from the associated debt.

Expenses by functional and natural classification for the years ended June 30, 2018 and 2017 were as follows:

### 2018

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 441,362	\$ 61,183	\$ 165,965	\$ 55,871	\$ 724,381
Employee benefits	156,939	19,049	27,515	18,601	222,104
Supplies, services and other	187,462	62,362	20,620	40,002	310,446
Space and occupancy	3,405	4,058	59,608	4,057	71,128
Student stipends and prizes	-	67,494	-	-	67,494
<b>Allocations:</b>					
Depreciation	131,979	32,357	9,331	10	173,677
Interest	74,469	18,206	56,242	-	148,917
Operations and maintenance	83,870	33,075	(116,945)	-	-
<b>Total operating expenses</b>	<b>1,079,486</b>	<b>297,784</b>	<b>222,336</b>	<b>118,541</b>	<b>1,718,147</b>
Net periodic benefit cost other than service cost	11,212	1,563	2,691	1,908	17,374
<b>Total expenses</b>	<b>\$ 1,090,698</b>	<b>\$ 299,347</b>	<b>\$ 225,027</b>	<b>\$ 120,449</b>	<b>\$ 1,735,521</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

## 2017

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 413,098	\$ 58,219	\$ 154,984	\$ 54,489	\$ 680,790
Employee benefits	148,460	20,636	42,528	18,343	229,967
Supplies, services and other	190,716	65,277	35,420	44,310	335,723
Space and occupancy	3,612	2,095	56,278	4,477	66,462
Student stipends and prizes	-	64,061	-	-	64,061
<b>Allocations:</b>					
Depreciation	117,422	28,765	12,355	-	158,542
Interest	73,303	17,921	57,541	-	148,765
Operations and maintenance	81,336	31,939	(113,275)	-	-
<b>Total operating expenses</b>	<b>1,027,947</b>	<b>288,913</b>	<b>245,831</b>	<b>121,619</b>	<b>1,684,310</b>
Net periodic benefit cost other than service cost	12,853	2,762	3,697	2,058	21,370
<b>Total expenses</b>	<b>\$ 1,040,800</b>	<b>\$ 291,675</b>	<b>\$ 249,528</b>	<b>\$ 123,677</b>	<b>\$ 1,705,680</b>

## Student Financial Aid

The University provides financial aid to undergraduate students in the form of scholarship grants designed to meet 100 percent of demonstrated financial need. All Ph.D. and many master's degree candidates in the Graduate School receive financial support for the duration of their degree program in the form of fellowships, assistantships in research or teaching, and non-University awards. Graduate student support covers the full cost of tuition and fees and a stipend that supports estimated living expenses. Students may also be awarded grants that support various academic or research activities. Undergraduate scholarships and graduate fellowships and assistantships are reported as discounts to tuition and fee revenues in the Consolidated Statement of Activities. Student stipends, awards and prizes are reported as operating expenses. Student financial aid costs are funded by the University's endowment, Annual Giving, and other University resources.

Total student financial aid costs for the years ended June 30, 2018 and 2017 were as follows:

Student Financial Aid (dollars in thousands)	2018	2017
Scholarships and fellowships	\$ 260,958	\$ 244,598
Stipends and prizes	67,494	64,061
<b>Total</b>	<b>\$ 328,452</b>	<b>\$ 308,659</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2018 and 2017

---

## 16. COMMITMENTS AND CONTINGENCIES

At June 30, 2018, the University had authorized major renovation and capital construction projects for more than \$2,021.3 million. Of the total, approximately \$177.0 million had not yet been expended.

Minimum operating lease commitments at June 30, 2018, for space and equipment were as follows:

<i>(dollars in thousands)</i>	Lease Payments
2019	\$ 6,525
2020	6,765
2021	5,542
2022	4,320
2023	4,320
Thereafter	4,960
<b>Total</b>	<b>\$ 32,432</b>

The University has entered into certain agreements to guarantee the debt of others. Under these agreements, if the principal obligor defaults on the debt, the University may be required to satisfy all or part of the remaining obligation. The total amount of these guarantees was \$20.3 million at June 30, 2018.

The University is subject to certain legal claims that have arisen in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position, consolidated statement of activities, or cash flows.

---

## 17. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 20, 2018, which is the date the consolidated financial statements were issued, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

## **Supplementary Information**

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>Research and Development Cluster</b>				
<b>Department of Energy Direct Programs</b>				
Office of Science Financial Assistance Program	81.049		\$ 396,836	\$ 7,703,770
Fossil Energy Research and Development	81.089		117,995	511,317
Stewardship Science Grant Program	81.112		12,385	566,223
Advanced Research Projects Agency - Energy	81.135		(14,766)	(14,766)
Advanced Research Projects Agency - Energy	81.135		-	(290)
<b>Subtotal Department of Energy Direct Programs</b>			<b>512,450</b>	<b>8,766,254</b>
<b>Department of Energy Pass-Through Programs From:</b>				
Advanced Cooling Technologies, Inc.	81.049	DE-SC0018128	-	44,494
Lawrence Berkeley National Laboratory	81.049	DE-05CH11231	-	328,304
Physical Sciences Inc.	81.049	DE-SC0015104	-	37,638
Southwest Sciences, Inc.	81.049	DE-SC0011288	-	244,662
Temple University	81.049	DE-SC0012575	-	78,642
The Johns Hopkins University	81.049	DE-08ER46544	-	175,137
University of California at Berkeley	81.049	DE-SC0018297	-	46,636
University of IL at Urbana-Champaign	81.049	DE-SC0018260	-	175,730
University of IL at Urbana-Champaign	81.049	DE-SC0018420	-	28,479
University of Notre Dame	81.049	DE-SC0014363	-	18,045
Washington University	81.049	DE-SC0001035	-	103,868
Arizona State University	81.087	DE-EE0008090	-	53,230
The Pennsylvania State University	81.089	DE-FE0023354	-	104,912
The Pennsylvania State University	81.089	DE-FE0026825	-	124,651
University of Virginia	81.089	DE-FE0026582	-	92,642
Cornell University	81.112	DE-NA0001836	-	87,557
Cornell University	81.112	DE-NA0003764	-	106,676
Rice University	81.112	DE-NA0002721	-	4,442
Washington State University	81.112	DE-NA0002007	-	111,258
University of Michigan	81.113	DE-NA0002534	-	370,795
Krell Institute	81.123	CS Grad. Fellow (CSFG)	-	290,321
Intl Business Machines Corp. (IBM)	81.135	DE-AR0000540	-	82,322
Physical Sciences Inc.	81.135	DE-AR0000547	-	50,863
University of California at Berkeley	81.135	DE-AR0000906	-	300
Fermi National Accelerator Laboratory	81.RD	DE-07CH11359	-	230,749
General Atomics	81.RD	DE-04ER54698	-	137,209
Oak Ridge Institute for Science & Educ	81.RD	Research Fellowship	-	7,098
Pacific Northwest Ntl Labs	81.RD	DE-76RL01830	-	37,866
Princeton Plasma Physics Laboratory	81.RD	DE-09CH11466	-	232,254
Sandia National Laboratories	81.RD	PO 1638858	-	124,688
Sandia National Laboratories	81.RD	PO 1643319	-	179,027
SLAC National Accelerator Laboratory	81.RD	DE-76SF00515	-	56,642
University of Virginia	81.RD	DE-051D14517	-	62,787
<b>Subtotal Department of Energy Pass-Through Programs</b>			<b>-</b>	<b>3,829,924</b>
<b>Total Department of Energy</b>			<b>512,450</b>	<b>12,596,178</b>
<b>Department of Health and Human Services Direct Programs</b>				
Human Genome Research	93.172		-	1,229,785
Research Related to Deafness and Communication Disorders	93.173		-	446
Mental Health Research Grants	93.242		866,024	5,926,259
Drug Abuse and Addiction Research Programs	93.279		317,210	1,142,320
Trans-NIH Research Support	93.310		-	6,052,341
Nursing Research	93.361		281,103	474,784
Cancer Detection and Diagnosis Research	93.394		129,433	362,949
Cancer Treatment Research	93.395		-	208,951
Cancer Biology Research	93.396		58,334	1,222,581
Cancer Research Manpower	93.398		-	236,882
Lung Diseases Research	93.838		-	426,317
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		-	1,173,510
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		-	78,024
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		346,386	4,677,142
Allergy, Immunology and Transplantation Research	93.855		198,532	2,869,365
Biomedical Research and Research Training	93.859		907,505	15,413,717
Child Health and Human Development Extramural Research	93.865		722,499	3,110,877
Aging Research	93.866		155,579	1,032,906
Vision Research	93.867		-	610,038
Department Of Health and Human Services - CDC- 200-2015-M-87505	93.RD		-	57,414
<b>Subtotal Department of Health and Human Services Direct Programs</b>			<b>3,982,605</b>	<b>46,306,608</b>

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>Department of Health and Human Services Pass-Through Programs From:</b>				
Scripps Research Institute	93.113	R01AI079031	-	65,378
Univ of No Carolina at Chapel Hill	93.113	R01ES023195	-	5,847
Duke University	93.172	U01HG007900	-	61,881
Rutgers University - New Brunswick	93.213	R01AT006868	-	25,543
Cold Spring Harbor Laboratory	93.242	U01MH114824	-	8,426
Massachusetts Institute of Technology	93.242	U01MH109129	-	238,596
The Trustees of Columbia University	93.242	P50MH109429	-	234,935
University of Michigan	93.242	R01MH103761	-	36,393
University of Texas at Austin	93.242	R01MH099611	-	109,254
Rutgers University - New Brunswick	93.286	P41EB001046	-	56,329
University of Massachusetts	93.286	U01EB021956	-	153,133
University of Michigan	93.307	R01MD011716	-	375,053
University of Pennsylvania	93.310	R01MH101822	-	197
University of Washington	93.350	UG3TR002158	-	78,222
Mount Sinai Hospital	93.351	R01OD010929	-	437,315
University of Pittsburgh	93.351	P40OD010996	-	209,293
Rockefeller University	93.393	P01CA196539	-	428,385
Rutgers University - New Brunswick	93.393	P30CA072720	-	38,313
GPB Scientific, LLC	93.394	R42CA174121	-	102,183
Washington University	93.394	U24CA211006	-	8,130
Rutgers University - New Brunswick	93.396	R01CA163591	-	299,206
Trustees of Boston University	93.396	U01CA214292	-	232,009
The Johns Hopkins University	93.397	U54CA210173	-	19,604
Univ of No Carolina at Chapel Hill	93.837	R01HL127640	-	244,585
Univ of No Carolina at Chapel Hill	93.837	R01HL126509	-	181,224
Univ of North Carolina at Chapel Hill	93.837	R01HL135007	-	67,509
University of Pennsylvania	93.837	R01HL133218	-	374,948
University of Pennsylvania	93.837	U01HL131053	-	92,044
University of Minnesota	93.839	R01HL132906	-	26,665
University of Michigan	93.847	UG3DK114907	-	77,235
University of Pennsylvania	93.847	P30DK019525	-	195,126
University of Pittsburgh	93.847	R01DK098361	-	4,326
University of Washington	93.847	U2CDK114886	-	52,564
Calif Inst of Technology (Cal Tech)	93.853	U01NS090514	-	(110)
University of California at Berkeley	93.853	R01NS092079	-	(1,154)
University of Pennsylvania	93.853	R21NS101629	-	80,090
Weill Cornell Medical College	93.853	R01NS104926	-	32,282
University of Minnesota	93.855	R01AI132496	-	29,323
University of Pennsylvania	93.855	R01AI118891	-	336,633
Georgetown University	93.859	R01GM037739	-	92,448
Pacific Northwest Research Institute	93.859	R01GM117119	-	156,552
Rutgers University - New Brunswick	93.859	R01GM079176	-	28,988
Texas A&M University	93.859	R01GM114405	-	25,701
University of South Florida	93.859	R01GM109459	-	66,297
New York University	93.865	R01HD087672	-	18,835
The Research Foundation S.U.N.Y.	93.865	R01HD073352	-	75,287
Univ of No Carolina at Chapel Hill	93.865	R01HD089275	-	175,542
University of Massachusetts Boston	93.865	R01HD085870	-	185,069
Albert Einstein Coll of Med of Yeshiva U	93.866	RF1AG057341	-	15,457
Duke University	93.866	P01AG031719	-	99,408
Rockefeller University	93.866	RF1AG054564	-	55,289
University of Michigan	93.866	R01AG047167	-	26,508
Carnegie Mellon University	93.867	R01EY027018	-	6,004
University of Texas at Austin	93.867	R01EY017366	-	12,348
Weill Medical College of Cornell Univ	93.867	R01EY027036	-	243,144
<b>Subtotal Department of Health and Human Services Pass-Through Programs</b>			-	<b>6,299,792</b>
<b>Total Department of Health and Human Services</b>			<b>3,982,605</b>	<b>52,606,400</b>
<b>National Science Foundation Direct Programs</b>				
Engineering Grants	47.041		-	4,063,177
Mathematical and Physical Sciences	47.049		11,524,817	31,012,272
Geosciences	47.050		3,820,355	9,180,561
Computer and Information Science and Engineering	47.070		(18,551)	8,569,809
Biological Sciences	47.074		60,661	2,290,959
Social, Behavioral, and Economic Sciences	47.075		45,623	1,245,416
Education and Human Resources	47.076		-	3,944,613
Office of International Science and Engineering	47.079		-	32,734
NSF - NSF IPA Contract	47.RD		-	151,324
<b>Subtotal National Science Foundation Direct Programs</b>			<b>15,432,905</b>	<b>60,490,865</b>

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>National Science Foundation Pass-Through Programs From:</b>				
Colorado State University	47.041	CBET-1444758	-	290,205
Massachusetts Institute of Technology	47.041	CBET-0939511	-	149,266
The Johns Hopkins University	47.041	NSF 1635443	-	25,687
University of California at San Diego	47.041	ECCS-1640173	-	40,249
University of Washington	47.041	EFMA-1640986	-	134,529
Yale University	47.041	NSF 1640959	-	253,774
Assn of Univ for Rsrch in Astronomy, Inc	47.049	NSF 1202910	-	1,993,497
California State University, Northridge	47.049	NSF 1205734	-	143,061
Cornell University	47.049	DMR-1539918	-	148,375
Cornell University	47.049	DMR-1719875	-	1,546
Emory University	47.049	CHE-1205646	-	53,224
Emory University	47.049	CHE-1700982	-	77,811
New York University	47.049	DMR-1420073	-	88,050
Rutgers University - New Brunswick	47.049	DMR-1404792	-	112,717
St. Olaf College	47.049	NSF 1606967	-	13,298
University of Chicago	47.049	NSF 1743753	-	58,770
University of IL at Urbana-Champaign	47.049	DMS-1107452	-	20,891
University of Pennsylvania	47.049	PHY-1545935	-	78,451
University of Pittsburgh	47.049	NSF 1740630	-	66,973
Massachusetts Institute of Technology	47.050	EAR-1647504	-	17,472
The Trustees of Columbia University	47.050	OCE-1450528	-	30,535
University of California at Davis	47.050	EAR-1550901	-	95,095
University of California at San Diego	47.050	PLR-1246151	-	10,435
University of Kansas	47.050	ICER-1639734	-	8,988
Purdue University	47.070	CCF-0939370	-	484,634
University of IL at Urbana-Champaign	47.070	ACI-1440733	-	9,819
University of Illinois at Chicago	47.070	CNS-1248080	-	25,995
University of Illinois at Chicago	47.070	OCI-0725070	-	6,292
Cary Institute of Ecosystem Studies	47.074	DEB-1637661	-	14,232
Arizona State University	47.075	SES-1655011	-	29,631
Clark University	47.075	SES-1832393	-	22,172
New York University	47.075	BCS-1733897	-	56,924
Northwestern University	47.075	BCS-1461088	-	48,021
University of CA at Santa Barbara	47.075	NSF 1801251	-	47,182
Yale University	47.075	SES-1638952	-	(106)
Michigan State University	47.RD	NSF 0939454	-	75,271
<b>Subtotal National Science Foundation Pass-Through Programs</b>			-	<b>4,732,966</b>
<b>Total National Science Foundation</b>			<b>15,432,905</b>	<b>65,223,831</b>
<b>National Aeronautics and Space Administration Direct Programs</b>				
Science	43.001		2,434,678	7,448,992
Space Operations	43.007		-	23,049
Cross Agency Support	43.009		-	(213)
Space Technology	43.012		-	66,064
NASA - NNG16PJ30C	43.RD		-	148,448
NASA - NNG16PJ29C	43.RD		-	204,860
NASA - NNG17FC93C	43.RD		1,460,677	1,491,677
<b>Subtotal National Aeronautics and Space Administration Direct Programs</b>			<b>3,895,355</b>	<b>9,382,877</b>
<b>National Aeronautics and Space Administration Pass-Through Programs From:</b>				
Cal Tech - Jet Propulsion Lab (JPL)	43.001	NNN12AA01C	-	654,156
National Center for Atmospheric Research	43.001	NSSC18K0288	-	18,108
Smithsonian Astrophysical Observatory	43.001	NAS8-03060	-	298,413
Southwest Research Institute	43.001	NNX17AB98G	-	371
Space Telescope Science Institute	43.001	NAS5-26555	-	738,666
The Johns Hopkins University	43.001	NNN06AA01C	3,549,777	3,942,677
University of Alabama at Huntsville	43.001	NNX16AG83G	-	19,578
University of California at Los Angeles	43.001	NNX15AH05A	-	307,607
University of Florida	43.001	NNX17AK87G	-	37,361
Woods Hole Oceanographic Institute	43.001	NNX16AR50G	-	27,031
Woods Hole Oceanographic Institute	43.001	NSSC17K0555	-	25,738
Texas A&M University	43.002	NNX17AJ96A	-	138,123
University of Michigan	43.002	NNX16AP90A	-	77,618
National Institute of Aerospace	43.008	Letter dtd 01/18/2018	-	5,932
Actasys Inc.	43.RD	NNX17CL28P	-	6,885
Massachusetts Institute of Technology	43.RD	NNG14FC03C	-	35,537
MetroLaser, Inc.	43.RD	NNX16CA05C	-	35,833
Stanford University	43.RD	NNG16PJ24C	-	86,564
University of CA at Santa Barbara	43.RD	JPL 1533766	-	10,911
<b>Subtotal National Aeronautics and Space Administration Pass-Through Programs</b>			<b>3,549,777</b>	<b>6,467,109</b>
<b>Total National Aeronautics and Space Administration</b>			<b>7,445,132</b>	<b>15,849,986</b>

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>Department of Defense Direct Programs</b>				
Department Of Defense - HDTRA116C0025	12.RD		619,260	1,254,874
Department Of Defense - N3239817P0217	12.RD		-	76,710
<b>Subtotal Department of Defense Direct Programs</b>			<b>619,260</b>	<b>1,331,584</b>
<b>Department of Defense Pass-Through Programs From:</b>				
University of Georgia	12.360	W912HQ13C0017	-	24,604
AlMdyn, Inc.	12.RD	HR001116C0116	-	113,901
American Society for Engineering Educ	12.RD	NDSEG Fellowship	-	722,100
BAE Systems, Inc.	12.RD	N6833517C0207	-	58,582
BAE Systems, Inc.	12.RD	HR001117C0048	-	117,514
Bascom Hunter Technologies, Inc.	12.RD	N6833517C0345	-	37,500
Combustion Science & Engineering, Inc.	12.RD	N6833517C0403	-	49,696
Drexel University	12.RD	FA875017C0142	-	139,347
FlexTech Alliance	12.RD	W911NF1030001	-	(95)
Good Judgment Inc.	12.RD	16061300002	-	106,807
Government of Israel Ministry of Defense	12.RD	1000366232	-	224,360
HRL Laboratories, LLC	12.RD	H9823015C0453	-	221,052
Intl Business Machines Corp. (IBM)	12.RD	W911NF1610114	-	194,816
Iowa State University	12.RD	N6600115C4068	-	264,931
LGS Innovations LLC	12.RD	HR001117C0052	-	123,229
MetroLaser, Inc.	12.RD	FA865013C1610	-	(2,374)
MetroLaser, Inc.	12.RD	FA955017P0002	-	11,149
MetroLaser, Inc.	12.RD	FA945118C0208	-	143,877
Naval Medical Research Center	12.RD	N3239817P0342	-	64,080
Physical Sciences Inc.	12.RD	N6833517C0359	-	12,000
Siemens Medical Solutions USA, Inc.	12.RD	FA885014C7358	-	(485)
Solutions Through Innovative Tech Inc	12.RD	NDSEG Fellowship	-	291,840
SRI International	12.RD	140D6318C0020	-	105,892
SRI International	12.RD	FA875018C0213	-	21,629
Stanford University	12.RD	W911NF16C0052	-	273,185
Triton Systems Inc.	12.RD	FA865017C5076	-	67,881
Twinleaf LLC	12.RD	N0001414C0326	-	55,023
University of California at Los Angeles	12.RD	W911NF15C0205	-	107,671
Vencore Labs, Inc.	12.RD	HR001117C0047	-	238,032
Woods Hole Oceanographic Institute	12.RD	W912HQ13C0070	-	41,476
<b>Subtotal Department of Defense Pass-Through Programs</b>			<b>-</b>	<b>3,829,220</b>
<b>Total Department of Defense</b>			<b>619,260</b>	<b>5,160,804</b>
<b>Army Direct Programs</b>				
Collaborative Research and Development	12.114		-	30,231
Military Medical Research and Development	12.420		-	603,647
Basic Scientific Research	12.431		2,344,233	7,087,719
<b>Subtotal Army Direct Programs</b>			<b>2,344,233</b>	<b>7,721,597</b>
<b>Army Pass-Through Programs From:</b>				
University of Michigan	12.420	3003179877	-	83,174
Arizona State University	12.431	W911NF1610448	-	127,874
Carnegie Mellon University	12.431	W911NF1710587	-	50,939
Massachusetts Institute of Technology	12.431	W911NF1720098	-	86,917
The Trustees of Columbia University	12.431	W911NF1210594	-	103,370
University of CA at Santa Barbara	12.431	W911NF1610474	-	83,746
University of IL at Urbana-Champaign	12.431	W911NF1510479	-	141,711
<b>Subtotal Army Pass-Through Programs</b>			<b>-</b>	<b>677,731</b>
<b>Total Army</b>			<b>2,344,233</b>	<b>8,399,328</b>
<b>Navy Direct Programs</b>				
Basic and Applied Scientific Research	12.300		724,533	6,052,791
<b>Subtotal Navy Direct Programs</b>			<b>724,533</b>	<b>6,052,791</b>
<b>Navy Pass-Through Programs From:</b>				
Air Force Research Laboratory (Rome)	12.300	HR0011623024	138,666	255,067
Carnegie Mellon University	12.300	FA87501720027	-	69,950
University of California at Berkeley	12.300	N000141712313	-	31,536
University of California at Davis	12.300	N000141712961	-	100,935
University of California at San Diego	12.300	N000141612516	-	147,570
University of Virginia	12.300	N000141410533	-	222,394
<b>Subtotal Navy Pass-Through Programs</b>			<b>138,666</b>	<b>827,452</b>
<b>Total Navy</b>			<b>863,199</b>	<b>6,880,243</b>
<b>Air Force Direct Programs</b>				
Air Force Defense Research Sciences Program	12.800		663,891	3,258,036
<b>Subtotal Air Force Direct Programs</b>			<b>663,891</b>	<b>3,258,036</b>

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>Air Force Pass-Through Programs From:</b>				
Applied Communications Sciences	12.800	FA8750-16-C-0054	-	378,348
Calif Inst of Technology (Cal Tech)	12.800	FA9550-16-1-0566	-	318,269
Florida State University	12.800	FA9550-17-1-0084	-	91,912
Florida State University	12.800	FA9550-14-1-0289	-	100,741
Institute for Advanced Study	12.800	FA9550-17-1-0363	-	86,376
Massachusetts Institute of Technology	12.800	FA9550-17-1-0114	-	12,960
Rice University	12.800	FA9550-15-1-0022	-	178,601
The Pennsylvania State University	12.800	FA9550-13-1-0004	-	352,269
The Pennsylvania State University	12.800	FA9550-18-1-0037	-	2,228
University of California at San Diego	12.800	FA9550-16-1-0321	-	226,406
University of California at San Diego	12.800	FA9550-10-1-0572	-	(56)
University of Toronto	12.800	FA9550-13-1-0005	-	90,019
Virginia Polytechnic Inst & State Univ	12.800	FA9550-15-1-0193	-	49,123
<b>Subtotal Air Force Pass-Through Programs</b>			-	<b>1,887,196</b>
<b>Total Air Force</b>			<b>663,891</b>	<b>5,145,232</b>
<b>Secretary of Defense Direct Programs</b>				
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		63,512	196,711
<b>Subtotal Secretary of Defense Direct Programs</b>			<b>63,512</b>	<b>196,711</b>
<b>Total Secretary of Defense</b>			<b>63,512</b>	<b>196,711</b>
<b>Advanced Research Projects Agency Direct Programs</b>				
Research and Technology Development	12.910		411,970	1,312,660
<b>Subtotal Advanced Research Projects Agency Direct Programs</b>			<b>411,970</b>	<b>1,312,660</b>
<b>Advanced Research Projects Agency Pass-Through Programs From:</b>				
BBN Technologies	12.910	HR001117C0022	-	162,231
Massachusetts Institute of Technology	12.910	W31P4Q161001	-	41,731
University of Michigan	12.910	HR00111330002	-	468,699
University of Pennsylvania	12.910	D17AC00005	-	116,639
<b>Subtotal Advanced Research Projects Agency Pass-Through Programs</b>			-	<b>789,300</b>
<b>Total Advanced Research Projects Agency</b>			<b>411,970</b>	<b>2,101,960</b>
<b>Office of Personnel Management Direct Programs</b>				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011		-	40,045
<b>Subtotal Office of Personnel Management Direct Programs</b>			-	<b>40,045</b>
<b>Total Office of Personnel Management</b>			-	<b>40,045</b>
<b>Department of Commerce Direct Programs</b>				
Climate And Atmospheric Research	11.431		-	514,305
National Oceanic And Atmospheric Administration (NOAA) Cooperative Institutes	11.432		93,555	6,363,038
NOAA Programs for Disaster Relief Appropriations Act - Non-Construction and Construction	11.483		121,537	784,263
Science, Technology, Business and/or Education Outreach	11.620		-	7,500
<b>Subtotal Department of Commerce Direct Programs</b>			<b>215,092</b>	<b>7,669,106</b>
<b>Department of Commerce Pass-Through Programs From:</b>				
New Jersey Sea Grant Extension Program	11.417	6312-0000	-	43,905
<b>Subtotal Department of Commerce Pass-Through Programs</b>			-	<b>43,905</b>
<b>Total Department of Commerce</b>			<b>215,092</b>	<b>7,713,011</b>
<b>National Endowment for the Humanities Direct Programs</b>				
Promotion of the Humanities_Challenge Grants	45.130		-	(38)
Promotion of the Humanities_Research	45.161		-	62,475
Museums for America	45.301		-	87,160
<b>Subtotal National Endowment for the Humanities Direct Programs</b>			-	<b>149,597</b>
<b>Total National Endowment for the Humanities</b>			-	<b>149,597</b>
<b>Department of Education Direct Programs</b>				
Overseas Programs - Doctoral Dissertation Research Abroad	84.022		-	101,015
<b>Subtotal Department of Education Direct Programs</b>			-	<b>101,015</b>
<b>Total Department of Education</b>			-	<b>101,015</b>
<b>Environmental Protection Agency Pass-Through Programs From:</b>				
Amec Foster Wheeler	66.516	EP-W-16-015	-	(4,613)
<b>Subtotal Environmental Protection Agency Pass-Through Programs</b>			-	<b>(4,613)</b>
<b>Total Environmental Protection Agency</b>			-	<b>(4,613)</b>

# Princeton University

## Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b>Department of Transportation Direct Programs</b>				
Aviation Research Grants	20.108		-	44,644
<b>Subtotal Department of Transportation Direct Programs</b>			-	<b>44,644</b>
<b>Department of Transportation Pass-Through Programs From:</b>				
Rutgers University - New Brunswick	20.701	DTRT13-G-UTC28	-	49,068
<b>Subtotal Department of Transportation Pass-Through Programs</b>			-	<b>49,068</b>
<b>Total Department of Transportation</b>			-	<b>93,712</b>
<b>Department of the Interior Direct Programs</b>				
Department of the Interior - D16PC00005	15.RD		-	2,662,850
<b>Subtotal Department of the Interior Direct Programs</b>			-	<b>2,662,850</b>
<b>Total Department of the Interior</b>			-	<b>2,662,850</b>
<b>Department of Agriculture Direct Programs</b>				
Agriculture and Food Research Initiative (AFRI)	10.310		-	18,227
<b>Subtotal Department of Agriculture Direct Programs</b>			-	<b>18,227</b>
<b>Total Department of Agriculture</b>			-	<b>18,227</b>
<b>U.S. Department of State Direct Programs</b>				
Middle East Partnership Initiative	19.500		-	217,998
U.S. Department of State - SAQMMMA15M2516	19.RD		-	4,638
<b>Subtotal U.S. Department of State Direct Programs</b>			-	<b>222,636</b>
<b>Total U.S. Department of State</b>			-	<b>222,636</b>
<b>Department of the U.S. Agency for Global Media Pass-Through Programs:</b>				
Open Technology Fund	90.500	1002-2017-045	-	29,139
<b>Subtotal Department of the U.S. Agency Pass-Through Programs</b>			-	<b>29,139</b>
<b>Total Department of the U.S. Agency for Global Media</b>			-	<b>29,139</b>
<b>Agency for International Development Pass-Through Programs From:</b>				
Yale University	98.001	AID-OAA-A-12-0009	-	23,015
<b>Subtotal Agency for International Development Pass-Through Programs</b>			-	<b>23,015</b>
<b>Total Agency for International Development</b>			-	<b>23,015</b>
<b>United States Institute of Peace Pass-Through Programs:</b>				
U.S. Institute of Peace	91.RD	USP16PO0264	-	1,014
U.S. Institute of Peace	91.RD	USP16PO0689	-	24,403
<b>Subtotal United States Institute of Peace Pass-Through Programs</b>			-	<b>25,417</b>
<b>Total United States Institute of Peace</b>			-	<b>25,417</b>
<b>Total Research and Development Cluster</b>			<b>32,554,249</b>	<b>185,234,724</b>
<b>Other Awards</b>				
<b>Department of Energy Direct Programs</b>				
Office of Science Financial Assistance Program	81.049		-	9,994
<b>Subtotal Department of Energy Direct Programs</b>			-	<b>9,994</b>
<b>Total Department of Energy</b>			-	<b>9,994</b>
<b>Department of Defense Direct Programs</b>				
Department of Defense Program	12.RD		-	97,880
<b>Subtotal Department of Defense Direct Programs</b>			-	<b>97,880</b>
<b>Total Department of Defense</b>			-	<b>97,880</b>
<b>Army Direct Programs</b>				
Basic Scientific Research	12.431		-	28,167
<b>Subtotal Army Direct Programs</b>			-	<b>28,167</b>
<b>Total Army</b>			-	<b>28,167</b>
<b>Air Force Direct Programs</b>				
Air Force Defense Research Sciences Program	12.800		-	48,940
<b>Subtotal Air Force Direct Programs</b>			-	<b>48,940</b>
<b>Total Air Force</b>			-	<b>48,940</b>
<b>Institute of Museum and Library Services Direct Programs</b>				
Museums for America	45.301		-	28,280
<b>Subtotal Institute of Museum and Library Services Direct Programs</b>			-	<b>28,280</b>
<b>Total Institute of Museum and Library Services</b>			-	<b>28,280</b>
<b>Department of Education Direct Programs</b>				
National Resource Centers for Foreign Language And Area Studies/Fellowship	84.015		-	303,557
<b>Subtotal Department of Education Direct Programs</b>			-	<b>303,557</b>
<b>Total Department of Education</b>			-	<b>303,557</b>
<b>Total Other Awards</b>			-	<b>516,818</b>

**Princeton University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Passed to Subrecipients	Federal Expenditures
<b><u>Student Financial Assistance Cluster</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007		-	1,009,869
Federal Work-Study Program	84.033		-	1,026,451
Federal Perkins Loan (FPL)	84.038			
Outstanding loans as of July 1, 2017			-	4,008,205
New loans issued during FY2018			-	-
Administrative cost allowance			-	-
Federal Pell Grant Program	84.063		-	4,693,402
Federal Direct Student Loans	84.268		-	2,969,774
<b>Total Student Financial Assistance Programs</b>			-	<b>13,707,701</b>
<b><u>Federal Transit Cluster</u></b>				
Highway Planning and Construction Cluster	20.205		6,057	6,057
<b>Total Federal Transit Cluster</b>			<b>6,057</b>	<b>6,057</b>
<b>Total Federal Awards</b>			<b>\$ 32,560,306</b>	<b>\$ 199,465,300</b>

# Princeton University

## Schedule of Expenditures of State of New Jersey Awards

### For the Year Ended June 30, 2018

State Grantor / Program Title	Grant No./ Reference Number	Award Amount	Grant Period	Current Year Expenditures	Life to Date Expenditures
<b>Research &amp; Development:</b>					
<b><u>New Jersey Department of Health and Senior Services</u></b>					
<b><u>New Jersey Commission on Brain Injury Research</u></b>					
NJ Commission on Brain Injury Research	CBIR14FEL007	\$ 217,872	5/30/2014-5/29/2018	\$ 22,227	\$ 217,872
NJ Commission on Brain Injury Research	CBIR15FELL004	67,000	6/1/2015-5/31/2019	423	66,338
NJ Commission on Brain Injury Research	CBIR16FEL010	131,808	7/1/2016-6/30/2019	81,609	119,424
<b>Total New Jersey Commission on Brain Injury Research</b>		<b>416,680</b>		<b>104,259</b>	<b>403,634</b>
<b><u>New Jersey Commission on Cancer Research (NJCCR):</u></b>					
NJ Commission on Cancer Research	DFHS15PPC027	100,000	1/1/2015-12/31/2017	20,505	100,000
NJ Commission on Cancer Research	DFHS16PPC007	100,000	1/1/2016-12/31/2017	24,462	100,000
NJ Commission on Cancer Research	DFHS16PPC064	100,000	1/1/2016-12/31/2017	18,170	99,999
NJ Commission on Cancer Research	DFHS17PPC011	100,000	1/1/2017-12/31/2018	50,783	77,443
NJ Commission on Cancer Research	DFHS17PPC012	100,000	1/1/2017-12/31/2018	38,715	65,375
NJ Commission on Cancer Research	DFHS17PPC028	50,000	1/1/2017-12/31/2018	41,516	41,516
NJ Commission on Cancer Research	DFHS18PPC003	100,000	1/1/2017-12/31/2019	16,829	16,829
NJ Commission on Cancer Research	DHFS16PPC026	100,000	1/1/2016-12/31/2018	38,023	83,114
NJ Commission on Cancer Research	DHFS16PPC056	50,000	1/1/2016-12/31/2017	14,711	49,945
NJ Commission on Cancer Research	DHFS16PPC073	50,000	1/1/2016-12/31/2017	9,150	48,315
<b>Total New Jersey Commission on Cancer Research</b>		<b>850,000</b>		<b>272,864</b>	<b>682,536</b>
<b><u>NJ Commission on Spinal Cord Research</u></b>					
NJ Commission on Spinal Cord Research	CSCR15ERG017	200,000	6/29/2015-6/30/2019	56,817	162,388
NJ Commission on Spinal Cord Research	CSCR15IRG002	548,914	6/29/2015-6/30/2019	177,717	431,868
NJ Commission on Spinal Cord Research	CSCR17TTT008	4,000	3/1/2017-2/28/2018	-	989
<b>Total New Jersey Commission on Brain Injury Research</b>		<b>752,914</b>		<b>234,534</b>	<b>595,245</b>
<b><u>NJ Department of Human Services</u></b>					
Division of Developmental Disabilities	02LP18C	100,000	7/1/2016-6/30/2019	51,146	100,000
<b>Total New Jersey Department of Human Services</b>		<b>100,000</b>		<b>51,146</b>	<b>100,000</b>
<b>Total Research and Development</b>		<b>2,119,594</b>		<b>662,803</b>	<b>1,781,415</b>
<b>Other Programs:</b>					
<b><u>New Jersey Department of State</u></b>					
<b><u>New Jersey Council on the Arts</u></b>					
NJ State Council on the Arts	1805X020132	30,000	7/1/2017-6/30/2018	30,000	30,000
<b>Total Other Programs</b>		<b>30,000</b>		<b>30,000</b>	<b>30,000</b>
<b>Student Financial Aid:</b>					
<b><u>New Jersey Higher Education Student Assistance Authority</u></b>					
New Jersey Tuition Grant Aid	NONE	904,247	INDEFINITE	904,247	904,247
New Jersey Garden State Distinguished Scholars Grants	NONE	3,000	INDEFINITE	3,000	3,000
<b>Total Student Financial Aid</b>		<b>907,247</b>		<b>907,247</b>	<b>907,247</b>
<b>Total New Jersey State Awards</b>		<b>\$ 3,056,841</b>		<b>\$ 1,600,050</b>	<b>\$ 2,718,662</b>

The accompanying footnotes are an integral part of the Schedule of Expenditures of State of New Jersey Awards

**Princeton University**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

---

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of New Jersey Awards (the “Schedules”) have been prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the State of New Jersey Department of the Treasury Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, as applicable. The purpose of the Schedules is to present a summary of the activities of Princeton University (the “University”) for the year ended June 30, 2018, which have been financed by the U.S. Government and the State of New Jersey, respectively. For purposes of the Schedules, federal and state awards include all federal and state financial assistance relationships entered into directly between the University and the federal government or the State of New Jersey and sub awards from nonfederal and nonstate organizations made under federally or state sponsored agreements. Negative amounts listed on the Schedule of Expenditures of Federal Awards represent adjustments, in the normal course of business, to amounts included on the prior year’s Schedule of Expenditures of Federal Awards. The pass-through entity identifying number on the Schedule of Expenditures of Federal Awards represents the identification number assigned by the prime to the applicable program. CFDA numbers and pass-through numbers are provided when applicable. Certain awards reference an internal management identifier when no sponsor identifier is available. Because the Schedules present only a selected portion of the activities of the University, they are not intended to and do not present either the financial position, changes in net assets or cash flows of the University.

Consistent with the provisions of OMB Uniform Guidance, the Schedule of Expenditures of Federal Awards does not include expenditures of the Princeton Plasma Physics Laboratory (“PPPL”) that were funded by Department of Energy (“DOE”) contract. The PPPL, a national laboratory operated and managed by the University under contract directly with DOE, represents a government-owned, contractor operated (GOCO) facility. GOCOs are excluded from the provisions of the OMB Uniform Guidance (section 200.38 – Federal award).

The accounting principles followed by the University in preparing the Schedules are as follows:

*Sponsored Research (Research and Development) and Other Awards*—Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Uniform Guidance. Under those cost principles, expenditures also include a portion of costs associated with general University activities (indirect costs) which are allocated to federal and state awards under negotiated formulas commonly referred to as facilities and administrative cost rates. The University did not elect to use the 10% de minimis rate.

*Student Financial Assistance*—Expenditures are recognized on the accrual basis for both awards made to students and allowable administrative expenses of running such programs.

**2. Facility and Administrative Costs**

The University’s Federal negotiated predetermined cost rates for the year ended June 30, 2018 were as follows:

Princeton University Sponsored Activity	<b><u>Rate</u></b>
On Campus	61.0 %
Off Campus	26.0 %

**Princeton University**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

---

Indirect cost rates for New Jersey state awards are determined by New Jersey state agencies on a proposal basis.

**3. Federal Perkins Loan Program**

Amounts reported in the schedule of expenditures of federal awards for the Federal Perkins Loan Program (84.038) represent the Perkins Revolving Loan Fund outstanding at the beginning of the year, an administrative cost allowance and loans made during the year. The balance of Federal Perkins loans outstanding as of June 30, 2018 was \$3,217,424. The University did not receive a federal capital contribution nor make any matching contribution to the Federal Perkins Loan fund in 2018. An administrative cost allowance associated with expenditures related to Federal Work Study and Federal SEOG is included in the schedule of expenditures of federal awards where applicable.

**4. Federal Direct Loan Program**

The University participates in the Federal Direct Loan Program (84.268), which includes subsidized and unsubsidized Federal Stafford Loans (“Stafford”) and Federal PLUS Loans (“PLUS”). Even though the University is not the recipient of the funds and loans under the Federal Direct Loan Program, which are made to students, such programs are considered a component of the student financial assistance program at the University. The schedule of expenditures of federal awards includes the amounts awarded to students during the year ended June 30, 2018. It is not practical to estimate the outstanding balance of loans under this program.



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Trustees of Princeton University:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Princeton University and its subsidiaries (the "University", which as described in Note 2 is legally known as The Trustees of Princeton University), which comprise the consolidated statements of financial position as of June 30, 2018 and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 20, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

New York, New York  
November 20, 2018



**Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance and New Jersey Department of Treasury Circular Letter 15-08-Office of Management and Budget**

To the Trustees of Princeton University:

***Report on Compliance for Each Major Federal and State Program***

We have audited Princeton University's (the "University", which is legally known as The Trustees of Princeton University) compliance with the types of compliance requirements described in the OMB Compliance Supplement and The New Jersey Department of the Treasury Circular Letter 15-08 Office of Management and Budget, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, that could have a direct and material effect on each of the University's major federal and state programs respectively, for the year ended June 30, 2018. The University's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and The New Jersey Department of the Treasury Circular Letter 15-08 Office of Management and Budget, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and The New Jersey Department of the Treasury Circular Letter 15-08 Office of Management and Budget, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the University's compliance.



### ***Opinion on Each Major Federal and State Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

### ***Report on Internal Control Over Compliance***

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and The New Jersey Department of the Treasury Circular Letter 15-08 Office of Management and Budget, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and The New Jersey Department of the Treasury Circular Letter 15-08 Office of Management and Budget. Accordingly, this report is not suitable for any other purpose

*PricewaterhouseCoopers LLP*

New York, New York  
March 1, 2019

**Princeton University**  
**Summary of Independent Auditors' Results**  
**Year Ended June 30, 2018**

---

**Section I—Summary of Independent Auditors' Results**

**Financial Statements**

Type of report of independent auditors issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal Control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes  X  None reported

Type of independent auditors' report issued on compliance for major programs: Unmodified

**State of New Jersey Awards**

Internal Control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes  X  None reported

Type of independent auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with:

2 CFR section 200.516 (a)? \_\_\_\_\_ Yes  X  No

State of New Jersey OMB Circular 15-08? \_\_\_\_\_ Yes  X  No

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

**Federal:**

Various

Research and Development Cluster

**State:**

Various

Research and Development Cluster

**Princeton University**  
**Summary of Independent Auditors' Results**  
**Year Ended June 30, 2018**

---

Dollar threshold used to distinguish between  
Type A and Type B programs:

Federal Awards: \$3,000,000  
State of New Jersey Awards: \$750,000

**Federal:**

Auditee qualified as low-risk auditee?                      X   Yes                           No

**State:**

Auditee qualified as low-risk auditee?                      X   Yes                           No

**Princeton University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

---

**Section II — Financial Statement Findings**

The audit disclosed no items required to be reported in this section.

**Section III—Federal Award Findings and Questioned Costs**

The audit disclosed no items required to be reported in this section.

**Section IV—State of New Jersey Award Findings and Questioned Costs**

The audit disclosed no items required to be reported in this section.

**Princeton University**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2018**

---

**Federal Programs**

No findings in prior year that require an update in this report.

**State Programs**

No findings in prior year that require an update in this report.