



Report of the Treasurer 2018-19

FINANCIAL STEWARDSHIP IN THE SERVICE OF
ACCESS AND AFFORDABILITY



Princeton University Highlights

Fiscal years ending June 30

FINANCIAL

(dollars in thousands)

	2019	2018
Principal sources of revenues		
Tuition and fees (net)	\$ 132,129	\$ 128,728
Government grants and contracts	307,405	292,917
Private gifts, grants, and contracts	216,229	142,746
Investment earnings, including unrealized gains or losses	1,517,765	3,236,891
Principal purposes of expenditures		
Academic and research	1,093,716	1,079,486
Student services and support	313,257	297,784
General administration and operations	224,296	222,336
Summary of financial position		
Assets	32,074,190	31,582,051
Liabilities	4,001,244	4,186,498
Net assets	28,072,946	27,395,553
Net assets		
Without donor restrictions	12,220,192	11,881,694
With donor restrictions	15,655,987	15,312,898
Noncontrolling interests	196,767	200,961
Total	\$28,072,946	\$27,395,553

STUDENTS

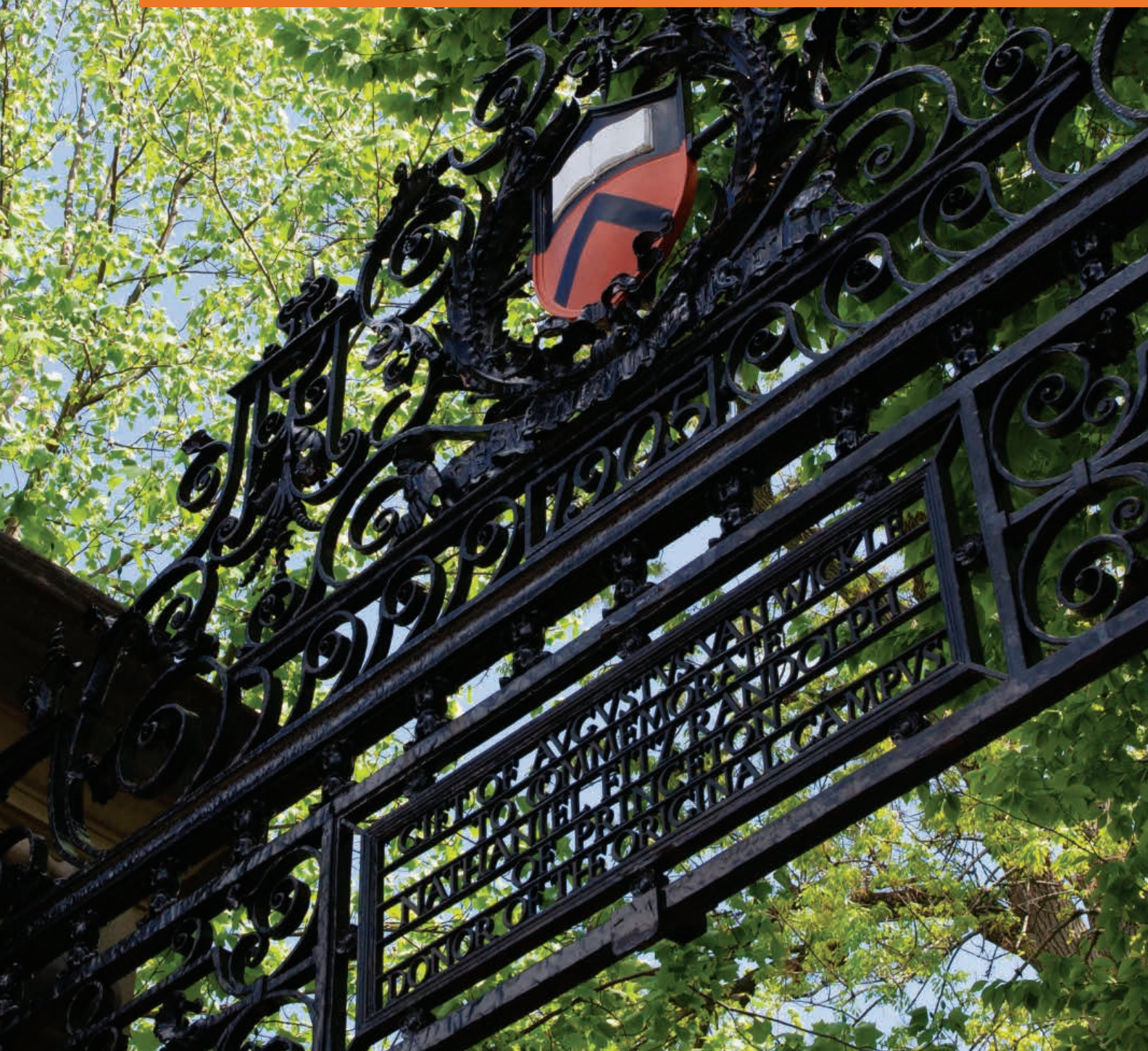
Enrollment		
Undergraduate students	5,267	5,260
Graduate students	2,946	2,845
Degrees conferred		
Bachelor's degrees	1,297	1,281
Advanced and all other degrees	1,038	995
Annual tuition rate		
Undergraduate	\$ 49,450	\$ 47,140
Graduate	49,450	47,140

FACULTY

Full-time equivalent	1,031	1,019
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“We began focusing on the importance of increasing socioeconomic diversity at Princeton before the issue began receiving significant attention from journalists and others. We did so not in response to political breezes, but because of an unwavering belief that we must attract and enroll extraordinary students from all backgrounds who will improve the University and increase our impact on the world.”

—President Christopher L. Eisgruber, *“The State of the University,”* February 2018”





In the Service of Access and Affordability

Letter from the Treasurer



As a recent addition to the Princeton community, I find myself in awe of its many treasures. I am struck by the University's mission-driven use of its resources to enable the pursuit of knowledge, the exploration of ground-breaking ideas, and the enrichment of lives. Perhaps what most impresses me is the University's rare ability to be both affordable and accessible to students regardless of their families' financial means.

With that as context, I am proud to share the Report of the Treasurer for fiscal year 2019.

As you will see in the report's opening pages, the theme this year is access and affordability. In a sense, it is a story that has been in motion for quite some time. For nearly four decades, the University has considered students for admission without reference to their families' ability to pay. In 2001, the University replaced loans with grants in student aid packages and with that began a journey to becoming one of the most affordable educations among American colleges and universities. The results of this journey are evident, most notably: 62% of students received aid in 2019, up from 40% in 2001; and the average no-loan scholarship grant equaled 81% of the total fee rate in 2019, compared to 56% in 2001. Our commitment to affordability can be seen in our allocation of \$356 million toward financial aid in fiscal year 2019, an 8.5% increase over the prior year; and the 18% of our endowment spending committed to student support.

The current generation of Princeton students comes from around the world, bringing diverse perspectives, experiences, backgrounds and talents to our campus. Each individual adds invaluable insight in the classroom and on campus. We are committed not only to helping them get here, but to cultivating experiences that inspire their deepest potential both at Princeton, and as they become the next generation of leaders in their fields. Ultimately, this is the University's greatest contribution to humankind.

Looking into the near future, our ongoing commitments to access and affordability continue to be among our highest priorities. With plans for expansion of the undergraduate student body and campus growth, we will make a Princeton education available and affordable to additional outstanding students, regardless of their financial means. I am honored and excited to be part of a community that enables such a noble cause.

A handwritten signature in dark ink that reads "James S. Matteo". The signature is fluid and cursive, with the first name "James" and last name "Matteo" clearly legible.

JAMES S. MATTEO

Vice President for Finance and Treasurer

Affordability & Access

Princeton University has long risen to the fore when it comes to affordability in higher education. Backed by visionary financial stewardship and a leadership team that seeks to continually reimagine what impact-oriented student support looks like, our mission is for Princeton to be accessible and affordable. • This is more than a narrative of dollars and cents. Guided by the Board of Trustees and President Christopher Eisgruber, we view it as an enduring responsibility to leverage our endowment for the good of humankind by empowering every student to succeed. • At heart, that's a human story. We cast a wide net to identify and attract the brightest minds to Princeton, wherever they may be. We set a progressive example, reaching a range of individuals whose talents reflect our reputation for excellence. That begins with need-blind admissions. It is backed by grant-based aid that ensures a Princeton education is affordable without requiring student debt. • Throughout their time here and beyond, Princeton equips students with transformative tools and experiences—from community building and funding support to individual mentorship. • In the following pages, we reveal how a forward-looking mission backed by strong financials is shaping the next generation of Princeton success stories. •



Elements of a Transformative Financial Aid Program

Powered by Princeton's exceptional financial aid program and robust endowment, the net tuition price of a Princeton education has dropped over the past 15 years when measured in inflation-adjusted dollars. This dovetails with a vision articulated by President Eisgruber: "We are drawing talent here from every background in order to have the kind of people who make a university a great liberal arts research university in the 20th century." Backed by a mission-driven investment and fundraising strategy, the undergraduate financial aid program is growing with a clear purpose: to make a Princeton education affordable to all students who are admitted. 14% of Princeton's operating budget goes towards financial aid, covering undergraduate scholarships and graduate student fellowships. The financial aid program is underpinned by the following practices:

- Admission is need-blind for all applicants, including international students.
- Financial aid is awarded solely based on need; there are no merit scholarships.
- Need is determined via careful review of each family's financial circumstances.
- The full need of every admitted student is met through grants, not loans.

Continuing Innovation

Effective fall 2020, Princeton will eliminate summer savings expectations and required term-time jobs from its financial aid packages in favor of a single, smaller student contribution. The difference will be covered by an increase in grants. This removes barriers for students who wish to enroll in summer programs, or take an internship.

Powerful Percentages: The Class of 2023

As a result of clear leadership and growth-focused financial stewardship, Princeton is recognized by many as one of the best values in education.

300% increase in Pell Grants.

24.5% of students were eligible for federal Pell grants for low-income students, a 300% increase over the class of 2007.

82% of students graduate debt-free.

More than 61% of undergraduates receive financial aid. Among recent seniors, 82% graduated debt-free.

100% support. For families making up to \$65,000 per year, financial aid covers full tuition, residential college fee, room and board.

Graduate Student Funding Support

- Princeton guarantees funding for its regularly enrolled, degree-seeking Ph.D. candidates for all years of regular program enrollment.
- The types of funding provided to regularly enrolled PhD candidates includes fellowships, research and teaching assistantships, and external financial support.
- Graduate student support includes full tuition and fees along with a base stipend intended to support the estimated living expenses of a single graduate student during each year of regular enrollment.
- The funding for master's students varies by department. Master's students are eligible for assistantships in research and instruction, and many students receive significant amounts of financial aid.
- All forms of graduate student support exceed \$200 million per year, about 10% of the total operating budget.

Princeton replaced loans with grants in its financial aid package for students entering in fall 2001, meeting the full need of all admitted students. We were the first University to make this change.

"Money" and "Kiplinger's" have identified Princeton as one of the most affordable colleges in the United States.

The average graduating debt for those who borrowed is lower at Princeton than at any other national university in the U.S. News list.

—U.S. NEWS AND WORLD REPORT

Empowering Students, Cultivating Leaders

Paramount among Princeton's values are inclusivity, affordability, and diversity which includes a push to extend a Princeton education to a diverse range of highly-qualified students. This ethos is elegantly distilled in the University's informal motto: "Princeton in the nation's service and the service of humanity." Each student is encouraged to develop their gifts, foster a strong network, and consider how they may apply their talents in the wider world.

This distinctive philosophy charges Princeton's fiscal approach with special purpose. Our financial foundation primes global change-makers, each of whom brings a unique blend of experiences to campus, while benefiting from the unique culture that distinguishes Princeton.

From the classroom to the research lab, we value the wisdom and potential that resides in human synergies. It is what has long made Princeton a pace-setter in higher education.

Princeton received "INSIGHT Into Diversity" magazine's 2019 Higher Education Excellence in Diversity (HEED) Award for its outstanding commitments to diversity and inclusion.

One Campus, Many Stories: The Class of 2023

50.8% women

49.2% men

18% first-generation college students

49.5% American students of color

63% from public high schools

12% international students

24.5% Pell grant recipients

Investing in Transformative Experiences

As Princeton cultivates a diverse community of leaders poised to contribute during a time of great global challenges and opportunities, it is not enough to help them get here. We are investing so that they thrive. This means ensuring that every student is supported, respected, and empowered to activate their definition of success.

Princeton's endowment and operating budget are key to this endeavor. Internal and donor resources are stewarded to maximize our teaching and research mission across multiple dimensions. Innovative programming has also emerged to reinforce and reimagine campus success structures for every student.

Programs for Access and Inclusion

The University has a collection of distinctive programs in place that advance Princeton's commitment to an inclusive student body. Anchoring this work is an emphasis on mentorship, academic enrichment, and community-building.

SCHOLARS INSTITUTE FELLOWS PROGRAM (SIFP): SUPPORTING FIRST-GENERATION AND LOW-INCOME STUDENTS

In 2015, SIFP launched with 50 participants. Today, 450 student-scholars take part in programming that helps them navigate University resources, achieve their goals, and build leadership skills from admission through their time here and beyond. Academic and professional development is paramount, and the key that unlocks it is student leadership. SIFP Head Fellows play a vital role in developing co-curricular programming, facilitating mentorship meetings, and providing ongoing mentorship for their underclass peers.

COURTNEY PERALES REYES '17

*Coordinator and Communications Associate,
Programs for Access and Inclusion*

Mentorship that Goes Full Circle

I'm the first in my family to go to college.

An alumni interview opened my eyes to the opportunity here: He talked about how the experience was very much focused on the liberal arts and undergraduates. The more he expressed what it was like to be a part of that kind of community, the more excited I was.

I selected Princeton because of how much opportunity there is: support financially, with mentorship on campus, and through programs like SIFP.

I was part of the Freshman Scholars Institute (FSI) my incoming summer. In 2015, SIFP was launched. FSI students, as well as first-generation / low-income students more broadly, would have a community space and receive high-touch mentorship not just from peers but from staff. They were working to fulfill a larger mission of defining what kind of organizational and financial support to offer students throughout their four years at Princeton. They provide a kind of pipeline for students to actively engage with community and campus resources.

My junior year, I became a SIFP Head Fellow mentor. The fact that I would be working closely with students that I could directly see myself in—I didn't realize how much of an impact it would have on my personal and professional

growth. It's a reflective process to be a mentor.

It's empowering: an opportunity to close a gap that continuing generation students might not experience. In a lot of ways, I feel like Princeton is becoming the trailblazer amongst the Ivies in supporting first-gen and lower-income students.

Looking ahead, I'm applying to interdisciplinary Ph.D. programs to pursue immigration and migration research. As an undergraduate, I studied Anthropology, with certificates in Latino and Latin American Studies. I worked with the Princeton Dream Team, an immigration advocacy organization, and led a Spring Breakout Trip for the Pace Center for Civic Engagement focused on humanitarian activism at the border. It is an unexpected surprise that I ended up working for Programs for Access and Inclusion, but through my role, I'm blessed to remain in close proximity to mentors, professors, and faculty who will be my recommenders.

It's an excellent opportunity that I hope more alumni will take advantage of. It speaks to the office's larger mission of facilitating success for students post-Princeton: It's not just "to and through" the University. They help students maintain their mentorship connections.



PRINCETON TRANSFER PROGRAM

In 2018, the first cohort of transfer students since 1990 arrived. Princeton's reinstated program encourages exceptionally well-prepared students from a range of backgrounds to apply, particularly those from low-income backgrounds, community colleges, and the U.S. military. Unique among top-tier universities is a financial aid package for veterans that doesn't require use of Post 9/11 GI Bill funds, preserving them for later study.

THOMAS JOHNSON '22

Military Veteran, Transfer Student, New Parent

A Place for New Beginnings



I got out of the military in 2015, where I served as an Army combat medic. I took some time off, and then realized I wanted to go back and get a college degree. I started at Pikes Peak Community College in Colorado Springs, knowing that I would eventually transfer.

I wanted to get the best education possible, but also to avoid student loans or any burden on my family, since I had GI Bill benefits. Throughout the transfer process, I worked with Service to School, a nonprofit that helps veterans access higher education. Princeton is a direct partner, through their VetLink program. Their advisor mentioned that there was a veteran class the year before and that they were opening to transfers. He also said financial need was met fully, without even having to touch the GI Bill. That really drew me to apply.

There was another huge reason I came: To be part of a really amazing piece of history at Princeton. I worked in the veterans' department at Pikes Peak, helping students get their educational benefits. It has always been a huge thing for me: for veterans to understand their opportunities. I'm studying computer

science and engineering. Veterans are underrepresented, often because they are not aware of the resources. To be a part of that push for veterans is an honor. I would like to show others that, hey, it's possible to get this type of education.

I participated in FSConnect the summer before I started, which helps you get into the flow of what a Princeton class might feel like. Being able to connect with other students really gave me a stronger connection when I arrived. Then, the first day of classes, my first child was born. It's a daunting task to start Princeton, and daunting to become a father for the first time. Those connections helped me feel more at home.

Departments and others have been so open to having such a new experience on campus, and really accepting of my wife and daughter. They feel like they are part of the community. There are so many resources here: financial support, educational support, mental health support. A Princeton education is rigorous, but it's worth it—and you have a support system.





1VYG CONFERENCE & FGLI CONSORTIUM ADMINISTRATOR CONFERENCES UNITE

In February 2019, more than 300 students and 150 administrators convened at Princeton for a double-header: The largest conference for first-generation, low-income college students was held alongside the annual gathering for faculty and administrators establishing best practices to support them. Open to a wide group of selective universities across the country, it included a keynote featuring President Eisgruber and Daniel R. Porterfield, president and CEO of the Aspen Institute, focused on increasing college access for students from low- and middle-income backgrounds.

LUCY CHUANG '21

*Politics Concentration, with Certificates in
Asian American Studies and Creative Writing*

A Story of Resilience

My mother worked two jobs: as a janitor and in the cafeteria at a local elementary school. I remember wincing as one of my teachers scolded the class once—"If you don't work hard in school, you'll either end up a McDonald's worker or a janitor." I didn't know how to grapple with connotations that my mother was uneducated, lazy, that this was the only job she could get. All false. People don't know she worked in pharmaceuticals in her native China, has read and taught me about one of her favorite pieces of literature, and can explain the elaborative concepts of Daoism and Confucianism without stuttering in her beautiful Mandarin dialect.

When I wasn't comfortable with my identity, I took to writing. I wrote about feeling invisible in a sea of people who didn't look like me. I wrote about walking a tightrope between two different cultural identities, feeling American and being fully Chinese. Most of all, I wrote because it was available to me as a first-generation, low-income student. I focused my poetry on what it was like to be the first in my family to go to college, to not have the same privileges of other students, who could afford to travel the world when I had never even been back to visit my parents' motherland. The

part of me that was missing in terms of understanding my own identity slowly emerged as I learned to revel in the humility and perseverance that my parents instilled in me.

Today, I continue to explore my identities and interests at Princeton as a Politics major. Through my certificates in Asian American Studies and Creative Writing, I learn to weave a narrative of intersectionality and inclusion. Currently, I am the co-president of the Asian American Students Association, a poetry editor for the creative writing group "Arch & Arrow," and a resident of the Edwards Collective, a new residential community in Mathey College for students in the arts and humanities.

It has been almost three years since I started college as a first-gen student and left home for the first time, but I never forget the community that supported me on my odyssey. They say it takes a village to raise a child—that village was my parents. My mom and dad didn't have any support systems. They had two screaming children, only a year apart, and both worked full-time jobs. My family's story is a story of resilience, a resilience that I embody.

"Resources are being put toward developing an understanding of what an ideal model of student support can look like. There is a vision for rethinking how we serve our students and how we, as an institution, empower them."

—KHRISTINA GONZALEZ,
ASSOCIATE DEAN OF THE
COLLEGE AND DIRECTOR OF
PROGRAMS FOR ACCESS
AND INCLUSION



2019: The Most Diverse Graduate Class to Date

More than 650 new graduate students were welcomed to Princeton in 2019. The master's and doctoral candidates represent the most diverse group of incoming graduate students to the University in its history.

277 undergraduate institutions

42% international students
representing nearly 50 countries

28% first-generation / low-income
students from the U.S.

43% minorities from the U.S.

GRADUATE SCHOLARS PROGRAM WELCOMES FIRST-YEAR GRADUATE AND PRE-DOCTORAL STUDENTS

Among graduate students entering Princeton in 2019, more than 50 became part of the first cohort in Princeton's new Graduate Scholars Program. Designed to enhance and support academic, social, and community development the initial graduate school experience for students from diverse backgrounds, the program features social activities, monthly seminars, and mentorship by advanced graduate students and graduate school deans who serve as a resource throughout their first year. Regular workshops and events cover a range of topics, empowering students to take an intentional and strategic approach to their education, facilitating access to University resources, and helping new arrivals develop a sense of community that transcends disciplinary boundaries.

"The Graduate School is not only committed to diversifying our graduate student population, we are committed to creating an inclusive community and sense of belonging among our students as well. The Grad Scholars Program (GSP) is one of our efforts in creating a warm and welcoming community during what is often a tough transition year for students from diverse backgrounds."

— RENITA MILLER, ASSOCIATE DEAN FOR ACCESS, DIVERSITY AND INCLUSION IN THE GRADUATE SCHOOL

Creating Strength from Strength

Campus-wide dedication to access and affordability has allowed Princeton University to support our students in significant, impactful ways. Our financial foundation continues to gather strength, and each student story demonstrates the vitality of that investment.

Looking forward, dedication to affordability and access will drive our financial stewardship approach—and the entire University community plays a role. The 2018-2019 Annual Giving Campaign emphasized the University's work to draw talent from every sector of society. Raising pledges of \$68.6 million, it included contributions from 55.4% of undergraduate alumni. These flexible funds directly support Princeton's educational mission, enabling us to stay at the forefront of teaching and research, and to ensure the affordability of our education for all students.

Stewardship that Pays Dividends

The impact of this work can be seen in an evolving, interconnected community of students and alumni who continue to pay it forward within and beyond Princeton.

- **Our alumni are leaders** in their industries and fields.
- **Our alumni create opportunities** for successive generations of Princeton students.
- **Our alumni are guiding humanity forward** in a fast-changing, complex world.

We are proud to work together to shape a future rooted in Princeton's enduring values.



Setting Sights on Expansion

As highlighted in the University's Strategic Framework, affordability is a signature commitment. We are equally dedicated to maintaining the exceptional standard of education, experiences, and facilities that have long distinguished us. As such, the University has unveiled an ambitious plan that balances the need for innovation and the continuation of the indelible traditions that make a Princeton a singular life experience.

- **We are increasing our undergraduate student body**, adding 500 students total at a rate of 125 per year beginning in fall 2022.
- **We are expanding the footprint of campus** in lockstep with this growth, building two new residential colleges and adding faculty and staff to support the increase in students.
- **We are investing in high-demand, future-focused fields** such as engineering, environmental studies and computer science.

Charged with clear purpose, visionary financial stewardship and strong leadership from the Board of Trustees to the student body, the University will continue to advance this essential work.



"Princeton's distinctive model and mission are today more vibrant, valuable, and relevant to the world's problems than ever. . . . Princeton University extends the principles that define it as a liberal arts university into the 21st century and honors its commitment to serve the nation and the world."

—UNIVERSITY STRATEGIC
FRAMEWORK

Financial Statement Overview

Letter from the Controller

Fiscal year 2019 was a financially sound year for Princeton University, with respect to operating performance as well as the growth of its financial resources. Net assets for the year ended June 30, 2019 increased by \$677 million, or 2.5 percent, primarily due to strong operating results. While the return of 6.2 percent from the managed investment portfolio slightly trailed its primary benchmark, Princeton's ranking over the long term among large university endowments is best in class. The University has increased its Endowment spending rate over the past three fiscal years to 5.34 percent in 2019, in accordance with its board-approved spending framework, so as to fund various new strategic initiatives in the areas of expanded enrollment and aid, emerging academic fields and innovation. An operating surplus of \$406 million, or 18.9 percent of total operating revenues in 2019, was achieved primarily through the increased Endowment payout combined with the prudent management of operating expenses and stewardship of financial resources.

Fiscal 2019 also saw the implementation of two significant Accounting Standards Updates ("ASU") for the University financial statements, with the adoption of ASU 2014-09, which implements a single framework for recognition of revenue from contracts with customers, and ASU 2018-08, which provides additional guidance for evaluating whether transactions should be accounted for as contributions or exchange contracts and for determining whether a contribution is conditional or unconditional. Implementation of ASU 2014-09 did not have a material impact on the financial statements, and implementation of ASU 2018-08 resulted in the accelerated recognition of revenue from certain privately sponsored grants of \$62 million in fiscal year 2019.

Revenues from tuition and fees, net of scholarships and fellowships, increased by 2.6 percent in fiscal year 2019, reflecting a 4.9 percent increase in tuition offset by an

8.5 percent increase in financial aid essential to supporting a more socioeconomically diverse student body.

Revenues from government sponsors increased 4.9 percent from fiscal years 2018 to 2019, reflecting the competitiveness of Princeton's faculty in attracting research awards in the context of constrained federal funding. The components of sponsored research revenues can be seen in Table 1. The sharp increase in private research revenues was attributable to the implementation of ASU 2018-08, resulting in the accelerated recognition of revenue from certain privately sponsored grants of \$62 million in fiscal year 2019, as noted above.

Revenues from long-term gifts and pledges of \$210 million were consistent with Princeton's long history of successful fundraising. Annual Giving, which is vital to the University's annual operations and financial aid capacity, raised \$68.6 million, one

Table 1
COMPONENTS OF SPONSORED RESEARCH REVENUES
(\$ in thousands)

2019	201,479	44,449	62,096	105,926
2018	174,373	40,070		118,544
2017	182,896	40,536		112,649
2016	164,628	36,740		125,610
2015	160,258	36,187		119,488

■ Government ■ Private ■ Adjustment for ASU 2018-08 ■ Independent Operations

of the highest in Annual Giving history and a testament to the unwavering generosity of loyal alumni, of which 55 percent participated.

Total operating revenues of \$2.1 billion in fiscal year 2019 grew 6.6 percent.

Total operating expenses of \$1.7 billion in fiscal year 2019 increased only 1.3 percent. Expected salary and wage growth of 3.4 percent was offset by flat employee benefit costs and a 16 percent reduction in interest expense due to the repayment of \$500 million in liquidity debt over fiscal years 2019 and 2018.

The University successfully pursued its regular practice of using debt for capital expenditure and property renewal purposes. Princeton's bonds and notes continue to attract high demand as a safe haven for conservative investors. In connection with a \$100 million upsizing of its commercial paper program, Princeton again received the highest attainable long- and short-term credit ratings from both Moody's Investors Service and Standard & Poor's agencies, affirming the University's stellar credit standing.

ACCOUNTING PRINCIPLES

Princeton University's financial statements, which follow herein, are presented in accordance with generally accepted accounting principles set forth by the Financial Accounting Standards Board (FASB) as supplemented by the American Institute of Certified Public Accountants (AICPA) audit and accounting guide for not-for-profit entities. In addition to general accounting guidance, the statements reflect the impact of specific reporting requirements of not-for-profit organizations prescribed by FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Compliance with AICPA guidance includes consolidating wholly-owned subsidiaries and significant trusts, in which the University is a beneficiary, as well as reporting tuition discounts, primarily fellowships and scholarships, as reductions of tuition and fee revenue. The financial statements are fully comparable, including prior-year data on the consolidated Statements of Activities.

FINANCIAL REPORTS

The principal objectives of the accounting standards are to provide consistency among the financial statements of not-for-profit organizations and to make them comparable to those of the for-profit sector. The standards require not-for-profit organizations to provide, for their external financial reports, a statement of financial position, a statement of activities, and a statement of cash flows. The organization's resources are classified among two categories of net assets, that is, gross assets less liabilities, based solely on the existence or absence of donor-imposed restrictions. Amounts for each of the two classes of net assets — net assets with donor restrictions and net assets without donor restrictions — are displayed in a statement of financial position, and the changes in each category are displayed in a statement of activities.

Net assets with donor restrictions consist of resources that may not be spent, mainly true Endowment funds. They generally are the result of gifts and bequests with donor stipulations that they be invested to provide a permanent source of income. They also may include gifts-in-kind, such as works of art or real property. Net assets with donor restrictions also include those that, again by donor stipulation, must be invested only for a certain period of time or that may be used in a future period for a specified purpose. Net assets with donor restrictions also include the accumulated income and gains on Endowment funds, absent explicit donor stipulations to the contrary, until appropriated for expenditure. Net assets without donor restrictions may be expended for any purpose and result from gifts, grants, other institutional resources, and income and gains on those funds.

Statement of Financial Position

The Statement of Financial Position is a snapshot of the University's resources and obligations at the close of the fiscal year and is comparable to the document commonly referred to as the balance sheet. Assets on the statement, which totaled \$32.1 billion as of June 30, 2019 (see Table 2, next page), are



Financial Statement Overview

(Continued)

presented in decreasing order of liquidity, from cash to property, the least liquid asset.

As of June 30, 2019, managed and other investments totaling \$26.8 billion accounted for 84 percent of total assets and increased 1.3 percent from the prior year primarily due to managed investment returns of 6.2 percent less spending appropriations of 5.34 percent (see Table 3). Property (net of accumulated depreciation) totaling \$4.2 billion accounted for an additional 13 percent of total assets. Other significant assets were contributions receivable, which totaled \$306 million, and educational and mortgage loans receivable, which totaled \$447 million.

Liabilities, which totaled \$4.0 billion as of June 30, 2019 (see Table 2), are presented in order of anticipated time of liquidation. Indebtedness to third parties totaling \$3.0 billion, which primarily includes loans to finance the construction, renovation, and maintenance of University facilities and bonds issued for working capital and general corporate purposes, accounted for 76 percent of total liabilities as of June 30, 2019. Also included are the liabilities under unitrust agreements totaling \$92 million, which represent the estimated amounts payable to donors under the University's planned giving programs. The accounting rules require donees to record a liability for the present value of the expected lifetime payments to donors, and to recognize the net amount received as a contribution in the year of receipt.

Net assets, which totaled \$28.1 billion as of June 30, 2019, are calculated as total assets less total liabilities and are classified into two categories — net assets with donor restrictions and net assets without donor restrictions (see Table 4). Net assets without donor restrictions, which totaled \$12.2 billion as of June 30, 2019, include gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. In accordance with the accounting rules, certain net assets without donor restrictions have been partially earmarked, or designated, according

Table 2
ASSETS AND LIABILITIES
(\$ in millions)

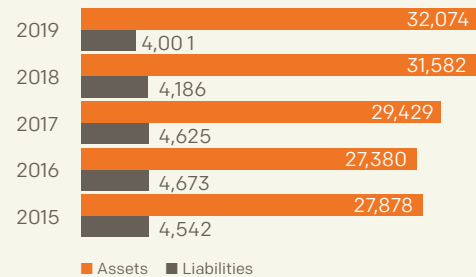
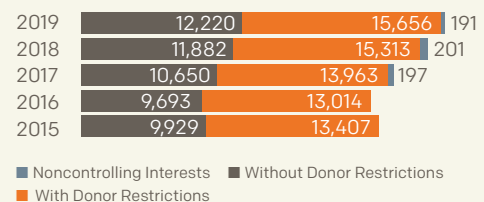


Table 3
MANAGED AND OTHER INVESTMENTS
(\$ in millions)



Table 4
NET ASSETS
(\$ in millions)



to their intended use by the University. Net assets with donor restrictions, which totaled \$15.7 billion, include: promises to give that are receivable in future years as well as donor-restricted contributions whose purpose has not yet been fulfilled, the accumulated income and gains on true Endowment assets that have been reinvested, Endowment gifts that cannot be spent, and funds held in perpetual trust by others. Noncontrolling interests of \$0.2 billion pertain to the share of controlled and consolidated investment funds that are not owned by the University.



Statement of Activities

The Statement of Activities is a summary of the income and expenses for the year, classified according to the existence or absence of the restrictions described above. Sources such as tuition, most sponsored research, and auxiliary activities normally are shown as income without donor restrictions, whereas income from certain gifts or sponsored agreements may be includible in either of the two classes of income, depending upon the donor's specifications. Gifts to Endowment, for example, are designated as with donor restrictions. Income from donor-restricted sources is reclassified to income without donor restrictions when the circumstances of the restriction have been fulfilled. All expenditures are made from net assets without donor restrictions, since funds cannot be spent until all restrictions on their use have been released.

The Statement of Activities is presented in two sections, operating and nonoperating, which reflect the principles of the University's operating budget. Items of income reported in the operating section, which totaled \$2.146 billion for the year ended June 30, 2019, include all receipts without donor restrictions as well as the Endowment earnings made available for spending under the spending rule. The major components of operating revenues and their relative proportions are shown in Figure 1.

Virtually all expenses, which totaled \$1.741 billion, are considered to be associated with operating activity and are reported on the Statement of Activities by natural classification. The major components of operating expenses by natural category and their relative proportions are shown in Figure 2.

Operating expenses by functional classification are reported in the footnotes to the financial statements. The major components of operating expenses by functional classification and their relative proportions are shown in Figure 3 (next page).

For the year ended June 30, 2019, the University produced a surplus from operating

Figure 1
OPERATING REVENUES
Fiscal Year 2019

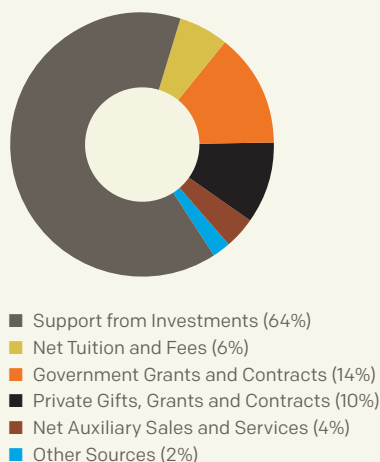
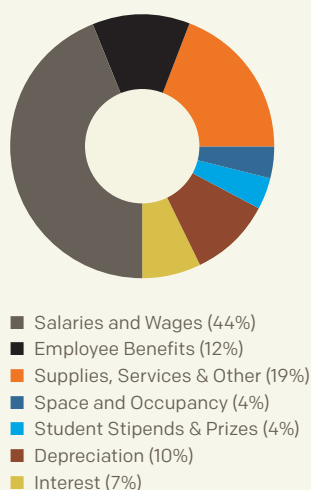


Figure 2
OPERATING EXPENSES BY NATURAL CLASSIFICATION
Fiscal Year 2019



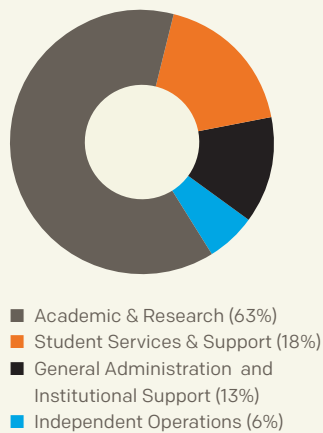
activities in the amount of \$406 million, calculated as total operating revenues less total operating expenses, as illustrated in Table 5 (next page).

Major items of income that are considered nonoperating, which amounted to a net gain of \$276 million for the year ended June 30, 2019, include unrealized appreciation on investments and Endowment income earned in the current

Financial Statement Overview

(Continued)

Figure 3
OPERATING EXPENSES BY
FUNCTIONAL CATEGORY
Fiscal Year 2019



year to be used in the current and succeeding years, in accordance with operating budget policy. The distribution of investment income for spending under the University's spending policy is shown as a transfer from nonoperating activities to operating revenue. Unrestricted gift income from Annual Giving and expendable gifts restricted for departmental use are shown as operating income, whereas income from promises to give (pledges) is considered a nonoperating source of income.

The Statement of Activities concludes with a reconciliation of the change in each class of net assets for the year to the balance of net assets shown on the Statement of Financial Position. The total change in net assets for the year ended June 30, 2019 for all classes of net assets was an increase of \$677 million.

Statement of Cash Flows

The Statement of Cash Flows is intended to be the bridge from the change in net assets for the year to the change in the cash balance from one year-end to the next. Several items shown as expenses in the Statement of Activities, such as depreciation, do not require an outlay of cash, whereas the purchase of capital assets, which does require an outlay of cash, is added directly to assets on the Statement of Financial

Position and is reflected on the Statement of Activities only in the form of depreciation expense. Other items that affect cash balances but are not required to be included in the Statement of Activities include the purchase and sale of investments, proceeds from borrowing and the repayment of loan principal, and the net change in accounts receivable and payable.

The reconciling items on the Statement of Cash Flows are grouped into three categories. Operating activities, which used \$777 million in net cash for the year ended June 30, 2019, are those items of income and expense that occur during the normal course of providing services as an educational institution. Cash flows from operating activities also include investment earnings distributions of interest and dividends. Investing activities, which provided \$920 million in net cash, include the acquisition and disposal of capital assets such as buildings and equipment and the purchase and sale of investments. Financing activities, which used \$144 million in net cash, include the proceeds from long-term borrowing to finance capital additions, renewal, and replacement, and the repayment of principal on such indebtedness, as well as the disbursement of funds for new educational and mortgage loans and the collection of principal payments on such loans. Also included are contributions restricted for long-term purposes, such as endowments.

Table 5
OPERATING ACTIVITIES
\$ in Millions

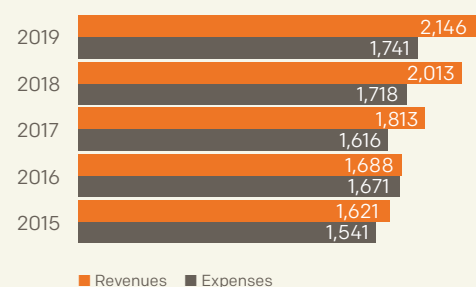


Table 6**PRIVATE GIFTS**

(\$ in thousands)

2019	244,063	76,088
2018	253,889	76,069
2017	76,809	140,069
2016	107,446	119,865
2015	79,500	114,600

■ With Donor Restrictions

■ Without Donor Restrictions

CONTRIBUTIONS

In accordance with FASB ASC 958-310, *Not-for-Profit Entities — Receivables*, donors' unconditional promises to give are required to be recorded by donees as revenue and as amounts receivable in the year received. Where collection is not expected within one year, the amount recorded is determined on a present-value basis. Conditional promises to give are recognized when they become unconditional, that is, when the conditions imposed by the donor have been substantially met.

Contributions must be classified among those with donor restrictions or without donor restrictions, as dictated solely by the donor. For the year ended June 30, 2019, contributions classified as with donor restrictions totaled \$244 million, and those classified as without donor restrictions totaled \$76 million. The classification of contributions is essential for the proper presentation of revenue in the Statement of Activities and of net assets in the Statement of Financial Position, as previously discussed.

ENDOWMENT MANAGEMENT

A significant portion of the operating budget is financed from Endowment earnings (see Figure 1). Consequently, the University's investment portfolio is managed for a total return and accounted for under a consistently applied formula.

Most invested funds participate in the Primary Pool, which is operated on a pooled investment basis. Long-term growth of principal and increased future earnings are the University's investment objectives for these funds. Funds participating in the Primary Pool are assigned

units on a market-value basis and appreciate or depreciate based on the change in unit market value. After deducting investment management fees, the earnings are allocated quarterly on the basis of units owned by participating funds.

The University follows an Endowment spending rule that provides for an annual increase in the amount of Primary Pool earnings allocated for spending, provided that the resulting spending rate, expressed as a percentage of the market value, remains within a policy band as further discussed in the Report on Investments, which follows. For the Primary Pool's year ended June 30, 2019, the interest and dividends per unit (net of service charges) were \$80.16. The unit earnings allocated for spending were \$650.40 in fiscal year 2019 and \$625.38 in fiscal year 2018. The market value of a unit was \$12,233.51 at June 30, 2019 and \$12,187.80 at June 30, 2018.

The University also maintains a group of separately invested funds. Included therein are funds established from gifts of investments restricted from sale by donors, funds held in trust by others, and the University's investments in strategic real estate.

CONCLUSION

Princeton hopes that the readers of these financial statements find the presentations and explanations helpful in interpreting the financial state of the University. Princeton is blessed with extraordinary financial resources and is responsible for protecting and preserving them over a very long time horizon. This long-term view allows Princeton to weather any near-term economic, financial or operational challenge. The University is committed to utilizing its financial resources in a thoughtful, prudent, and consistent manner in support of its current educational and research programs, while preserving their value for future generations.



KENNETH MOLINARO
Controller



Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY



As of June 30, 2019, Princeton's Endowment stood at \$26.1 billion, an increase of approximately \$200 million from the previous year.¹ The vast majority of the Endowment, \$25.6 billion, is actively managed by the Princeton University Investment Company ("PRINCO").² While PRINCO maintains its own Board of Directors (the "Directors"), it is a University office operating under the final authority of the University's Board of Trustees (the "Trustees").

The purpose of the Endowment is to provide steady support for the University's current and future operating needs while preserving real value for future generations. This mission requires an expected long-term return that exceeds the sum of the annual rate of spending and University inflation. To pursue this goal, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Against a backdrop of fairly volatile markets, the portion of the Endowment actively managed by PRINCO generated a 6.2 percent investment return during fiscal 2019, slightly trailing its primary benchmark.

Of course, the evaluation of our investment program should focus on the long term, and our long-term results are strong from both absolute and relative perspectives. The Endowment's annualized return over the past 10 years is 11.6 percent, which equates to a real return of 9.2 percent when adjusted for the Higher Education Price Index (HEPI), a measure of University inflation. As discussed further below, the 11.6 percent annualized nominal gain compares favorably to all performance yardsticks.

SPENDING

Each year, the Trustees decide upon an amount to be spent from the Endowment for the following fiscal year.³ 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. For much of the last decade, the framework targeted annual spending between 4.00 percent and 5.75 percent of the Endowment's beginning value. In 2015, the Trustees decided that, considering the continued strength of Princeton's investment program, higher long-term average spending rates could be supported. Indeed, they found that a higher average rate of spending was necessary in order to achieve intergenerational equity, i.e., to balance the interests of current and future students and faculty. Moreover, a higher average spending rate would likely help optimize the mix of the University's three important types of capital—financial, physical, and human. The Trustees agreed that an important step toward the goal of higher

long-term average spending was to raise the upper boundary of the spending target range to 6.25 percent. Notably, this marked the second time that the Trustees have raised the upper boundary of the spending range in recent memory, having previously moved the boundary from 5.00 percent to 5.75 percent in 2006.

In fiscal 2019, the Endowment spending distribution, in aggregate, equaled \$1.4 billion, an increase of \$100 million from the prior year. Spending per Endowment unit equated to 5.3 percent of market value at the start of fiscal 2019.

ASSET ALLOCATION

Asset allocation involves deciding what share of the portfolio should be placed within each of the various broad asset categories. The decisions attempt to balance the relative merits of equities versus fixed income, domestic versus foreign investments, and publicly traded versus non-marketable assets.

Princeton's long-term asset allocation decisions are embodied by a Policy Portfolio

¹ Excluded from Princeton's traditional definition of "Endowment" are working capital, planned giving investments, and proceeds from debt.

² The pool actively managed by PRINCO excludes University mortgages, loans, and other assets held primarily for strategic University purposes. "Endowment net assets," as reported in the notes to the Consolidated Financial Statements in the amount of \$25.5 billion as of June 30, 2019, further excludes agency funds in custody for others.

³ Excluded from these decisions are funds devoted to certain strategic purposes, such as subsidizing faculty and staff housing.

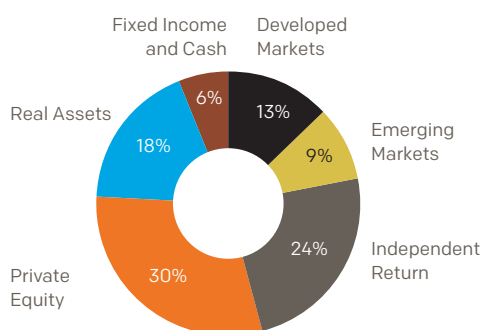
that describes the asset categories in which Princeton will invest, a set of target weights that indicate how the portfolio will be positioned in “normal” market conditions, and a range of weightings within which exposures can be adjusted mid-term in response to significant market disequilibria or other unusual circumstances. Figure 1 depicts the Policy Portfolio targets.

Readily manifest is PRINCO’s bias toward equities or equity-like assets—94 percent of the portfolio is allocated toward these investments. Also striking is the relatively small portion (only 13 percent) of the portfolio dedicated to the Developed Markets category, about 60 percent of which is U.S. equities. (Developed Markets is a new category and is further discussed below.) Large portions of the portfolio are allocated to other high expected-return categories. Independent Return, Private Equity, and Real Assets bear further description. Independent Return is broadly defined as consisting of investment vehicles that seek high absolute returns that are typically independent of broad market trends. Private Equity and Real Assets include investments in private companies, venture capital opportunities, real estate, and natural resources. These areas can offer attractive opportunities for skilled, patient investors.

The Policy Portfolio is diversified among asset categories for a number of reasons. Most importantly, PRINCO seeks return premia, in both risk-adjusted and absolute terms. In each equity asset category, Princeton has competitive advantages that create superior return potential. A broader opportunity set means that the portfolio may be capable of producing high returns more often and in a greater variety of environments. The multi-asset class approach also offers diversification benefits that help to control risk in most environments.

PRINCO’s Directors, working closely with PRINCO Staff, review the Policy Portfolio periodically. During the most recent review in May 2019, we combined the former categories

Figure 1
PRINCETON UNIVERSITY POLICY PORTFOLIO⁴
Fiscal Year 2020



of Domestic Equity and International Developed Equity into a single asset class called Developed Markets. This change reflected that the risk and opportunity sets in these two categories had grown more similar over time, with our managers increasingly investing across jurisdictions. We also modified five asset class Policy targets. In recognition of its high return potential and robust roster of top-tier managers, we increased the Private Equity Policy target to 30 percent (from 27 percent), offset by reducing the Developed Markets target to 13 percent (from 15 percent) and the Emerging Markets target to 9 percent (from 10 percent). These decreases do not reflect lessened enthusiasm toward these asset classes, but rather involve optimally offsetting the Private Equity target increase. Additionally, to enhance Endowment liquidity, we reduced the Independent Return target to 24 percent (from 25 percent) and increased the Fixed Income and Cash target to 6 percent (from 5 percent).

Table 1 (next page) gives a historical perspective of how the Policy Portfolio has evolved over the past two decades. Clearly evident is the long-standing practice of aggressive positioning. In the first decade shown, non-traditional investments grew as a share of the portfolio, reflecting a deliberately



⁴ Policy targets and ranges represent those adopted as of May 2019, which went into effect for benchmarking purposes on July 1, 2019.

Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

Table 1

PRINCETON UNIVERSITY ENDOWMENT POLICY PORTFOLIO TARGETS⁵

Every Five Years Since 2000

Asset Class	2000	2005	2010	2015	2020
Developed Markets	27.5%	25.5%	14.0%	15.0%	13.0%
Emerging Markets	7.5%	8.5%	9.0%	10.0%	9.0%
Independent Return	25.0%	25.0%	25.0%	24.0%	24.0%
Private Equity	15.0%	15.0%	23.0%	25.0%	30.0%
Real Assets	10.0%	14.0%	23.0%	21.0%	18.0%
Total Equity	85.0%	88.0%	94.0%	95.0%	94.0%
Fixed Income and Cash	15.0%	12.0%	6.0%	5.0%	6.0%
Total	100%	100%	100%	100%	100%



paced expansion after extensive consideration over multiple years. In the last decade, changes have largely reflected incremental adjustments to various asset categories, with a particular focus on optimizing the Endowment's liquidity profile.

Diversification into international investments is an important part of our multi-asset class approach. PRINCO believes such investments have the potential to increase long-term expected returns while helping to manage portfolio risk. Relative to the U.S., international markets tend to be less efficient, providing meaningful opportunities to add value through active management.

An important part of PRINCO's approach to international investments is an emphasis on "foreign local" managers. These managers are based outside the U.S. and invest locally in their respective geographies. Over time, we have gained more exposure to such managers both in marketable and non-marketable categories. Indeed, we have formally articulated efforts in this regard through our "Grand Unifying Theme." This theme, while very important, is not immediately apparent in the Policy Portfolio, as it cuts across several asset categories. On June 30, 2019, about 35 percent of the Endowment (including uncalled commitments) was controlled by managers based outside the U.S.

Table 2 compares PRINCO's long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2019. Within relatively small and predetermined ranges, PRINCO's Staff and Directors will intentionally overweight or underweight more or less compelling asset categories. These deliberate allocation overlays occur most frequently in the marketable asset categories. Within Private Equity and Real Assets, deviations from Policy Portfolio targets can occur without deliberate intent, due to funding and market dynamics. When the Policy Portfolio targets for Private Equity and Real Assets were established, and when they are reviewed, it is with the understanding that allocation deviations in these categories are neither easily nor cheaply controlled with great precision, and therefore

Table 2

ASSET ALLOCATION

June 30, 2019

Allocation	FY20	
	Policy Target	Actual
Developed Markets	13.0%	7.1%
Emerging Markets	9.0%	8.1%
Independent Return	24.0%	23.4%
Private Equity	30.0%	39.4%
Real Assets	18.0%	16.1%
Fixed Income and Cash	6.0%	5.9%

⁵ Policy Portfolio targets are pro forma based on current asset class definitions.

will often need to be offset by allocation adjustments in other categories.

That said, the large overweight in Private Equity is unintentional and is due to two key factors. Firstly, with the benefit of hindsight, we recognize that our commitments to Private Equity funds during fiscal years 2006 through 2008 were too high. Since that time, we have reduced our commitment pace to a sustainable steady-state rate and expect to glide gradually over multiple years back to the target allocation. Indeed, this decline would be happening at a faster pace if not for the second factor—the asset category’s very strong performance. Private Equity was the Endowment’s best performing asset category in fiscal 2019 and has generated a 15.3 percent annualized return over the past five years relative to a 6.3 percent annualized return for the Endowment excluding Private Equity. Looking ahead, we are cautiously optimistic that the Private Equity portfolio will generate meaningful liquidity in the next several years. It will, however, take substantial time for exposure to decline to the Policy target level.

Within Fixed Income and Cash, we hold shorter-than-market duration bonds due to a combination of exceptionally low yields offered by U.S. government bonds, increased price risk, and decreased “insurance” functionality.⁶

PERFORMANCE

In the midst of a fairly volatile market environment, the Endowment generated a fiscal 2019 investment return of 6.2 percent.⁷ Based upon preliminary estimates of the Higher Education Price Index (HEPI), our fiscal 2019 performance translates into a real gain of approximately 3.5 percent, falling short of the Endowment’s spending objective.

PRINCO has traditionally used two benchmarks to provide context for our results. Our primary benchmark, the Policy Portfolio Index (or “PPI”), consists of a blend of individual asset category benchmarks weighted by long-term allocation targets. As

Figure 2
FISCAL YEAR 2019 PERFORMANCE

Princeton	6.2%
Policy Portfolio	6.5%
65/35 Benchmark	9.7%
Cambridge Associates Median	5.0%

shown in Figure 2, in fiscal 2019, performance slightly lagged the 6.5 percent return of the PPI. Our results and the PPI both substantially lagged the 9.7 percent return of our secondary benchmark—a 65/35 blend of the S&P 500 and the Barclays Government/Credit Bond Index—illustrating that diversification, particularly that involving assets outside the U.S., created strong headwinds this year.⁸ Notably, our performance in fiscal 2019 compares well to that of other college and university endowments, for which the median return was 5.0 percent.⁹

Performance varied across asset classes. Private Equity was the sole asset class to produce double-digit gains, with a 13.8 percent return. Other equity asset classes had returns that ranged from slightly positive to slightly negative: 5.1 percent for Independent Return, 3.8 percent for Emerging Markets, negative 0.2 percent for Real Assets, and negative 1.2 percent for Developed Markets. Relative performance in equity categories was mixed, with Developed Markets, Private Equity, and Real Assets underperforming, and Emerging Markets and Independent Return outperforming their benchmarks (see Figure 3, next page). The Fixed Income and Cash asset class eked out a 3.0 percent gain, benefitting from interest rate cuts; our continuing shorter-than-market duration posture hurt performance this year as note and bond yields declined further.

Of course, the evaluation of our investment program should focus on the long term, and our long-term results are strong (see Figure 4). The Endowment’s annualized



⁶ A key reason for holding high-quality fixed income is that it provides “insurance” against deflation and extended equity market declines. In particular, we expect yields to decline and bond prices to rise in many crisis scenarios. However, given current low yields, there is less room for further declines, reducing the insurance functionality.

⁷ Reported results exclude the returns on certain short-term assets and other assets, such as faculty and staff mortgages, held primarily for strategic University purposes. The total asset base upon which performance is calculated equaled \$25.6 billion at fiscal year-end.

⁸ The 65% S&P 500/35% Barclays Government/Credit Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually. Since its inception in 1987, PRINCO has used this benchmark to represent the returns that might have been earned by institutional investors pursuing more traditional investment approaches.

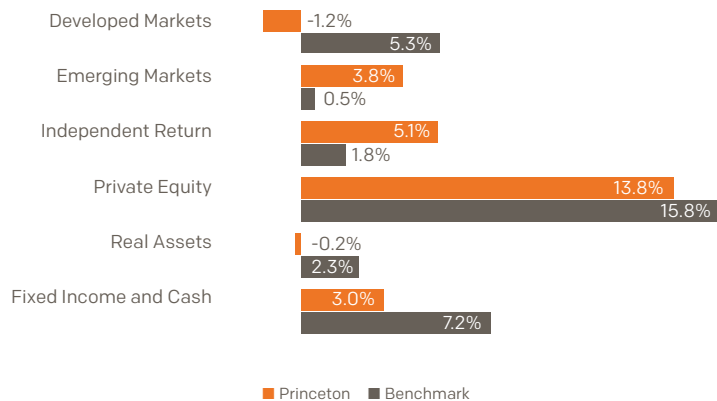
⁹ The median college and university endowment return is based on data compiled by Cambridge Associates for over 140 college and university endowments.

Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

Figure 3
PRINCETON ASSET CLASS RETURNS
VS. BENCHMARKS
Fiscal Year 2019



Benchmarks used:
Developed Markets: Blend of Wilshire 5000 and MSCI World ex-U.S. IMI Indices
Emerging Markets: MSCI Emerging Markets IMI Index
Independent Return: HFRI Fund Weighted Composite Index + 50 basis points per annum
Private Equity: Customized Cambridge Associates benchmark
Real Assets: Blend of Cambridge Associates Real Estate benchmark, an energy component, and a timber component
Fixed Income and Cash: Barclays Government Bond Index

return over the past 10 years is 11.6 percent, equating to a HEPI-adjusted real return of 9.2 percent, which enabled us to very meaningfully grow purchasing power after spending. The 11.6 percent annualized nominal gain compares well to the Policy Portfolio Index's 9.5 percent increase, and it is comfortably ahead of the 65/35 benchmark's 11.1 percent annualized return. Our performance was also strong compared to the 8.5 percent median return for college and university endowments.

Figure 4
10-YEAR ANNUALIZED PERFORMANCE
Ending June 30, 2019



For added perspective, Princeton's Endowment would be about \$8 billion smaller if our results over the past 10 years had equaled those of the median college and university endowment, assuming unchanged levels of spending.

Examining performance over rolling periods enables an additional long-term perspective. Figure 5 (next page) compares PRINCO's investment performance over rolling 10- and 20-year periods to that of the 65/35 benchmark. As the figure highlights, even with a decade-long view, the comparison has endpoint sensitivity.¹⁰ As such, and consistent with our long-term approach, it is informative to also evaluate returns over 20-year periods. The Endowment has consistently outperformed the 65/35 benchmark using this longer timeframe, and the difference has been steadily widening. During the recent 10-year period, diversification away from traditional U.S. stocks and bonds has been costly. Notably, U.S. equities benefited significantly in recent years from equity valuations expanding to lofty levels, while fixed income benefited from bond yields dropping to extremely low levels. It seems unlikely that the 65/35 benchmark will benefit to the same degree from such tailwinds in the decade ahead.

Over the past 10 years, Princeton outperformed within asset categories by an average annualized margin of 2.2 percent, with four of six asset categories outperforming their respective benchmarks (see Figure 6, next page). Particularly notable is the fact that, even over this relatively lengthy period, the easily benchmarked Developed and Emerging Markets categories registered very strong absolute returns and significant outperformance.¹¹ In aggregate, these categories gained 15.1 percent annualized over the past 10 years, surpassing a policy-weighted benchmark by 6.2 percent annualized.

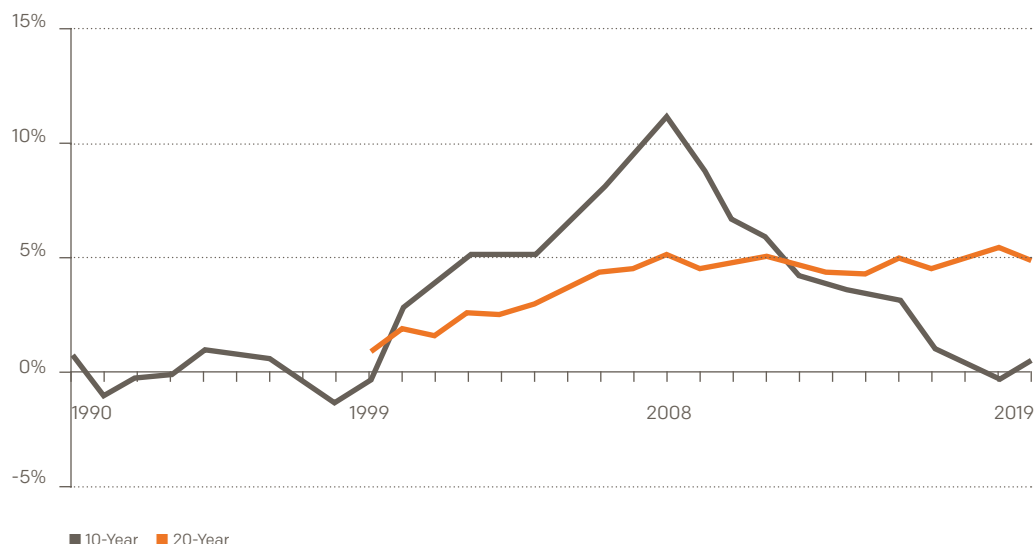
Independent Return's 10-year results have been solid in absolute terms, with strong outperformance. We note that this has been a particularly challenging period for managers in this category, as interest rates have been

¹⁰ By endpoint sensitivity, we mean that which 10-year period we use for the comparison (e.g., 2009 to 2019 rather than 2005 to 2015) influences the conclusion.

¹¹ We describe these categories as "easily benchmarked" because for each there exists an easily investable index alternative that closely parallels our investment approach. No such alternatives exist for the other equity asset categories.

Figure 5

PRINCETON ROLLING RETURNS MINUS 65/35 BENCHMARK ROLLING RETURNS



low, and stock-pickers have faced significant headwinds on short positions in the context of a sustained bull market.

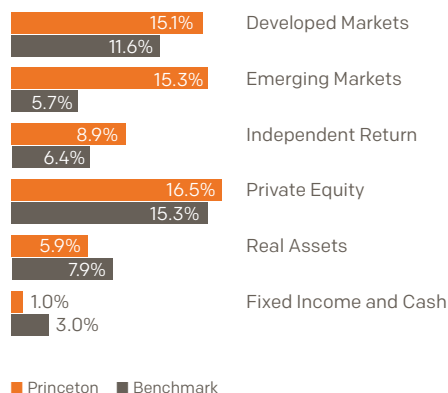
Private Equity generated strong returns over 10 years and modestly outperformed its benchmark, driven by venture capital's sizable gains. Real Assets has produced disappointing absolute and relative results. This period has been difficult, with natural resources investments facing severe headwinds caused by declining commodity prices. Moreover, Real Assets' results paint an incomplete picture. Seven years ago, we finished a major revamping of the Real Assets program. Decisions made then and since have resulted in outperformance, but it has been hidden behind a continuing drag created by many older investments.

Fixed Income and Cash results were below expectations in absolute terms, as yields have been at historically low levels for much of this period. The asset category trailed the benchmark's return due to our holding shorter-than-market duration bonds in recent years, as well as the episodic presence of

Figure 6

PRINCETON ASSET CLASS RETURNS VS. BENCHMARKS

Ten Years Ending June 30, 2019



Benchmarks used:

Developed Markets: Blend of Wilshire 5000 and MSCI World ex-U.S. IMI Indices

Emerging Markets: MSCI Emerging Markets Index prior to 6/30/10; MSCI Emerging Markets IMI Index thereafter

Independent Return: 40% Wilshire 5000 Index + 60% 91-day T-Bill + 550 basis points per annum prior to 6/30/10; 40% MSCI All Country World Index + 60% (91-day T-Bill + 650 basis points per annum) through 6/30/12; HFRI Fund Weighted Composite Index + 50 basis points per annum thereafter

Private Equity: Customized Cambridge Associates benchmark

Real Assets: Blend of levered NCREIF Property Index, an energy component, and a timber component prior to 6/30/10; levered NCREIF Property Index replaced with Cambridge Associates Real Estate benchmark thereafter

Fixed Income and Cash: Barclays Government Bond Index



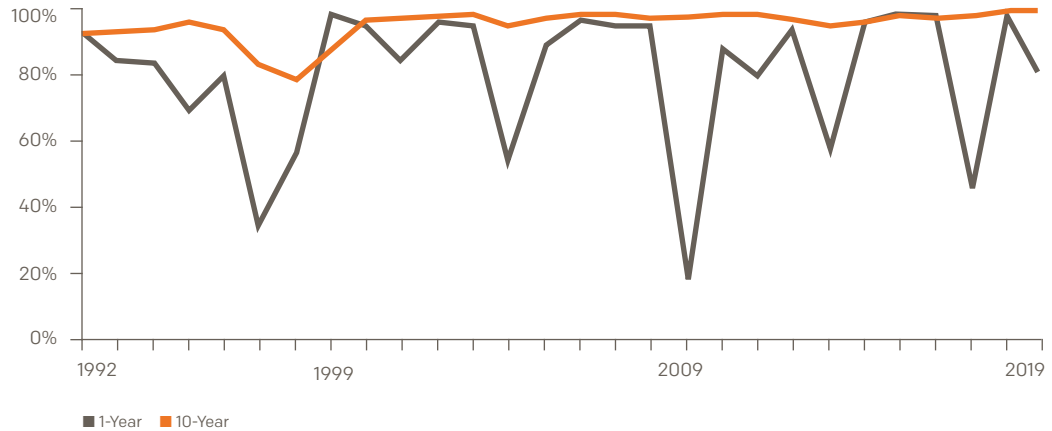
Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

Figure 7

PRINCETON ANNUALIZED FISCAL YEAR RETURN PERCENTILE RANK
OVER ROLLING PERIODS



significant cash balances, held transitionally during periods of portfolio-wide rebalancing.

As a concluding comment, we remind ourselves and readers of this report that it is important to keep our eyes on the long term. In that spirit, our messages from past years bear repeating. As we said in 2018, a single year is so short that luck is almost always the single largest driver of relative results, and, as we said in 2017, truly superior longer-term performance is likely *only* possible if an investor is willing to take positions different enough from the crowd such that poor short-term relative performance is all but inevitable. Indeed, Figure 7 illustrates that

our superior long-term performance has been accompanied by occasionally poor short-term results. We therefore remain steadfast in our approach—partnering with great managers who look bottom-up for opportunities that, in aggregate, give us many different ways to earn returns in many different environments.

ANDREW GOLDEN

President

Princeton University Investment Company





Report of Independent Auditors

To the Trustees of Princeton University:

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, 2019 and 2018, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether 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 financial position of Princeton University and its subsidiaries as of June 30, 2019 and 2018, 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.

PricewaterhouseCoopers LLP

November 26, 2019

Consolidated Statements of Financial Position

Princeton University
June 30, 2019 and 2018

<i>(dollars in thousands)</i>	2019	2018
Assets		
Cash	\$ 22,633	\$ 23,230
Accounts receivable	122,776	87,710
Receivables associated with investments	71,804	30,526
Educational and mortgage loans receivable	446,784	437,313
Contributions receivable	306,325	273,598
Inventory and deferred charges	19,805	14,648
Managed investments at market value	25,811,952	25,646,173
Funds held in trust by others	114,969	113,070
Other investments	1,000,246	814,483
Property, net of accumulated depreciation	4,156,896	4,141,300
Total assets	\$ 32,074,190	\$ 31,582,051
Liabilities		
Accounts payable	\$ 42,796	\$ 41,393
Liabilities associated with investments	63,361	37,457
Deposits, advance receipts, and accrued liabilities	135,910	167,661
Deposits held in custody for others	138,517	135,916
Liability under planned giving agreements	92,048	94,742
Indebtedness to third parties	3,027,186	3,321,243
Accrued postretirement benefits	501,426	388,086
Total liabilities	\$ 4,001,244	\$ 4,186,498
Net assets		
Without donor restrictions controlled by the University	\$ 12,220,192	\$ 11,881,694
Without donor restrictions attributable to noncontrolling interests	196,767	200,961
Total net assets without donor restrictions	12,416,959	12,082,655
Total net assets with donor restrictions	15,655,987	15,312,898
Total net assets	\$ 28,072,946	\$ 27,395,553
Total liabilities and net assets	\$ 32,074,190	\$ 31,582,051

See notes to consolidated financial statements.

Consolidated Statements of Activities

Princeton University
Year ended June 30, 2019

<i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues			
Tuition and fees, net of financial aid	\$ 132,129	-	\$ 132,129
Government grants and contracts	307,405	-	307,405
Private gifts, grants, and contracts	78,140	\$ 138,089	216,229
Auxiliary sales and services, net of financial aid	77,155	-	77,155
Other operating revenues	44,620	-	44,620
Investment earnings distributed	602,549	766,150	1,368,699
Total operating revenues	1,241,998	904,239	2,146,237
Net assets released from restrictions	817,690	(817,690)	-
Total revenues and other sources	2,059,688	86,549	2,146,237
Operating expenses			
Salaries and wages	754,530	-	754,530
Employee benefits	213,126	-	213,126
Supplies, services, and other	323,520	-	323,520
Space and occupancy	74,810	-	74,810
Student stipends and prizes	71,651	-	71,651
Depreciation	177,932	-	177,932
Interest on indebtedness	125,132	-	125,132
Total operating expenses	1,740,701	-	1,740,701
Results of operations	318,987	86,549	405,536
Nonoperating activities			
Adjustments to planned giving agreements	-	4,132	4,132
Increase in value of assets held in trust by others	-	1,899	1,899
Private gifts, noncurrent	18,673	191,794	210,467
Net realized and unrealized appreciation on investments	699,343	818,422	1,517,765
Distribution of investment earnings	(602,549)	(766,150)	(1,368,699)
Net periodic benefit cost other than service cost	(6,457)	-	(6,457)
Other postretirement benefit changes	(83,055)	-	(83,055)
Reclassifications, transfers, and other nonoperating	(6,443)	6,443	-
Increase from nonoperating activities	19,512	256,540	276,052
Increase in net assets - University	338,499	343,089	681,588
Change in noncontrolling interests	(4,195)	-	(4,195)
Total increase in net assets	334,304	343,089	677,393
Net assets at the beginning of the year	12,082,655	15,312,898	27,395,553
Net assets at the end of the year	\$ 12,416,959	\$ 15,655,987	\$ 28,072,946

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
Revenues			
Tuition and fees, net of financial aid	\$ 128,728	-	\$ 128,728
Government grants and contracts	292,917	-	292,917
Private gifts, grants, and contracts	96,912	\$ 45,834	142,746
Auxiliary sales and services, net of financial aid	74,852	-	74,852
Other operating revenues	62,409	-	62,409
Investment earnings distributed	580,790	730,117	1,310,907
Total operating revenues	1,236,608	775,951	2,012,559
Net assets released from restrictions	789,702	(789,702)	-
Total revenues and other sources	2,026,310	(13,751)	2,012,559
Operating expenses			
Salaries and wages	729,523	-	729,523
Employee benefits	212,348	-	212,348
Supplies, services, and other	315,060	-	315,060
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
Total operating expenses	1,718,147	-	1,718,147
Results of operations	308,163	(13,751)	294,412
Nonoperating activities			
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	-
Increase from nonoperating activities	924,178	1,363,924	2,288,102
Increase in net assets - University	1,232,341	1,350,173	2,582,514
Change in noncontrolling interests	9,536	-	9,536
Total increase in net assets	1,241,877	1,350,173	2,592,050
Net assets at the beginning of the year	10,840,778	13,962,725	24,803,503
Net assets at the end of the year	\$ 12,082,655	\$ 15,312,898	\$ 27,395,553

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Princeton University
Years ended June 30, 2019 and 2018

<i>(dollars in thousands)</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 677,393	\$ 2,592,050
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	177,932	173,677
Amortization of bond issuance costs and premiums	(12,921)	(18,876)
Property gifts-in-kind	(1,310)	(523)
Adjustments to planned giving agreements	(4,132)	(7,059)
Net realized and unrealized gains on investments	(1,517,765)	(3,236,891)
Loss on disposal of fixed assets	31,824	9,767
Increase in value of assets held in trust by others	(1,899)	(3,037)
Contributions received for long-term investment	(135,976)	(65,641)
Change in noncontrolling interests	4,195	(9,536)
Changes in operating assets and liabilities:		
Receivables	(77,264)	(95,629)
Inventory and deferred charges	(5,157)	(1,960)
Accounts payable	3,966	(29,006)
Deposits, advance receipts, and accrued liabilities	(31,751)	(29,232)
Deposits held in custody for others	2,601	12,421
Accrued postretirement benefits	113,340	(93,501)
Net cash used in operating activities	(776,924)	(802,976)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(235,775)	(234,736)
Proceeds from disposal of property, plant, and equipment	9,170	4,132
Purchases of investments	(12,159,278)	(13,692,231)
Proceeds from maturities/sales of investments	13,305,932	14,958,334
Net cash provided by investing activities	920,049	1,035,499
Cash flows from financing activities		
Issuance of indebtedness to third parties	47,150	456,470
Payment of debt principal	(328,286)	(753,739)
Contributions received for long-term investment	135,976	65,641
Transactions on planned giving agreements	1,438	7,354
Net cash used in financing activities	(143,722)	(224,274)
Net (decrease) increase in cash	(597)	8,249
Cash at the beginning of the year	23,230	14,981
Cash at the end of the year	\$ 22,633	\$ 23,230
Supplemental disclosures		
Interest paid	\$ 139,952	\$ 160,877

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

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 5,267 undergraduates and 2,946 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 1,290, 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 Statements 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, postretirement benefit changes and other nonrecurring 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 revenues and expenses 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, 2019 and 2018

NEW AUTHORITATIVE PRONOUNCEMENTS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 in exchange for goods and services. The University adopted ASU 2014-09 in 2019 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue primarily related to tuition, fees, and auxiliary services as described below.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and for determining whether a contribution is conditional or unconditional. The University adopted ASU 2018-08 in 2019 using a modified prospective basis of application. The amendments in this ASU were applied only to the portion of revenue or expense that had not yet been recognized before the effective date in accordance with prior guidance, and no prior-period results were restated.

The adoption of ASU 2018-08 resulted in changes to the recognition of revenue from certain non-government sponsors of grants, primarily private foundations. Incremental revenue in the amount of \$62 million from private grants that were determined to be unconditional was immediately recognized in the 2019 Consolidated Statement of Activities. Grants from government and certain private sponsors were determined to be conditional, and, consequently, the policy of recognizing revenue over time as qualified expenditures are incurred or milestones are met is unchanged. New disclosures about sponsored grants and contracts are included below.

Revenue from Tuition, Fees, and Auxiliary Services

Revenue from tuition, fees, and auxiliary services, which consist primarily of student room and board, are presented at transaction prices, which typically are determined based on standard published rates for the services provided, less any institutional financial aid awarded by the University to qualifying students. For the years ended June 30, 2019 and 2018, revenue from tuition, fees, and auxiliary services was as follows:

2019

(dollars in thousands)

	At published rates	Institutional aid	Total net
Tuition and fees	\$ 394,183	(\$ 262,054)	\$ 132,129
Room, board, and other	99,745	(22,590)	77,155
Total	\$ 493,928	(\$ 284,644)	\$ 209,284

2018

(dollars in thousands)

	At published rates	Institutional aid	Total net
Tuition and fees	\$ 369,223	(\$ 240,495)	\$ 128,728
Room, board, and other	95,315	(20,463)	74,852
Total	\$ 464,538	(\$ 260,958)	\$ 203,580

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

Of the \$209 million in net total tuition, fees, and auxiliary revenue recognized in fiscal year 2019, \$169 million was from undergraduate students, \$22 million was from graduate students, and \$18 million was from other sources. Of the \$204 million in net total tuition, fees, and auxiliary revenue recognized in fiscal year 2018, \$164 million was from undergraduate students, \$21 million was from graduate students, and \$19 million was from other sources.

Tuition, fees, and auxiliary revenues are recognized and associated performance obligations are satisfied over time during the course of the fiscal year in which the student services are provided.

Revenue from Sponsored Grants and Contracts

The University receives sponsored program funding in the form of grants and contracts from governments, foundations, industry, and other private sources generally for research activities. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Grants and contracts that are reciprocal in nature include certain private grants and the contract with the U.S. Department of Energy to operate the Princeton Plasma Physics Laboratory. Revenue from exchange agreements generally is recognized over time as performance obligations are satisfied, which in most cases occur as related costs are incurred.

Revenue from non-exchange transactions (contributions/gifts and certain grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenue from conditional non-exchange transactions is recognized when the barrier is satisfied which is generally as costs are incurred or certain milestones are achieved. Conditions on grants, such as Federal government grants, typically include limitations on how research activities must be conducted, such as compliance with OMB cost principles. In addition, the University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenue from non-exchange agreements that are considered unconditional, such as most foundation grants, generally is recognized as revenue with donor restrictions when the grant funds are awarded, and is released into net assets without donor restrictions when the purpose has been met.

As of June 30, 2019, the University has unrecorded conditional grant agreements of \$417 million from government sponsors and \$93 million from non-government sponsors. Indirect costs recovered on federally sponsored programs generally are based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors.

Other Pronouncements

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.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

The FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)* in August 2016, and ASU 2016-18, *Restricted Cash (Topic 230)* in November 2016. ASU 2016-15 includes guidance on the presentation of eight specific cash flow areas in an effort to reduce diversity in practice regarding how certain transactions are classified within the statement of cash flows. ASU 2016-18 addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flow explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities also would be required to reconcile these amounts on the balance sheet to the statement of cash flows and disclose the nature of the restrictions. The guidance is effective for the University for fiscal years beginning after December 15, 2018. The University currently is assessing the impact the adoption of these standards will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU removes certain disclosures, modifies certain disclosures, and adds additional disclosures related to fair value measurement. The University is evaluating the impact of the new standard on the University consolidated financial statements.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definitions of Collections, Not-for-Profit Entities (Topic 958)*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU modifies the term “Collections,” which in turn may change collection recognition policies, and also adds certain disclosure requirements. 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) generally is 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 generally is 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 generally are less liquid than other investments, and the values reported may differ from the values that would have been reported 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.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

A summary of managed investments by asset category at fair value at June 30, 2019 and 2018 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>	2019	2018
Managed investments:		
Developed markets	\$ 2,501.5	\$ 3,165.8
Emerging markets	2,500.1	2,358.6
Independent return	6,567.1	6,496.8
Private equity	9,459.3	8,717.3
Real assets	3,672.1	3,741.7
Fixed income	896.3	844.2
Cash and other	215.6	321.8
Gross managed investments¹	\$ 25,812.0	\$ 25,646.2
Receivables (liabilities) associated with investments — net	8.4	(6.9)
Noncontrolling interests	(196.8)	(201.0)
Net managed investments	\$ 25,623.6	\$ 25,438.3

¹Includes 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>	2019	2018
Princeton University	\$ 25,455.2	\$ 25,270.5
Stanley J. Seeger Hellenic Fund	49.0	48.8
Deposits held in custody for others	119.4	119.0
Net managed investments	\$ 25,623.6	\$ 25,438.3

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>	2019	2018
Net realized and unrealized gains (losses)	\$ 1,324.7	\$ 3,059.6
Interest, dividends, and other income	193.1	177.3
Total	\$ 1,517.8	\$ 3,236.9

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 \$12,233.51 and \$12,187.80 at June 30, 2019 and 2018, respectively. The average value of a unit during the years ending June 30, 2019 and 2018 was \$11,921.94 and \$11,626.71, respectively.

The average invested market balance in the unitized pool during the years ending June 30, 2019 and 2018 was \$24.887 billion and \$24.221 billion, respectively.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

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 \$650.40 and \$625.38 for fiscal years 2019 and 2018, 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:

2019		Net Derivative		
<i>(dollars in millions)</i>	Long Notional¹	Short Notional¹	Assets (Liabilities)	Gains (Losses)²
Index futures	-	\$ (366.3)	\$ (6.0)	\$ (38.3)
Equity swaps	\$ 170.9	(23.7)	8.5	36.1
Forward contracts	-	-	-	(11.9)
Total	\$ 170.9	\$ (390.0)	\$ 2.5	\$ (14.1)

2018		Net Derivative		
<i>(dollars in millions)</i>	Long Notional¹	Short Notional¹	Assets (Liabilities)	Gains (Losses)²
Index futures	\$ 259.4	\$ (255.3)	\$ (4.4)	\$ (22.7)
Equity swaps	220.3	(215.2)	19.3	(6.2)
Forward contracts	-	-	-	(29.2)
Total	\$ 479.7	\$ (470.5)	\$ 14.9	\$ (58.1)

¹ Notional amounts are representative of the volume and activity of each derivative type during the years ended June 30, 2019 and 2018

² Gains and losses on derivatives are recorded under "Net realized and unrealized appreciation on investments" in the Consolidated Statements of Activities

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

		Fair Value		Collateral (Held)	
2019		Gross Derivative	Gross Derivative	Pledged	Net
<i>(dollars in millions)</i>	# of Contracts	Assets	Liabilities		
Counterparty A	1	-	\$ 6.0	\$ 21.9	\$ 15.9
Counterparty B	3	\$ 9.9	-	-	9.9
Counterparty C	1	-	(1.5)	-	(1.5)
Total	5	\$ 9.9	\$ (7.5)	\$ 21.9	\$ 24.3

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

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

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 \$115.0 million in 2019 and \$113.1 million in 2018.

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, 2019 and 2018 is as follows:

(dollars in millions)	2019	2018
Working capital	\$ 658.4	\$ 427.1
Planned giving investments	175.9	176.6
Proceeds from debt	66.5	125.1
Strategic real estate investments	32.7	31.6
Other	66.7	54.1
Total	\$ 1,000.2	\$ 814.5

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

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

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 primarily consist 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 proportion 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 value (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 leveling table. Where the University has the ability to redeem its investment 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.

Notes to Consolidated Financial Statements

Princeton University
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The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2019 and 2018.

Fair Value Measurements at Reporting Date Using					
2019 (dollars in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient
	Total				
Assets at fair value					
Managed investments (gross):					
Developed markets	\$ 2,501.5	\$ (6.0)	\$ 0.0	\$ 1.0	\$ 2,506.5
Emerging markets	2,500.1	710.2	-	-	1,789.9
Independent return	6,567.1	-	-	1.1	6,566.0
Private equity	9,459.3	-	(1.4)	138.6	9,322.1
Real assets	3,672.1	318.6	9.9	3.9	3,339.7
Fixed income	896.3	896.3	-	-	-
Cash and other	215.6	217.7	(2.1)	-	-
Total managed investments (gross)	25,812.0	2,136.8	6.4	144.6	23,524.2
Funds held in trust by others	115.0	-	-	115.0	-
Other investments	1,000.2	792.0	-	208.2	-
Total	\$ 26,927.2	\$ 2,928.8	\$ 6.4	\$ 467.8	\$ 23,524.2

Fair Value Measurements at Reporting Date Using					
2018 (dollars in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient
	Total				
Assets at fair value					
Managed investments (gross):					
Developed markets	\$ 3,165.8	\$ 122.5	\$ (1.1)	\$ 0.9	\$ 3,043.5
Emerging markets	2,358.6	428.1	-	-	1,930.5
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)	-	-
Total managed investments (gross)	25,646.2	2,060.1	11.4	208.0	23,366.7
Funds held in trust by others	113.1	-	-	113.1	-
Other investments	814.5	608.2	-	206.3	-
Total	\$ 26,573.8	\$ 2,668.3	\$ 11.4	\$ 527.4	\$ 23,366.7

Assets and liabilities of a majority-owned and -controlled investment fund have been consolidated for reporting purposes at June 30, 2019 and 2018. Gross managed investments, specifically the independent return asset class, include consolidated investment fund assets of \$1,087.3 million and \$1,096.9 million at June 30, 2019 and 2018, respectively, and liabilities associated with investments include consolidated investment fund liabilities of \$10.2 million and \$5.4 million at June 30, 2019 and 2018, respectively. The portion of consolidated net assets not owned by the University is reported as a noncontrolling interest.

Notes to Consolidated Financial Statements

Princeton University
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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, 2019 and 2018:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Total gains or losses included in				Transfers	Transfers	
(dollars in millions)	June 30, 2018	changes in net assets	Purchases	Sales and settlements	into Level 3	out of Level 3	June 30, 2019
Assets at fair value							
Managed investments (gross):							
Developed markets	\$ 0.9	\$ 0.1	-	-	-	-	\$ 1.0
Emerging markets	-	-	-	-	-	-	-
Independent return	3.1	(1.2)	-	\$ (0.8)	-	-	1.1
Private equity	199.9	(31.7)	\$ 4.6	(18.7)	-	\$ (15.5)	138.6
Real assets	4.1	0.1	-	(0.3)	-	-	3.9
Total managed							
investments (gross)	208.0	(32.7)	4.6	(19.8)	-	(15.5)	144.6
Funds held in trust by others	113.1	1.9	-	-	-	-	115.0
Other investments	206.3	(3.7)	12.1	(6.5)	-	-	208.2
Total Level 3 investments	\$ 527.4	\$ (34.5)	\$ 16.7	\$ (26.3)	-	\$ (15.5)	\$ 467.8

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
		Total gains or losses included in			Transfers	Transfers	
(dollars in millions)	June 30, 2017	changes in net assets	Purchases	Sales and settlements	into Level 3	out of Level 3	June 30, 2018
Assets at fair value							
Managed investments (gross):							
Developed markets	\$ 1.2	\$ (0.3)	-	-	-	-	\$ 0.9
Emerging markets	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
Total managed							
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
Total Level 3 investments	\$ 694.1	\$ (13.2)	\$ 11.1	\$ (65.2)	\$ 119.7	\$ (219.1)	\$ 527.4

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. One transfer out of Level 3 to NAV assets occurred in the year ended June 30, 2019. The University's policy is to recognize transfers at the beginning of the reporting period.

Notes to Consolidated Financial Statements

Princeton University
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Realized losses of \$36.0 million and gains of \$33.7 million related to Level 3 investments and unrealized losses of \$0.3 million and \$49.7 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, 2019 and 2018, 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, 2019 and 2018. 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
2019				
Managed investments (gross)				
Developed markets (a)	\$ 2,501.5	\$ 75.0	daily—annually	7–90 days
Emerging markets (b)	2,500.1	86.7	daily—annually	7–90 days
Independent return (c)	6,567.1	678.4	monthly—annually	30–90 days
Fixed income and cash (d)	1,111.9	-	daily	1 day
Marketable asset classes	\$ 12,680.6	\$ 840.1		
Private equity (e)	9,459.3	2,562.7		
Real assets (f)	3,672.1	1,841.0		
Nonmarketable asset classes	\$ 13,131.4	\$ 4,403.7		
Total gross managed investments	\$ 25,812.0	\$ 5,243.8		

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2018				
Managed investments (gross)				
Developed markets (a)	\$ 3,165.8	\$ 122.9	daily—annually	4–90 days
Emerging markets (b)	2,358.6	220.3	daily—annually	7–90 days
Independent return (c)	6,496.8	598.3	monthly—annually	30–90 days
Fixed income and cash (d)	1,166.0	-	daily	1 day
Marketable asset classes	\$ 13,187.2	\$ 941.5		
Private equity (e)	8,717.3	2,703.7		
Real assets (f)	3,741.7	1,543.9		
Nonmarketable asset classes	\$ 12,459.0	\$ 4,247.6		
Total gross managed investments	\$ 25,646.2	\$ 5,189.1		

(a) Developed Markets: This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges, over-the-counter markets, or equity and debt securities traded on exchanges in countries with developed 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. Investments representing approximately 9 percent of the market value of this asset class are in nonredeemable assets.

Notes to Consolidated Financial Statements

Princeton University

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(b) Emerging Markets: 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 16 percent of the market value of this asset class are invested in nonredeemable assets.

(c) 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 such as long/short equity investments and event-driven/arbitrage based upon the fund's investment mandate and the current opportunity set. Investments representing approximately 22 percent of the market value of this asset class are invested in nonredeemable assets.

(d) Fixed Income and Cash: On a combined basis, these asset classes primarily include 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.

(e) Private Equity: This asset class includes funds primarily invested in buyouts or venture capital. The fair values of the investments in this asset class generally 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. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

(f) Real Assets: This asset class includes funds primarily invested 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, \$493.3 million at June 30, 2019, and \$474.6 million at June 30, 2018, 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 generally are redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately \$2.0 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. 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 generally are triggered when aggregate fund withdrawal requests exceed a contractually predetermined threshold. No withdrawal requests were impacted by a gate in the year ended June 30, 2019.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. At June 30, 2019, the University had unfunded commitments of \$5.2 billion. Such commitments generally are called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

Notes to Consolidated Financial Statements

Princeton University
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5. ENDOWMENT

The University's endowment consists of approximately 4,700 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

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 was:

	Without Donor Restrictions	With Donor Restrictions	Total
2019 (dollars in thousands)			
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 2,051,038	\$ 2,051,038
Appreciation	-	12,817,590	12,817,590
Board-designated endowment funds	\$ 10,631,017	-	10,631,017
Total	\$ 10,631,017	\$ 14,868,628	\$ 25,499,645
	Without Donor Restrictions	With Donor Restrictions	Total
2018 (dollars in thousands)			
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
Total	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222

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Princeton University
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Changes in endowment net assets for the years ended June 30, 2019 and 2018, were:

	Without Donor Restrictions	With Donor Restrictions	Total
2019 (dollars in thousands)			
Endowment net assets, beginning of the year	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222
Net investment return	636,689	813,899	1,450,588
Contributions	8,208	95,170	103,378
Appropriation of endowment assets for expenditure	(593,514)	(757,818)	(1,351,332)
Reclassifications, transfers, and board designations	(41,728)	22,517	(19,211)
Endowment net assets, end of year	\$ 10,631,017	\$ 14,868,628	\$ 25,499,645

	Without Donor Restrictions	With Donor Restrictions	Total
2018 (dollars in thousands)			
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	3,195,585
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
Endowment net assets, end of year	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2019 and 2018. 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 then are 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.

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 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.

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Princeton University

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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 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>	2019	2018
Financial assets:		
Cash	\$ 22,633	\$ 23,230
Accounts receivable	75,474	49,564
Educational and mortgage receivable	16,183	16,532
Contributions receivable	95,578	77,963
Working capital	658,427	427,100
Investments: appropriated for spending in the following year	1,412,000	1,357,000
Total financial assets available within one year	\$ 2,280,295	\$ 1,951,389
Liquidity resources:		
Taxable debt and commercial paper (unexpended)	291,512	254,991
Bank lines of credit (undrawn)	290,500	290,100
Total financial assets and resources available within one year	\$ 2,862,307	\$ 2,496,480

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 \$280 million.

Additionally, the University has board-designated endowment funds of \$10.6 billion as of June 30, 2019 and 2018. 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

Notes to Consolidated Financial Statements

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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 \$58.9 million and \$62.0 million at June 30, 2019 and 2018, 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 \$388.1 million and \$375.5 million at June 30, 2019 and 2018, 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 generally are 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 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, 2019 and 2018 to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2019 and 2018 are reported net of allowances for doubtful loans of \$0.2 million.

8. CONTRIBUTIONS RECEIVABLE

At June 30, 2019 and 2018, the University had received from donors unconditional pledges receivable in the following periods:

<i>(dollars in thousands)</i>	2019	2018
Less than one year	\$ 95,578	\$ 77,963
One to five years	205,206	208,186
More than five years	43,469	27,630
Total	\$ 344,253	\$ 313,779
Less unamortized discount	30,630	33,676
Less allowance for doubtful pledges	7,298	6,505
Net amount	\$ 306,325	\$ 273,598

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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, 2019, the University had received from donors pledges totaling \$68.9 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, 2019 and 2018 consisted of the following:

<i>(dollars in thousands)</i>	2019	2018
Land	\$ 111,180	\$ 112,214
Buildings and improvements	4,868,553	4,766,309
Construction in progress	55,901	31,258
Equipment and systems	431,723	441,933
Rare books	124,993	119,279
Library books, periodicals, and bindings	311,315	299,545
Fine art objects	147,344	141,649
Total property	\$ 6,051,009	\$ 5,912,187
Accumulated depreciation	(1,894,113)	(1,770,887)
Total	\$ 4,156,896	\$ 4,141,300

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 5 to 15 years for equipment and systems. Art objects and rare books having cultural, aesthetic, or historical value are not depreciated.

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10. INCOME AND EXCISE TAXES

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, 2016 through the present.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. TCJA impacts the University in several ways, including imposing excise taxes on certain excess compensation and net investment income, and establishing new rules for calculating unrelated business taxable income. The University has reflected the tax assets, liabilities, and payables in the consolidated financial statements based on reasonable estimates under the currently available regulatory guidance on the TCJA. The University continues to evaluate the impact of the TCJA on current and future tax positions.

ASC 740, *Income Taxes*, prescribes the minimum recognition threshold that 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.

11. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2019 and 2018, 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 notes as follows:

<i>(dollars in thousands)</i>	2019	2018
Taxable Revenue Bonds		
2009 Series A, 4.95% and 5.70%, due March 2019 and March 2039, net of unamortized discount of \$1,098 and \$1,730	\$ 498,902	\$ 748,270
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
Taxable Notes		
2012, 3.37%, due July 2042	170,000	170,000
2013, 4.73%, due July 2044	75,000	75,000
NJEFA Revenue Bonds		
2003 Series D, 3.73%, due July 2019, including unamortized premium of \$0 and \$685	-	11,815
2010 Series B, 4.03%, due July 2040, including unamortized premium of \$0 and \$992	-	6,777
2011 Series B, 4.09%, due July 2041, including unamortized premium of \$11,997 and \$12,543	227,843	234,003
2014 Series A, 3.77%, due July 2044, including unamortized premium of \$16,045 and \$16,687	205,076	208,622
2015 Series A, 2.32%, due July 2035, including unamortized premium of \$24,235 and \$25,749	141,935	160,484
2015 Series D, 3.40%, due July 2045, including unamortized premium of \$17,154 and \$17,814	161,569	162,229
2016 Series A, 2.53%, due July 2035, including unamortized premium of \$18,648 and \$19,814	124,258	125,424
2016 Series B, 1.77%, due July 2027, including unamortized premium of \$20,972 and \$23,594	130,987	136,614
2017 Series B, 2.91%, due July 2036, including unamortized premium of \$48,029 and \$50,854	355,734	376,309
2017 Series C, 3.50%, due July 2047, including unamortized premium of \$19,937 and \$20,649	161,032	161,743
2017 Series I, 2.97%, due July 2040, including unamortized premium of \$63,661 and \$66,693	415,481	423,798

Notes to Consolidated Financial Statements

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NJEFA Capital Improvement Fund Bonds	2109	2018
2014 Series B, 3.67%, due September 2033, including unamortized premium of \$167 and \$178	2,739	2,865
2016 Series A, 2.53%, due September 2020	323	479
Commercial Paper		
Taxable, 2.31% and 2.12%, with maturities up to one year	55,500	28,500
Tax-Exempt, 1.44% with maturities up to one year	12,000	-
Parent Loans , 0.56% to 5.40% with maturities up to nine years	46,505	47,691
Notes	206	376
Total Borrowings	\$ 3,035,090	\$ 3,330,999
Unamortized debt issuance costs	(7,904)	(9,756)
Total Borrowings Net of Unamortized Issuance Costs	\$ 3,027,186	\$ 3,321,243

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 currently is 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 primarily are used to finance construction expenditures until permanent financing from gifts or other sources is made available. The University maintains a taxable and tax-exempt program, which is currently authorized to a maximum level of \$400 million.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2019, excluding commercial paper, are as follows:

<i>(dollars in thousands)</i>	Principal Payments
2020	\$ 93,888
2021	125,052
2022	86,341
2023	79,246
2024	78,655
Thereafter	2,264,660
Subtotal	2,727,842
Unamortized premium	239,748
Net long-term debt	\$ 2,967,590

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 \$9.5 million and \$9.9 million in letters of credit outstanding under these credit facilities at June 30, 2019 and 2018, respectively.

Notes to Consolidated Financial Statements

Princeton University
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12. 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 \$59.9 million and \$62.0 million for the years ended June 30, 2019 and 2018, respectively. The University also provides deferred compensation arrangements for certain officers, faculty, and staff. Accrued benefits of \$501.4 million and \$388.1 million for the years ended June 30, 2019 and 2018, respectively, include the Accumulated Postretirement Benefit Obligation and deferred compensation.

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 net assets without donor restrictions. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which initially was 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, 2019 and 2018 consisted of the following:

<i>(dollars in thousands)</i>	2019	2018
Service cost	\$ 17,116	\$ 22,835
Interest cost	14,166	17,379
Gain/(loss) amortization	(7,709)	(5)
Total	\$ 23,573	\$ 40,209

The APBO at June 30, 2019 and 2018, consisted of actuarially determined obligations to the following categories of employees:

<i>(dollars in thousands)</i>	2019	2018
Retirees	\$ 136,152	\$ 110,964
Active employees eligible to retire	113,833	88,782
Other active participants	193,810	137,421
Total	\$ 443,795	\$ 337,167

As of June 30, 2019 and 2018, the APBO was unfunded.

Notes to Consolidated Financial Statements

Princeton University
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The assumptions used to calculate the APBO at June 30, 2019 and 2018 were as follows:

	2019	2018
Discount rate	3.50%	4.25%
Healthcare cost trend rate	6.00%	5.88%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2026
Prescription drug cost trend rate	7.50%	7.84%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2026

A one-percentage-point change in assumed health care trend rates would have the following effects on postretirement benefits:

(dollars in thousands)	1-Percentage point increase	1-Percentage point decrease
Effect on APBO	\$ 101,343	\$ (77,249)
Effect on total of service and interest cost	11,287	(8,190)

The table below reflects expected postretirement plan benefit payments over the next 10 years. 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 benefit service.

(dollars in thousands)	
2020	\$ 8,863
2021	9,780
2022	10,607
2023	10,987
2024	12,077
2025 — 2029	73,232

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, 2019 and 2018.

13. 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

Notes to Consolidated Financial Statements

Princeton University
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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 generally are 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 normally are 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.

The composition of net assets by restriction and purpose at June 30, 2019 and 2018 was as follows:

2019

Net Assets <i>(dollars in millions)</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
Teaching and research	\$ 1,278	\$ 5,552	\$ 6,830
Student financial aid	595	4,053	4,648
Department programs and support	2,717	3,596	6,313
Designated for operations	3,445	1,668	5,113
Designated for capital	2,592	-	2,592
Other:			
Pledges	-	306	306
Capital, unallocated gifts, and grants	-	281	281
Annuities and trusts	-	200	200
Net investment in plant	1,742	-	1,742
Operating	(149)	-	(149)
Noncontrolling interests	197	-	197
Total	\$ 12,417	\$ 15,656	\$ 28,073

2018

Net Assets <i>(dollars in millions)</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
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
Total	\$ 12,083	\$ 15,313	\$ 27,396

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

14. 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 direct 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 U.S. 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 that have benefited from the associated debt.

Expenses by functional and natural classification for the years ended June 30, 2019 and 2018 were as follows:

2019

Natural Classification <i>(dollars in thousands)</i>	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 462,423	\$ 63,775	\$ 175,620	\$ 52,712	\$ 754,530
Employee benefits	153,519	19,232	23,171	17,204	213,126
Supplies, services, and other	183,833	70,172	34,554	34,961	323,520
Space and occupancy	4,976	5,011	60,338	4,485	74,810
Student stipends and prizes	-	71,651	-	-	71,651
Allocations:					
Depreciation	135,255	33,069	9,538	70	177,932
Interest	67,639	16,536	40,957	-	125,132
Operations and maintenance	86,071	33,811	(119,882)	-	-
Total operating expenses	1,093,716	313,257	224,296	109,432	1,740,701
Net periodic benefit cost other than service cost	4,357	630	1,116	354	6,457
Total expenses	\$ 1,098,073	\$ 313,887	\$ 225,412	\$ 109,786	\$ 1,747,158

2018

Natural Classification <i>(dollars in thousands)</i>	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 441,362	\$ 61,183	\$ 171,107	\$ 55,871	\$ 729,523
Employee benefits	156,939	19,049	17,759	18,601	212,348
Supplies, services, and other	187,462	62,362	25,234	40,002	315,060
Space and occupancy	3,405	4,058	59,608	4,057	71,128
Student stipends and prizes	-	67,494	-	-	67,494
Allocations:					
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)	-	-
Total operating expenses	1,079,486	297,784	222,336	118,541	1,718,147
Net periodic benefit cost other than service cost	11,212	1,563	2,691	1,908	17,374
Total expenses	\$ 1,090,698	\$ 299,347	\$ 225,027	\$ 120,449	\$ 1,735,521

Notes to Consolidated Financial Statements

Princeton University
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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 also may 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 Statements 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, 2019 and 2018 were as follows:

Student Financial Aid	2019	2018
<i>(dollars in thousands)</i>		
Scholarships and fellowships	\$ 284,644	\$ 260,958
Stipends and prizes	71,651	67,494
Total	\$ 356,295	\$ 328,452

15. COMMITMENTS AND CONTINGENCIES

At June 30, 2019, the University had authorized major renovation and capital construction projects for more than \$2,100.2 million. Of the total, approximately \$214.0 million had not yet been expended. Minimum operating lease commitments at June 30, 2019 for space and equipment were as follows:

<i>(dollars in thousands)</i>	Lease Payments
2020	\$ 11,571
2021	10,339
2022	9,048
2023	8,506
2024	8,097
Thereafter	8,464
Total	\$ 56,025

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 \$18.8 million at June 30, 2019.

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.

Notes to Consolidated Financial Statements

Princeton University
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16. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 26, 2019, 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.

(unaudited)

The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education. In addition, COVID-19 has negatively impacted the financial markets and may materially affect the returns on and value of the University's investments. Other adverse consequences of COVID-19 in the future may include, but are not limited to, impacts to enrollment, room and board revenues, programs that involve travel or that have international connections and philanthropic donations. The full impact of COVID-19 and the scope of any adverse impact on the University's finances and operations cannot be fully determined at this time.

17. CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

The following tables present the consolidating statements of financial position of all legal entities of the Trustees of Princeton University as of June 30, 2019 and 2018:

As of June 30, 2019 <i>(dollars in thousands)</i>	Princeton University	Affiliates	Eliminations	Consolidated
Assets				
Cash	\$ 22,633	-	-	\$ 22,633
Accounts receivable	122,776	-	-	122,776
Receivables associated with investments	71,804	-	-	71,804
Educational and mortgage loans receivable	446,784	-	-	446,784
Contributions receivable	306,325	-	-	306,325
Inventory and deferred charges	19,805	-	-	19,805
Managed investments at market value	25,376,486	\$ 435,466	-	25,811,952
Funds held in trust by others	114,969	3,024	\$ (3,024)	114,969
Other investments	1,000,246	-	-	1,000,246
Property, net of accumulated depreciation	4,156,896	-	-	4,156,896
Total assets	31,638,724	438,490	(3,024)	32,074,190
Liabilities				
Accounts payable	42,796	-	-	42,796
Liabilities associated with investments	63,361	-	-	63,361
Deposits, advance receipts, and accrued liabilities	135,910	-	-	135,910
Deposits held in custody for others	141,541	-	(3,024)	138,517
Liability under planned giving agreements	79,658	-	-	79,658
Liability for annuity contracts	12,390	-	-	12,390
Indebtedness to third parties	3,027,186	-	-	3,027,186
Accrued postretirement benefits	501,426	-	-	501,426
Total liabilities	4,004,268	-	(3,024)	4,001,244
Net assets				
Total net assets without donor restrictions	12,027,445	389,514	-	12,416,959
Total net assets with donor restrictions	15,607,011	48,976	-	15,655,987
Total net assets	27,634,456	438,490	-	28,072,946
Total liabilities and net assets	\$ 31,638,724	\$ 438,490	\$ (3,024)	\$ 32,074,190

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Princeton University
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As of June 30, 2018 <i>(dollars in thousands)</i>	Princeton University	Affiliates	Eliminations	Consolidated
Assets				
Cash	\$ 23,230	-	-	\$ 23,230
Accounts receivable	87,710	-	-	87,710
Receivables associated with investments	30,526	-	-	30,526
Educational and mortgage loans receivable	437,313	-	-	437,313
Contributions receivable	273,598	-	-	273,598
Inventory and deferred charges	14,648	-	-	14,648
Managed investments at market value	25,296,823	\$ 349,350	-	25,646,173
Funds held in trust by others	113,070	3,023	\$ (3,023)	113,070
Other investments	814,483	-	-	814,483
Property, net of accumulated depreciation	4,141,300	-	-	4,141,300
Total assets	31,232,701	352,373	(3,023)	31,582,051
Liabilities				
Accounts payable	41,393	-	-	41,393
Liabilities associated with investments	37,457	-	-	37,457
Deposits, advance receipts, and accrued liabilities	167,661	-	-	167,661
Deposits held in custody for others	138,939	-	(3,023)	135,916
Liability under planned giving agreements	85,272	-	-	85,272
Liability for annuity contracts	9,470	-	-	9,470
Indebtedness to third parties	3,321,243	-	-	3,321,243
Accrued postretirement benefits	388,086	-	-	388,086
Total liabilities	4,189,521	-	(3,023)	4,186,498
Net assets				
Total net assets without donor restrictions	11,779,075	303,580	-	12,082,655
Total net assets with donor restrictions	15,264,105	48,793	-	15,312,898
Total net assets	27,043,180	352,373	-	27,395,553
Total liabilities and net assets	\$ 31,232,701	\$ 352,373	\$ (3,023)	\$ 31,582,051



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