SAINT LOUIS UNIVERSITY

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

SAINT LOUIS
UNIVERSITY™
— EST. 1818 —

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Trustees
Saint Louis University:

We have audited the accompanying consolidated financial statements of Saint Louis University, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint Louis University 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 U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1(z) to the consolidated financial statements, Saint Louis University adopted new accounting guidance for Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606); ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to these matters.

KPMG LLP

St. Louis, Missouri
October 31, 2019

SAINT LOUIS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,

(000's Omitted)

	2019	2018
Assets:		
Cash and cash equivalents	$ 98,641	$ 61,861
Accounts receivable, net	112,666	109,314
Prepaid expenses	4,557	5,494
Investments	1,249,813	1,270,691
Notes receivable	38,923	22,048
Unexpended bond proceeds	112,920	482
Funds held by trustees	69,228	66,301
Land, buildings, and equipment, net	723,499	702,055
Other assets, net	86,441	85,691
Total assets	$ 2,496,688	$ 2,323,937
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	$ 41,396	$ 37,887
Accrued payroll and benefits	57,353	51,904
Deposits and deferred revenues	38,443	38,937
Other accrued liabilities	85,470	72,003
Notes and bonds payable	526,868	389,684
U.S. government refundable grants	22,346	22,852
Total liabilities	771,876	613,267
Net assets:		
Without donor restrictions	1,206,267	1,213,576
With donor restrictions	518,545	497,094
Total net assets	1,724,812	1,710,670
Total liabilities and net assets	$ 2,496,688	$ 2,323,937

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Operating revenues and other support:			
Education and related activities:			
Tuition and fees, net of ($171,489) scholarship allowances	$ 269,775		$ 269,775
Government grants and contracts	40,749		40,749
Contributions and private grants	47,985	$ 3,780	51,765
Investment return, net	60,746		60,746
Auxiliary enterprises	58,386		58,386
Other	16,825		16,825
Total education and related activities	494,466	3,780	498,246
Patient care (net of contractual allowances and discounts)	361,229		361,229
Net assets released from restrictions	3,214	(3,214)	—
Total operating revenues and other support	858,909	566	859,475
Operating expenses:			
Salaries and benefits	582,698		582,698
Supplies, repairs, utilities, and other expenses	216,181		216,181
Depreciation and amortization	42,325		42,325
Interest expense	16,159		16,159
Total operating expenses	857,363		857,363
Net operating results	1,546	566	2,112
Nonoperating:			
Investment return net of amounts designated for operations	(5,303)	4,700	(603)
Donor restricted contributions and private grants		14,032	14,032
Other, net	(3,552)	2,153	(1,399)
Total nonoperating, net	(8,855)	20,885	12,030
Change in net assets	(7,309)	21,451	14,142
Net assets at beginning of year	1,213,576	497,094	1,710,670
Net assets at end of year	$ 1,206,267	$ 518,545	$ 1,724,812

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Operating revenues and other support:			
Education and related activities:			
Tuition and fees, net of ($160,869) scholarship allowances	$ 269,976		$ 269,976
Government grants and contracts	33,863		33,863
Contributions and private grants	29,380	$ 9,773	39,153
Investment return, net	59,853		59,853
Auxiliary enterprises	59,713		59,713
Other	21,693		21,693
Total education and related activities	474,478	9,773	484,251
Patient care (net of contractual allowances and discounts)	353,611		353,611
Net assets released from restrictions	2,351	(2,351)	—
Total operating revenues and other support	830,440	7,422	837,862
Operating expenses:			
Salaries and benefits	568,301		568,301
Supplies, repairs, utilities, and other expenses	206,899		206,899
Depreciation and amortization	40,602		40,602
Interest expense	16,732		16,732
Total operating expenses	832,534		832,534
Net operating results	(2,094)	7,422	5,328
Nonoperating:			
Investment return net of amounts designated for operations	39,391	15,627	55,018
Donor restricted contributions and private grants		23,201	23,201
Other, net	(286)	3,949	3,663
Total nonoperating, net	39,105	42,777	81,882
Change in net assets	37,011	50,199	87,210
Net assets at beginning of year	1,176,565	446,895	1,623,460
Net assets at end of year	$ 1,213,576	$ 497,094	$ 1,710,670

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,
(000's Omitted)

		2019		2018
Net cash flows from operating activities:				
Increase in net assets	$	14,142	$	87,210
Adjustments to reconcile change in net assets:				
Net (gains) losses on disposition of property and equipment		690		(4,242)
Depreciation and amortization		42,325		40,602
Increase in accounts receivable, net		(3,966)		(20,862)
Increase in accounts payable		5,426		275
Increase in accrued payroll and benefits		2,219		1,394
Decrease in deposits and deferred revenues		(494)		(4,117)
Increase in other accrued liabilities		5,136		2,857
Increase in other assets		(750)		(636)
Other changes in assets and liabilities		917		(2,047)
Contributions restricted for endowment		(14,529)		(23,019)
Contributions restricted for acquisitions of property and equipment		(715)		(206)
Investment income restricted for long-term investment		(706)		(509)
Net gains on long-term investments		(37,730)		(95,556)
Net (gains) / losses on assets held by trustees		303		(399)
Net cash provided by/ (used in) operating activities		12,268		(19,255)
Net cash flows from investing activities:				
Proceeds from sales and maturities of investments		875,767		627,131
Purchase of investments		(808,828)		(590,911)
Proceeds from disposition of property and equipment		293		10,066
(Increase) / decrease in unexpended bond procceds		(112,438)		12,012
Increase in assets held by trustees, excluding net gains and losses		-		(3,737)
Purchase of property and equipment		(63,688)		(66,104)
Net cash used in investing activities		(108,894)		(11,543)
Net cash flows from financing activities:				
Issuance of notes receivable		(20,869)		(2,110)
Payments on notes receivable		3,945		3,441
Issuance of notes and bonds payable		150,008		-
Payments on notes and bonds payable		(12,835)		(9,495)
Decrease in cash overdrafts		(3,407)		(2,632)
Contributions restricted for endowment		15,141		21,887
Contributions restricted for acquisitions of property and equipment		717		208
Investment return restricted for long-term investment		706		509
Net cash provided by financing activities		133,406		11,808
Net increase / (decrease) in cash and cash equivalents		36,780		(18,990)
Cash and cash equivalents, beginning of year		61,861		80,851
Cash and cash equivalents, end of year	$	98,641	$	61,861
Supplemental data:				
Interest paid	$	15,761	$	16,917
Capital assets acquired through accounts payable	$	9,071	$	7,581
Non-cash gain on new market tax credits	$	-	$	2,473

See Accompanying Notes to the Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Saint Louis University (the University) was founded in 1818. The University is a coeducational institution offering undergraduate and graduate programs in a variety of curricula. Professional degree programs include medicine, law, business, social work, allied health, nursing, and advanced dentistry.

In addition to its higher education mission, the University devotes substantial resources, facilities, and personnel to providing health care services in conjunction with the academic programs offered by the University at the Medical Center. The University operates medical practices staffed by the faculty of the University's School of Medicine. The members of the faculty of the School of Medicine who provide medical services are referred to as SLUC*are*.

(b) Presentation of Consolidated Financial Statements

The University's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include, after elimination of all significant intercompany transactions, the accounts of Saint Louis University, SLUC*are*, Saint Louis University in Spain, and SLU Blocker.

(c) Tax Exempt Status

The University is generally exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code).

The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The University has no uncertain tax positions that result in material unrecognized tax benefits as of June 30, 2019 and 2018.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, as well as their ability to advance refund bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act's provisions for tax rates, measurement of deferred taxes as well as other limitations on deductions. The Act's provisions may also impact donor incentives for charitable giving. The Act for the year ended June 30, 2019 had an immaterial impact on the consolidated financial statements.

(d) Measure of Operations

Net operating results (change in net assets without donor restrictions from operating activity) in the Consolidated Statements of Activities reflect all transactions that change net assets without donor restrictions, except for activity associated with consolidated endowment investments, gain or loss on swap agreements and certain other nonrecurring items. In accordance with the University's endowment spending policy, as described in Note 4, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment return consists of dividends, interest, and realized/unrealized gains and losses on nonendowed investments.

(e) Use of Estimates

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

(f) Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Tuition and fees are reported net of scholarship allowances. A scholarship allowance represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Scholarship allowances were $171.5 million and $160.9 million for the years ended June 30, 2019 and 2018, respectively. Students who withdraw from a course or from the University within the first two weeks receive a full refund which is deducted from tuition revenue. Deposits and deferred revenues include advance tuition deposits and amounts billed to students for future years.

(g) Contributions

Contributions, including unconditional promises to give, are reported at fair value at the date the promise or gift is received. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets must be determinable. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and is then reported at fair value. The gifts are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes, time restrictions, or are subject to board-determined spending policy on the gifted assets. When a donor restriction expires, net assets are released to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. The University reports expirations of donor restrictions on donated, acquired, or constructed long lived assets when the assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, as well as changes in the allowance for doubtful accounts for the gifts are included in contributions and private grants revenue.

(h) Sponsored Awards

The University receives sponsored program awards from various governmental and other sponsors. These agreements generally are considered nonexchange transactions restricted by sponsors for certain purposes and are recognized as revenue when qualifying expenses are incurred and conditions under the agreements are met. Such revenues are recorded as either government grants and contracts or contributions and private grants. Conditional awards from governmental and other sponsors outstanding as of June 30, 2019 were $26.3 million.

(i) Auxiliary Enterprises Revenue

Auxiliary enterprises consist of revenues of the University's residence halls, meal services, parking services, arena events and miscellaneous. Revenue is recognized when the service is provided or the event occurs. Discounts given to target upper classmen to live on campus of $1.9 million and $1.5 million for 2019 and 2018, respectively, are included as a reduction to auxiliary enterprises revenue. Net room and board revenue included in this category was $39.7 million and $38.6 million for 2019 and 2018, respectively.

(j) Net Patient Care Revenue

Net patient care revenue includes clinical as well as contract revenue for patient services related to clinical, administrative and graduate medical education with various partners. SLU*Care* represents the primary source of this revenue.

Net patient care revenue is reported at the amount that reflects the consideration to which SLUC*are* expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (managed care and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate to inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and SLU*Care* does not believe it is required to provide additional goods or services to the patient.

SLU*Care* determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with SLU*Care's* policy, and/or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, its discount policy (or policies), and historical experience. Estimate of implicit price concessions are based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Physician services are paid based upon established fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge SLU*Care's* compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon SLU*Care*. In addition, contracts with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled and are no longer subject to such audits, reviews, and investigations. During 2019 and 2018, changes to prior year variable consideration resulted in an immaterial change in net patient service revenue from successful appeals, cost report settlements, and other adjustments to prior year.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. SLU*Care* estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

SLU*Care* provides care to patients regardless of their ability to pay. Therefore, SLU*Care* has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts SLU*Care* expects to collect based on its collection history with those patients.

Patients who meet SLU*Care* criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Net patient service revenue net of explicit allowances and discounts (but before implicit price concessions) recognized in the period by major payor is as follows as of June 30:

	2019		2018	
Medicare and Medicaid	50	%	49	%
Managed care	40		40	
Commerical and other	3		4	
Self-pay	7		7	
Total	100	%	100	%

Net patient service revenue recognized in the period by type of service and source is as follows as of June 30:

		2019		2018
		(000's omitted)		
Inpatient	$	107,776	$	103,188
Outpatient/ambulatory		222,575		218,940
Contractual		(166,189)		(161,279)
Net patient service revenue		164,162		160,849
Contract Revenue		151,956		146,049
Graduate Medical Education		45,111		46,713
Total patient care (net of contractual allowance and discounts)	$	361,229	$	353,611

The current reimbursement model for physician practice is not impacted by service location for the majority of payors. SLU*Care* grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are insured under third-party payor agreements. The mix of net patient accounts receivable by major payor consists of the following as of June 30:

	2019		2018	
Medicare and Medicaid	50	%	47	%
Managed care	28		26	
Self-pay	16		19	
Commerical and other	6		8	
Total	100	%	100	%

Two managed care payors accounted for approximately 12.0% and 14.0% of net patient service revenue in 2019 and 2018, respectively. Amounts due from these two managed care payors accounted for approximately 7.0% and 8.0% of net patient accounts receivable at June 30, 2019 and 2018, respectively.

(k) Nonoperating Activities

Nonoperating activities consisted of the following:

	Year ended June 30	
	2019	2018
Without donor restrictions:	(000's omitted)	
Investment return net of amounts designated for operations in accordance with the University's spending policy		
Net return / (loss) on endowment funds	$ 3,470	$ 31,906
Net return / (loss) on designated funds	(673)	(3,411)
Investment return / (loss) on annuity/life income funds	231	433
Unrealized gains / (losses) on interest rate swap agreements, net	(8,331)	10,463
Foreign currency translation adjustment	(601)	350
Reclassification to endowment restricted net assets	(2,805)	(1,734)
Other, net	(146)	1,098
With donor restrictions:		
Investment return	4,700	15,627
Donor restricted contributions and private grants	14,032	23,201
Reclassification from net assets with restrictions	2,805	1,734
Other, net	(652)	2,215
Total Nonoperating, net	$ 12,030	$ 81,882

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and temporary investments purchased with an initial maturity of three months or less. Cash and cash equivalents representing assets of endowment and similar funds are included in investments in the Consolidated Statements of Financial Position. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

(m) Accounts Receivable, Net

Accounts receivable are stated at estimated net realizable amounts. Accounts receivable were composed of the following:

	Accounts receivable, gross	Allowance for doubtful accounts & contractual allowances	Accounts receivable, net
		June 30, 2019	
		(000's omitted)	
Patient care	$ 71,415	$ 27,691	$ 43,724
Pledges, discounted (see table below)	21,771	1,564	20,207
Government/private grants	11,170	164	11,006
Student accounts	22,265	2,322	19,943
Anticipated insurance recoveries	10,107	—	10,107
Other	12,775	5,096	7,679
Total	$ 149,503	$ 36,837	$ 112,666

		June 30, 2018	
		(000's omitted)	
Patient care	$ 64,885	$ 24,651	$ 40,234
Pledges, discounted (see table below)	22,991	2,121	20,870
Government/private grants	11,420	167	11,253
Student accounts	23,786	2,144	21,642
Anticipated insurance recoveries	7,658	—	7,658
Other	11,776	4,119	7,657
Total	$ 142,516	$ 33,202	$ 109,314

As of June 30, the maturities of pledges were distributed as follows:

	2019	**2018**
Pledges scheduled to be collected in	(000's omitted)	
Less than one year	$ 5,481	$ 5,168
Between one year and five years	12,019	12,074
More than five years	7,338	9,785
Less: discount (rates range from 3.5% - 8.0%)	(3,067)	(4,036)
Pledges, discounted	$ 21,771	$ 22,991

(n) Allowance for Doubtful Accounts – Patient Care and Student Receivables

Patient care and student receivables are reduced by an allowance for doubtful accounts. The University evaluates the collectability of accounts receivable through historical trend analysis by major payor source. The University has not changed its charity care or uninsured discount policies during fiscal years 2019 or 2018. Bad debt expense was as follows as of June 30:

	2019	2018
	(000's omitted)	
Patient Care	$ 7,486	$ 7,019
Student	1,051	915
Total	$ 8,537	$ 7,934

(o) Investments

Investments in equity securities, investments in debt securities, unexpended bond proceeds, and funds held by trustees, are reported at fair value. Absent a readily determinable fair value (RDFV), alternative investments are valued using per share net asset value (NAV) provided by external investment managers as a practical expedient in determining fair value. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed. Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, real estate investments/commodities, private equity/venture capital, and hedge funds.

(p) Fair Value of Financial Instruments

As described in Note 5 and within other notes to the consolidated financial statements, the University accounts for certain financial instruments at fair value only at origination (nonrecurring measurements) and certain financial instruments as of the Consolidated Statements of Financial Position date (recurring measurements).

(q) Derivative Financial Instruments

The derivative instruments held by the University (as discussed in Notes 5 and 7) are recorded at fair value and included within other accrued liabilities. Gains and losses from changes in derivative fair values are recognized in the nonoperating investment return component of the Consolidated Statements of Activities.

(r) Notes Receivable

Notes receivable consisted of the following as of June 30:

	2019	2018
	(000's omitted)	
Federal government programs	$ 14,447	$ 16,767
Institutional programs	4,278	5,266
Student notes receivable, net	18,725	22,033
City Foundry	19,835	—
Other	363	15
Notes receivable	$ 38,923	$ 22,048

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Such notes receivable include federally-mandated repayment terms and interest rates ranging from 3% to 9%. Student loans represented 1% of total assets at June 30, 2019 and 2018.

The University participates in the Perkins Federal Revolving Loan Program, Federal Primary Care Loan program, and Federal Nursing Student Loan program. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position. Funds advanced were $22.3 million and $22.9 million as of June 30, 2019 and 2018, respectively. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. The following amounts were past due under student loan programs as of June 30, 2019 and 2018:

June 30,	1-60 Days past due	60-90 Days past due	90+ Days past due	Total past due
	(000's omitted)			
2019	$ 6	10	2,600	$ 2,616
2018	$ 15	10	1,998	$ 2,023

As of June 30, 2019 and 2018, no reserves were recorded for the institutional program student loans. The federal government guarantees Perkins loans. Therefore, no reserves are taken on any past due balances under the program.

(s) Unexpended Bond Proceeds

Unexpended bond proceeds represent the amount of unspent revenue bond proceeds that remain available for their specific purpose and are reported at fair value based upon market quotes. These amounts are maintained in a trust and invested by the trustee in money market funds that invest in short-term U.S. Treasury securities. Under the terms of the trust, proceeds are not released to the University until expenditures related to the specific purpose of the bond indenture are incurred.

(t) Other Assets

Other assets were composed of the following as of June 30:

	2019	2018
	(000's omitted)	
Investment in SSM Healthcare, St. Louis	$ 65,440	$ 65,440
Collections of art	13,626	13,149
Cortex investment	4,873	4,873
Real estate	729	729
All other, net	1,773	1,500
Other assets	$ 86,441	$ 85,691

See footnote 16 for information on the investment in SSM Healthcare, St. Louis. Collections of art are capitalized at cost if purchased, or at the fair market value at the date of the gift if contributed. None of the above assets are depreciated, but are subject to impairment review.

(u) Deposits and Deferred Revenue

Deposits and deferred revenue were composed of the following as of June 30:

	2019	2018
	(000's omitted)	
Student charges	$ 24,388	$ 25,791
Grants	8,382	10,581
Arena	2,063	1,158
Other	3,610	1,407
Deposits and deferred revenue	$ 38,443	$ 38,937

Student charges primarily represent fall medical school tuition and fees, and a portion of the summer session. This revenue is recognized in the following fiscal year. Grant revenue is recognized as the performance obligation is satisfied. The Arena deposits on ticket revenue are recognized when the event takes place. Other includes various vendor agreements where revenue is recognized over the contract as obligations are fulfilled.

(v) Other Accrued Liabilities

Other accrued liabilities were composed of the following as of June 30:

	2019	2018
	(000's omitted)	
Fair value of derivative instruments (see Note 5)	$ 31,664	$ 23,333
Actuarial estimated medical malpractice liability	37,007	31,726
Split-interest obligations (see Note 9)	9,442	10,203
Asset retirement obligations (see Note 6)	6,232	6,041
Other	1,125	700
Other accrued liabilities	$ 85,470	$ 72,003

(w) U.S. Government Refundable Grants

U.S. Government refundable grants consist of funds advanced by the federal government on the condition that the University administer various campus based student loan programs in compliance with federal regulations. Under certain conditions, the funds must be returned to the federal government. Accordingly, they are classified as liabilities in the Consolidated Statements of Financial Position.

(x) Net Assets

(i) Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations and are either not subject to donor-imposed restrictions, or have satisfied the donor-imposed restriction.

(ii) Net Assets With Donor Restrictions

Net assets with donor restrictions are those subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that are limited for a specific period of time or a specific purpose. This category also includes donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income earned on such assets may be used to support the operations of a specific program or may be added back to the corpus, dependent upon the donor restrictions.

(y) Foreign Currency Translation

The process of translating the University's Spanish campus financial statements from euros to U.S. dollars results in currency translation adjustments due to fluctuations in the exchange rate. The cumulative change in assets without donor restrictions related to foreign currency translation adjustments was $(4.6) million and $(4.0) million as of June 30, 2019 and 2018, respectively.

(z) New Accounting Pronouncements

During the year the University adopted ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU replaces most existing revenue recognition guidance in U.S. GAAP. The most significant change to the University relates to price concessions on patient revenue. For 2018, $7 million previously reported as a reduction of revenue has been reclassified to bad debt in the "supplies, repairs, utilities and other expenses" line under Operating Expenses.

During the year the University adopted ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entitie*s which changed how not-for-profit entities report net asset classes, expenses, investment return, and liquidity in their financial statements. Net assets classification was reduced from three (Unrestricted, Temporarily Restricted and Permanently Restricted) to two, With or Without Donor Restrictions. Footnote (3) Financial Assets and Liquidity Reserves has been added and other footnotes were changed to reflect the new disclosure requirements. A summary of the net asset classifications driven by the adoption of ASU 2016-14 as of July 1, 2017 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:		(000's omitted)	
Unrestricted	$ 1,174,749	$ —	$ 1,174,749
Temporarily Restricted	—	139,640	139,640
Permanently Restricted	—	309,071	309,071
Net assets previously presented	1,174,749	448,711	1,623,460
Reclassifications to implement ASU 2016-14:			
Long lived assets previously released over time	719	(719)	—
Underwater endowments	1,097	(1,097)	—
Net assets, as reclassified	$ 1,176,565	$ 446,895	$ 1,623,460

During the year the University adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The impact to the University was not significant.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, and requires a modified retrospective adoption, with early adoption permitted. The University is currently evaluating the impact on the consolidated financial statements and related disclosures. The anticipated impact to the financial statements is immaterial.

(aa) Reclassifications

Certain 2018 amounts have been reclassified to conform to the current year presentation.

(2) Third Party Reimbursed Health Programs

SLUCare

Medicare reimburses physician services according to the "Physicians' Medicare Fee Schedule", a national fee schedule utilizing a Resource Based Relative Value System. Reimbursement under both the MO HealthNet program and the Illinois Medicaid program is based on state-published fee schedules. Reimbursement under the Medicaid Managed Care plans is based on plan-specific fee schedules for specialized services. Payment for patient services covered by certain commercial insurance carriers, health maintenance organizations and preferred provider organizations is based upon reimbursement agreements which include negotiated rates and/or discounted fees for specific services.

Contractual agreements exist with third-party payors which provide for patient care reimbursement at rates which differ from the established billing rates for such care. Revenues received by SLUC*are* are subject to certain compliance requirements and audits by third-party payor groups which could result in retroactive adjustments. Management is of the opinion that the ultimate disposition of any retroactive adjustments as a result of such third-party audits would not have a material adverse effect on the University's financial position or changes in net assets.

(3) Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

		2019
		(000's omitted)
Cash and cash equivalents	$	98,641
Investments		1,249,813
Accounts receivable, net		112,666
Total		1,461,120
Less those unavailable for general expenditures within one year:		
Receivables scheduled to be collected in more than one year		(16,290)
Contractual or donor-imposed restrictions:		
Endowment funds		(1,207,370)
Other donor restrictions with time or purpose restrictions		(1,082)
Investments held in charitable remainder trusts		(12,101)
Financial assets available to meet cash needs for general expenditures within one year	$	224,277

In addition to the University's cash and cash equivalents, short-term investments are used to cover season flucuations in cash flow due to the timing of the student billing cycle. The University also has lines of credit of $80 million available if needed (see footnote 7).

(4) Investments

Investments were composed of the following:

	June 30 2019		June 30 2018
	(000's omitted)		
Cash and cash equivalents	$ 26,591		$ 21,760
Fixed maturity securities	209,004		253,334
Equity securities	562,531		476,353
Real estate securities	101,186		88,349
Real assets – commodities	130,847		119,677
Private equity/venture capital	193,350		173,092
Hedge funds	26,304		138,126
Total investments	$ 1,249,813		$ 1,270,691

The University designates only a portion of its cumulative investment return for support of current operations; the remainder is reinvested to support operations of future years. The amount computed under the spending policy for pooled long-term investments and certain investment income earned by investing cash in excess of daily requirements are used to support current operations. These amounts are recorded within Education and Related Activities operating revenue in the Consolidated Statement of Activities. Earnings on investments for which related purpose restrictions are met in the year earned are recorded as net assets without donor restrictions. Earnings on endowment net assets appropriated for current year expenditure are also recorded as net assets without donor restrictions.

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for private equity/venture capital and real estate investments. The University had commitments of approximately:

	June 30 2019	June 30 2018
	(000's omitted)	
Private equity/venture capital	$ 122.1	$ 111.2
Real asset/real estate	96.9	90.4
Total uncalled capital calls	$ 219.0	$ 201.6

Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

The following schedules summarize the investment return/(loss) net of amounts designated for current operations, and its classification in the Consolidated Statements of Activities excluding investments in irrevocable trusts that are included in funds held by trustees:

	Year ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Dividends and interest	$ 19,830	$ 706	$ 20,536
Net realized and unrealized gains (losses)	42,067	3,994	46,061
Total return on investments	61,897	4,700	66,597
Unrealized losses on interest rate swap agreements, net	(8,331)	—	(8,331)
Cumulative investment return designated for current operations	(58,869)	—	(58,869)
Investment return / (loss) net of amounts designated for current operations	$ (5,303)	$ 4,700	$ (603)

	Year ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Dividends and interest	$ 16,932	$ 509	$ 17,441
Net realized and unrealized gains (losses)	69,975	15,118	85,093
Total return on investments	86,907	15,627	102,534
Unrealized gains on interest rate swap agreements, net	10,463	—	10,463
Cumulative investment return designated for current operations	(57,979)	—	(57,979)
Investment return / (loss) net of amounts designated for current operations	$ 39,391	$ 15,627	$ 55,018

The total return/(loss) on investments includes custodial and management fees of $18.7 and $20.6 million for the years ended June 30, 2019 and 2018, respectively.

The University invests in various securities. These securities are exposed to various risks including interest rate, market, and credit risks. Due to these risks, it is reasonably possible that changes in value could occur in the near term. Such changes could materially affect amounts reported in the Consolidated Statements of Financial Position.

(5) Fair Value Measurements

The FASB has established accounting principles related to "Fair Value Measurements and Disclosures" (ASC Topic 820). This defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University follows this guidance in establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Three levels of inputs that may be used to measure fair value are as follows:

> Level 1 includes observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.
>
> Level 2 includes inputs such as quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These financial instruments include split-interest agreements, pledges receivable, notes receivable, swap agreements, notes and bonds payable.
>
> Level 3 includes unobservable inputs in cases where there is little or no market data. This requires the reporting entity to develop its own assumptions. Such financial instruments include estimated medical malpractice liability, funds held by trustees, and patient care accounts receivable.

Management determines the University's valuation policies by utilizing information provided by investment advisors, third party pricing sources, and custodians. Management substantiates the reasonableness of third party pricing data through review of methods, assumptions, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

The following discussion describes the valuation methodologies used for financial instruments measured at fair value. Additional information regarding valuation methodologies is included within other notes to the consolidated financial statements. The techniques utilized in estimating the fair values are affected by the assumptions used. Care should be exercised in deriving conclusions about the University's value or financial position based on the fair value information of financial instruments presented below. There have been no changes in the valuation methodologies used as of June 30, 2019 and 2018.

Fair market values of cash and cash equivalents are based on a share value price provided by the financial institution.

Fair values of fixed maturity securities and debt, excluding alternative investments, are based on prices provided by the University's investment managers and custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. These sources may include yields currently available on comparable securities of issuers with similar credit ratings, dealer-supplied prices or by discounting future principal and interest payments at prevailing interest rates. The fair value of holdings of mutual funds, common collective trusts and commingled funds are determined by reference to the funds' underlying assets, which are principally marketable fixed income securities with quotes on national exchanges.

Fair values of equity securities, excluding alternative investments and funds held by trustees are based on quoted market prices on national exchanges. To the extent that quoted market prices are not readily available, fair value may be determined based on broker or dealer quotations or alternate pricing sources with reasonable levels of price transparency.

Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, private equity/venture capital, hedge funds, and real estate investments/commodities. The strategy of such alternative investments is as follows:

- Alternative investments in fixed maturity securities maintain a strategy to invest in a diversified portfolio of marketable bonds, and other bond-like securities designed to add value and diversify risk.
- Alternative investments in equity securities maintain a strategy to invest in both domestic and international marketable securities that offer the potential for investment return and diversify risk.
- Alternative investments in private equity/venture capital funds are longer-lived, and include an overall investment strategy designed to enhance return and diversify risk through investing in limited partnership interests and nonmarketable operating companies. Investment in such entities cannot be redeemed, yet the University receives distributions through the liquidation of the underlying assets of the fund.
- Alternative investments in hedge funds include allocations to diversify investment strategies, which include both marketable and nonmarketable securities, and include an overall investment strategy designed to enhance return, diversify risk and dampen volatility by management of the hedge funds having the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- Alternative investments in real estate include an overall investment strategy designed to enhance return and to diversify risk within the investment portfolio by investing in the form of limited partnerships in operating companies that invest in global real estate. This category also includes investments in commodities, which provide a hedge against inflation.
- Alternative investments in real assets – commodities have an overall investment strategy designed to enhance return and diversify risk within the investment portfolio by investing in liquid instruments of a wide array of commodity investments, which provide a hedge against inflation.

Absent a RDFV, alternative investments are valued using NAVs provided by external investment managers as a practical expedient in determining fair value. NAVs provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds.

Unexpended bond proceeds are invested in various securities based on expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

The University's swap agreements are valued using observable market data, swap rates, and basis rates. These inputs are placed into proprietary models to calculate the Mark-to-Market value of the interest rate swaps. The Mark-to-Market pricing is validated by management of the University.

The following tables summarize the University's fair value hierarchy, investments valued using NAV, and redemption/ liquidity information:

Recurring financial assets:		**June 30, 2019**			**June 30, 2018**	**Redemption/ liquidation**	**Days' notice**
Level 1 Assets:		(000's omitted)					
Cash and cash equivalents	$	98,641		$	61,861		
Investments:							
Cash and cash equivalents		26,591			21,760		
Fixed maturity securities		209,003			253,334		
Domestic equity		286,359			252,780		
International equity		166,421			92,689		
Real asset commodities equity		21,769			23,274		
Real asset equity		2,080			—		
Total Level 1 Investments		712,223			643,837		
Investments valued using NAV (1):							
Alternative investments-equity securities		109,752	(2)		130,884	(2) Monthly/Illiquid	
Alternative investments-real asset commodities		35,124			34,479	Monthly	
Alternative investments-private equity/venture capital		193,350			173,092	Illiquid	
Alternative investments-hedge funds		26,304			138,126	Daily to > 1-year	1 to 90
Alternative investments-real asset commodities		73,954			61,924	Illiquid	
Alternative investments-real estate investments		99,106	(3)		88,349	(3) Quarterly/Illiquid	90
Total NAV Investments		537,590			626,854		
Total investments		1,249,813			1,270,691		
Unexpended bond proceeds (Level 1)		112,920			482		
Funds held by trustees (Level 3)		69,228			66,301	Illiquid	
Total recurring assets	$	1,530,602		$	1,399,335		
Recurring financial liabilities (Level 2):							
Swap agreements	$	31,664		$	23,333		

NOTES

(1) Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy.

(2) Alternative investments-equity securities include $0.05 million which are illiquid as of June 30, 2019 and 2018.

(3) Alternative investments-real estate include $55.5 million and $56.3 million which are illiquid as of June 30, 2019 and 2018, respectively.

Certain alternative investments include gates or other redemption restrictions. Such restrictions were immaterial as of June 30, 2019 and 2018. Certain private equity/venture capital and real estate investments cannot be redeemed with the investee, but the University receives distributions through the liquidation of underlying assets.

The following table rolls forward the balance of Funds Held by Trustee measured at fair value on a recurring basis:

		Level 3 assets		
Financial assets:		June 30, 2019		June 30, 2018
		000's omitted		
Beginning balance	$	66,301	$	59,117
Investment income including realized gains		608		854
Unrealized gains / (losses)		190		942
Purchases		2,479		5,737
Sales		(350)		(349)
Ending balance	$	69,228	$	66,301

(6) Land, Buildings and Equipment, net

Physical properties consisted of the following:

	June 30	
	2019	2018
	(000's omitted)	
Land	$ 72,251	$ 65,584
Buildings and building improvements	1,000,738	964,380
Equipment	154,174	156,232
Construction in progress	30,288	26,154
Land, buildings, and equipment	1,257,451	1,212,350
Less accumulated depreciation	(533,952)	(510,295)
Land, buildings, and equipment, net	$ 723,499	$ 702,055

Buildings and equipment are stated at cost, less accumulated depreciation. Land is stated at cost at the date of acquisition or estimated fair value at date of contribution. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated on the straight-line basis. Depreciable lives are estimated as 40-50 years for buildings, 10-35 years for building improvements, and 3-15 years for equipment.

Construction in progress consists of construction expenditures for physical properties that have not yet been placed in service. The University has entered into construction contracts with unrelated parties in the amount of $138.0 million (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2019, $121.7 million of such contract commitments had not yet been incurred.

Asset Retirement Obligation

U.S. GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. These rules also provide guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on these rules, management of the University determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations. Therefore, the University recognized interest and depreciation expenses of $0.3 million in operating expenses within the Consolidated Statements of Activities for years ended June 30, 2019 and 2018. Asset retirement costs of $0.5 million, net of accumulated depreciation, were included in land, buildings and equipment, net as of June 30, 2019 and 2018. Conditional asset retirement obligations of $6.2 million and $6.0 million were included within other accrued liabilities in the Consolidated Statements of Financial Position as of June 30, 2019 and 2018, respectively.

(7) Debt Agreements

Outstanding balances of notes and bonds payable are summarized below:

Description	June 30 2019	June 30 2018
	(000's omitted)	
Twenty-five year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series A and B 1999. Interest rate is variable (1.93% at June 30, 2019), with a maximum of 12%.	$ 44,445	$ 47,705
Thirty year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2002. Interest rate is variable (1.87% at June 30, 2019), with a maximum of 12%.	4,825	5,500
Twenty-seven year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2008 B1 and B2. Interest rates are variable (1.87 to1.97% at June 30, 2019) with a maximum of 12%.	78,630	80,940
Twenty-seven year Health and Educational Facilities Revenue Bonds – Series 2015A. Interest rates range from 4 to 5%.	57,435	57,435
Thirty year Taxable Health and Educational Facilities Revenue Bonds – Series 2015B. Interest rate 4.756%.	40,360	40,360
Nineteen year Health and Education Facilities Revenue Bonds - Series 2016 A1 and A2. Interest rates are variable (2.50% at June 30, 2019) with a maximum of 12%.	64,600	68,190
Thirty year Health and Education Facilities Revenue Bonds - Series 2017 A. Interest rates range from 3.75% to 5.0%.	76,455	76,455
Thirty year Health and Education Facilities Revenue Bonds - Series 2019 A. Interest rates range from 4.0% to 5.0%.	93,705	—
Thirty-one year taxable Health and Education Facilities Revenue Bonds - Series 2019 B Interest rate 4.20%.	50,660	—
SLH Vista, Inc., unsecured promissory note Interest free, maturing 08/31/2025	7,000	10,000
Notes and bonds payable, par	518,115	386,585
Net unamortized original bond issue premium/discount	11,663	5,109
Unamortized debt issuance cost	(2,910)	(2,010)
	$ 526,868	$ 389,684

The University's Health and Educational Facilities Series 1999, Series 2002, Series 2008 B1 and B2, Series 2015A and B, Series 2016 A1 and A2, Series 2017A, Series 2019A and B bonds are parity obligations that are not secured by a pledge or security interest in any specific property of the University other than the security interest in any funds deposited and held by either the applicable bond trustee or the Master Trustee under the University's Master Trust Indenture. The University is required to comply with certain restrictive covenants under these bond agreements. The University is in compliance with these covenants as of June 30, 2019. Certain bonds are subject to early redemptions at the option of the University.

Note and bond principal payments amount to $9.7 million, $10.1 million, $13.6 million $11.0 million and $11.4 million for fiscal years 2020 through 2024, respectively. Certain debt obligations require the maintenance of bond and interest sinking funds. Interest paid was $15.8 million and $16.9 million during fiscal years 2019 and 2018, respectively.

The University has entered into various interest rate swap agreements. These swap agreements represent the University's only derivative instruments and are accounted for as cash flow hedges. As a cash flow hedge, the gain or loss on the swap agreements are recognized within the Consolidated Statements of Activities as part of nonoperating investment return. (Losses) / gains in the amount of $(8.3) million and $10.5 million were recognized related to the swap agreements for the years ended June 30, 2019 and 2018, respectively. Additionally, the impact within operating activities of the Consolidated Statements of Cash Flows was $(3.4) and $(4.7) million for the years ended June 30, 2019 and 2018, respectively.

The University holds these derivative instruments for the fixed interest rate certainty they provide. Therefore, the University entered into interest rate swap agreements to fix the rate of interest on the Health and Education Facilities Variable Rate Demand Revenue Bonds as follows, as of June 30, 2019:

Revenue bonds	Notional amount	Maturity date	Weighted average interest rate (%)
	($ in millions)		
Series 1999	$ 44.4	2024	3.80
Series 2002	4.8	2026	3.10
Series 2008 B1	21.7	2026	3.04
Series 2008 B2	56.6	2035	3.61
Series 2016 A1 & A2	64.3	2035	3.25

The University has a standby bond purchase agreement with a maximum principal amount of $4.8 million to provide liquidity for the outstanding balance related to the Series 2002 Health and Educational Facilities Variable Rate Demand Revenue Bonds. This standby bond purchase agreement expires on September 27, 2023. In the event the remarketing agent is unable to remarket the bonds, the bank would draw on the standby bond purchase agreement to purchase the bonds. Any liquidity advances would require repayment over 90 days. The University has irrevocable letters of credit with a maximum principal amount of $123.1 million to provide liquidity for the outstanding balances related to the Series 1999 and 2008B Health and Educational Facilities Variable Rate Demand Revenue Bonds. The letter of credit for the Series 1999 has an expiration date of June 2, 2022. The letters of credit for Series 2008B-1 and 2008B-2 have expiration dates of October 28, 2020 and September 27, 2023, respectively. Series 2008A was refunded by Series 2016 on October 21, 2016.

The University has lines of credit totaling $80 million and had no outstanding borrowings under the lines of credit as of June 30, 2019. The University has established letters of credit in the amount of $0.9 million which reduce the amount available to borrow to $79.1 million as of June 30, 2019.

(8) Lease Obligations

The University leases certain equipment and conducts certain operations in leased facilities. Terms of these operating leases, including renewals, maintenance costs and purchase options, vary by lease. Total rental expense charged to operations was approximately $8.3 million and $7.3 million for the fiscal years ended June 30, 2019 and 2018, respectively. As of June 30, 2019, future minimum annual lease payments under noncancelable operating leases are $6.6 million, $3.6 million, $1.9 million, $1.3 million, and $1.2 million for fiscal years 2020 through 2024, respectively.

(9) Split-Interest Agreements

The University has certain split-interest agreements with donors which consist primarily of charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts for which the University serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The University reported split-interest obligations of $9.4 million and $10.2 million as of June 30, 2019 and 2018, respectively. These amounts are included within other accrued liabilities in the Consolidated Statements of Financial Position. The fair value of split-interest agreement related assets total $13.3 million and $14.1 million as of June 30, 2019 and 2018, respectively. The discount rate used to value split-interest agreements ranged from 3.5% to 8% for June 30, 2019 and 2018, respectively.

(10) Analysis of Expense

The University's classifications of expenses in the Consolidated Statements of Activities are combined by functional category as follows:

	Year Ended June 30, 2019 (000's omitted)				
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Patient Care	$ 284,948	$ 75,927	$ 2,150		$ 363,025
Instruction	154,247	30,353	12,522		197,122
Institutional Support	50,938	29,756	5,873	$ 16,159	102,726
Auxiliaries	14,097	29,127	6,784		50,008
Academic Support	25,901	13,107	5,917		44,925
Research	16,581	12,299	4,471		33,351
Operation & Maint of Plant	14,587	14,431	1,436		30,454
Student Services	13,623	9,060	2,361		25,044
Public Service	7,776	2,121	811		10,708
	$ 582,698	$ 216,181	$ 42,325	$ 16,159	$ 857,363

	Year Ended June 30, 2018 (000's omitted)				
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Patient Care	$ 272,796	$ 75,364	$ 2,512		$ 350,672
Instruction	152,146	30,240	11,756		194,142
Institutional Support	49,987	26,757	5,514	$ 16,732	98,990
Auxiliaries	13,578	27,173	6,741		47,492
Academic Support	29,567	10,729	5,555		45,851
Research	15,270	11,174	4,198		30,642
Operation & Maint of Plant	13,897	15,315	1,348		30,560
Student Services	13,346	8,111	2,216		23,673
Public Service	7,714	2,036	762		10,512
	$ 568,301	$ 206,899	$ 40,602	$ 16,732	$ 832,534

The University's primary activities programs are instruction, patient care, research, and public service. Academic support, student services, institutional support, operation and maintenance of plant and auxiliary services are considered integral to the delivery of these programs. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations such as time and effort spent or space utilized.

(11) Net Assets

The Universities net assets are available for the following purposes:

	June 30 2019	June 30 2018
	(000's omitted)	
Net assets:		
Without donor restrictions:		
Net investment in plant	$ 322,395	$ 323,952
Designated by the board	769,574	764,297
Undesignated	114,298	125,327
Net assets without donor restrictions:	1,206,267	1,213,576
With donor restrictions:		
Donor restricted endowments	441,539	419,998
Perpetual trusts	41,564	41,799
Purpose restricted	18,030	17,884
Time restricted	17,412	17,413
Net assets with donor restrictions	518,545	497,094
Total net assets	$ 1,724,812	$ 1,710,670

	June 30 2019	June 30 2018
	(000's omitted)	
Designated by the board:		
Scholarships and fellowships	$ 38,857	$ 37,021
Other institutional activities	730,717	727,276
Total designated by the board	$ 769,574	$ 764,297

	June 30 2019	June 30 2018
	(000's omitted)	
Net assets with donor restrictions:		
Donor restricted endowments subject to spending policy, and appropriation, to support the following purposes (including net accumulated earnings of $140,042 and $136,748 as of June 30, 2019 and 2018, respectively):		
Scholarships and fellowships	$ 183,108	$ 166,455
Other institutional activities	258,920	254,133
Underwater endowments	(489)	(590)
Perpetual trusts, distributions available to support the following purposes:		
Scholarships and fellowships	23,690	23,923
Other institutional activities	17,874	17,876
Subject to expenditures for specific purposes:		
Capital projects	801	240
Other institutional activities	17,229	17,644
Subject to the passage of time	17,412	17,413
Total net assets with donor restrictions	$ 518,545	$ 497,094

(12) Endowment Funds

(a) Interpretation of Relevant Law

The University follows accounting rules outlined in "Endowments of Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" which provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations. The State of Missouri enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on August 28, 2009. The University's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Missouri as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions (a) the original value of the 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.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with 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

(b) Endowment Spending Policy

The University's spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings. The spending rate, which is annually approved by the Board of Trustees, is 5.0% of the average market value per unit for a twelve quarter period for the Pooled Endowment for June 30, 2019 and 2018.

The Annual Spending Rate per Unit (ASRU) is calculated as of each December 31 by multiplying the current spending rate by the average market value per unit for the previous twelve quarters. The ASRU is then multiplied by the number of units owned by each endowment fund to determine the spending budget for each fund for the following fiscal year. The spending is credited to the appropriate operating fund at the beginning of the next fiscal year.

The difference between the actual total return and return designated for current operations is classified as nonoperating income or expense in the Consolidated Statements of Activities.

(c) Endowment Investment Policy

The University has adopted investment and spending policies for endowment assets that will preserve and enhance the real (inflation-adjusted) purchasing power of the pooled endowment while providing an increasing stream of real funding for the annual University budget in the future. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-restricted period(s) as well as quasi endowment funds. Under this policy, the University's return objectives and risk parameters attempt to achieve the highest long-term total investment return on investment assets that is compatible with the University's risk tolerance and time horizons consistent with prudent investment practices. The primary investment objective is to provide a net annual return equal to the spending rate, plus the rate of inflation, plus 1% – 2%. To achieve its investment objective, the Pooled Endowment fund is allocated among investments that are further characterized as "Equity", "Alternative", and "Fixed Income". The primary objective of the allocation between these three major asset classes is to provide a strategic mix that produces the highest risk adjusted return through a responsible and disciplined investment approach.

(d) Endowment Funds with Deficiencies and Other Matters

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that is required to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were $(0.5) million and $(0.6) million as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations. The following table presents endowment net asset composition by fund type:

	Without Donor Restrictions	With Donor Restrictions: Original Gift & Additions	With Donor Restrictions: Accumulated Gains (Losses)	With Donor Restrictions: Market Value	Total
			(000's omitted)		
			June 30, 2019		
Quasi / Board-designated endowment funds	$ 769,574				$ 769,574
Underwater endowments		$ 20,665	$ (489)	$ 20,176	20,176
Other funds		296,130	166,797	462,927	462,927
Total funds	$ 769,574	$ 316,795	$ 166,308	$ 483,103	$ 1,252,677
			June 30, 2018		
Quasi / Board-designated endowment funds	$ 764,297				$ 764,297
Underwater endowments		$ 19,810	$ (590)	$ 19,220	19,220
Other funds		278,056	164,521	442,577	442,577
Total funds	$ 764,297	$ 297,866	$ 163,931	$ 461,797	$ 1,226,094

Endowment income, including endowment investment return, appropriated for expenditure within the same fiscal year in accordance with the University's annual spending rate are reported within endowment net assets without donor restrictions. There are no additional restrictions on the spending of underwater endowments. The following table rolls forward the balance of endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Endowment net assets, June 30, 2017	$ 728,546	$ 421,044	$ 1,149,590
Investment return:			
Investment income	12,541	235	12,776
Investment / other income - non pooled	1,998	—	1,998
Net realized / unrealized gains / (losses)	72,904	15,765	88,669
Contributions	—	23,019	23,019
Endowment assets appropriated for expenditure	(55,536)	—	(55,536)
Reclassification based on donor intent	—	1,734	1,734
Gain (loss) on other assets	(20)	—	(20)
Transfers to create board-designated funds	3,864	—	3,864
Endowment net assets, June 30, 2018	$ 764,297	$ 461,797	$ 1,226,094
Investment return:			
Investment income	16,364	509	16,873
Investment / other income - non pooled	1,983	—	1,983
Net realized / unrealized gains / (losses)	41,906	3,665	45,571
Contributions	—	14,532	14,532
Endowment assets appropriated for expenditure	(56,783)	—	(56,783)
Reclassification based on donor intent	—	2,807	2,807
Gain (loss) on other assets	—	(207)	(207)
Transfers to create board-designated funds	1,807	—	1,807
Endowment net assets, June 30, 2019	$ 769,574	$ 483,103	$ 1,252,677

(13) Insurance Programs

The University has insurance coverage for medical malpractice and health insurance claims which is subject to certain aggregate, per claim, and self-insurance retention limits. The University participates with other universities in self-insurance risk pools which provide some of the University's workers' compensation, general liability, and property coverage. Whenever the pools' actual losses exceed estimates, the University can be required to contribute additional funds. Management believes that any such additional contributions would not have a material effect on the University's financial position or changes in net assets.

(14) Retirement Benefits

Retirement benefits for University employees are provided through the Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments. Contributions are made to provide individually owned retirement contracts and accounts for participating employees. Employees are eligible for the University's retirement plan after one year of continuous service. The University provides a two to one matching contribution up to a maximum of 10% as the University's contribution. Contributions made by the University are vested immediately. The University's share of the cost of these benefits was $30.5 million and $30.0 million for the fiscal years ended June 30, 2019 and 2018, respectively.

(15) Governmental Grants and Contracts

The University has recovered indirect costs under certain grants and contracts with federal agencies for both the 2019 and 2018 fiscal years. These recoveries are reported as revenue without donor restrictions. Indirect cost rates vary according to the terms of the grant award or the contract. Most rates are based on modified total direct costs. Certain research grants and contracts allow indirect costs based on an indirect cost research rate that is negotiated with the Department of Health and Human Services.

(16) Hospital Affiliations

On September 1, 2015, the University entered into a fifty-year Academic Affiliation and Services Agreement with SSM Health Care Corporation, SSM Health Care St. Louis, SSM Cardinal Glennon Children's Hospital, and SSM-SLUH, Inc. (SSM). Under this agreement, the University receives funding for: the supervision of residents, education/academic services, professional clinical services, administrative and other purchased services, faculty recruitment and research support. The University and SSM also have master lease agreements through which either entity may lease space to or from the other. In accordance with a Member's Agreement of SSM Health Care St. Louis, the University repurchased Saint Louis University Hospital from Tenet and contributed the Hospital to SSM-SLUH, Inc., a wholly owned subsidiary of SSM Health Care St. Louis, in exchange for a 15% financial interest and governance rights in SSM Health Care St. Louis. The University does not exercise significant influence over operating and financial policies, nor does the University have a controlling financial interest in SSM Health Care St. Louis.

Revenues associated with the above described hospital affiliation transactions for the fiscal years ended June 30, 2019 and 2018 are $188.4 million and $182.8 million, respectively. Expenses associated with the above described hospital affiliation transactions for the fiscal years ended June 30, 2019 and 2018 are $9.7 million and $9.3 million, respectively. Hospital affiliation revenues and expenses are included as components of patient care and supplies, repairs, utilities, and other expenses within the Consolidated Statements of Activities. Amounts due from SSM as of June 30, 2019 and 2018, were $20.9 million and $19.9 million, respectively, and are included as components of accounts receivable, net within the Consolidated Statements of Financial Position.

(17) Legal Matters – Contingencies, Commitments and Other

There are various lawsuits and legal proceedings against the University which are in varying states of review and may proceed for protracted periods of time. Management is of the opinion that the ultimate disposition of such litigation will not have a material adverse effect on the University's financial position or changes in net assets.

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events, and noted no additional items to disclose through October 31, 2019, which was the date the consolidated financial statements were issued.