Vanderbilt Financial Report

2019

2019 FINANCIAL REPORT

VANDERBILT UNIVERSITY

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Letter from the Interim Chancellor

Vanderbilt University has become synonymous with discovery, collaboration and inclusive excellence. These values—at the heart of our mission—propel our ability to drive positive change in the world. And in turn, they are made possible by our commitment to financial stewardship.

The university's impact extends far beyond the numbers, data, and details included within this report. Our solid and robust financial standing is critical to our making the most important strides forward possible, including: visionary research and scholarship; immersion programs; and the financial aid we offer to the nation's most qualified and deserving students through Opportunity Vanderbilt.

Our financial position contributes directly to our ability to attract top scholars and students from around the world. It empowers us to think big and boldly, as evidenced by our residential colleges wherein we strive to have learning and discovery permeate every moment of every student's day. It fuels our collaborations across the graduate and professional schools, our resources and capacity for creativity, and our expanding global impact.

In the past fiscal year, we have furthered our ability to act upon the university's goals, financially and otherwise. Overall, we are in a position of unprecedented strength and momentum due to the strong foundation established during Chancellor Emeritus Nicholas Zeppos's leadership. I trust that the information included in this report will reinforce your commitment to build on this foundation, and my thanks to all who have worked together to advance Vanderbilt's mission and support further excellence.

Sincerely,

Susan R Wente

Susan R. Wente
Interim Chancellor and Provost

Vanderbilt University Statistics

	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
STUDENTS					
Undergraduate	6,861	6,885	6,871	6,883	6,851
Graduate and professional	5,963	5,707	5,716	5,684	5,835
Total fall enrollment	12,824	12,592	12,587	12,567	12,686
Undergraduate admissions					
Applied	34,313	31,462	32,442	31,464	29,518
Accepted	3,298	3,415	3,487	3,674	3,865
Enrolled	1,602	1,607	1,601	1,607	1,605
Selectivity	9.6%	10.9%	10.7%	11.7%	13.1%
Yield	48.6%	47.1%	45.9%	43.7%	41.5%
Degrees conferred					
Baccalaureate	1,700	1,716	1,716	1,723	1,644
Master's	1,382	1,477	1,487	1,421	1,497
M.D.	100	79	98	104	120
Other doctoral	599	583	585	564	598
Total degrees conferred	3,781	3,855	3,886	3,812	3,859
Undergraduate six-year graduation rate	93.0%	93.6%	91.5%	92.3%	92.0%
Undergraduate tuition	$ 48,600	$ 46,500	$ 44,496	$ 43,620	$ 42,768
% increase over prior year	4.5%	4.5%	2.0%	2.0%	2.0%
FACULTY AND STAFF [1]					
Full-time faculty	1,468	1,431	1,421	1,404	3,740
Full-time staff	4,245	4,205	4,177	4,060	19,305
Part-time faculty	348	339	318	323	439
Part-time staff	412	346	521	509	692
Total faculty and staff	6,473	6,321	6,437	6,296	24,176
GRANT AND CONTRACT FUNDING (in thousands)					
Government sponsors	$ 160,958	$ 151,580	$ 155,446	$ 147,980	$ 150,760
Private sponsors	27,656	22,298	24,345	31,087	26,497
Facilities and administrative costs recovery	60,408	56,868	57,489	55,426	54,610
Total grants and contracts	$ 249,022	$ 230,746	$ 237,280	$ 234,493	$ 231,867
ENDOWMENT					
Market value (in thousands)	$ 6,270,877	$ 4,608,461	$ 4,136,465	$ 3,795,586	$ 4,093,388
Endowment return	6.7%	12.6%	11.5%	-4.3%	3.7%
Endowment per student	$ 488,995	$ 365,983	$ 328,630	$ 302,028	$ 322,670
Endowment payout	4.5%	4.7%	5.1%	4.7%	4.1%

[1] On April 29, 2016, Vanderbilt and VUMC became two separate legal entities. Vanderbilt transferred clinical services operations, post-graduate training programs, and clinical department research activities, along with related assets and liabilities, to VUMC as a newly incorporated Tennessee not-for-profit corporation in exchange for $1,230 million of consideration (the "Transaction"). The Transaction drove a decrease in faculty and staff numbers from fiscal 2015 to 2016. In addition to the faculty employed by Vanderbilt University ("VU") at the end of fiscal years 2019, 2018, 2017, and 2016, some employees of Vanderbilt University Medical Center ("VUMC") held VU faculty appointments. These additional VUMC-employed, VU faculty comprised:

VUMC employed, VU faculty appointments	2018/2019	2017/2018	2016/2017	2015/2016
Full-time	2,817	2,830	2,680	2,463
Part-time	93	116	131	125
Total	2,910	2,946	2,811	2,588

FINANCIAL OVERVIEW

The university ended fiscal 2019 with $161 million of net operating results compared to $94 million in fiscal 2018. Vanderbilt's net assets without donor restrictions increased $245 million from fiscal 2018 to 2019 primarily driven by positive operating results, investment returns, and gifts to the university supporting advances in teaching and research.

OPERATING REVENUES

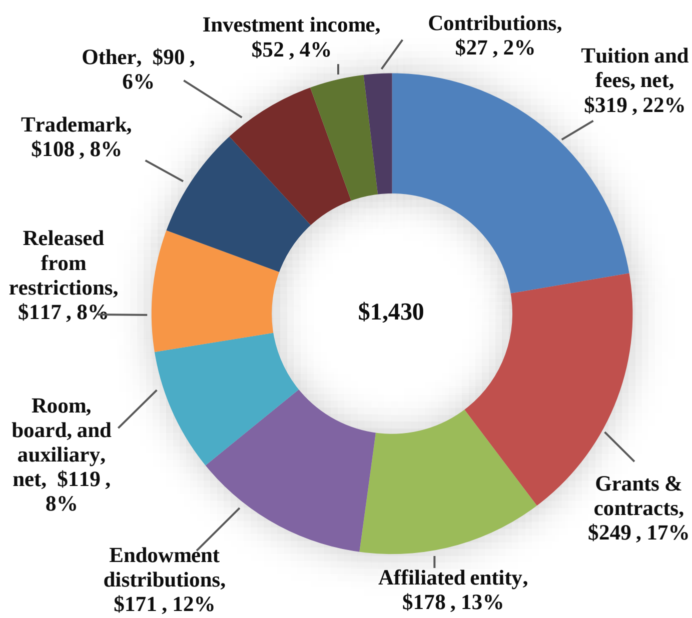
Vanderbilt's operating revenues without donor restrictions for the years ended June 30, 2019, and June 30, 2018, were as follows:

(in millions)	2019	2018
Tuition and educational fees, net	$ 319	$ 299
Government grants and contracts	161	152
Private grants and contracts	28	22
F&A costs recovery	60	57
Contributions	27	22
Endowment distributions	171	99
Investment income	52	26
Room, board, and other auxiliary services, net	119	111
Trademark, license, and royalty	108	125
Affiliated entity revenue	178	175
Other sources	90	88
Net assets released from restrictions	117	110
Total operating revenue	**$ 1,430**	**$ 1,286**

Operating revenues without donor restrictions increased $144 million, or 11%, to $1,430 million in fiscal 2019 from $1,286 million in fiscal 2018. Endowment distributions increased by $72 million due to payouts from the additional investments in the endowment from the securitization of one of the university's trademark revenue streams. Investment income increased $26 million primarily due to earnings from the trademark securitization. Tuition and fees, net, increased by $20 million due to changes in student enrollment, credit hours, and board-approved increases in tuition rates. Revenue from government and private sponsors increased by $9 million and $6 million, respectively, due to both new federal awards and building relationships with foundations and other non-federal sponsors to expand resources for research.

Operating Revenues without Donor Restrictions by Type (Fiscal 2019)

(in millions)



TUITION, ROOM, AND BOARD

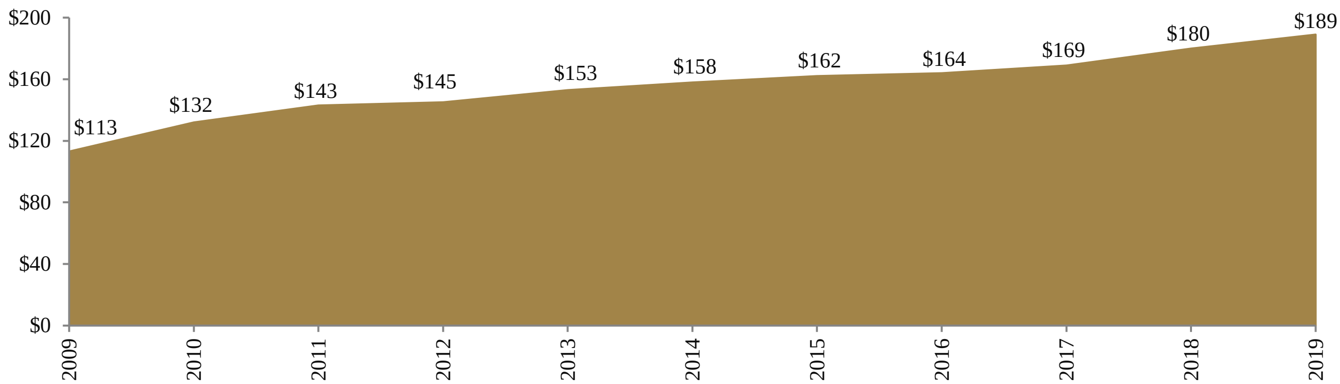
Supporting Vanderbilt's commitment to student access and affordability, the university provides significant financial aid to students and their families. In fiscal 2019, Vanderbilt provided $293 million in support to its students for tuition, room, and board as shown in the table below.

	Undergrad	Professional	Graduate	Total
Student count	*6,861*	*3,826*	*2,137*	*12,824*
(in millions)				
Tuition and fees	$ 344	$ 174	$ 56	$ 574
Financial aid(1)	(151)	(55)	(49)	(255)
Tuition and fees, net	**$ 193**	**$ 119**	**$ 7**	**$ 319**
Room and board	88	-	-	88
Financial aid(1)	(38)	-	-	(38)
Room and board, net	**$ 50**	**$ -**	**$ -**	**$ 50**
Total financial aid(1)	**$ 189**	**$ 55**	**$ 49**	**$ 293**

1 Financial aid excludes Pell Grants of $5 million as these amounts represent agency funds.

Undergraduate Financial Aid

fiscal 2009 - 2019 (in millions)



Vanderbilt expanded its undergraduate financial aid significantly over the past decade. In fiscal 2019, undergraduate aid as a percentage of gross tuition, room and board, and educational fees was 44%. Nearly half of Vanderbilt's undergraduate financial aid was funded in fiscal 2019 and 2018. The university's Opportunity Vanderbilt no-loan initiative, which began in fiscal 2009, is critical to this support. Through fiscal 2019, generous donors have committed, through gifts and pledges, $436 million to support undergraduate financial aid. A portion of operations ($116 million), endowment distributions and gifts ($69 million), and external agencies ($4 million) funded fiscal 2019 undergraduate aid.

GRANTS AND CONTRACTS

Direct grant revenue increased by $15 million, or 9%, to $189 million in fiscal 2019 from $174 million in fiscal 2018. Government grants and contracts revenue increased $9 million, or 6%, to $161 million in fiscal 2019 from $152 million in fiscal 2018, due to increases across federal funding sources. Private grants and contracts revenues increased $6 million, or 27%, over the same period to $28 million in fiscal 2019 from $22 million in fiscal 2018, due to drug discovery contracts.

As shown in the following table, the largest source of direct government grant and contract revenue was the Department of Health and Human Services (primarily the National Institutes of Health, or NIH).

Grants and Contracts Revenues by Funding Source

(in millions)	2019	%
Department of Health and Human Services	$ 89	55%
Department of Education	20	12%
National Science Foundation	17	11%
Department of Defense	14	9%
Department of Energy	10	6%
Other government agencies	11	7%
Total government grants and contracts by funding source	**$ 161**	**100%**

Sponsored research and project awards represent research funding commitments not yet expended by Vanderbilt and include multiple-year grants and contracts from government sources, foundations, associations, and corporations. As of June 30, 2019 and 2018, such awards totaled $227 million and $215 million, respectively, as shown in the following table.

Sponsored Program Awards

(in millions)	2019	2018
Government awards	$ 192	$ 183
Private awards	35	32
Total sponsored research and project awards	**$ 227**	**$ 215**

PHILANTHROPY

Vanderbilt reports contributions revenue within the consolidated financial statements based on U.S. GAAP. This basis for measurement differs from guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines focus on philanthropic distributions of private resources (primarily gifts and foundation grants) to benefit the public.

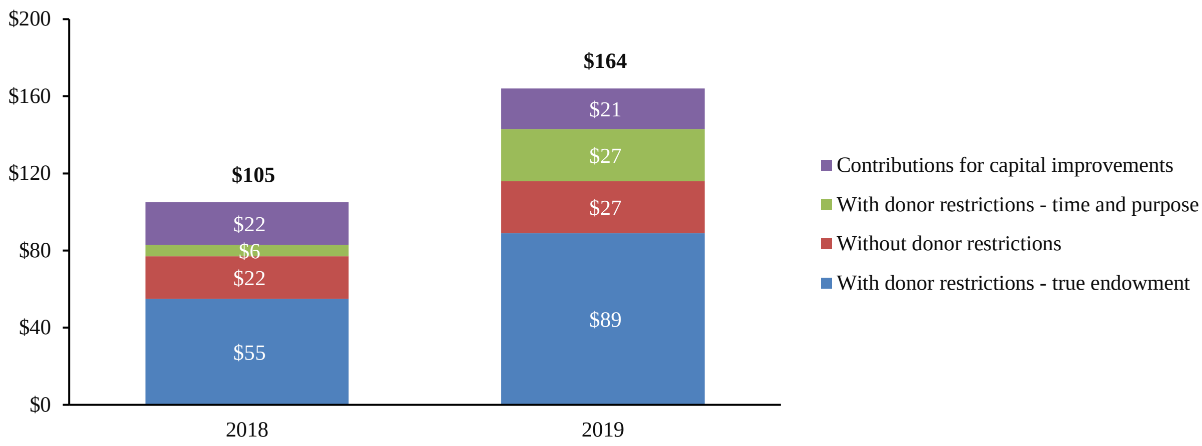
GAAP to CASE Reconciliation

(in millions)	2019
Contributions revenue	
Without donor restriction	$ 27
With donor restriction – time and purpose	27
With donor restriction – true endowment	89
Total contributions revenue	143
Total contributions for capital improvements	21
Total consolidated GAAP contributions revenue	**$ 164**
Grants and similar agreements meeting CASE guidelines (gifts per CASE standards)	$ 93
Net increase in contributions receivable	(33)
Other	3
Total CASE reported gifts (cash basis)	**$ 227**

Vanderbilt reported $164 million in consolidated contributions revenue, including pledges and contributions for capital improvements, a 56% increase over the $105 million fiscal 2018 level. Fiscal 2019 CASE grants of $93 million include $83 million from VUMC in support of research and education.

Consolidated Contributions (GAAP Basis)

(in millions)



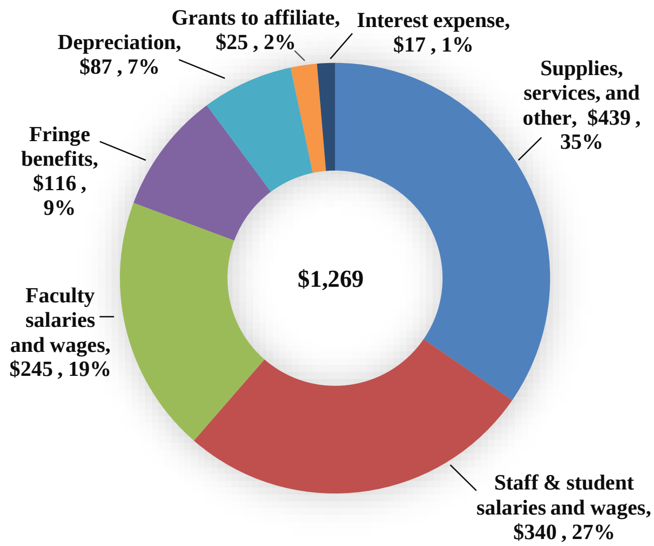
OPERATING EXPENSE

(in millions)	2019	2018
Salaries, wages, and benefits	$ 701	$ 656
Supplies, services, and other	439	414
Interest expense	17	11
Depreciation	87	87
Grants to affiliate	25	24
Total operating expenses	**$ 1,269**	**$ 1,192**

Consolidated operating expenses increased $77 million to $1,269 million in fiscal 2019 from $1,192 million in fiscal 2018. The primary driver of this increase was a $45 million, or 7%, increase in salaries, wages, and benefits primarily attributable to salary adjustments and a 2% increase in headcount. Supplies, services, and other increased $25 million, or 6%, to $439 million in fiscal 2019 from $414 million in fiscal 2018 driven by increases across expense categories, primarily in support of increased research grant activity.

Operating Expenses by Type (Fiscal 2019)

(in millions)



OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

(in millions)	2019	2018
Appreciation of endowment, net of distributions	$ 59	$ 101
Appreciation of other investments, net of distributions	10	30
Changes in appreciation of interest rate exchange agreements	(9)	9
Capital contributions and releases from restriction	46	7
Nonoperating net asset reclassifications	4	(4)
Other nonoperating activity	(15)	-
Total changes from nonoperating	**$ 95**	**$ 143**

Fiscal 2019 nonoperating activity primarily consisted of appreciation of endowment, net of distributions of $59 million, a decrease of $42 million compared to fiscal 2018. The change in value for the endowment resulted from a 6.7% investment return offset by 4.5% of the endowment utilized for distributions during fiscal 2019, compared to a 12.6% investment return and 4.7% of the endowment utilized for distributions during fiscal 2018. In addition, releases from restrictions for capital contributions, totaled $46 million in fiscal 2019. Releases from restrictions for capital contributions occurred at the time the asset or building was placed into service and included the following in fiscal 2019: $32 million for E. Bronson Ingram residential college, $6 million for Eskind Library, $5 million for the School of Nursing, $2 million for the Divinity School, and $1 million for Student Athletics facilities. Other changes in net assets also include the impact of $11 million loss on sale of VUMC promissory note receivable, and $4 million loss on the disposal of assets no longer in service.

In fiscal 2019, Vanderbilt recognized a loss on interest rate exchange agreements of $9 million, compared to net appreciation of $9 million in fiscal 2018. The loss noted in fiscal 2019 included a $6 million unrealized mark to market gain primarily due to the impact of terminated swaps, offset by $14 million of cash costs attributable to $59 million notional value of fixed-payer swaps terminated during fiscal 2019 and a credit risk adjustment of $1 million. The discount rate to reflect counterparty (Vanderbilt) credit risk remained relatively consistent with that of fiscal 2018.

Noncontrolling Interests

Net assets related to noncontrolling interests decreased $11 million to $38 million in fiscal 2019 from $49 million in fiscal 2018 due to distributions of $11 million during fiscal 2019.

SUMMARY OF FINANCIAL POSITION

Vanderbilt's summarized Statements of Financial Position as of June 30, 2019, and June 30, 2018, were as follows:

(in millions)	2019	2018
ASSETS		
Cash and cash equivalents	$ 828	$ 602
Accounts and contributions receivable	211	250
Promissory notes receivable	-	89
Investments	6,924	5,100
Property, plant, and equipment, net	1,197	1,094
Prepaid expenses and other assets	73	82
Total assets	**$ 9,233**	**$ 7,217**
LIABILITIES		
Payables and accrued liabilities	$ 258	$ 240
Deferred revenue	30	51
Deferred trademark revenue	1,345	-
Interest rate exchange agreements	23	28
Long-term debt and commercial paper	542	366
Securities sold short	362	240
Total liabilities	**2,560**	**925**
NET ASSETS		
Without donor restrictions	3,529	3,284
With donor restrictions	3,144	3,008
Total net assets	**6,673**	**6,292**
Total liabilities and net assets	**$ 9,233**	**$ 7,217**

Vanderbilt's assets increased $2,016 million, or 28%, from fiscal 2018 to fiscal 2019. This increase is primarily attributable to a transaction securitizing 30 years of one of Vanderbilt's trademark revenue streams. Investments increased $1,824 million, or 36%, to $6,924 million in fiscal 2019 from $5,100 million in fiscal 2018. The endowment, net of securities sold short, returned 6.7% and its value increased to $6,271 million in fiscal 2019 from $4,608 million in fiscal 2018 after the impact of distributions in support of operations and the addition of new gifts and quasi-endowments, including the addition of the proceeds from the securitization transaction.

Total liabilities increased $1,635 million, or 177%, from fiscal 2018 to fiscal 2019. This increase is primarily attributable to the $1,345 million deferred trademark revenue to be recognized over the next 30 years in accordance with the trademark securitization transaction. In addition, long-term debt and commercial paper increased $176 million as a result of a $300 million private placement, offset by retirement of the entire $115 million of outstanding taxable commercial paper and $9 million of principal payments and amortization. The fair value of securities sold short representing the open short positions held also increased $122 million compared to fiscal 2018.

Cash and Liquidity

Vanderbilt continues to invest operating assets in a conservative, diversified manner to ensure adequate security and liquidity under a variety of stress scenarios. Investments, along with cash and cash equivalents, provide liquidity support for Vanderbilt's operations. Of these combined amounts, based on prevailing market conditions as of June 30, 2019, $787 million of liquid assets were available on a same-day basis and an additional $1,942 million was available within 30 days. This strong liquidity position contributes to the university's ability to satisfy potential liquidity risks. Vanderbilt maintains the highest short-term ratings from the major credit rating agencies.

To provide supplemental liquidity support, Vanderbilt maintains a $250 million general operating line of credit.

Capital Expenditures

Maintaining the university's campus, which dates back to 1873, and investing in the university's capital assets is fundamental to achieving Vanderbilt's mission.

Over the past decade, Vanderbilt has focused increasingly on revitalizing the campus and student experience through the continued construction and renovation of residential colleges in direct support of the academic strategic plan:

- Offering students a rich and diverse intellectual community that educates the whole person and cultivates lifelong learning;
- Investing in multi- and inter-disciplinary programs to lead in defining and addressing important problems facing society, while pursuing new and exciting opportunities;
- Transforming education models through technology and research; and
- Building distinctive and distinguished programs that develop and offer effective solutions to pressing health and healthcare problems.

Additionally, these investments serve to support FutureVU, Vanderbilt's land use planning initiative, the goal of which is to ensure the Vanderbilt University campus is designed and prepared at every level to support its students, faculty, and staff in their work each day to carry out the university's mission and values.

Capital Projects

(in millions)	2019	2018
Housing projects	$ 97	$ 83
Academic projects	37	35
Minor capital expenditures	31	29
Infrastructure projects	4	6
Acquisitions	23	5
Student Athletics projects	2	3
Total capital projects	**$ 194**	**$ 161**

During fiscal 2019, Vanderbilt University invested $194 million in capital projects and acquisitions as compared to $161 million in fiscal 2018. This enabled progress on several significant projects, including, but not limited to:

- Completion of the new residential college, E. Bronson Ingram College, which fosters VU's culture of collaboration and creativity;
- Completion of the School of Nursing addition, which connects Frist and Godcheaux Halls and creates space for additional laboratories, classrooms, offices, and meeting spaces;
- Continuing construction of Residential College A, which includes design work and demolition of the Tarpley Building;
- Renovation and expansion of the Divinity School which will allow diverse stakeholders more flexibility and better collaboration through enhanced technology and efficient community space;
- Renovations to Peabody's Home Economics and Mayborn buildings that will create better uses of space and enhancements to the buildings' infrastructure and mechanics while preserving many significant historic architectural components; and
- Acquisition of properties immediately adjacent to Vanderbilt's campus.

As capital projects conclude or new acquisitions occur during the fiscal year, capital asset balances increase. A total of $222 million of completed projects and purchased equipment came into service during fiscal 2019.

The Board of Trust Executive Committee reviews the university's five-year capital plan annually; however, major capital projects are approved individually. The FY2019 – FY2023 capital plan brings a continued focus on the academic strategic plan, including the student experience through investments in new residential colleges, humanities and science spaces through the College of Arts and Science, and historic Peabody campus buildings and infrastructure.

ENDOWMENT

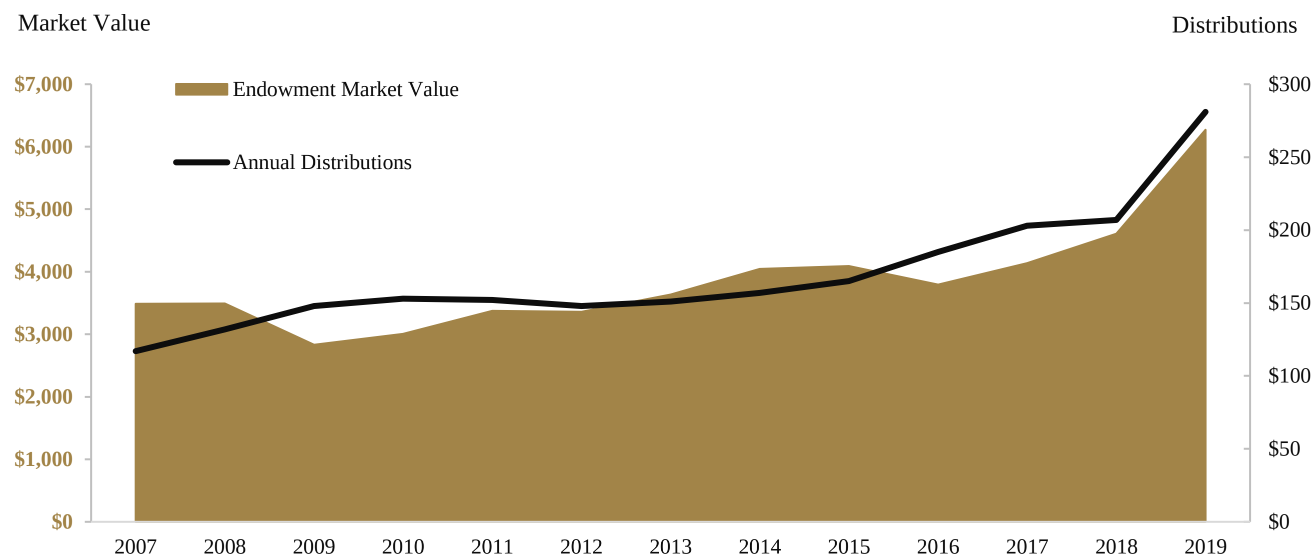
For fiscal 2019, Vanderbilt's endowment portfolio returned 6.7%. The endowment ended fiscal 2019 with a total market value of $6,271 million, compared to $4,608 million at the end of fiscal 2018. The difference between the investment return and change in absolute value of the endowment was attributable to the net impact of new endowment gifts, additions to institutional endowments (quasi-endowments), investment returns, costs for managing the endowment including internal management costs of $10 million, and the distribution of endowment funds to support university operations. During fiscal 2019, the university added $1,550 million to the endowment portfolio through new gifts, recapitalizations, and additions to institutional endowments. Endowment distributions totaled $281 million in fiscal 2019, compared to $207 million in fiscal 2018. These distributions support the university's education, research, and public service missions.

The past year witnessed a mixed capital market environment. Global equity markets gained 6%, with significant performance dispersion across U.S. large caps (up 10%), U.S. small caps (down 3%), non-U.S. developed markets (up 1%), and emerging markets (up 1%). U.S. bond markets rallied (up 8%) as long-term U.S. Treasury yields dropped and credit spreads tightened. Commodity prices decreased sharply (down 14%) and the value of the U.S. dollar on a trade-weighted basis strengthened.

Looking into the future, significant headwinds still lie ahead. U.S. equity valuations are high, European economies are slowly growing but are challenged by "Brexit" dynamics, and China is suffering from an overvalued property market plagued by excess capacity. Globally, markets are wrestling with government intervention, changing regulatory pressures, and uncertainty about trade wars, all of which represent risks to the global economic outlook. In addition, conversations about the extent to which the U.S. Federal Reserve will adjust the Fed Funds rate could contribute to market volatility. That said, these challenges will from time to time present chances to be opportunistic in deploying new investments. Meanwhile, Vanderbilt is laying a strong foundation for the endowment by collaborating with some of the world's best investment managers across all asset classes.

Endowment Market Value and Annual Distributions

(in millions)



Endowment Asset Allocation

As of June 30, 2019 (% of portfolio)

	Allocation
Global Equities	29%
Hedged strategies	22%
Commodities	2%
Fixed income	11%
Cash and cash equivalents	6%
Total public investments	**70%**
Private capital	23%
Real estate	2%
Natural resources	5%
Total nonmarketable	**30%**
Total endowment	**100%**

LOOKING FORWARD

In fiscal 2020, Vanderbilt's focus will continue to remain on effective and efficient operations to protect and preserve the solid financial foundation Vanderbilt has built. Fiscal 2019 results reflect the university's continued financial health stemming from our diverse revenue base, strong endowment investments, continued generosity of donors, and prudent expense management. We remain vigilant, however, and continue to confront proactively the economic challenges posed by constrained federal research funding, evolving tax legislation, and uncertain capital markets.

Through innovative education, groundbreaking research, and need-blind admissions to attract the best and brightest students, Vanderbilt strives to provide a distinctive educational experience to its students. Vanderbilt remains committed to focusing resources on the strategic priorities that continue to build strength for the university as an academic powerhouse.

Vanderbilt's audited financial statements and other key financial metrics for fiscal 2019 are included in the following pages.

VANDERBILT UNIVERSITY

Consolidated Financial Statements

Report of Independent Auditors

To the Board of Trust of
The Vanderbilt University

We have audited the accompanying consolidated financial statements of The Vanderbilt University and its subsidiaries, 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 The Vanderbilt 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.

Emphasis of Matter
As discussed in Note 2 to the consolidated financial statements, the University changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
October 15, 2019

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Vanderbilt University
Consolidated Statements of Financial Position

As of June 30, 2019 and 2018 (in thousands)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 828,455	$ 602,652
Accounts receivable, net	88,328	159,903
Prepaid expenses and other assets	18,789	24,584
Contributions receivable, net	122,947	89,647
Promissory notes receivable	-	89,583
Student loans and other notes receivable, net	23,173	26,965
Investments	6,885,893	5,049,681
Investments allocable to noncontrolling interests	38,106	49,417
Property, plant, and equipment, net	1,196,792	1,093,621
Interests in trusts held by others	30,693	30,753
Total assets	**$ 9,233,176**	**$ 7,216,806**
LIABILITIES		
Accounts payable and accrued liabilities	$ 111,171	$ 95,384
Accrued compensation and withholdings	86,103	82,707
Deferred revenue	29,920	51,460
Deferred trademark revenue	1,344,670	-
Actuarial liabilities	33,544	35,603
Government advances for student loans	26,994	25,601
Commercial paper	-	114,602
Long-term debt	542,246	251,222
Fair value of securities sold short	362,309	240,447
Fair value of interest rate exchange agreements	22,742	28,089
Total liabilities	**2,559,699**	**925,115**
NET ASSETS		
Without donor restrictions, controlled by Vanderbilt	3,490,599	3,234,013
Without donor restrictions, related to noncontrolling interests	38,106	49,417
Total net assets without donor restrictions	3,528,705	3,283,430
With donor restrictions	3,144,772	3,008,261
Total net assets	**6,673,477**	**6,291,691**
Total liabilities and net assets	**$ 9,233,176**	**$ 7,216,806**

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

Vanderbilt University
Consolidated Statement of Activities
Year Ended June 30, 2019 (in thousands)

	2019		
	Without Donor Restriction	**With Donor Restriction**	**Total**
REVENUES			
Tuition and educational fees, net	$ 319,301	$ -	$ 319,301
Grants and contracts:			
Government sponsors	160,958	-	160,958
Private sponsors	27,656	-	27,656
Facilities and administrative costs recovery	60,408	-	60,408
Total grants and contracts	249,022	-	249,022
Contributions	27,325	116,458	143,783
Endowment distributions	170,967	110,481	281,448
Investment income	52,251	1,543	53,794
Room, board, and other auxiliary services, net	118,483	-	118,483
Trademark, license, and royalty revenue	107,850	-	107,850
Affiliated entity revenue	178,045	-	178,045
Other sources	90,297	-	90,297
Net assets released from restrictions	116,668	(116,668)	-
Total revenues and other support	**1,430,209**	**111,814**	**1,542,023**
EXPENSES			
Salaries, wages, and benefits	700,594	-	700,594
Supplies, services, and other	438,963	-	438,963
Interest expense	16,818	-	16,818
Depreciation	87,296	-	87,296
Grants to affiliate	25,335	-	25,335
Total expenses	**1,269,006**	**-**	**1,269,006**
Results of operations	**161,203**		
OTHER CHANGES IN NET ASSETS			
Change in appreciation of endowment, net of distributions	58,825	53,867	112,692
Appreciation of other investments, net of distributions	10,120	-	10,120
Change in appreciation of interest rate exchange agreements, net	(8,469)	-	(8,469)
Contributions for capital improvements	-	20,847	20,847
Net assets released from restrictions for capital improvements	46,145	(46,145)	-
Nonoperating net asset reclassifications	3,872	(3,872)	-
Other nonoperating activity	(15,110)	-	(15,110)
Total other changes in net assets	**95,383**	**24,697**	**120,080**
Increase in net assets controlled by Vanderbilt	**256,586**	**136,511**	**393,097**
Decrease in net assets related to noncontrolling interests	**(11,311)**	**-**	**(11,311)**
Total increase in net assets	**$ 245,275**	**$ 136,511**	**$ 381,786**
Net assets, June 30, 2018	**$ 3,283,430**	**$ 3,008,261**	**$ 6,291,691**
Net assets, June 30, 2019	**$ 3,528,705**	**$ 3,144,772**	**$ 6,673,477**

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

Vanderbilt University
Consolidated Statement of Activities

Year Ended June 30, 2018 (in thousands)

	2018		
	Without Donor Restriction	**With Donor Restriction**	**Total**
REVENUES			
Tuition and educational fees	$ 538,470	$ -	$ 538,470
Less student financial aid	(239,628)	-	(239,628)
Tuition and educational fees, net	298,842	-	298,842
Grants and contracts:			
Government sponsors	151,580	-	151,580
Private sponsors	22,298	-	22,298
Facilities and administrative costs recovery	56,868	-	56,868
Total grants and contracts	230,746	-	230,746
Contributions	22,486	61,112	83,598
Endowment distributions	98,857	107,985	206,842
Investment income	25,672	10,434	36,106
Room, board, and other auxiliary services, net	110,522	-	110,522
Trademark, license, and royalty revenue	125,427	-	125,427
Affiliated entity revenue	174,633	-	174,633
Other sources	87,918	-	87,918
Net assets released from restrictions	110,324	(110,324)	-
Total revenues and other support	**1,285,427**	**69,207**	**1,354,634**
EXPENSES			
Salaries, wages, and benefits	655,736	-	655,736
Supplies, services, and other	413,453	-	413,453
Interest expense	11,223	-	11,223
Depreciation	86,753	-	86,753
Grants to affiliate	24,526	-	24,526
Total expenses	**1,191,691**	**-**	**1,191,691**
Results of operations	**93,736**		
OTHER CHANGES IN NET ASSETS			
Appreciation of endowment, net of distributions	101,328	198,317	299,645
Appreciation of other investments, net of distributions	29,736	-	29,736
Appreciation of interest rate exchange agreements, net	9,377	-	9,377
Contributions for capital improvements	195	21,624	21,819
Net assets released from restrictions for capital improvements	6,457	(6,457)	-
Nonoperating net asset reclassifications	(4,077)	4,077	-
Total other changes in net assets	**143,016**	**217,561**	**360,577**
Increase in net assets controlled by Vanderbilt	**236,752**	**286,768**	**523,520**
Decrease in net assets related to noncontrolling interests	**(12,188)**	**-**	**(12,188)**
Total increase in net assets	**$ 224,564**	**$ 286,768**	**$ 511,332**
Net assets, June 30, 2017	**$ 3,058,866**	**$ 2,721,493**	**$ 5,780,359**
Net assets, June 30, 2018	**$ 3,283,430**	**$ 3,008,261**	**$ 6,291,691**

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

Vanderbilt University
Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018 (in thousands)

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in total net assets	**$**	**381,786**	**$**	**511,332**
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:				
Change in net assets related to noncontrolling interests		11,311		12,188
Realized and unrealized gain on investments, net		(473,146)		(595,550)
Contributions for capital improvements and endowment		(111,465)		(55,391)
Contributions of donated securities		(22,653)		(16,717)
Proceeds from sale of donated securities		4,994		1,309
Depreciation		87,296		86,753
Amortization of bond discounts and premiums		(996)		(556)
Payments to terminate interest rate exchange agreements		(13,815)		17,318
Loss from disposals of property, plant, and equipment		4,892		660
Loss from sale of promissory note receivable		10,512		-
Net change in fair value of interest rate exchange agreements		(5,347)		(26,695)
Change in:				
Accounts receivable, net of accrued investment income		71,723		(13,055)
Prepaid expenses and other assets		5,795		(5,198)
Contributions receivable, net		(33,300)		(19,946)
Interests in trusts held by others		196		5,970
Accounts payable and accrued liabilities, net of nonoperating items		(6,572)		6,598
Accrued compensation and withholdings		3,396		(2,248)
Deferred revenue		(21,540)		3,050
Deferred trademark revenue		1,344,670		-
Actuarial liabilities		(2,059)		(1,418)
Net cash provided by (used in) operating activities		**1,235,678**		**(91,596)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments		(11,022,570)		(7,939,736)
Proceeds from sales of investments		9,781,230		7,798,906
Purchases of investments allocable to noncontrolling interests		(497)		(660)
Proceeds from sales of investments allocable to noncontrolling interests		11,450		18,160
Change in accrued investment income		(148)		83
Payments to terminate interest rate exchange agreements		13,815		(17,318)
Acquisitions of property, plant, and equipment		(173,000)		(156,555)
Proceeds from sale of promissory notes receivable		79,071		4,583
Student loans and other notes receivable disbursed		(2,203)		(2,019)
Principal collected on student loans and other notes receivable		5,995		6,699
Net cash used in investing activities		**(1,306,857)**		**(287,857)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Contributions for capital improvements and endowment		111,465		55,391
Change in government advances for student loans		1,393		1,190
Payments to retire or defease debt		(122,582)		(7,830)
Proceeds from debt refinancing		300,000		-
Proceeds from sale of donated securities restricted for capital improvements and endowment		17,659		15,408
Proceeds from noncontrolling interests in investment partnerships		497		660
Payments to noncontrolling interests in investment partnerships		(11,450)		(18,160)
Net cash provided by financing activities		**296,982**		**46,659**
Net increase (decrease) in cash and cash equivalents		**225,803**		**(332,794)**
Cash and cash equivalents at beginning of year		**602,652**		**935,446**
Cash and cash equivalents at end of year	**$**	**828,455**	**$**	**602,652**
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	16,694	$	14,185
Donated securities		22,653		16,717
Accrued liabilities related to additions of property, plant, and equipment		35,616		13,257

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

Vanderbilt University
Notes to the Consolidated Financial Statements

1. ORGANIZATION

The Vanderbilt University ("Vanderbilt" or the "university") is a private, coeducational, not-for-profit, nonsectarian institution located in Nashville, Tennessee. Founded in 1873, Vanderbilt owns and operates educational and research facilities as part of its mission to be a leading center for informed and creative teaching, scholarly research, and public service. Vanderbilt provides educational services to approximately 6,900 undergraduate and 6,000 graduate and professional students enrolled across its 10 schools and colleges.

The consolidated financial statements include the accounts of all entities in which Vanderbilt has a significant financial interest and over which Vanderbilt has control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"). Vanderbilt eliminates all material intercompany accounts and transactions in consolidation.

Net Asset Classifications
Based on the existence or absence of donor-imposed restrictions, Vanderbilt classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. This classification includes all revenues, gains, and losses not restricted by donors. Vanderbilt reports all expenses as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met by either actions of Vanderbilt or the passage of time. These net assets may include unconditional pledges, split-interest agreements, interests in trusts held by others, and donor-restricted endowments. Generally, the donor-imposed restrictions of these assets permit Vanderbilt to use a portion of the income earned on related investments for specific purposes.

Vanderbilt reports expirations of donor restrictions on net assets, (i.e., the passage of time and/or fulfillment of donor-imposed stipulations), as net assets released from restrictions between the applicable net asset classes in the consolidated statements of activities.

Cash and Cash Equivalents
Cash and cash equivalents are liquid assets with minimal interest rate risk and maturities of three months or less when purchased. Such assets, reported at fair value, primarily consist of depository account balances, money market funds, and short-term U.S. Treasury securities. Cash designated for investment is included within investments in the accompanying consolidated statements of financial position.

Prepaid Expenses and Other Assets
Prepaid expenses and other assets primarily represent prepaid expenses and other segregated investment-related assets managed by third parties related to a legacy deferred compensation program that are earmarked to ultimately settle certain liabilities recorded in accrued payroll and withholdings. Vanderbilt excludes this latter group of assets, reported at fair value, from the investments category since it will not directly benefit from the investment return.

Promissory Note Receivable
Vanderbilt University Medical Center (VUMC) issued to Vanderbilt a $100 million promissory note (seller financing) paid over a 20-year period, $5 million annually at 3.25% interest. In July 2018, Vanderbilt sold the remaining $89.6 million balance of the promissory note receivable.

Fair Value Measurements
Fair value measurements represent the price received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Inputs to the valuation techniques used are prioritized to measure fair value by giving 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).

Vanderbilt gives consideration to certain investment funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. Vanderbilt uses net asset value per share or its equivalent in estimating the fair value of interests in investment companies for which a readily determinable fair value is not available. Pursuant to ASU 2015-07, Vanderbilt reports these assets separately within the fair value hierarchy.

Investments
Vanderbilt reports investments at fair value using the three-level hierarchy established under GAAP. After review and evaluation, Vanderbilt utilizes estimates provided by fund managers for certain alternative investments, mainly investments in limited partnerships where a ready market for the investments does not exist.

Vanderbilt has exposure to a number of risks including liquidity, interest rate, counterparty, basis, tax, regulatory, market, and credit risks for both marketable and nonmarketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities will occur to an extent that could materially affect the amounts reported in Vanderbilt's financial statements.

Vanderbilt sometimes uses derivatives to manage investment market risks and exposure. The consolidated financial statements contain derivatives, which consist of both internally managed transactions and those entered into through external investment managers, at fair value. The most common instruments utilized are futures contracts and hedges against currency risk for investments denominated in currencies other than U.S. dollars. For internally managed transactions, Vanderbilt utilizes futures contracts with durations of less than three months.

Vanderbilt records purchases and sales of securities on the trade dates, and realized gains and losses are determined based on the average historical cost of the securities sold. Vanderbilt reports net receivables and payables arising from unsettled trades as a component of investments.

Unless donor-restricted endowment gift agreements require separate investment, Vanderbilt manages all endowment investments as an investment pool.

Investments Allocable to Noncontrolling Interests and Net Assets Related to Noncontrolling Interests
Vanderbilt reports the respective assets for entities in which other organizations are minority equity participants at fair value as investments allocable to noncontrolling interests on the consolidated statements of financial position.

The balance representing such organizations' minority or noncontrolling interests is recorded based on contractual provisions, which represent an estimate of a settlement value assuming the entity was liquidated in an orderly fashion as of the report date.

Split-Interest Agreements and Interests in Trusts Held by Others
Vanderbilt's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and life income funds for which Vanderbilt serves as trustee. Vanderbilt reports assets held in these trusts in investments at fair value. Vanderbilt recognizes contribution revenue at the dates the trusts are established, net of the liabilities for the present value of the estimated future payments to the donors and/or other beneficiaries. Annually, Vanderbilt records the change in fair value of split-interest agreements based on the assets that are associated with each trust and recalculates the liability for the present value of the estimated future payments to the donors and/or other beneficiaries.

Vanderbilt is also the beneficiary of certain trusts held and administered by others. Vanderbilt records its share of these trust assets at fair value as interests in trusts held by others with any resulting gains or losses reported as investment income with donor restrictions.

Property, Plant, and Equipment
Purchased property, plant, and equipment, recorded at cost, includes, where appropriate, capitalized interest on construction financing. Vanderbilt capitalizes donated assets at fair value on the date of donation, expenses repairs and maintenance costs as incurred, and expenses additions to the library collection at the time of purchase.

Vanderbilt calculates depreciation using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives. Vanderbilt follows the half-year convention to calculate depreciation associated with construction-related assets (e.g., land improvements, buildings, leasehold improvements, and fixed equipment). Under the half-year convention, Vanderbilt treats fixed assets constructed during the year as if placed in service on January 1, regardless of in-service date. All other purchased assets (e.g., moveable equipment) begin depreciation on the in-service date. Vanderbilt removes property, plant, and equipment from the accounting records upon disposal.

Conditional asset retirement obligations related to legal requirements to perform certain future activities associated with the retirement, disposal, or abandonment of assets are accrued utilizing site-specific surveys to estimate the net present value for applicable future costs (e.g., asbestos abatement or removal).

Vanderbilt reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Vanderbilt recognizes an impairment charge when the fair value of the asset or group of assets is less than the carrying value.

Debt Portfolio Financial Instruments
Vanderbilt reports long-term debt at carrying value. The carrying value of Vanderbilt's debt is the par amount adjusted for the net unamortized amount of bond premiums and/or discounts. Vanderbilt utilizes interest rate exchange agreements as part of its debt portfolio management strategy. The consolidated statements of activities include any gain or loss resulting from recording the fair value of derivative financial instruments as a nonoperating item.

Parties to interest rate exchange agreements are subject to risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. Vanderbilt deals only with high-quality counterparties that meet rating criteria for financial stability and credit worthiness. Additionally, the agreements require the posting of collateral when amounts subject to credit risk under the contracts exceed specified levels.

Contributions
Vanderbilt recognizes unconditional promises to give (pledges) as contribution revenue upon receipt of a commitment from the donor, with payments due in future periods reported as increases in net assets with donor restrictions at the estimated present value of future cash flows. Vanderbilt recognizes pledges net of an allowance for amounts estimated to be uncollectible based upon past collection experience and other judgmental factors.

Vanderbilt records contributions with donor-imposed restrictions as net assets without donor restrictions revenue if the university receives the contribution and meets the restrictions in the same reporting period. Otherwise, Vanderbilt records contributions with donor-imposed restrictions as increases in net assets with donor restrictions.

After meeting donor stipulations, Vanderbilt releases contributions from restriction and recognizes these contributions as net assets without restriction. Vanderbilt releases from restrictions contributions for capital improvements and recognizes these contributions as nonoperating revenue when the related asset is placed in service.

In contrast to unconditional promises, Vanderbilt does not record conditional promises (primarily bequest intentions and conditional grants) until the university meets donor stipulations.

Measure of Operations
The university's measure of operations, the change in net assets without donor restriction from operating activity, as presented in the consolidated statement of activities includes revenue from tuition and fees (net of financial aid), grants and contracts, trademark revenue, revenue from affiliates, contributions for operating programs, endowment distributions in support of operations, and other revenues. Vanderbilt reports operating expenses on the consolidated statement of activities by natural classification.

The university's nonoperating activity within the consolidated statement of activities includes endowment and other investment returns, changes in the fair value of derivative financial instruments, contributions for capital improvements, and other nonrecurring items.

Income Taxes
Vanderbilt is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code ("the Code"), and generally is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Vanderbilt is, however, subject to federal and state income tax on unrelated business income, and provision for such taxes is included in the accompanying consolidated financial statements. Vanderbilt regularly evaluates its tax position and does not believe it has any material uncertain tax positions that require disclosure or adjustment to the consolidated financial statements.

Use of Estimates
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Newly Adopted Accounting Standards
On July 1, 2018, Vanderbilt retrospectively adopted ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit reporting model. This guidance requires Vanderbilt to (1) collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions (2) recognize underwater endowment funds as a reduction in net assets with donor restrictions versus net assets without donor restrictions, and (3) release from restriction contributions for capital improvements when the related asset is placed in service. In addition, the new guidance requires Vanderbilt to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions. Vanderbilt restated net assets as of June 30, 2017 and 2018 as follows:

	Without donor restrictions	With donor restrictions	Total net assets
June 30, 2017 net assets as previously reported:			
Unrestricted	$ 3,069,721	$ -	$ 3,069,721
Temporarily restricted	-	1,385,442	1,385,442
Permanently restricted	-	1,325,196	1,325,196
	3,069,721	2,710,638	5,780,359
Reclassifications to implement 2016-14:			
Underwater endowments	4,024	(4,024)	-
Expiration of capital restrictions	(14,879)	14,879	-
Reclassifications to 2017	**(10,855)**	**10,855**	**-**
June 30, 2017 net assets, as restated	**$ 3,058,866**	**$ 2,721,493**	**$ 5,780,359**

	Without donor restrictions	With donor restrictions	Total net assets
June 30, 2018 net assets as previously reported:			
Unrestricted	$ 3,311,041	$ -	$ 3,311,041
Temporarily restricted	-	1,584,261	1,584,261
Permanently restricted	-	1,396,389	1,396,389
	3,311,041	2,980,650	6,291,691
Reclassifications to implement 2016-14:			
Underwater endowments	(3,502)	3,502	-
Expiration of capital restrictions	(13,254)	13,254	-
Reclassifications to 2018	**(16,756)**	**16,756**	**-**
Reclassifications to 2017	**(10,855)**	**10,855**	**-**
June 30, 2018 net assets, as restated	**$ 3,283,430**	**$ 3,008,261**	**$ 6,291,691**

On July 1, 2018, Vanderbilt adopted ASU 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. Vanderbilt adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2018. Vanderbilt performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include: Tuition and educational fees, net; Contracts, Room, board, and other auxiliary; Trademark, license and royalty revenue; Affiliated entity revenue; and Other sources. Vanderbilt recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, Vanderbilt did not record a cumulative effect adjustment.

On July 1, 2018, Vanderbilt adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The adoption of this ASU resulted in the treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. Vanderbilt adopted the provisions of ASU 2018-08 in fiscal 2019. The adoption of this ASU did not materially impact the consolidated financial statements and related disclosures.

On July 1, 2018, Vanderbilt adopted ASU 2017-02, Clarifying When a Not-for-Profit Entity that Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity, which amends the consolidation guidance for not-for-profit entities in ASC 958-810. This ASU clarifies the model used by not-for-profit entities to evaluate investments in limited partnerships. This ASU retains the presumption (previously eliminated by ASU 2015-02) that a not-for-profit entity that is a general partner of a for-profit limited partnership or similar entity controls the limited partnership, unless that presumption can be overcome. Not-for-profit investors in a limited partnership or a similar entity will continue to apply a presumption that the general partner has control and should consolidate the investments unless substantive kick-out or participating rights held by any limited partners overcome that presumption. The adoption of this ASU did not affect the consolidated financial statements and related disclosures.

Recent Accounting Pronouncements
In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting

for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard is effective for entities that are not considered public business entities for annual periods beginning after December 15, 2018. Vanderbilt early adopted the provisions of ASU 2016-01 eliminating the fair value disclosures for financial instruments not recognized at fair value for fiscal 2016. Vanderbilt plans to adopt the remaining provisions of ASU 2016-01 by fiscal 2020 and is currently evaluating the effect of adoption to the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. Vanderbilt's adoption of the new standard in fiscal 2020 will require extensive quantitative and qualitative financial statement disclosures regarding the university's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the university's discounted future lease payments. Vanderbilt continues to assess the impact of adoption with respect to the university's policies and procedures.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies and eliminates certain existing provisions and introduces new fair value measurement disclosure requirements. ASU 2018-13 is effective for fiscal periods beginning after December 15, 2019 with early adoption permitted. Vanderbilt is currently evaluating the effect of adoption to the financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30 were as follows *(in thousands)*:

	2019
Total assets	$ 9,233,176
Less nonfinancial assets:	
Property, plant, and equipment, net	1,196,792
Prepaid expenses and other assets	18,789
Less assets unavailable for general expenditure within one year:	
Endowment funds, including institutional endowments[1]	6,633,185
Contributions receivable, greater than one year	76,739
Interests in trusts held by others and investments allocable to minority interests	68,799
Annuities, trusts and other illiquid investments	29,041
Student Loans and other notes receivable, net	23,173
Financial assets available within one year	**$ 1,186,658**

[1]Total endowment funds as of June 30, 2019 is $6,270.9 million and is net of securities sold short of $362.3 million reflected in "Fair value of securities sold short" in the Consolidated Statements of Financial Position.

Vanderbilt has $1,186.7 million of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of $828.5 million, accounts receivable of $88.3 million, contributions receivable, less than one year of $46.2 million, and short-term investments of $223.7 million.

Vanderbilt manages its financial assets for availability when its operating expenditures, liabilities and other obligations come due. In addition, Vanderbilt invests cash in excess of daily requirements in short-term investments or fixed income securities. To supplement working capital and investment commitments, Vanderbilt had a general line of credit totaling $250.0 million as of June 30, 2019, with no outstanding borrowings under this agreement. The line of credit agreement expires in September 2019. Vanderbilt's commercial paper limitation is $200.0 million; the university had no amounts outstanding under this limitation as of June 30, 2019. Vanderbilt never has borrowed against general use lines of credit to support operations.

Vanderbilt provides liquidity support for debt with short-term remarketing periods through self-liquidity. Additionally, Vanderbilt has institutional endowments of $3,238.4 million as of June 30, 2019. Although Vanderbilt does not intend to spend from its institutional endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its institutional endowment funds could be made available if necessary. However, both the endowments with donor-restrictions and institutional endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (refer to Notes 7 and 13 for disclosures about investments).

4. ACCOUNTS RECEIVABLE

The major components of accounts receivable as of June 30 were as follows *(in thousands)*:

	2019	2018
Secondary sale	$ -	$ 71,473
VUMC related agreements	42,431	24,479
Research and sponsored programs	34,729	46,069
Tuition and fees	2,352	8,134
Accrued investment income	1,337	1,189
Other	8,538	9,921
Accounts receivable	**89,387**	**161,265**
Less: Allowance for uncollectible amounts	(1,059)	(1,362)
Accounts receivable, net	**$ 88,328**	**$ 159,903**

Vanderbilt records allowances for uncollectible amounts based on management's assessment of expected net collections considering historical trends and current economic factors.

Vanderbilt's accounts receivable balance at June 30, 2019, includes $34.7 million related to research and sponsored programs, and $42.4 million related to agreements with VUMC. These receivables account for 87% of total net receivables at June 30, 2019.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 were as follows *(in thousands)*:

	2019	2018
Unconditional promises expected to be collected:		
in one year or less	$ 46,208	$ 37,397
between one year and five years	90,117	60,525
in more than five years	3,930	8,758
Contributions receivable	**140,255**	**106,680**
Less: Discount	(5,565)	(6,347)
Less: Allowance for uncollectible promises	(11,743)	(10,686)
Contributions receivable, net	**$ 122,947**	**$ 89,647**

Vanderbilt discounts contributions receivable at a rate commensurate with the scheduled timing of receipt. Vanderbilt applied discount rates ranging from 1.7% to 3.0% to amounts outstanding as of June 30, 2019 and 2018. Vanderbilt's methodology for calculating the allowance for uncollectible promises consists of analyzing write-offs as a percentage of gross pledges receivable along with assessing the age and activity of outstanding pledges.

Contributions receivable, net as of June 30, were as follows *(in thousands)*:

	2019	2018
Restricted for programs and other operational purposes	$ 15,601	$ 8,353
Restricted for capital improvements	25,719	25,127
Restricted for endowment	81,627	56,167
Contributions receivable, net	**$ 122,947**	**$ 89,647**

In addition to pledges reported as contributions receivable, Vanderbilt had cumulative bequest intentions and conditional promises to give of approximately $469.9 million and $301.6 million as of June 30, 2019 and 2018, respectively. Due to their conditional nature, Vanderbilt does not recognize these intentions to give as assets.

6. STUDENT LOANS AND OTHER NOTES RECEIVABLE

Student loans and other notes receivable as of June 30 were as follows *(in thousands)*:

	2019			2018		
	Receivable	**Allowance**	**Net**	**Receivable**	**Allowance**	**Net**
Student loans:						
Federal	$ 20,459	$ (2,045)	$ 18,414	$ 22,228	$ (2,045)	$ 20,183
Institutional	4,292	(599)	3,693	6,098	(830)	5,268
Total student loans	**24,751**	**(2,644)**	**22,107**	**28,326**	**(2,875)**	**25,451**
Faculty mortgages	1,066	-	1,066	1,514	-	1,514
Student loans, other notes receivable, and related allowances	**$ 25,817**	**$ (2,644)**	**$ 23,173**	**$ 29,840**	**$ (2,875)**	**$ 26,965**

Vanderbilt remains committed to "no loans" for its undergraduate students, meaning that the university is meeting full-demonstrated financial need with scholarship and grant assistance. For other groups (e.g., professional school students), participation in several federal revolving loan programs, including the Perkins, Nursing, and Health Professionals Student Loan programs, has continued.

Vanderbilt carries loans to students at cost, which, based on secondary market information, approximates the fair value of education loans with similar interest rates and payment terms. The availability of funds for new loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans.

Vanderbilt assigns loans receivable from students under governmental loan programs, also carried at cost, to the federal government or its designees. Vanderbilt classifies refundable advances from the federal government as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under a governmental program result in a reduction of the funds available for loan and a decrease in the university's liability to the government.

Vanderbilt establishes bad debt allowances based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay amounts due. When deemed uncollectible, Vanderbilt writes off institutional loan balances.

In an effort to attract and retain a world-class faculty, Vanderbilt provides various incentives and historically provided home mortgage financing assistance in select situations. Deeds of trust on properties concentrated in the surrounding region collateralize these notes. Vanderbilt has not recorded an allowance for doubtful accounts for loans based on their collateralization and prior collection history.

7. INVESTMENTS

Investments consist of the following as of June 30 *(in thousands)*:

	2019	2018
Short-term securities [1]	$ 147	$ 12,088
Global equities [1]	2,028,872	1,349,140
Fixed income [1]	910,880	538,364
Hedged strategies [5]	1,597,304	1,109,053
Private capital [3]	1,661,409	1,443,106
Real estate [3]	156,756	156,132
Natural resources [3]	358,253	298,267
Commodities [2]	148,759	151,771
Trusts [4]	29,041	34,577
Other investments [4]	32,578	6,600
Total value [6]	**$ 6,923,999**	**$ 5,099,098**
Total cost	**$ 5,381,404**	**$ 3,846,298**

[1] Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value.
[2] Quoted prices in active markets determine fair value.
[3] Fund managers provide the net asset value of Vanderbilt's ownership interests at the fund level to establish fair value.
[4] Carrying value provides a reasonable estimate of fair value for certain components.
[5] Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value. Includes $480.8 million and $226.6 million of cash and cash equivalents classified as investments in fiscal 2019 and 2018, respectively.
[6] Net of securities sold short of $362.3 million and $240.4 million, total value of investments is $6,561.7 million and $4,858.7 million in fiscal 2019 and 2018, respectively.

Included in the amounts above are investments allocable to noncontrolling interests (i.e., minority limited partners) reported at fair value. Changes in noncontrolling interests net assets for the fiscal year ended June 30, 2019, were as follows:

Fair value as of June 30, 2018	**$ 49,417**
Distributions to minority limited partners	(11,450)
Capital commitments funded by minority limited partners	497
Appreciation allocable to minority limited partners	(358)
Fair value as of June 30, 2019	**$ 38,106**

Short-term securities primarily comprise short-term U.S. Treasury bills.

Global equities consist of investment funds globally diversified across public markets including U.S. markets, other developed markets, and emerging and frontier markets. Fund managers of these investments have 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.

Fixed income includes investments directed towards capital preservation and predictable yield as well as more opportunistic strategies focused on generating return on price appreciation. These investments are primarily public investments such as U.S. Treasuries and other government obligations, investment-grade corporate bonds, high-yield corporate bonds, bank debt, commercial mortgage-backed securities, residential non-agency mortgage-backed securities, asset-backed securities, direct lending, and below investment-grade developed and emerging market sovereign debt. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, and limited partnership interests.

Hedged strategies investments reflect multiple strategies such as event driven, relative value, and equity funds to diversify risks and reduce volatility in the portfolio generally in hedge fund structures. These strategies also include investments in both long and short primarily credit-oriented securities. Investments may include mortgage-backed securities, trade finance, debt and asset-backed securities, repurchase agreements, senior loans, bank loans, and cash designated for investment. The fair value of open short positions is recorded as a liability and the university records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position. By entering into short sales, the university bears the market risk of increases in the value of the security sold short in excess of the proceeds received. Possible losses from short sales differ from losses that could be incurred from purchases of securities because losses from short sales may be unlimited whereas losses from purchases cannot exceed the total amount invested.

Private capital consists of illiquid investments in buyouts, distressed debt, mezzanine debt, growth equity, and venture capital. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Real estate comprises illiquid investments in residential and commercial real estate assets, projects, publicly traded REITs or land held directly through separately managed accounts, limited partnership interests, and direct investments in properties. The nature of the investments in this category is such that distributions generally reflect liquidation of the underlying assets of the funds.

Natural resources include illiquid investments in timber, oil and gas production, mining, energy, and related services businesses held directly or in commingled limited partnership funds.

Commodities include public investments such as commodity futures, commodity-related equities, and private investments in energy, power, infrastructure, and timber. Investments may be made through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Trusts are Vanderbilt's split-interest agreements with donors, including charitable gift annuities, life income funds, and other non-endowed trusts.

8. ENDOWMENT

Endowment-related assets include donor-restricted endowments and institutional endowments (quasi-endowments). Vanderbilt's endowment does not include gift annuities, interests in trusts held by others, contributions pending donor designation, or contributions receivable.

Interpretation of Relevant Law

The Board of Trust's interpretation of its fiduciary responsibilities for donor-restricted endowments under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requirements, barring the existence of any donor-specific provisions, is to preserve intergenerational equity. Under this broad guideline, future endowment beneficiaries should receive at least the same level of real economic support as the current generation. The overarching objective is to preserve and enhance the real (inflation-adjusted) purchasing power of the endowment in perpetuity. Vanderbilt invests assets to provide a relatively predictable and stable stream of earnings to meet spending needs and attain long-term return objectives without the assumption of undue risks.

UPMIFA specifies that unless stated otherwise in a gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, Vanderbilt reports both the historical value for such endowments and the net accumulated appreciation, including recapitalizations, as net assets with donor restrictions. In this context, historical value represents the original value of initial contributions restricted as perpetual endowments plus the original value of subsequent contributions and, if applicable, the value of accumulations made in accordance with the direction of specific donor gift agreements.

Spending Policy
Specific appropriation for expenditure of Vanderbilt's endowment funds occurs each spring when the Board of Trust approves the university's operating budget for the subsequent fiscal year. For fiscal years 2019 and 2018, Vanderbilt's Board of Trust approved endowment distributions based on 5.0% of the average of the previous three calendar year-end market values. Vanderbilt reinvests actual realized endowment return earned in excess of distributions. For years when the endowment return is less than the distribution, the endowment pool's cumulative returns from prior years cover the shortfall.

Vanderbilt may not fully expend Board-appropriated endowment distributions in a particular fiscal year. In some cases, Vanderbilt will reinvest distributions into the endowment. Institutional endowments, which are Board-designated, include amounts for student scholarships and support for faculty research and teaching.

The table below summarizes Vanderbilt's endowment for the fiscal years ended June 30 (*in thousands*):

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowments with donor-restrictions	$ -	$ 2,822,479	$ 2,822,479
Reinvested distributions of donor-restricted endowments	123,981	85,977	209,958
Institutional endowments	3,238,440	-	3,238,440
Endowment net assets as of June 30, 2019	**$ 3,362,421**	**$ 2,908,456**	**$ 6,270,877**

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowments with donor-restrictions	$ -	$ 2,698,904	$ 2,698,904
Reinvested distributions of donor-restricted endowments	130,170	80,706	210,876
Institutional endowments	1,698,681	-	1,698,681
Endowment net assets as of June 30, 2018	**$ 1,828,851**	**$ 2,779,610**	**$ 4,608,461**

The purposes of endowments with donor-restrictions as of June 30 were as follows *(in thousands)*:

	2019	2018
Student scholarships	$ 1,106,455	$ 1,037,298
Endowed chairs	830,699	807,152
Operational support, not yet appropriated	548,721	538,783
Program support	235,445	219,077
Research	69,866	68,522
Capital improvements	33,312	32,156
Faculty support and lectureships	32,903	31,043
Other	51,055	45,579
Total endowments with donor-restrictions	**$ 2,908,456**	**$ 2,779,610**

Return Objectives and Parameters
Currently, the endowment portfolio consists of three primary components designed to serve a specific role in establishing the right balance between risk and return. These three components are global, public, and private equity investments. Vanderbilt expects these three components, including private capital and many hedge funds, to produce favorable returns in environments of accelerated growth and economic expansion. Vanderbilt expects hedged strategies and fixed income investments to generate stable returns and preserve capital during periods of poor equity performance. Vanderbilt uses real estate and natural resources allocations to provide an inflation hedge.

Funds with Deficiencies
From time to time, the fair value of assets associated with an endowed fund may fall below the level that a donor or UPMIFA requires in terms of maintenance of perpetual duration endowments. Vanderbilt has a policy that permits spending from underwater funds, unless

specifically prohibited by the donor or relevant laws and regulations. As of June 30, 2019 and 2018, Vanderbilt had 22 and 28 funds, respectively, with deficiencies of this nature resulting from unfavorable market declines that occurred after the investment of recent contributions with donor restrictions. Vanderbilt believes these declines are modest in relation to the total market value for donor-restricted endowments and that these deficiencies will be relatively short-term in nature. The amount of such deficiencies for the fiscal years ended June were as follows:

	2019	2018
Aggregate original gift amount	$ 20,425	$ 26,041
Aggregate fair value	20,317	25,519
Aggregate deficiency	**$ 108**	**$ 522**

Changes in endowment net assets for the fiscal years ended June 30 were as follows (*in thousands*):

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of June 30, 2018	$ 1,828,851	$ 2,779,610	$ 4,608,461
Endowment investment return, net	211,984	182,172	394,156
Gifts and additions to endowment, net	1,474,728	74,980	1,549,708
Endowment distributions	(153,142)	(128,306)	(281,448)
Endowment net assets as of June 30, 2019	**$ 3,362,421**	**$ 2,908,456**	**$ 6,270,877**

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of June 30, 2017	$ 1,610,390	$ 2,526,075	$ 4,136,465
Endowment investment return, net	189,377	316,797	506,174
Gifts and additions to endowment, net	108,554	64,110	172,664
Endowment distributions	(79,470)	(127,372)	(206,842)
Endowment net assets as of June 30, 2018	**$ 1,828,851**	**$ 2,779,610**	**$ 4,608,461**

9. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30 were as follows *(in thousands)*:

	2019	2018
Land	$ 127,885	$ 105,041
Buildings and improvements	1,745,802	1,588,094
Moveable equipment	332,983	335,463
Construction in progress	140,075	167,229
Property, plant, and equipment	2,346,745	2,195,827
Less: Accumulated depreciation	(1,149,953)	(1,102,206)
Property, plant, and equipment, net	**$ 1,196,792**	**$ 1,093,621**

Buildings and improvements include $15.3 million of leasehold improvements as of fiscal 2019 and 2018. Vanderbilt reports property, plant, and equipment at cost or, if a gift, at fair value as of the date of the gift, net of accumulated depreciation. Vanderbilt computes depreciation using the straight-line method over the estimated useful lives of the assets: 10 to 50 years for buildings, building improvements, and land improvements, the shorter of the asset life or life of the lease including renewal options for leasehold improvements, and 3 to 25 years for machinery and equipment.

Purchases for the library collection are not included in the amounts above as Vanderbilt expenses such items at the time of purchase. As of June 30, 2019, the estimated replacement cost for library collections, including processing costs to properly identify, catalog, and shelve materials, totaled $432.6 million.

Vanderbilt reported capitalized interest of $1.4 million and $1.5 million to construction in progress and/or buildings and improvements in the years ended June 30, 2019 and 2018.

Vanderbilt reviews property, plant, and equipment for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The university recognizes an impairment loss if the carrying amount of a long-lived asset exceeds its fair value and is not recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Vanderbilt did not recognize any impairment losses in fiscal 2019 or 2018.

Vanderbilt identified conditional asset retirement obligations, primarily for the costs of asbestos removal and disposal, resulting in liabilities of $3.4 and $3.2 million as of June 30, 2019 and 2018. These liability estimates, included in Accounts payable and accrued liabilities in the consolidated statements of financial position, use an inflation rate of 4.0% and a discount rate of 5.0% based on relevant factors at origination.

10. LONG-TERM DEBT AND COMMERCIAL PAPER

Long-term debt consists of bonds and notes payable with scheduled final maturity dates at least one year after the original issuance date.

Outstanding long-term debt and commercial paper ("CP") obligations reflected in the financial statements at carrying value as of June 30 were as follows *(in thousands)*:

	Fiscal Year of Maturity	Fixed Coupon Interest Rates as of June 30, 2019	Fiscal 2019 Effective Interest Rate[1]	Outstanding Principal 2019	Outstanding Principal 2018
FIXED-RATE DEBT					
Series 2009A - Tax-exempt	2020	4.00%	4.5%	$ 2,360	$ 4,720
Series 2012D - Tax-exempt	2038	3.00% - 5.00%	3.1%	106,230	106,230
Series 2016 - Taxable	2047	1.32% - 3.44%	3.0%	127,900	133,520
Series 2018 – Private Placement	2049	3.93%	3.9%	300,000	-
Fixed-rate debt (par amount)			3.4%	**$ 536,490**	**$ 244,470**
Net unamortized premium			-	6,879	7,932
Cost of Issuance			-	(1,123)	(1,180)
Total long-term debt			**3.4%**	**542,246**	**251,222**
Taxable commercial paper			2.1%	-	114,602
Total long-term debt and commercial paper			**3.3%**	**$ 542,246**	**$ 365,824**

[1] Exclusive of interest rate exchange agreements. Inclusive of these agreements, the overall portfolio effective interest rate was 3.8%.

All debt instruments are general obligations of Vanderbilt. Vanderbilt did not pledge any of its assets as collateral for this debt.

The components of interest for total long-term debt, CP, and interest rate exchange agreements follow *(in thousands)*:

	2019	2018
Payments for interest costs	$ 16,694	$ 14,185
Accrued interest expense	$ 16,818	$ 11,223

Payments for interest costs occur on varying scheduled payment dates for debt, maturity dates for CP, and settlement dates for interest rate exchange agreements. Vanderbilt calculates accrued interest expense for its debt, CP, and interest rate exchange agreements based on applicable interest rates for the respective fiscal year. Accrued interest expense of $16.8 million and $11.2 million in fiscal 2019 and 2018, respectively, is net of capitalized interest of $1.4 million and $1.5 million, respectively.

Principal retirements and scheduled sinking fund requirements based on nominal maturity schedules for long-term debt, excluding CP, due in subsequent fiscal years are as follows *(in thousands)*:

2020	$ 8,140
2021	7,075
2022	7,285
2023	7,535
2024	14,850
Thereafter	491,605
Total long-term debt principal retirements	**$ 536,490**

On November 1, 2018, Vanderbilt executed the draw for the Series 2018 taxable private placement in the par amount of $300.0 million. The Series 2018 private placement proceeds provided $185.0 million of new project funding to finance construction of residential colleges and other strategic capital projects, as well as $115.0 million to refund the outstanding par amount of commercial paper debt outstanding.

11. INTEREST RATE EXCHANGE AGREEMENTS

Vanderbilt utilizes interest rate exchange agreements as part of its debt portfolio management strategy. These agreements result in periodic net cash settlements paid to, or received from, counterparties. Adjustments to interest expense for net settlements due to counterparties totaled $2.3 million and $3.5 million in fiscal 2019 and 2018, respectively.

Vanderbilt estimates the fair value of interest rate exchange agreements by calculating the present value sum of future net cash settlements that reflect market yields as of the measurement date and estimated amounts that Vanderbilt would pay to terminate the contracts as of the report date. Vanderbilt considers current interest rates and creditworthiness of the interest rate exchange counterparties when estimating termination settlements. The estimated fair value of Vanderbilt's outstanding interest rate exchange agreements represented liabilities of $22.7 million and $28.1 million as of June 30, 2019 and 2018, respectively.

Vanderbilt did not enter into any new interest rate exchange agreements during fiscal 2019 or 2018. During fiscal 2019, Vanderbilt terminated $59.3 million notional, net of amortization, of fixed-rate payer interest rate exchange agreements at a cost of $13.8 million to reduce collateral exposure and eliminate ongoing settlement costs.

The fair value of interest rate exchange agreements, reported in the nonoperating section of the consolidated statements of activities, resulted in a net loss of $8.5 million and a net gain of $9.4 million in fiscal 2019 and 2018, respectively. The $8.5 million change in appreciation of interest rate exchange agreements in fiscal 2019 includes a $0.6 million unrealized loss to adjust the discount rate to reflect counterparty credit risk and $13.8 million of termination costs, which were partially offset by a $5.9 million net unrealized gain due to the termination of fixed-rate payer rate exchange agreements. The $9.4 million appreciation of interest rate exchange agreements in fiscal 2018 includes a $26.4 million net unrealized gain from the combination of the positive effect of the termination of fixed-rate payer and basis interest rate exchange agreements and the increase in the long-term LIBOR rate, a $0.3 million unrealized gain to adjust the discount rate to reflect counterparty credit risk, and $17.3 million of termination costs. Thirty-year LIBOR decreased to 2.2% as of June 30, 2019, from 2.9% as of June 30, 2018. Termination costs are reflected in the appreciation of interest rate exchange agreements in the respective periods.

The interest rate exchange agreements include collateral pledging requirements based on the fair value of the contracts. There was no collateral held by counterparties as of June 30, 2019 or 2018. Vanderbilt estimates that a decline in long-term LIBOR rates to approximately 1% would result in the fair value of the portfolio being a liability of approximately $32.4 million, but would not require Vanderbilt to pledge collateral.

As of June 30, 2019, Vanderbilt's adjusted debt portfolio, after taking into account outstanding fixed-payer interest rate exchange agreements, was fully hedged.

The notional amount of Vanderbilt's remaining outstanding interest rate exchange agreement as of June 30 was as follows *(in thousands)*:

Description	Rate Paid	Rate Received	Maturity	2019	2018
Fixed-payer interest rate exchange agreement	4.15%	68% of one-month LIBOR[1]	21 years	$ 50,000	$ 111,600

[1] LIBOR (London Interbank Offered Rate) is a reference rate based on interest rates at which global banks borrow funds from other banks in the London interbank lending market.

12. NET ASSETS

The following is a summary of net assets as of June 30 *(in thousands)*:

2019	Without donor restriction	With donor restriction	Total
Operations	$ 818,991	$ -	$ 818,991
Deferred trademark license revenue	(1,344,670)	-	(1,344,670)
Net investment in plant	653,857	-	653,857
Endowment funds	3,362,421	2,908,456	6,270,877
Donor pledges and gifts	-	158,475	158,475
Split-interest agreements	-	77,841	77,841
Net assets controlled by Vanderbilt	3,490,599	3,144,772	6,635,371
Net assets related to noncontrolling interests	38,106	-	38,106
Total net assets as of June 30, 2019	**$ 3,528,705**	**$ 3,144,772**	**$ 6,673,477**

2018	Without donor restriction	With donor restriction	Total
Operations	$ 677,404	$ -	$ 677,404
Net investment in plant	727,758	-	727,758
Endowment funds	1,828,851	2,779,610	4,608,461
Donor pledges and gifts	-	147,858	147,858
Split-interest agreements	-	80,793	80,793
Net assets controlled by Vanderbilt	3,234,013	3,008,261	6,242,274
Net assets related to noncontrolling interests	49,417	-	49,417
Total net assets as of June 30, 2018	**$ 3,283,430**	**$ 3,008,261**	**$ 6,291,691**

13. FAIR VALUE MEASUREMENT

Vanderbilt utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 consist of quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 include inputs other than quoted prices in Level 1 directly or indirectly observable for the assets or liabilities.

Level 3 are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety is classified depends on the lowest level input that is significant to the fair value measurement.

The significance of the unobservable inputs to the overall fair value measurement determines the classification of a financial instrument within level 3.

The consolidated statements of activities reflect: all net realized and unrealized gains and losses on level 3 investments as appreciation of endowment or appreciation of other investments; gains and losses on investments allocable to noncontrolling interests as a component of appreciation of endowment; and net realized and unrealized gains and losses on interests in trusts held by others as appreciation of other investments.

Rollforwards of amounts for level 3 financial instruments for the fiscal years ended June 30 follow *(in thousands)*:

	Beginning balance as of June 30, 2018	Net realized and unrealized gains (losses)[1]	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2019
LEVEL 3 ASSETS						
Private capital	$ 2,368	$ -	$ -	$ -	$ -	$ 2,368
Real estate	194	-	-	-	-	194
Natural resources	34,649	2,019	-	(2,665)	-	34,003
Trusts	34,577	1,102	2,250	(8,888)	-	29,041
Other investments	2,741	86	-	-	-	2,827
Interests in trusts held by others	30,753	(231)	231	(60)	-	30,693
Total Level 3	**$ 105,282**	**$ 2,976**	**$ 2,481**	**$ (11,613)**	**$ -**	**$ 99,126**

[1] Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the university at June 30, 2019, is $1,469.1 and is reflected in "Appreciation of endowment, net of distributions" for private capital and natural resources categories as well as "Investment income (loss)" for remaining categories in the Consolidated Statement of Activities.

	Beginning balance as of June 30, 2017	Net realized and unrealized gains (losses)[1]	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2018
LEVEL 3 ASSETS						
Private capital	$ 2,368	$ -	$ -	$ -	$ -	$ 2,368
Real estate	194	-	1	(1)	-	194
Natural resources	30,571	6,331	-	(2,253)	-	34,649
Trusts	37,216	1,179	2,204	(6,022)	-	34,577
Other investments	2,563	-	178	-	-	2,741
Interests in trusts held by others	28,577	8,147	-	(5,971)	-	30,753
Total Level 3	**$ 101,489**	**$ 15,657**	**$ 2,383**	**$ (14,247)**	**$ -**	**$ 105,282**

[1] Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the university at June 30, 2018, is $13,970.8 and is reflected in "Appreciation of endowment, net of distributions" for private capital and natural resources categories as well as "Investment income (loss)" for remaining categories in the Consolidated Statement of Activities.

The following tables present the amounts within each valuation hierarchy level for those assets and liabilities carried at fair value: cash and cash equivalents; investments; investments allocable to noncontrolling interests (in Vanderbilt-controlled real estate and other partnerships); interests in trusts held by others; securities sold short; and the fair value of interest rate exchange agreements.

Also included in the following tables, as a measure of liquidity, are the redemption terms and restrictions of investments, along with the numbers of days' notice required to liquidate these investments. Most investments classified as levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Vanderbilt's ability to redeem its interest at or near the financial statement date determines the net assets' classification as level 2 or level 3. Vanderbilt defines near-term as within 90 days of the financial statement date. The total asset values for short-term securities, global equities, fixed income, hedged strategies, and commodities provide varying levels of liquidity, with daily to annual redemption frequencies. These strategies allow Vanderbilt to provide notice to the fund managers to exit from the respective funds in the time periods noted.

The total asset values for private capital, real estate, natural resources, and other investments are illiquid as of June 30, 2019. These amounts predominantly consist of limited partnerships. Under the terms of these limited partnership agreements, Vanderbilt is obligated to remit additional funding periodically as capital calls are exercised by the general partner. These partnerships have a limited existence and the agreements may provide for annual extensions relative to the timing for disposing portfolio positions and returning capital to investors. Depending on market conditions, the ability or inability of a fund to execute its strategy, and other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may liquidate the fund prematurely. Unforeseen events prevent Vanderbilt from anticipating such changes. As a result, the timing and amount of future capital calls or distributions in any particular year are uncertain and the related asset values are illiquid.

Trusts are restricted by donors according to the underlying gift agreement with assets held to satisfy annuity obligations or until a remainder portion becomes available upon termination. As such, trusts are illiquid until termination, the timing of which is unknown.

The following tables summarize the fair value measurements and terms for redemptions or liquidations for those assets and liabilities carried at fair value as of June 30 (in thousands):

Assets Reported at Fair Value as of June 30, 2019

	Fair Value Measurements				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Cash and cash equivalents	$ 828,455	$ -	$ -	$ -	$ 828,455
Short-term securities	147	-	-	-	147
Global equities	1,436,345	85,994	-	506,533	2,028,872
Fixed income	334,064	467,597	-	109,219	910,880
Hedged strategies	800,304	468,358	-	328,642	1,597,304
Private capital	37,547	-	2,368	1,621,494	1,661,409
Real estate	-	-	194	156,562	156,756
Natural resources	170	-	34,003	324,080	358,253
Commodities	148,759	-	-	-	148,759
Trusts	-	-	29,041	-	29,041
Other investments	4,217	25,534	2,827	-	32,578
Interests in trusts held by others	-	-	30,693	-	30,693
Total assets reported at fair value	**$ 3,590,008**	**$ 1,047,483**	**$ 99,126**	**$ 3,046,530**	**$ 7,783,147**

Liabilities Reported at Fair Value as of June 30, 2019

Securities sold short	$ 268,322	$ 93,987	$ -	$ -	$ 362,309
Interest rate exchange agreements	-	22,742	-	-	22,742
Total liabilities reported at fair value	$ 268,322	$ 116,729	$ -	$ -	$ 385,051

Assets Reported at Fair Value as of June 30, 2018

	Fair Value Measurements				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Cash and cash equivalents	$ 602,652	$ -	$ -	$ -	$ 602,652
Short-term securities	12,088	-	-	-	12,088
Global equities	912,752	45,657	-	390,731	1,349,140
Fixed income	255,707	203,840	-	78,817	538,364
Hedged strategies	513,997	362,091	-	232,965	1,109,053
Private capital	2,304	-	2,368	1,438,434	1,443,106
Real estate	-	-	194	155,938	156,132
Natural resources	299	-	34,649	263,319	298,267
Commodities	151,771	-	-	-	151,771
Trusts	-	-	34,577	-	34,577
Other investments	3,859	-	2,741	-	6,600
Interests in trusts held by others	-	-	30,753	-	30,753
Total assets reported at fair value	**$ 2,455,429**	**$ 611,588**	**$ 105,282**	**$ 2,560,204**	**$ 5,732,503**

Liabilities Reported at Fair Value as of June 30, 2018

Securities sold short	$ 190,609	$ 49,838	$ -	$ -	$ 240,447
Interest rate exchange agreements	-	28,089	-	-	28,089
Total liabilities reported at fair value	**$ 190,609**	**$ 77,927**	$ -	$ -	**$ 268,536**

Redemption Terms and Restrictions as of June 30, 2019 and 2018

	2019 Fair Value	Redemption Terms	Redemption Restrictions
Cash and cash equivalents	$ 828,455	Daily, with same-day to 90 day notice	No restrictions
Short-term securities	147	Daily, with 1 day notice	No restrictions
Global equities	2,028,872	Daily to annually, with 1 to 90 day notice	Lock-up provision ranging from none to 2 years
Fixed income	910,880	Daily to annually, with 1 to 365 day notice	No restrictions
Hedged strategies	1,597,304	Daily to annually, with 15 to 90 day notice	Lock-up provision ranging from none to 2 years
Private capital	1,661,409	N/A	Not redeemable
Real estate	156,756	N/A	Not redeemable
Natural resources	358,253	N/A	Not redeemable
Commodities	148,759	Daily, with 1 to 30 day notice	No restrictions
Trusts	29,041	N/A	Not redeemable
Other investments	32,578	N/A	Not redeemable
Interests in trusts held by others	30,693	N/A	Not redeemable

14. LEASES

Vanderbilt is obligated under numerous operating leases to pay base rent through the respective lease expiration dates. Operating leases primarily consist of equipment and real property with remaining lease terms of up to 10 years. Total operating lease expense was $15.0 million and $15.2 million in the years ended June 30, 2019, and June 30, 2018, respectively.

As of June 30, 2019, future committed minimum rentals by fiscal year on significant noncancelable operating leases with initial terms in excess of one year were as follows *(in thousands)*:

2020	$ 13,669
2021	13,199
2022	11,398
2023	10,625
2024	10,230
Thereafter	25,196
Total future minimum rentals	**$ 84,317**

The following table provides a detail of significant noncancelable operating leases by type *(in thousands)*:

	% of Minimum Rentals	Minimum Rentals
Property Leases	96%	$ 81,073
Equipment Leases	4%	3,244
Total future minimum rentals	**100%**	**$ 84,317**

Property leases for buildings owned by Vanderbilt University Medical Center (60%) and 2100 West End Avenue (29%) account for approximately 89% of the total future minimum rentals as of June 30, 2019.

15. REVENUE RECOGNITION

The following table presents Vanderbilt's sources of revenue as of June 30 as follows *(in thousands)*:

	2019
Tuition and educational fees, net	
Undergraduate [net of financial aid, $151,484]	$193,033
Professional [net of financial aid, $55,170]	119,326
Graduate [net of financial aid, $48,596]	6,942
Total tuition and educational fees, net	319,301
Grants:	
Government sponsors [1]	130,589
Private sponsors [1]	12,392
Facilities and administrative costs recovery [1]	42,149
Contracts:	
Government sponsors [2]	30,369
Private sponsors [3]	15,264
Facilities and administrative costs recovery [4]	18,259
Total grants and contracts	249,022
Contributions[1]	143,783
Endowment distributions[1]	281,448
Investment income[1]	53,794
Room, board, and other auxiliary services, net	
Room and board, net [net of financial aid, $37,869]	50,189
Auxiliary revenue from affiliates	33,190
External rental revenue[1]	12,027
Vanderbilt Legends Club	9,951
Parking and vehicle registration	4,693
Commissions Revenue	2,696
Other auxiliary services	5,737
Total room, board, and other auxiliary services, net	118,483
Trademark, license, and royalty revenue	107,850
Affiliated entity revenue	178,045
Other sources	
Television revenue	31,786
Tournament revenue	12,352
Student athletics ticket revenue	7,426
Conference and seminar revenue	6,320
Miscellaneous revenue from affiliate	6,259
Child care operations	2,375
Other miscellaneous revenue	23,779
Total other source	90,297
Total revenues and other support	**$1,542,023**

[1] Not considered revenue from contracts with customers
[2] Revenue from government sponsors includes contracts with customers of $23 million and contributions of $7 million.
[3] Revenue from private sponsors includes contracts with customers of $14 million and contributions of $1 million.
[4] Revenue from facilities and administrative costs recovery includes contracts with customers of $16 million and contributions of $2 million.

Vanderbilt's related revenue recognition policies are:

Tuition and educational fees, net—Vanderbilt recognizes student tuition and educational fees in the amount that reflects the consideration expected for providing academic services in the year those services occur. Vanderbilt reflects financial aid provided for tuition and educational fees as a reduction to the expected consideration. Financial aid does not include payments made to students for services provided to Vanderbilt or financial aid applied to undergraduate room and board. In addition, students who adjust their course load or withdraw completely within the first three weeks of the academic term may receive a full or partial refund in accordance with Vanderbilt's refund policy. Refunds issued reduce the amount of tuition recognized. Tuition payments from students are due approximately 30 days after the invoice date.

Grants and contracts—Vanderbilt records revenues related to grants and contracts in two portfolio categories based on the source of the funds:

Government Sponsors provide funding for research largely to advance knowledge for public or academic benefit in direct support of Vanderbilt's mission. Vanderbilt primarily considers these sponsored research agreements to be contributions (nonreciprocal transactions). Vanderbilt recognizes grant and contract revenue associated with contributions from government sponsors as earned when the conditions are met (allowable expenses have been incurred). Additionally, a small portion of government-sponsored awards qualifies as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. Vanderbilt recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Private Sponsors consist of private agencies, professional associations, private foundations, corporate foundations and corporations and may be either donors or sponsors depending on the nature, intent, and expectations of the funding they are providing. Vanderbilt recognizes revenue associated with contributions from private sponsors as the conditions are met. Additionally, some private sponsor awards qualify as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. Vanderbilt recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Facilities and administrative (F&A) costs recovery—Vanderbilt recognizes F&A costs recovery as revenue. This activity represents reimbursement, primarily from the federal government, of F&A costs on sponsored activities. Vanderbilt's federal F&A cost recovery rate for on-campus research was 57.0% in both fiscal 2019 and 2018. Vanderbilt's federal F&A off-campus research adjacent and remote cost recovery rates was 28.5% in both fiscal 2019 and 2018.

Endowment distributions—Endowment distributions reported as operating revenue consist of endowment return (regardless of when such income arose) distributed to support operational needs in the current period. Vanderbilt's Board of Trust approves the distribution amount from the endowment pool on an annual basis, determined by applying a spending rate to an average of the previous three calendar year-end market values. The primary objective of the endowment distribution methodology is to reduce the impact of capital market fluctuations on operational programs.

Investment income—Investment income consists of distributions associated with working capital assets invested in long-term pooled investments managed in conjunction with endowment funds and dividends, interest, and gains/losses on other university investments. Vanderbilt reports any difference between total returns for pooled working capital assets and the aforementioned distributions as nonoperating activity.

Trademark, license, and royalty revenue—The Trademark License Agreement ("TML") between Vanderbilt and VUMC comprises the majority of trademark, license, and royalty revenue. Vanderbilt recognizes all trademark, license, and royalty revenues upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements, which generally result in recognition of the revenue over the term of the agreement. In July 2018, Vanderbilt recorded $1.43 billion related to the securitized trademark revenue stream as deferred revenue on the Statement of Financial Position and recognizes related revenue upon satisfaction of the performance obligation in accordance with the 30-year term of the underlying agreement.

Affiliated entity revenue—Affiliated entity revenue represents amounts received from VUMC to support and ensure sustainability of the upstream research pipeline and other academic initiatives and to compensate Vanderbilt for the provision of operating and capital infrastructure services to VUMC, primarily in campus infrastructure, campus safety and security, and various support functions. Vanderbilt recognizes affiliated entity revenues as the related services upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

Other revenue—Vanderbilt recognizes revenue from other sources as the related services are provided and/or amounts are otherwise earned upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

16. FUNCTIONAL CLASSIFICATION OF EXPENSES AND ALLOCATIONS

Vanderbilt presents functional classification of expenses in accordance with the mission of the university. Vanderbilt's primary programs are instruction and academic support, research and public services, and student services. Support activities are incurred in support of these primary programs.

For operating expenses that benefit multiple functional categories, Vanderbilt allocates these expenses to reflect the full cost of all activities. Based on the functional uses of space on its campus, Vanderbilt allocated operation and maintenance of facilities, depreciation, and interest on indebtedness across functional expense categories.

The following tables summarize operating expenses by natural and functional classification for the fiscal years ended June 30 *(in thousands)*:

2019	Instruction & academic support	Research & public service	Student services	Total program expenses	Support activities	Total expenses
Salaries, wages, and benefits	$ 344,478	$ 123,406	$ 64,687	$ 532,571	$ 168,023	$ 700,594
Supplies, services, and other	131,625	96,265	54,962	282,852	156,111	438,963
Interest	2,830	1,265	768	4,863	11,955	16,818
Depreciation	20,488	16,082	11,234	47,804	39,492	87,296
Grants to affiliate	-	25,335	-	25,335	-	25,335
Total expenses	**$ 499,421**	**$ 262,353**	**$ 131,651**	**$ 893,425**	**$ 375,581**	**$ 1,269,006**

17. RETIREMENT PLANS

Vanderbilt's eligible faculty and staff members participate in the defined contribution retirement plan administered by a third-party investment firm. For these employees, this plan requires employee and matching employer contributions. The employee immediately vests in these contributions upon eligibility.

Vanderbilt funds the obligations under these plans through payroll transfers to the respective retirement plan administrators with the corresponding expenses recognized in the year incurred. Vanderbilt's retirement plan contributions for fiscal 2019 and 2018 were $20.5 million and $19.7 million, respectively.

18. COMMITMENTS AND CONTINGENCIES

(A) *Construction.* As of June 30, 2019, Vanderbilt had contractual commitments for approximately $169.9 million of projects under construction and equipment purchases. The largest components of these commitments were for residential college hall construction at the Tarpley site ($92.0 million) and Peabody campus improvements ($31.2 million).

(B) *Litigation.* On May 17, 2016, a former Vanderbilt football player filed suit against the NCAA, the SEC, and Vanderbilt in the Middle District of Florida in Orlando seeking class action status for students who played football at Vanderbilt between 1952 and 2010. The suit is styled Walthour v. Vanderbilt University, et al., No. 16-cv-834 (M.D. Fl.). Walthour alleged he suffered "several" concussions and now has cognitive functioning problems, such as loss of memory, mood swings, sensitivity to light, and blackouts. The suit has been transferred to the Northern District of Illinois for pre-trial purposes as a tag-along action to the multidistrict litigation styled In re: National Collegiate Athletic Association Student-Athlete Concussion Injury Litigation, MDL No. 2492.

Vanderbilt believes that the outcome of this action will not have a significant effect on its consolidated financial position. Vanderbilt is otherwise involved in various legal actions occurring in the normal course of activities which will not have a material adverse effect on Vanderbilt's financial position.

(C) *Regulations*. Vanderbilt's compliance with regulations and laws is subject to future government reviews and interpretations, as well as regulatory actions unknown at this time. Vanderbilt believes that any potential liability from such reviews would not have a significant effect on Vanderbilt's consolidated financial position.

(D) *Employee Health and Workers Compensation Insurance.* Vanderbilt is self-insured for employee health insurance and workers compensation coverage. Vanderbilt bases estimated liabilities upon studies conducted by independent actuarial firms.

(E) *Federal and State Contracts and Other Requirements.* Expenditures related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. Amounts of expenditures that granting agencies might disallow cannot be determined at this time. These amounts affect government grants and contract revenue as well as facilities and administrative cost recovery. Vanderbilt would not expect these costs to materially impact the consolidated financial position.

(F) *Partnership Investment Commitments.* Vanderbilt had $855.9 million of commitments to venture capital, real estate, and private equity investments as of June 30, 2019. At the request of the general partners, Vanderbilt may be required to contribute funds over the next several years. Vanderbilt expects to finance these commitments with available cash and expected proceeds from the sales of securities. Included in these commitments is $8.7 million of commitments for which Vanderbilt is a secondary guarantor for commitments in certain investment vehicles where minority limited partners in subsidiaries that Vanderbilt controls have the primary obligations.

19. RELATED PARTIES

Intermittently, members of Vanderbilt's Board of Trust or Vanderbilt employees may be directly or indirectly associated with companies engaged in business activities with the university. Accordingly, Vanderbilt has a written conflict of interest policy that requires, among other things, that members of the university community (including trustees) may not review, approve, or administratively control contracts or business relationships when (a) the contract or business relationship is between Vanderbilt and a business in which the individual or a family member has a material financial interest or (b) the individual or a family member is an employee of the business and is directly involved with activities pertaining to Vanderbilt.

Furthermore, Vanderbilt's conflict of interest policy extends beyond the foregoing business activities in that disclosure is required for any situation in which an applicable individual's financial, professional, or other personal activities may directly or indirectly affect, or have the appearance of affecting, an individual's professional judgment in exercising any university duty or responsibility, including the conduct or reporting of research.

The policy extends to all members of the university community (including trustees, university officials, and faculty and staff and their immediate family members). Each applicable person is required to certify compliance with the conflict of interest policy on an annual basis. This certification includes specifically disclosing whether Vanderbilt conducts business with an entity in which he or she (or an immediate family member) has a material financial interest as well as any other situation that could appear to present a conflict with Vanderbilt's best interests. When situations exist relative to the conflict of interest policy, Vanderbilt takes active measures to manage appropriately the actual or perceived conflict in the best interests of the university, including periodic reporting of the measures taken to the Audit Committee of the Vanderbilt University Board of Trust.

See Note 20 to the consolidated financial statements for discussion regarding the ongoing economic relationship between Vanderbilt and VUMC.

20. VANDERBILT UNIVERSITY MEDICAL CENTER

Vanderbilt has an ongoing economic relationship with VUMC in the form of an Academic Affiliation Agreement ("AAA"), a Trademark Licensing Agreement ("TML"), a Ground Lease, and a Master Service Agreement ("MSA").

The AAA recognizes the ongoing academic, research, and clinical affiliation between the university and VUMC for all of the university's degree-granting, certificate, and research programs. The AAA serves to allocate responsibility between the university and VUMC for jointly administered academic programs, residency programs, and ongoing roles and rights of the university. The AAA will remain in effect until termination of the TML or Ground Lease.

Pursuant to the TML, the university grants, subject to certain consents and approvals, a perpetual license to VUMC to use various university-owned licensed marks in connection with VUMC's fundamental activities after the Transaction date. The licensed marks, which VUMC will continue to use as the primary brands of VUMC, include virtually all those currently in use by VUMC. The TML will remain in effect until termination of the AAA or Ground Lease.

In July 2018, Vanderbilt securitized 30 years of one of the university's trademark revenue streams and sold the remaining $89.6 million balance of a promissory note receivable that resulted from the Transaction. This securitization occurred on a true-sale basis to a group of external investors in exchange for net cash consideration of $1.43 billion and a special interest obligation equivalent to the remaining future promissory note interest stream.

The Ground Lease allows VUMC to use the land on which its campus and related buildings are located. The initial term of the Ground Lease ends June 30, 2114, with the option to extend for up to two additional terms of 50 to 99 years each upon mutual agreement by Vanderbilt and VUMC.

Vanderbilt and VUMC provide specified services to one another for agreed-upon consideration as outlined in the MSA. Vanderbilt continues to provide services to VUMC such as IT support, utilities, and law enforcement staffing. VUMC will continue to provide graduate medical education and training to Vanderbilt. The terms of these service agreements between Vanderbilt and VUMC are unique to each agreement.

21. SUBSEQUENT EVENTS

Vanderbilt evaluated events subsequent to June 30, 2019, through October 15, 2019, the date of issuance of the consolidated financial statements.

On August 1, 2019, Vanderbilt acquired two commercial properties and one hotel for a total purchase consideration of $112.0 million. This transaction will be recorded as an asset acquisition in accordance with Accounting Standards Codification (ASC) 805, Business Combinations.

Vanderbilt did not identify any other material subsequent events for recognition or disclosure.

VANDERBILT UNIVERSITY