EMORY UNIVERSITY FINANCIALS 2019

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CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

AUGUST 31, 2019 AND 2018

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

EMORY

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditor's Report

The Board of Trustees
Emory University:

We have audited the accompanying consolidated financial statements of Emory University and its subsidiaries, which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emory University and its subsidiaries as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 2(t) to the consolidated financial statements, in fiscal year 2019, Emory University and its subsidiaries adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016–14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities;* ASU No. 2014–09, KPMG

Revenue from Contracts with Customers (Topic 606), as amended; and ASU No. 2018–08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Atlanta, Georgia
December 19, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2019 AND 2018 (Dollars in thousands)

	August 31, 2019	August 31, 2018
ASSETS:		
Cash and cash equivalents	$ 229,414	$ 149,449
Patient accounts receivable, net	515,801	398,706
Student accounts receivable, net	21,875	109,780
Loans receivable, net	21,960	23,138
Contributions receivable, net	193,792	396,127
Other receivables, net	180,406	248,685
Prepaid expenses, deferred charges, and other assets	319,591	429,839
Investments	8,282,405	8,157,678
Interests in perpetual funds held by others	1,757,576	1,311,406
Property and equipment, net	3,502,052	3,219,005
Total assets	**$ 15,024,872**	**$ 14,443,813**
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$ 747,530	$ 657,384
Deferred revenue	340,445	521,289
Interest payable	14,892	29,391
Liability for derivative instruments	238,112	128,861
Bonds and notes payable	1,980,060	1,959,897
Accrued liabilities for benefit obligations and professional liabilities	652,125	476,686
Funds held in trust for others	826,663	791,841
Annuities payable	15,287	15,704
Government advances for federal loan programs	16,638	18,659
Asset retirement obligation	79,096	65,996
Total liabilities	**4,910,848**	**4,665,708**
Net assets without donor restrictions, controlled by Emory	4,191,903	4,226,918
Net assets without donor restrictions related to noncontrolling interests	107,380	113,345
Total net assets without donor restrictions	4,299,283	4,340,263
Net assets with donor restrictions	5,814,741	5,437,842
Total net assets	**10,114,024**	**9,778,105**
TOTAL LIABILITIES AND NET ASSETS	**$ 15,024,872**	**$ 14,443,813**

See accompanying independent auditor's report.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED AUGUST 31, 2019 (WITH SUMMARIZED COMPARATIVE FOR 2018) (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2019	Total August 31, 2018
OPERATING REVENUE AND OTHER SUPPORT				
Tuition and fees, net of scholarship allowance	$ 452,423	—	$ 452,423	$ 434,166
Sales and services of auxiliary enterprises, net of scholarship allowance	74,666	—	74,666	74,481
Endowment spending distribution	197,908	—	197,908	182,562
Distribution from perpetual funds	37,077	—	37,077	35,377
Other investment income designated for current operations	77,927	—	77,927	81,257
Gifts and contributions for current use	47,123	26,344	73,467	56,060
Grants and contracts	495,839	—	495,839	470,924
Indirect cost recoveries	147,534	—	147,534	144,026
Net patient service revenue	4,206,383	—	4,206,383	3,404,004
Medical services	246,435	—	246,435	336,141
Independent operations	23,798	—	23,798	24,348
Other revenue	275,106	—	275,106	176,853
Net assets released from restrictions	45,387	(17,584)	27,803	23,707
Total operating revenue	**6,327,606**	**8,760**	**6,336,366**	**5,443,906**
OPERATING EXPENSES				
Salaries	3,188,145	—	3,188,145	2,703,393
Fringe benefits	688,173	—	688,173	608,246
Student financial aid	20,477	—	20,477	19,133
Nonsalary operating expenses:				
Professional fees and purchased services	572,991	—	572,991	519,232
Supplies and pharmaceuticals	1,039,738	—	1,039,738	827,657
Rent, utilities, and maintenance	367,291	—	367,291	325,204
Other operating expenses	64,741	—	64,741	27,925
Total nonsalary operating expenses	2,044,761	—	2,044,761	1,700,018
Interest on indebtedness	82,814	—	82,814	80,468
Depreciation and amortization	294,291	—	294,291	265,156
Total operating expenses	**6,318,661**	**—**	**6,318,661**	**5,376,414**
NET OPERATING ACTIVITIES	**8,945**	**8,760**	**17,705**	**67,492**
NONOPERATING ACTIVITIES, NET				
Investment return in excess of spending distribution for current operations	174,375	73,574	247,949	248,682
Change in undistributed income from perpetual funds held by others	—	195,591	195,591	26,880
Gifts and contributions for capital and long-term investment	17,737	118,391	136,128	420,939
Other gains (losses)	14,774	—	14,774	(1,593)
Loss on defeasance of debt	(11,442)	—	(11,442)	—
Change in fair value of derivative instruments	(109,251)	—	(109,251)	59,751
Pension and postretirement benefit plans	(105,641)	—	(105,641)	28,461
Other nonoperating items, net	(27,099)	5,008	(22,091)	7,701
Net assets released from restrictions	(3,378)	(24,425)	(27,803)	(23,707)
Total nonoperating activities, net	**(49,925)**	**368,139**	**318,214**	**767,114**
CHANGE IN NET ASSETS	**(40,980)**	**376,899**	**335,919**	**834,606**
Less change in net assets related to noncontrolling interests	**(5,965)**	—	**(5,965)**	**16,712**
CHANGE IN NET ASSETS CONTROLLED BY EMORY	**$ (35,015)**	**376,899**	**$ 341,884**	**$ 817,894**

See accompanying independent auditors' report.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2018 (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2018
OPERATING REVENUE AND OTHER SUPPORT			
Tuition and fees, net of scholarship allowance	$ 434,166	—	$ 434,166
Sales and services of auxiliary enterprises, net of scholarship allowance	74,481	—	74,481
Endowment spending distribution	182,562	—	182,562
Distribution from perpetual funds	35,377	—	35,377
Other investment income designated for current operations	81,257	—	81,257
Gifts and contributions for current use	43,656	12,404	56,060
Grants and contracts	470,924	—	470,924
Indirect cost recoveries	144,026	—	144,026
Net patient service revenue	3,404,004	—	3,404,004
Medical services	336,141	—	336,141
Independent operations	24,348	—	24,348
Other revenue	176,853	—	176,853
Net assets released from restrictions	36,856	(13,149)	23,707
Total operating revenue	**5,444,651**	**(745)**	**5,443,906**
OPERATING EXPENSES			
Salaries	2,703,393	—	2,703,393
Fringe benefits	608,246	—	608,246
Student financial aid	19,133	—	19,133
Nonsalary operating expenses:			
Professional fees and purchased services	519,232	—	519,232
Supplies and pharmaceuticals	827,657	—	827,657
Rent, utilities, and maintenance	325,204	—	325,204
Other operating expenses	27,925	—	27,925
Total nonsalary operating expenses	1,700,018	—	1,700,018
Interest on indebtedness	80,468	—	80,468
Depreciation and amortization	265,156	—	265,156
Total operating expenses	**5,376,414**	**—**	**5,376,414**
NET OPERATING ACTIVITIES	**68,237**	**(745)**	**67,492**
NONOPERATING ACTIVITIES, NET			
Investment return in excess of spending distribution for current operations	127,810	120,872	248,682
Change in undistributed income from perpetual funds held by others	—	26,880	26,880
Gifts and contributions for capital and long-term investment	2,035	418,904	420,939
Other losses	(1,593)	—	(1,593)
Change in fair value of derivative instruments	59,751	—	59,751
Pension and postretirement benefit plans	28,461	—	28,461
Other nonoperating items, net	(3,100)	10,801	7,701
Net assets released from restrictions	(1,998)	(21,709)	(23,707)
Total nonoperating activities, net	**211,366**	**555,748**	**767,114**
CHANGE IN NET ASSETS	**279,603**	**555,003**	**834,606**
Less change in net assets related to noncontrolling interests	**16,712**	—	**16,712**
CHANGE IN NET ASSETS CONTROLLED BY EMORY	**$ 262,891**	**555,003**	**$ 817,894**

See accompanying independent auditors' report.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2019 AND 2018 (Dollars in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 335,919	$ 834,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted contributions for endowments and capital projects	(136,128)	(420,939)
Net realized and unrealized gains on investments	(494,199)	(473,446)
Contribution from acquisition	(17,304)	—
Loss on disposal of property and equipment	2,684	1,633
Interests in perpetual funds held by others	(195,591)	(26,880)
Loss on defeasance of debt	11,442	—
Depreciation	293,611	260,674
Accretion/amortization of bond discounts/premiums and issuance costs	(3,028)	(3,057)
Actuarial adjustments for retiree pension and benefit plans	105,641	(28,461)
Change in fair value of derivative instruments	109,251	(59,751)
Change in operating assets, net of effects from acquisition:		
Accounts and other receivables, net	51,347	(265,080)
Contributions receivable for operations	(10,004)	21,167
Prepaid expenses, deferred charges, and other assets	155,725	49,474
Change in operating liabilities, net of effects from acquisition:		
Accounts payable, accrued liabilities, and interest payable	(25,456)	(72,850)
Asset retirement obligation	13,100	3,012
Accrued liabilities for benefit obligations and professional liabilities	22,977	137,558
Deferred revenue	(180,843)	89,554
Net cash provided by operating activities	**39,144**	**47,214**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from acquisition	95,407	—
Disbursements for loans to students	(2,868)	(2,713)
Repayment of loans from students	4,046	4,496
Proceeds from sales and maturities of investments	6,109,430	7,653,840
Purchases of investments	(5,724,954)	(7,294,192)
Purchases of property, plant, and equipment	(434,868)	(378,464)
Increase in funds held in trust for others	34,822	44,732
Net cash provided by investing activities	**$ 81,015**	**$ 27,699**

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2019 AND 2018 (Dollars in thousands)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received for endowments and capital projects	$ 147,888	$ 44,432
Proceeds from bonds payable, including premiums	594,373	—
Principal repayments of bonds payable	(752,037)	(29,500)
(Posting) recovery of collateral for debt-related derivative instruments	(27,980)	7,770
Change in annuities payable	(417)	783
Decrease in government advances for federal loan programs	(2,021)	(62)
Net cash (used in) provided by financing activities	**(40,194)**	**23,423**
Net increase in cash and cash equivalents	79,965	98,336
Cash and cash equivalents at beginning of year	149,449	51,113
Cash and cash equivalents at end of year	**$ 229,414**	**$ 149,449**
Supplemental disclosures:		
Cash paid for interest	$ 100,965	$ 84,274
Accrued liabilities for property, plant, and equipment purchases	19,228	10,836

See accompanying notes to consolidated financial statements.

(1) Organization

Emory University (the University or Emory) is a private, coeducational, not-for-profit institution, located in Atlanta, Georgia. Founded in 1836, Emory owns and operates educational, research, and healthcare facilities to support its mission. Emory provides educational services to approximately 8,100 undergraduate students and 7,300 graduate and professional students within its nine schools and colleges. Included within the University is the Emory Healthcare System (Emory Healthcare), Emory Medical Care Foundation, and Emory Innovations, LLC.

Emory Healthcare consists of Emory Healthcare, Inc. (EHC) and its controlled operating companies, including Emory University Hospital Midtown (EUHM), Emory University Hospital (EUH), Emory Saint Joseph's Hospital (ESJH), EHCA Johns Creek Hospital, LLC (EJCH), Emory Rehabilitation Hospital (ERH), DeKalb Medical Center, Inc. (DMC), Decatur Health Resources, Inc. (DHR), DeKalb Medical Center Foundation (DMCF), DeKalb Regional Health System Ventures, Inc. (Ventures), The Emory Clinic, Inc. (TEC), Emory Specialty Associates, LLC (ESA), Emory Specialty Associates – Joint Operating Company (ESA-JOC), Wesley Woods Center of Emory University, Inc. (WWC), and Clifton Casualty Insurance Company, Ltd. (CCIC). EUH, EUHM, EJCH, ESJH, ERH, DMC, and DHR are sometimes referred to herein, collectively, as "the Hospitals."

On September 1, 2018, Emory Healthcare became the sole and controlling member of DeKalb Regional Health System (DRHS) and its affiliates upon acquisition of DRHS' assets and liabilities. DMC, DHR, DMCF, and Ventures are the affiliates that account for DRHS' operations, assets, and liabilities. DMC operates a 451-bed general acute care hospital with a freestanding surgery center in Decatur, Georgia and a 100-bed general acute care hospital in Hillandale, Georgia. DRHS has been integrated operationally, financially, and clinically into Emory Healthcare since September 1, 2018, and the results of DRHS' operations have been included in the consolidated financial statements since that date.

The consolidated financial statements include the University and all other entities in which Emory has significant financial interest and control. All significant interentity accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The following significant accounting policies are used in the preparation of the accompanying consolidated financial statements:

The consolidated financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets and revenue, gains, and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. All revenue, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

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

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions and shown as reclassifications among the applicable classes of net assets.

The University considers the following items to be nonoperating activities: gifts and contributions for capital and long-term investment and the related net assets released from restrictions, investment return in excess of spending distribution for current operations, change in fair value of derivative instruments, pension- and postretirement-related changes other than net periodic pension cost, and other activities, net.

(a) Cash Equivalents

Cash equivalents consist primarily of bank balances and short-term money market mutual funds and treasury bills with original maturities generally 90 days or less that are not invested as part of the long-term investment assets. These amounts are carried at cost, which approximates fair value. Cash and cash equivalents that are part of the long-term pool is shown within investments as those funds generally are not used for daily operating purposes.

(b) Contributions Receivable, Net

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year, net of an allowance for uncollectible amounts, are discounted to their present value at credit-adjusted rates. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

(c) Loans Receivable, Net

Emory-funded loans to students are carried at estimated net realizable value. Loans receivable from students under certain government loan programs, carried at cost, can only be assigned to the federal government or its designees. In addition to federal direct loans (which are not reported in the consolidated financial statements), loans to qualified students are funded principally with government advances to Emory under the Perkins, Nursing, and Health Professions Student Loan Programs.

(d) Other Receivables, Net

Other receivables are recorded at net realizable value and include receivables under grants and contracts, medical services provided to other organizations, and losses recoverable from reinsurers.

(e) Investments

Investments are reported at fair value. Investments in securities and listed funds are valued using quoted prices in active markets if available; otherwise, if the market is inactive, fair value is determined by the University in accordance with its valuation policy. Valuations provided by the general partners and investment managers are evaluated by the Emory Investment Management Office and are believed to present reasonable estimates of fair value at August 31, 2019 and 2018.

Investments in alternative investment fund structures are valued using the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, if (a) the underlying investment manager's calculation of NAV is fair value based and (b) the University does not currently have plans to sell the investment for an amount different from NAV.

Investments are exposed to several risks, which may include (but are not limited to) interest rate, liquidity, currency, market, and credit risks. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions, though it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment transactions are accounted for on the trade-date basis. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the consolidated statement of activities net of external and direct internal investment expenses. Investment return, if restricted, is reported in the consolidated statement of activities as increases or decreases in net assets with donor restrictions until amounts have been appropriated and the donor-imposed or statutory time restrictions have been satisfied.

(f) Fair Value Measurements

Fair value measurements reflected in the consolidated financial statements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date; valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices. The type of investments in Level 2 also includes certain positions in which the University is a unit of account holder within a fund or account that holds underlying assets that are traded in active exchange markets with readily available pricing.

Level 3 – Valuations for assets and liabilities that are unobservable and derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions; Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In the event changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement to a different categorization, such transfers between fair value categories are recognized at the end of the reporting period.

(g) Split-Interest Agreements

The University's split interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in the trusts are included in investments. Contribution revenue is recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

(h) Interests in Perpetual Funds Held by Others

The University is also the beneficiary of certain perpetual funds held and administered by others. The value of the funds' assets (or Emory's share when there are other beneficiaries) is considered a reasonable estimate of the present value of the estimated future cash flows from these funds and is recognized in beneficial interest in perpetual funds and as contribution revenue at the date such funds are established. The largest fund of this type primarily holds shares of common stock of The Coca-Cola Company. The carrying value of Emory's interest in such perpetual funds is adjusted annually for changes in fair value.

(i) Property and Equipment, Net

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of gift to the University. Depreciation expense is based on the straight-line method over the estimated useful lives of the assets. Useful lives are as follows: buildings – 10 to 60 years, land improvements and infrastructure – 5 to 40 years, movable equipment – 3 to 20 years, fixed equipment – 3 to 30 years, software and enterprise systems – 3 to 10 years, leasehold improvements – term of the lease, and library books – 10 years. Certain assets totaling $112.2 million and $107.1 million, such as art, museum assets, and rare books, are included in property and equipment, net on August 31, 2019 and 2018, respectively, but are not depreciated.

(j) Net Tuition and Fees

Tuition and fees revenue is derived from degree programs and continuing education programs. Most undergraduate students receive institutional financial aid based upon academic promise and demonstrated financial need. Graduate students often receive tuition support in connection with research assistant, teaching assistant, and fellowship appointments. Student financial aid provided by the University for tuition and fees is reflected as a reduction of tuition and fees revenue from published rates.

(k) Student Health Insurance Plan

The University is self-insured for student health insurance costs, with losses insured in excess of a maximum amount on both a per claim and annual aggregate claim amount. The self-insurance liability is based on claims filed and an estimate of claims incurred but not yet reported. The consolidated statement of financial position includes a self-insurance liability for student health insurance of $0.6 million as of August 31, 2019. Self-insurance claims are reported as net of insurance premiums collected from students.

(l) Gifts and Contributions Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give, with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows, net of an allowance for uncollectible pledges.

Donor-restricted contributions are reported as revenue with donor restrictions, which increases this net asset class. Expirations of restrictions on net assets, such as the donor stipulation being met or the passage of time, are reported as net assets released from restrictions and reflect reclassifications from net assets with donor restrictions to net assets without donor restrictions. If the donor stipulation is met in the year of the gift, the contribution is reflected in net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period when the asset is placed in service. Conditional promises to give are not recognized until they become unconditional; that is, when the barriers on which they depend are met.

(m) Grants and Contracts Revenue and Indirect Cost Recoveries

Funding from the federal government, corporations, or private foundations (sponsors) is recorded as grants and contracts revenue when it is for a specified activity with a defined budget, period of performance, and scope of work undertaken by the University. The agreement with the sponsor may take the form of a contract, grant, or cooperative agreement and is generally in direct support of the University's mission. Sponsored program revenue and program income are earned when the University has substantially met its obligations and when the contractual performance measures have been completed. Revenue is recognized when services are rendered, milestones are met, or qualifying expenses are incurred as specified in the terms and conditions of the agreements, not necessarily when payments are received. Unearned revenue results when cash is received from sponsors in advance of revenue being earned. Unearned revenue is recorded as a liability (deferred revenue) until it is earned. Amounts recorded in grants and contracts receivable are for services rendered or expenditures incurred in advance of the receipt of funds.

Indirect cost recoveries are based on negotiated rates with grantor agencies and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements.

(n) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Emory Healthcare's estimates in this area may differ from actual experience, and those differences may be material.

The Hospitals reserve for third-party payor cost report audits and anticipated settlements through initial audit and final settlement of the cost reports. The Hospitals maintain estimates of third-party settlements for the Hospitals' routine exposures in this area in recognition of the complexity of relevant reimbursement regulations and the volatility of related settlement processes.

(o) Sales and Services of Auxiliary Enterprises and Independent Operations

An auxiliary enterprise is a nonacademic entity that exists predominantly to furnish goods and services to students, faculty, and staff. Auxiliary enterprises include residential halls, a bookstore, and parking operations. Fee charges are directly related to the costs of services provided.

Independent operations are activities that are solely owned and/or controlled by the University but are unrelated or independent of its mission. Independent operations include an externally managed conference center, hotel, and a fitness center. Fee charges are based on market rates for the services provided.

(p) Income Taxes

The University is recognized as a tax-exempt organization, as defined in Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and is generally exempt from the federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements. Unrelated business income of the University is reported on Form 990-T.

In December 2017, the Tax Cuts and Job Acts (the Act) was approved by the United States Congress. Emory has adopted the relevant positions of the Act, and there was no material impact on the consolidated financial statements.

(q) Derivative Instruments

Certain investment strategies used by the University and its investment managers incorporate various derivative financial instruments in order to reduce volatility, manage market risk, and enhance investment returns. Such instruments are reflected at fair value and included in investments. Changes in the fair value of investment-related derivative instruments are included in investment return in excess of spending distribution for current operations on the consolidated statements of activities. The University utilizes interest swap agreements to hedge interest rate market exposure of variable rate debt. The difference between amounts paid and received under such agreements is reported in interest expense. Changes in the fair value of these swap agreements are recognized as nonoperating activities in the consolidated statements of activities.

(r) Pension and Postretirement Benefit Plans

The University recognizes the funded status of its defined-benefit pension and postretirement benefit plans as an asset or liability and recognizes changes in funded status during the year in which the changes occur as changes in net assets without donor restrictions.

(s) Reclassifications

Certain amounts included in the accompanying 2018 consolidated statement of financial position have been reclassified to conform with the 2019 presentation, primarily related to the adoption of Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for- Profit Entities (Topic 958),* and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended. In addition, the University reclassified certain 2018 balances from other receivables, net to prepaid expenses, deferred charges and other assets, and from accrued liabilities for benefit obligations and professional liabilities to accounts payable and accrued liabilities to conform with their 2019 presentation. The University does not believe the impact of these reclassifications is material to the 2018 consolidated statement of financial position as it was originally presented.

(t) New Accounting Pronouncements

On September 1, 2018, Emory adopted ASU No. 2014-09 and all subsequent amendments to the ASU using the modified retrospective approach applied to all contracts not completed as of September 1, 2018. Results for reporting periods beginning after September 1, 2018 are presented under ASU No. 2014-09. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of ASU No. 2014-09 did not have a material impact to Emory's results.

On September 1, 2018, Emory implemented ASU No. 2018- 08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU No. 2018- 08 clarifies the accounting guidance for making or receiving contributions. The ASU provides a framework for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of this update, or as exchange (reciprocal) transactions subject to other guidance. The new guidance results in additional grants and contracts being accounted for as either contributions or conditional contributions rather than exchange transactions compared to previous practice.

During fiscal year 2019, the University retrospectively adopted, as of September 1, 2017, the provisions of ASU No. 2016-14. ASU No. 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The ASU also requires that underwater endowment funds previously reported as reductions to unrestricted net assets be reported instead as reductions to net assets with donor restrictions.

Accordingly, the University has reclassified $3.6 million and $7.8 million of underwater funds as of the beginning of fiscal years 2019 and 2018, respectively, as reductions to net assets with donor restrictions.

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires the University to present the service cost component of net benefit cost within operating expenses and all other components of net benefit cost in nonoperating activities. The ASU is effective for the University in FY 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under the Accounting Standards Codification (ASC) Topic 840, *Leases*. The accounting applied by a lessor under ASU No. 2016-02 is largely unchanged from that applied under ASC Topic 840. ASU No. 2016-02 is effective for the University in FY 2020.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The ASU amends the financial reporting requirements in Topic 230, *Statement of Cash Flows*. Changes include revisions to the presentation of cash flows related to the settlement of debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing and distributions received from equity method investees. This ASU is effective for fiscal years beginning after December 15, 2018. The University is evaluating the impact of the new standard on its consolidated financial statements beginning in FY 2020.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. ASU No. 2018-13 eliminates, modifies, and adds certain disclosures on fair value measurements. ASU No. 2018-13 is effective for fiscal periods beginning after December 15, 2019. Emory is evaluating the effect of adoption on its consolidated financial statements beginning in FY 2021.

In March 2019, the FASB issued ASU No. 2019-03, *Updating the Definitions of Collections, Not-for-Profit Entities (Topic 958)*. This ASU is effective for fiscal years beginning after December 15, 2019. This ASU modifies the term "Collections," which, in turn, may change collection recognition policies and adds certain disclosure requirements. The University is evaluating the impact of the new standard on its consolidated financial statements beginning in FY 2021.

(u) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the University's consolidated financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, the determination of the allowances for price concessions, purchase price allocation related to business combination, reserves for employee and student healthcare and workers' compensation claims, accrued professional and general liability costs, estimated third-party settlements, and actuarially determined benefit liabilities.

(v) Conflict of Interest Policies

University trustees, directors, principal officers, and key employees may periodically be directly or indirectly associated with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or board service with, entities doing business with the University. The annual disclosures cover these key officials and their immediate family members.

When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict. The written conflict of interest policy for the University requires, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest.

(3) Contributions Receivable

Contributions receivable as of August 31 consist of the following (in thousands):

	2019	2018
UNCONDITIONAL PROMISES EXPECTED TO BE COLLECTED IN:		
Less than one year	$ 164,414	$ 167,912
One year to five years	35,094	275,094
Over five years	3,973	2,983
Gross contributions receivable	203,481	445,989
Less:		
Allowance for uncollectible amounts	(5,497)	(10,581)
Discount to present value	(4,192)	(39,281)
CONTRIBUTIONS RECEIVABLE, NET	**$ 193,792**	**$ 396,127**

At August 31, 2019 and 2018, the five largest outstanding donor pledge balances represented 73% and 90%, respectively, of Emory's gross contributions receivable. Contributions receivable are discounted at rates ranging from 3.02% to 4.25%.

As of August 31, 2019, the University had received bequest intentions and conditional promises of approximately $125.0 million. These intentions to give are not recognized as assets or revenue and, if received, will generally be restricted for purposes stipulated by the donor.

(4) Patient Accounts Receivable and Credit Concentrations

Emory Healthcare grants credit to patients, substantially all of whom reside in the service areas. Emory Healthcare generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, managed care, capitated, and other preferred provider arrangements and commercial insurance policies). The composition of net receivables from patients and third-party payors for the years ended August 31 is as follows:

	2019	2018
Managed care and other third-party payors	56%	56%
Medicare	31	32
Medicaid	7	7
Patients	6	5
	100%	**100%**

(5) Revenue from Contracts with Customers

(a) Contracts with Customers

ASU No. 2014-09 requires that the University recognize revenue, when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the University expects to receive in exchange for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle.

Emory assessed various contractual agreements and performance obligations for its major revenue streams, including the impacts to internal processes and disclosures, and determined that the adoption of the new standard would not result in a material change to the timing of when revenue is recognized.

Emory applied the practical expedients to account for revenue with similar characteristics as a collective group rather than individually and to not disclose the remaining (unsatisfied or partially unsatisfied) performance obligations for contracts with customers as of the end of the reporting period that have an original expected duration of one year or less, or for contracts where the performance obligation is recognized in the amount invoiced (right to invoice).

(b) Disaggregation of Student Revenue

The following table provides the components of tuition and fees and student-related auxiliary enterprises revenue by programs for the year ended August 31, 2019 (in thousands):

	Tuition and Fees	Auxiliary Enterprises	Total
Undergraduate programs	$ 421,061	46,015	467,076
Graduate and professional programs	314,700	1,365	316,065
Total at published rates	**735,761**	**47,380**	**783,141**
Less institutional aid for undergraduate programs	(152,366)	(4,538)	(156,904)
Less institutional aid for graduate and professional programs	(152,695)	(254)	(152,949)
Tuition and fees and auxiliary enterprises, net of institutional aid	**430,700**	**42,588**	**473,288**
Other academic programs	21,723	669	22,392
Total tuition and fees and auxiliary enterprises	**$ 452,423**	**43,257**	**495,680**

(c) Contract Balances

Prior to adoption of ASU No. 2014-09, Emory recorded a student receivable and deferred revenue for fall term when the billing statement was created. Under ASU No. 2014-09, accounts receivable is recorded only when the University's right to consideration is unconditional (i.e., the contract is uncancelable – generally after the expiration of a student withdrawal period).

Deferred revenue, which is a contract liability under ASU No. 2014-09, relates to payments received in advance of performance under contracts with customers. Emory invoices customers (i.e., students) for education and residential services and customers transfer consideration before the University has transferred promised goods or services to its customers. At each reporting date, Emory records all prepayment amounts associated with educational services that have not yet been delivered as deferred revenue.

Under ASU No. 2014-09, the University records accounts receivable and related contract liabilities for noncancelable contracts with customers when there is a right to consideration.

(d) Significant Judgements

Emory applied the portfolio approach to educational and residential services (room and board) and to patient services due to the large volume of similar contracts and similar customer classes. Using the portfolio approach streamlines Emory's processes for collectibility assessment and refund estimation. The University expects that the effect of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts within the portfolio. Emory considers education and residential service as separate and distinct performance obligations. Since students receive instruction and housing concurrently during the academic term, they simultaneously receive and use all the benefits that Emory provides in the performance of the contracts. Therefore, the performance obligations associated with academic programs are satisfied over time and revenue recognized as the related services are performed.

Tuition and fees revenue are recognized in the fiscal year in which the academic programs and residential services are provided. Revenue is reflected in the consolidated statements of activities for the portion that is completed by the end of the fiscal year. The remaining performance obligation that will be completed in the following fiscal year remains a liability on the consolidated statements of financial position.

Emory provides institutionally funded grants and scholarships to students, who either demonstrate financial need or qualify academically, as a form of price reduction up to and equal to amounts owed by students to the University. Institutional resources provided in excess of amounts owed by the students to Emory are recorded as scholarship expenses. Students receive Title IV financial aid, state funds, and employer reimbursements. Emory accounts for the payment as a third-party payment on behalf of an identified customer to an existing exchange transaction, and therefore, the grant or loan amount does not reduce the transaction price.

Auxiliary enterprises revenue includes revenue from residential services, parking operations, bookstore, conference services offered by the University, ticket sales for events, and other miscellaneous activities, which furnish goods or services to students, faculty, staff, and, in some cases, to the general public. Within auxiliary enterprises, Emory considers parking service agreements to be distinct performance obligations that are billed to students in advance and payments due prior to the start of each academic term. Prepayments are reflected on the consolidated statements of financial position as deferred revenue and recognized as revenue ratably over the period during which the parking services are rendered. Sales of goods within auxiliary enterprises generally occur as a point of sale transaction, and the revenue is recognized as the sale occurs. Any discounts are factored into the selling price at the point of sale.

Emory considers revenue from clinical trial agreements to be exchange transactions where revenue is recognized as services are performed, billed, and the University has contractual right to consideration. Revenue related to clinical trial agreements included in grants and contracts revenue in the consolidated statements of activities for the years ended August 31, 2019 and 2018 totaled $49.8 million and $54.5 million, respectively.

The University recognizes revenue from nonrefundable, up-front fees allocated to a license at a point in time when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For agreements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the University recognizes revenue when the related sales occur.

The University has contractual agreements with Grady Memorial Hospital where practicing interns and medical residents of the Emory School of Medicine receive clinical training and faculty provide teaching, medical care, and hospitalization services. The School of Medicine is paid for expenses incurred for interns and medical residents based on the costs for labor and paid for the faculty teaching, administrative, and clinical services based on the number of interns and residents trained and time spent performing clinical and administrative services. Medical services revenue is recognized as services are performed and the customer receives and uses the benefits of the services.

The University also has affiliation and administrative services agreements with Children's Healthcare of Atlanta and the Emory + Children's Pediatric Institute, where it provides various administrative services. Revenue is recorded as other revenue in the consolidated statements of activities as the University satisfies the performance obligation over time. The customer simultaneously receives and consumes the benefits as the University performs.

(e) Financial Statement Impact of Adoption

Emory adopted ASU No. 2014-09 utilizing the modified retrospective method. The cumulative impact of applying the new guidance to all contracts with customers that were not completed as of September 1, 2018 was recorded as a $5.7 million decrease to net assets as of the adoption date.

Emory made certain presentation changes to its consolidated statements of financial position on September 1, 2018 to comply with ASU No. 2014-09.

The cumulative effect of changes made to Emory's consolidated statements of financial position for the adoption of ASU No. 2014-09 is as follows (in thousands):

		Balance at August 31, 2018	Impact of Modified Retrospective Adoption of Topic 606	Balance at September 1, 2018
ASSETS:				
Student accounts receivable, net	$	109,780	(46,491)	63,289
Prepaid expenses, deferred charges, and other assets		429,839	(135,717)	294,122
LIABILITIES AND NET ASSETS:				
Accounts payable and accrued liabilities		657,384	(11,808)	645,576
Deferred revenue		521,289	(164,693)	356,596
Net assets without donor restrictions		4,340,263	(5,707)	4,334,556

(6) Grants and Contracts

The University receives grants and contracts revenue from federal, state, corporate, and private sources. If the resource provider is not receiving commensurate benefit (only indirect benefit because the research findings serve the general public) in exchange for the grant and the results are maintained and can be used by the University, this is considered a contribution.

Most Emory nonexchange, sponsored research agreements are conditional contributions as the agreements include both a right of return or release of assets and a barrier that Emory must overcome to be entitled to the consideration. These agreements become unconditional as barriers are satisfied. The University recognizes revenue associated with these sponsored agreements as qualifying allowable expenses are incurred or a measurable performance-related barrier is achieved in accordance with the terms and conditions of the agreements. Conditional contributions are recognized as deferred revenue if assets are transferred in advance or not recognized at all until the conditions have been substantially met or explicitly waived by the sponsoring entity, at which point the contributions are recognized as unconditional. Conditional agreements with sponsor-imposed restrictions that expire simultaneously with the satisfaction of the specified conditions are reported as net assets without donor restrictions.

The following table presents Emory's sources of grants and contracts revenue (including indirect cost recoveries) for the year ended August 31, 2019 (in thousands):

		Grants	Contracts with Customers
Federal government	$	479,084	2,292
Other government		13,051	229
Corporate		12,170	44,528
Private institutions		89,272	2,747
TOTAL	**$**	**593,577**	**49,796**

As of August 31, 2019 and 2018, Emory had unexpended grant awards of $627.6 million and $635.9 million, respectively, for which revenue will be recognized when conditions have been met or performance obligations have been satisfied.

(7) Net Patient Services Revenue

Emory Healthcare has agreements with government and other third-party payors that provide for reimbursement to Emory Healthcare at amounts different from established rates.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Emory Healthcare believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in Emory Healthcare's hospitals receiving inpatient, outpatient, or emergency services. Emory Healthcare measures the performance obligation from admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to Emory Healthcare's patients and customers in a retail setting (e.g., pharmaceuticals), and Emory Healthcare does not believe it is required to provide additional goods or services related to that sale.

Emory Healthcare determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Emory Healthcare policy, and implicit price concessions provided to patients. Emory Healthcare determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Emory Healthcare cannot pursue collections for the contractual or discount amounts; therefore, such amounts are not reported as revenue.

Emory Healthcare provides care to patients regardless of their ability to pay. Emory Healthcare has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Emory Healthcare expects to collect based on its collection history with those patients considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for implicit price concessions based upon historical write-off experience by payor category and adjusts the reserve as appropriate.

The allowance for implicit price concessions was 48% and 41% of patient accounts receivable after contractual allowances as of August 31, 2019 and 2018, respectively.

Patient service revenue, net of contractual adjustments, implicit price concessions, and other discounts recognized from major payor sources are as follows (in thousands):

		2019		2018
Medicare	$	1,322,185	$	1,052,334
Medicaid		233,463		185,283
Other third-party payor		2,613,609		2,127,399
Patients		37,126		38,988
NET PATIENT SERVICE REVENUE	**$**	**4,206,383**	**$**	**3,404,004**

The composition of net patient service revenue based on the Emory Healthcare lines of business for the years ended August 31, 2019 and 2018 is as follow (in thousands):

		2019		2018
Service Lines:				
Hospital – inpatient	$	1,781,251	$	1,438,163
Hospital – outpatient		1,421,988		1,083,657
Pysician services		1,003,144		882,184
NET PATIENT SERVICE REVENUE	**$**	**4,206,383**	**$**	**3,404,004**

(8) Charity Care and Community Benefits

Emory Healthcare provides care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates and such amounts are not included in net patient service revenue.

Records are maintained to identify and monitor the level of charity care provided. These records include the amount of charges foregone and actual costs for services furnished under its charity and indigent care policies. The cost of charity care provided totaled approximately $151.5 million and $99.7 million for the years ended August 31, 2019 and 2018, respectively. Emory Healthcare estimated these costs by applying a ratio of cost to gross charges to the gross uncompensated charges associated with providing care to the charity patients.

(9) Liquidity and Availability

Emory regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also maximizing the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of August 31, 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet cash needs for general expenditures (in thousands):

		2019
TOTAL ASSETS	$	15,024,872
Less:		
Land, building, and equipment, net		(3,502,052)
Interest in perpetual trusts held by others		(1,757,576)
Donor-restricted and board-designated endowment funds		(5,399,522)
Other investments		(2,174,895)
Prepaid expenses, deferred charges, and other assets		(319,591)
Contributions receivable, net		(193,792)
Loans receivable, net		(21,960)
Add:		
Endowment payout in following year		203,334
Contributions receivable due within one year for operations		164,414
Financial assets available to meet cash needs for general expenditures within one year	**$**	**2,023,232**

The University has $2,023.2 million of financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of $229.4 million, accounts receivable of $718.1 million, contributions receivable, less than one year of $164.4 million, payout on with and without donor-restricted endowment funds of $203.3 million, and other operating investments of $708 million.

As described further in note 15, to supplement working capital and other commitments, the University also has lines of credit and a taxable and tax-exempt Commercial Paper program.

(10) Investments

During the year ended August 31, 2019, Emory revised its investment classifications presented below to align more closely with its recently updated investment policy statement and reporting to the Investment Committee. Global equity securities and commingled funds – equity, as well as alternative investments pursuing in such strategies, have been recategorized as public equity. Investments in fixed-income securities and commingled funds – fixed income, along with alternative investment funds pursuing similar, credit, or opportunistic strategies, have been recategorized as absolute return/fixed income. Private markets, as well as investments in private securities, have been recategorized as private equity/venture capital, and natural resources and real estate partnerships have been recategorized as real assets. Prior-year comparative amounts have been reclassified to conform to the current year's presentation.

The following table summarizes investments as of August 31 (in thousands):

	2019	2018
Short-term investments and cash equivalents [a]	$ 181,658	$ 248.580
Public equity [b]	3,079,796	2,820,071
Absolute return/fixed income [c] [g]	2,491,602	3,069,624
Private equity/venture capital [d]	1,786,917	1,275,342
Real assets [e]	731,062	740,618
Derivative instruments [f]	8,846	(1,579)
Total investments at fair value	**8,279,881**	**8,152,656**
Joint ventures (equity method)	2,524	5,022
TOTAL INVESTMENTS	**$ 8,282,405**	**$ 8,157,678**

(a) Includes short-term U.S. and non-U.S. Treasury securities with maturities of less than one year, as well as funds that invest in these types of investments
(b) Includes domestic and international stocks, as well as interests in funds that invest in both long only and long/short equity-based strategies; certain investments in funds may be subject to restrictions that limit the University's ability to withdraw capital until (i) a certain "lock-up period" has expired or (ii) certain underlying investments designated as "illiquid" or "side pockets" are sold. In addition, fund investments in this category may be subject to restrictions limiting the amount the University is able to withdraw as of a given redemption date.
(c) Includes directly held actively traded global fixed-income securities (such as government bonds and corporate bonds) or commingled funds holding such securities of $1.38 billion and $1.90 billion and investments in multistrategy or credit funds as well as opportunistic absolute return funds intended to enhance diversification and reduce correlation to public equity of $1.11 billion and $1.17 billion as of August 31, 2019 and 2018, respectively; certain fund investments included in this category may hold marketable securities and be subject to redemption terms governed by the respective fund agreement or may contain illiquid investments and, therefore, offer no liquidity over the fund life. Such funds holding illiquid investments are expected to yield liquidating distributions over the next 8 years.
(d) Includes illiquid investments in private and public companies, both domestically and internationally; the majority of these investments are held through funds and also include buyout, venture capital, high yield, and subordinated debt strategies. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 12 years.
(e) Includes investments in oil and gas, commodities, timber, and real estate, the majority of which are held through commingled funds; the nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 10 years.
(f) Includes investments in derivative instruments, including both exchange traded and OTC futures, forwards, swaps, and options valued at fair value of each underlying instrument
(g) Amounts presented net of $244.0 million and $379.0 million of net pending trade payables related to unsettled forward purchases and sales of such securities as of August 31, 2019 and 2018, respectively

As of August 31, 2019, the related unfunded commitments of the University's alternative investments valued using the practical expedient and limitations and restrictions on the University's ability to redeem or sell are summarized as follows (in thousands):

	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Absolute return	$ 592,498	30 - 180 days or not eligible	5 - 306 days or not eligible
Private equity/venture capital	621,868	not eligible	not eligible
Public equity	—	30 days to over 2 years	10 - 180 days
Real assets	373,116	not eligible	not eligible
	$ 1,587,482		

Unfunded commitments are expected to be called by funds within five years of fund inception.

(11) Endowment Net Assets

The University's endowed assets (the Endowment) consists of 2,086 individual funds established for a variety of purposes, including with donor restriction endowment funds and without donor restrictions funds designated by the Board of Trustees to function as endowments. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the University has approved the University's adoption of the State of Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides standards for managing investments of institutional funds and spending from endowments. The University classifies as donor-restricted historical value net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is classified as restricted appreciation until those amounts are appropriated for expenditures by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the University, and the investment policies of the University.

The endowment funds subject to UPMIFA are true endowments and do not include perpetual funds held by others, long-term investments, annuity funds, funds held in trust for others, and miscellaneous investments. As of August 31, 2019, approximately 65.2% of the investments described in note 10 are classified as endowed net assets.

Endowment funds are categorized in the following net asset classes as of August 31 (in thousands):

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds						
Appreciation	$ —	2,845,925	2,845,925	$ —	2,761,985	2,761,985
Historical value	—	950,730	950,730	—	923,950	923,950
Total donor restricted	**—**	**3,796,655**	**3,796,655**	**—**	**3,685,935**	**3,685,935**
Funds functioning as endowments or board-designated	1,602,867	—	1,602,867	1,556,384	—	1,556,384
TOTAL ENDOWMENT NET ASSETS	**$ 1,602,867**	**3,796,655**	**5,399,522**	**$ 1,556,384**	**3,685,935**	**5,242,319**

The following table represents endowment net asset composition by purpose for the years ended August 31 (in thousands):

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Student financial aid	$ 150,500	755,011	905,511	$ 144,919	744,996	889,915
Academic and program support	816,761	2,669,675	3,486,436	789,951	2,604,630	3,394,581
Research	51,807	161,219	213,026	50,417	114,638	165,055
Capital projects, real estate, and infrastructure	583,799	210,750	794,549	571,097	221,671	792,768
TOTAL ENDOWMENT NET ASSETS	**$ 1,602,867**	**3,796,655**	**5,399,522**	**$ 1,556,384**	**3,685,935**	**5,242,319**

Changes in endowment funds by net asset classification for the years ended August 31 are summarized as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of August 31, 2017	$ 1,498,575	3,516,337	5,014,912
Investment return:			
Investment income	3,997	19,076	23,073
Net realized and unrealized gains on investments	85,997	299,269	385,266
Total investment return	89,994	318,345	408,339
Cash contributions	168	41,209	41,377
Additions of funds for endowments	—	(3,348)	(3,348)
Transfers of institutional funds for endowments without donor restrictions	28,655	—	28,655
Withdrawal of board-designated funds for strategic initiatives	(7,678)	—	(7,678)
Appropriations for expenditure	(36,779)	(180,995)	(217,774)
Appropriations for capital purposes	(6,110)	(16,054)	(22,164)
Other	(10,441)	10,441	—
Balance as of August 31, 2018	$ 1,556,384	3,685,935	5,242,319
Investment return:			
Investment income	9,805	23,261	33,066
Net realized and unrealized gains on investments	94,099	240,376	334,475
Total investment return	103,904	263,637	367,541
Cash contributions	9,369	26,375	35,744
Additions of funds for endowments	—	406	406
Transfers of institutional funds for endowments without donor restrictions	11,426	—	11,426
Withdrawal of board-designated funds for strategic initiatives	(7,686)	—	(7,686)
Appropriations for expenditure	(64,093)	(162,946)	(227,039)
Appropriations for capital purposes	(6,437)	(16,752)	(23,189)
BALANCE AS OF AUGUST 31, 2019	**$ 1,602,867**	**3,796,655**	**5,399,522**

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor's original contribution. No significant deficiencies of this nature are reported in net assets with donor restrictions.

(c) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment and seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested within risk tolerances of the University to provide an expected total return in excess of spending and inflation over the long term.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University employs a diversified asset allocation strategy across public equity, absolute return/fixed income, private equity/venture capital, real assets, and derivative instruments to achieve its long-term return objectives within a prudent risk framework. The Endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees. The portfolio is periodically rebalanced to the target weightings for each asset class.

(e) Relationship between Investment Objectives and Spending Policy

The University's Board of Trustees has established a spending policy that determines how endowment distributions are made. The University employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment investment return in 2019 and 2018 was based on 4.75% of the average fair value of the endowment over the previous 12 months ended on August 31. The University considers the expected return on its endowment, including the effect of inflation in setting the annual appropriation amount. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power if projected growth rates are achieved. Additional real growth will be provided through new gifts and any excess investment return. The payout rate is approved annually by the Board of Trustees as part of the budget process.

(12) Fair Values of Assets an Liabilities

The following table summarizes the valuation of the University's assets and liabilities according to the fair value hierarchy levels as of August 31, 2019 (in thousands):

			Fair Value Hierarchy		
	Total Fair Value	Investments Measured at NAV [2]	Level 1	Level 2	Level 3
Short-term investments and cash equivalents	$ 181,658	—	181,548	110	—
Public equity	3,079,796	2,732,350	275,789	71,654	3
Absolute return/fixed income	2,491,602	1,112,463	193,331	1,185,808	—
Private equity/venture capital	1,786,917	1,771,318	—	54	15,545
Real assets	731,062	727,567	205	1,674	1,616
Derivative instruments	8,846	—	191	8,655	—
Total investments	8,279,881	6,343,698	651,064	1,267,955	17,164
Interests in perpetual funds held by others [1]	1,757,576	—	—	—	1,757,576
Total assets at fair value	**10,037,457**	**6,343,698**	**651,064**	**1,267,955**	**1,774,740**
FINANCIAL LIABILITIES:					
Derivative instruments - interest rate swaps	(238,112)	—	—	(238,112)	—
Funds held in trust for others	(826,663)	—	—	(826,663)	—
TOTAL LIABILITIES AT FAIR VALUE	**$ (1,064,775)**	**—**	**—**	**(1,064,775)**	**—**

(1) Primarily invested in The Coca-Cola Company
(2) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following table summarizes the valuation of the University's assets and liabilities according to the fair value hierarchy levels as of August 31, 2018 (in thousands):

	Total Fair Value	Investments Measured at NAV [2]	Fair Value Hierarchy Level 1	Fair Value Hierarchy Level 2	Fair Value Hierarchy Level 3
Short-term investments and cash equivalents	$ 248,580	—	247,493	1,087	—
Public equity	2,820,071	1,964,007	581,092	274,266	706
Absolute return/fixed income	3,069,624	1,166,916	230,413	1,671,569	726
Private equity/venture capital	1,275,342	1,254,710	—	—	20,632
Real assets	740,618	733,057	228	1,674	5,659
Derivative instruments	(1,579)	—	(2,981)	1,402	—
Total investments	8,152,656	5,118,690	1,056,245	1,949,998	27,723
Interests in perpetual funds held by others [1]	1,311,406	—	—	—	1,311,406
Total assets at fair value	**9,464,062**	**5,118,690**	**1,056,245**	**1,949,998**	**1,339,129**
FINANCIAL LIABILITIES:					
Derivative instruments - interest rate swaps	(128,861)	—	—	(128,861)	—
Funds held in trust for others	(791,841)	—	—	(791,841)	—
TOTAL LIABILITIES AT FAIR VALUE	**$ (920,702)**	**—**	**—**	**(920,702)**	**—**

The following tables summarize the University's Level 3 reconciliation for the years ended August 31, 2019 and 2018 (in thousands):

	Balance as of August 31, 2018	Net Gains (Losses)	Purchases	Sales	Transfer out of Level 3	Balance as of August 31, 2019
Public equity	$ 706	(205)	—	(7)	(491)	$ 3
Absolute return/fixed income	726	(726)	—	—	—	—
Private equity/venture capital	20,632	8,508	452	(14,047)	—	15,545
Real assets	5,659	(4,023)	—	(20)	—	1,616
Total investments	**27,723**	**3,554**	**452**	**(14,074)**	**(491)**	**17,164**
Interest in perpetual funds held by others	1,311,406	195,591	255,380	(4,801)	—	1,757,576
TOTAL ASSETS	**$ 1,339,129**	**199,145**	**255,832**	**(18,875)**	**(491)**	**$ 1,774,740**

	Balance as of August 31, 2017	Net Gains (Losses)	Purchases	Sales	Transfer into Level 3	Balance as of August 31, 2018
Public equity	$ 29	(6)	42	(56)	697	$ 706
Absolute return/fixed income	1,122	(8)	—	(388)	—	726
Private equity/venture capital	17,004	(842)	85	(233)	4,618	20,632
Real assets	680	475	—	—	4,504	5,659
Total investments	**18,835**	**(381)**	**127**	**(677)**	**9,819**	**27,723**
Interest in perpetual funds held by others	1,244,906	66,500	—	—	—	1,311,406
TOTAL ASSETS	**$ 1,263,741**	**66,119**	**127**	**(677)**	**9,819**	**$ 1,339,129**

(13) Derivative Instruments and Hedging Activities

(a) Investments

Investment strategies employed by Emory and investment managers retained by Emory may incorporate futures, options, swaps, and other derivative instruments to adjust elements of investment exposures to various securities, markets, and currencies without taking a position in the underlying assets. These instruments expose Emory to risk of an unexpected movement in the fair value of the underlying security, a counterparty failing to meet its obligations, and, in certain circumstances, not being able to unwind a position at current fair value due to market illiquidity. Emory has established procedures to monitor and manage these risks.

Emory's investment-related derivative exposures, categorized by primary underlying risk, as of and for the years ended August 31 are as follows (in thousands):

2019	Notional Amount (1)	Asset Fair Value	Liability Fair Value	Total Earnings (2)
Interest-rate contracts	$ 759,465	305	(7,427)	(8,563)
Foreign exchange contracts	1,352,696	662	(956)	4,007
Equity contracts (3)	220,797	31,347	(14,954)	14,133
Credit contracts	28,962	364	(495)	10
TOTAL	**$ 2,361,920**	**32,678**	**(23,832)**	**9,587**

2018	Notional Amount (1)	Asset Fair Value	Liability Fair Value	Total Earnings (2)
Interest-rate contracts	$ 1,083,904	3,772	(2,383)	(9,487)
Foreign exchange contracts	1,112,864	781	(1,959)	(637)
Equity contracts	679,692	17	(2,267)	79,293
Credit contracts	53,900	904	(443)	687
TOTAL	**$ 2,930,360**	**5,474**	**(7,052)**	**69,856**

(1) The notional amount is representative of the absolute value of the open contracts as of August 31, 2019 and 2018, except as otherwise discussed below.
(2) Gains (losses) on derivative instruments incurred during the fiscal year are included in the consolidated statements of activities in investment return in excess of spending distribution for current operations in nonoperating activities.
(3) The notional value for options is presented on a net delta-adjusted basis.

Emory's investment-related derivative assets and liabilities at August 31, by counterparty, are as follows (in thousands):

2019	Assets	Liabilities	Cash Collateral Held (Pledged)
Counterparty A	$ 31,969	(23,164)	(7,197)
All other	709	(668)	1,180
TOTAL	**$ 32,678**	**(23,832)**	**(6,017)**

2018	Assets	Liabilities	Cash Collateral Pledge
Counterparty A	$ 4,165	(4,409)	(47,042)
All other	1,309	(2,643)	(580)
TOTAL	**$ 5,474**	**(7,052)**	**(47,622)**

(b) Debt

As a component of the debt portfolio, the University entered into interest rate swap agreements that effectively convert a portion of variable rate debt to fixed rates and are used to manage interest rate risk. The University's exchange arrangements are exposed to credit loss in the event of nonperformance by the counterparty and to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis exchange. Certain of the University's derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investors Service and Standard and Poor's Ratings Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivative instruments in net liability positions. At August 31, 2019, the University's long-term debt ratings exceeded these benchmarks.

At August 31, 2019, Emory had eight interest rate swap agreements expiring on various dates ranging from September 1, 2035 through December 1, 2042. These agreements require Emory to pay fixed interest rates to the counterparties varying from 3.238% to 3.607% in exchange for variable rate payments from the counterparties based on a percentage of the three-month LIBOR.

Net settlement transactions related to the agreements described above resulted in interest expense totaling $10.6 million and $13.7 million during 2019 and 2018, respectively. The fair value of each exchange agreement is estimated based on pricing models that utilize significant observable inputs, such as relevant current interest rates, that reflect assumptions on the amount the University would receive or pay to terminate the agreement at the reporting date. As such, the University's exchange agreements are categorized as Level 2 in the fair value hierarchy.

The aggregate fair value of all derivative instruments with credit risk-related contingent features that are in a liability position was $238.1 million and $128.9 million, collateralized by $28.0 million and $0 million of cash on August 31, 2019 and 2018, respectively. Collateral postings are reported in prepaid expenses, deferred charges, and other assets in the consolidated statements of financial position.

The following table summarizes the debt-related derivative instruments as of August 31 (in thousands):

Interest Rate Swaps		2019		2018	
Inception	**Maturity**	**Liability Fair Value**	**Unrealized (Loss) Gain**	**Liability Fair Value**	**Unrealized Gain**
August 4, 2005	September 1, 2035	$ (38,427)	(18,110)	$ (20,317)	10,234
August 25, 2005	September 1, 2035	(12,964)	(6,106)	(6,858)	3,319
April 19, 2007 (1)	November 15, 2028	—	991	(991)	578
December 1, 2007	September 1, 2035	(27,501)	(12,049)	(15,452)	7,010
May 1, 2008	September 1, 2038	(33,510)	(14,327)	(19,183)	6,793
December 1, 2008	December 1, 2042	(44,731)	(22,137)	(22,594)	10,437
December 1, 2009	September 1, 2035	(28,488)	(12,193)	(16,295)	6,546
June 23, 2015	September 1, 2035	(39,241)	(18,924)	(20,317)	11,175
June 23, 2015	September 1, 2035	(13,250)	(6,396)	(6,854)	3,659
TOTAL		**$ (238,112)**	**(109,251)**	**$ (128,861)**	**59,751**

(1) Interest rate swap terminated on April 11, 2019

Emory is exposed to financial loss in the event of nonperformance by a counterparty to any of the financial instruments described above. General market conditions could impact the credit standing of the counterparties and, therefore, potentially impact the value of the instruments. Emory management, with consultation from third-party financial advisers, controls this counterparty credit risk by considering the credit rating, business risk, and reputation of any counterparty before entering into a transaction, monitoring for any change in the credit standing of its counterparty during the life of the transaction, and requiring collateral be posted when predetermined thresholds are crossed. The swaps are exchanged with primarily five counterparties.

(14) Property and Equipment, Net

Property and equipment, net at August 31 are summarized as follows (in thousands):

	2019	2018
Land and land improvements	$ 241,771	$ 201,887
Buildings and improvements	3,888,388	3,668,327
Equipment	2,677,517	2,435,931
Library and museum assets	460,960	438,429
Construction in progress	171,332	142,101
	7,439,968	6,886,675
Less accumulated depreciation	(3,937,916)	(3,667,670)
	$ 3,502,052	**$ 3,219,005**

Property and equipment are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. 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. There were no asset impairments for fiscal years 2019 or 2018.

The University has identified asset retirement obligations predominantly from commitments to remove asbestos and lead paint in the University's facilities at the time of major renovation or demolition. The liability was estimated using an inflation rate of 5.00% and discount rate of 4.74%. The liability for asset retirement obligations at August 31, 2019 and 2018 is $79.1 million and $66.0 million, respectively.

(15) Bonds and Notes Payable

Bonds and notes payable, including unamortized premiums, discounts, and issuance costs, consisted of the following at August 31 (dollars in thousands):

	Average Interest Rate	Final Maturity	Outstanding Principal 2019	Outstanding Principal 2018
TAX-EXEMPT, FIXED-RATE REVENUE BONDS:				
2019 Series A	5.00%	September 1, 2039	$ 218,115	$ —
2019 Series B	4.96	September 1, 2048	39,725	—
2016 Series A	4.96	October 1, 2046	130,030	130,030
2016 Series B	4.23	October 1, 2043	204,385	212,620
2013 Series A	5.00	October 1, 2043	182,205	186,800
2011 Series A	5.00	September 1, 2041	121,500	121,500
2009 Series B [1]	4.81	September 1, 2035	—	195,470
2009 Series C [1]	4.97	September 1, 2039	—	93,555
Total tax-exempt, fixed-rate revenue bonds			**895,960**	**939,975**
TAX-EXEMPT, VARIABLE-RATE REVENUE BONDS:				
2013 Series B [2]	2.06	October 1, 2039	135,100	135,100
2013 Series C [2]	1.84	October 1, 2039	57,865	57,865
2007 Series A	—	November 15, 2028	—	9,740
2005 Series B	1.53	September 1, 2035	250,000	250,000
2005 Series C	1.55	September 1, 2036	124,150	124,150
Total tax-exempt, variable-rate revenue bonds			**567,115**	**576,855**
TAXABLE, FIXED-RATE REVENUE BONDS:				
2009 Series A [3]	5.63	September 1, 2019	—	250,000
1994 Series C	8.00	October 1, 2024	4,100	4,610
Series 1991	8.85	April 1, 2022	133	186
Total taxable, fixed-rate revenue bonds			**4,233**	**254,796**
TAXABLE, VARIABLE-RATE REVENUE BONDS:				
1999 Series B	2.30	November 1, 2029	8,105	8,610
1995 Series B	2.33	November 1, 2025	1,750	1,940
1994 Series B	2.57	October 1, 2024	6,375	7,200
Total taxable, variable-rate revenue bonds			**16,230**	**17,750**
COMMERCIAL PAPER:				
2010 Program 1 - Tax-exempt	1.66	August 1, 2050	164,422	—
2008 Program 1 - Taxable	2.13	April 1, 2047	203,247	104,344
Total commercial paper			**367,669**	**104,344**
Other long-term debt	Various		—	10
Unamortized bond premiums			136,687	76,575
Unamortized bond discounts			—	(2,003)
Bond issuance costs			(7,834)	(8,405)
TOTAL BONDS AND NOTES PAYABLE			**$ 1,980,060**	**$ 1,959,897**

(1) 2009B and 2009C Series bonds were refunded with proceeds from the University's issuance of 2019A Series bonds.
(2) 2013B and 2013C Series bonds are floating rate notes and interest rates are based on a spread to The Securities Industry and Financial Markets Association Index (SIFMA).
(3) 2009A Series bonds were redeemed with proceeds from the University's issuance of 2019B Series bonds and taxable Commercial Paper program, along with funds on hand.

The University incurred interest expense of $83.5 million and $77.1 million in 2019 and 2018, respectively, net of capitalized interest of $0 million and $4.1 million in 2019 and 2018, respectively. During 2019 and 2018, the average interest rate on the University's tax-exempt and taxable variable rate demand bonds was 1.54% and 2.31%, respectively. Related indices for this period were 1.57% for tax-exempt debt (SIFMA) and 2.38% for taxable debt (LIBOR).

At August 31, 2019, the aggregate annual maturities of bonds and notes payable for the next five years and thereafter are as follows (in thousands):

		2019
PAYABLE IN FISCAL YEAR:		
2020	$	6,928
2021		18,504
2022		13,386
2023		13,335
2024		13,560
Thereafter		1,785,494
		1,851,207
Unamortized net premium		136,687
Unamortized net bond issuance costs		(7,834)
	$	**1,980,060**

During 2019, the University refunded its 2009B and 2009C Series bonds with proceeds from the University's issuance of 2019A Series bonds. The University also redeemed the 2009A Series bonds with proceeds from the 2019B Series bonds and taxable Commercial Paper program, along with funds on hand. The University incurred a $69.3 thousand make-whole call premium on the early redemption of the 2009A Series bonds and an accounting gain of $4.3 million on the refunding of the extinguishment of the 2009B and 2009C Series bonds, which is included in nonoperating activities in the accompanying 2019 consolidated statement of activities.

In 2010, the University established a $400.0 million tax-exempt Commercial Paper program. In September of 2018, Emory issued $164.4 million of its tax-exempt Commercial Paper program to defease DRHS' outstanding debt (note 23), DeKalb County Hospital Authority Revenue Anticipation Certificates (DeKalb Medical Center Inc. Project), Series 2010 issued in the original aggregate principal amount of $183.1 million. The primary purpose of the program is to meet interim financing needs related to capital projects. As of August 31, 2019, the University had an outstanding balance of $164.4 million.

In 2008, the University established a $100.0 million taxable Commercial Paper program. The taxable Commercial Paper program was increased to $150.0 million in 2014 and to $350.0 million in 2019. On August 27, 2019, Emory issued an additional $103.4 million of taxable Commercial Paper to redeem a portion of the 2009 Series bonds. As of August 31, 2019 and 2018, the University has an outstanding balance of $203.2 million and $104.3 million, respectively, under this program.

The University has a standby credit facility to enable the University to purchase tendered variable rate debt in the event of a failed remarketing. Currently, it has one diversified facility totaling $150.0 million that is committed for this sole purpose and cannot be used for operating needs of the University. There were no draws against this line of credit in 2019 or 2018.

Emory Healthcare entered into an affiliation agreement with one of its payors effective June 11, 2018. This affiliation agreement includes, among other provisions, a $100.0 million line of credit to Emory University, which can be utilized for any purpose that advances the charitable mission of Emory Healthcare. There is no outstanding balance on this line of credit as of August 31, 2019. Emory University has an additional $75.0 million line of credit with a commercial bank for which there is also no outstanding balance as of August 31, 2019.

The University has two letters of credit with a commercial bank totaling $1.3 million. There were no outstanding balances as of August 31, 2019 or 2018.

The terms of the University's long-term debt provide for certain financial and nonfinancial covenants, including provisions as to the use of the proceeds, limits as to arbitrage and bond issuance costs, and various other administrative requirements. The line of credit agreements have varying expiration dates through fiscal 2021.

(16) Net Assets

The following is a summary of net assets as of August 31 (in thousands):

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
University funds	$ 1,112,978	—	1,112,978	$ 1,226,510	—	1,226,510
EHC funds	369,882	—	369,882	492,984	—	492,984
Endowment funds	1,602,867	3,796,655	5,399,522	1,556,384	3,685,934	5,242,318
Investment in plant	1,213,556	—	1,213,556	1,064,385	—	1,064,385
Interest in perpetual funds held by others	—	1,757,576	1,757,576	—	1,311,406	1,311,406
Contributions receivable, net	—	193,792	193,792	—	396,128	396,128
Annuity and other split-interest agreements	—	14,065	14,065	—	13,891	13,891
Capital projects and other donor purposes	—	52,653	52,653	—	30,483	30,483
	$ 4,299,283	**5,814,741**	**10,114,024**	**$ 4,340,263**	**5,437,842**	**9,778,105**

(17) Retirement and Deferred Compensation Plans

The University has a defined-contribution plan under the Code, Section 403(b), covering eligible employees. The University contributes an amount equal to 6% of each eligible employee's compensation to the plan as well as a supplemental contribution of 3% based on a 1.5 to 1 match of employee contributions of up to 2% of compensation. Emory Healthcare sponsors a retirement plan, covering most full-time employees, under which annuities are purchased with contributions made by Emory Healthcare and its employees. The benefits are vested only to the extent of the annuities purchased. TEC sponsors The Emory Clinic, Inc. Retirement Savings Plan (the Retirement Plan), covering all its employees, except those considered leased employees or those covered under collective bargaining agreements, as defined. The Retirement Plan provides for employees to make salary reduction contributions and for TEC to make discretionary contributions for employees who have attained the age of 21 and are employees at the date the contribution is made. The Retirement Plan provides for contributions at an annual determined percentage of compensation and employees cliff vest in employer contributions after three years of service. Retirement expense totaled $154.8 million and $142.7 million during 2019 and 2018, respectively, and is included in fringe benefits expense in the accompanying consolidated statements of activities.

The University sponsors the Code Section 457(b) Deferred Compensation Plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees who are eligible for participation and elect to make salary deferrals under the Deferred Compensation Plan. These assets are fully vested and available to the participating employees at the time of termination of employment from the University. As of August 31, 2019 and 2018, respectively, the University held other assets of $142.0 million and $134.7 million under the Retirement Plan. These assets are included in other assets, which are designated by the University to pay future salary deferral plan payments. The assets are held in separate investment funds for which the majority are classified as Level 1 in the fair value hierarchy. Associated liabilities for the obligations of $142.0 million and $134.7 million as of August 31, 2019 and 2018, respectively, are included in accrued liabilities for benefit obligations and professional liabilities and considered Level 2 in the fair value hierarchy.

(18) Pension Plans – Emory Healthcare

Emory Healthcare sponsors a defined-benefit pension plan (the Plan). The Plan was curtailed effective December 31, 2011. The terms of the curtailment generally provide that no further benefit accrual under the Plan is provided for service after the effective date nor will new entrants into the Plan be permitted after the effective date.

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the Plan's investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives. The Plan's expected long-term rate of return on assets is determined by reviewing the historical return of each asset category comprising the Plan's target asset allocation.

The Joint Operating Company (JOC) assumed certain defined-benefit pension liabilities covering certain employees of the entities contributed to the JOC by Saint Joseph's Health System (the SJHS Pension Plan). The plan was curtailed, effective December 31, 2011, and the JOC has agreed to provide for funding of the plan, generally over 10 years, beginning in fiscal year 2015, subject to certain terms and conditions.

In connection with the acquisition of DRHS (note 23), Emory Healthcare assumed sponsorship of DRHS' trusteed noncontributory, defined-benefit pension plan on September 1, 2018. Prior to the acquisition, the DRHS Pension Plan had been permanently frozen effective December 31, 2008 as a result of DRHS' Board of Directors approving such action.

The changes in the projected benefit obligations as of August 31 are as follows (in thousands):

	2019			2018	
	Emory Healthcare	SJHS	DRHS	Emory Healthcare	SJHS
Projected benefit obligation, beginning of year	$ 320,034	149,118	161,598	$ 326,875	154,690
Interest cost	12,582	6,250	5,695	11,614	6,180
Actuarial (gain) loss	63,650	27,051	23,282	(10,651)	(6,178)
Plan settlements	(45,951)	—	(117,884)	—	—
Benefits paid	(9,127)	(5,906)	(8,283)	(7,804)	(5,574)
PROJECTED BENEFIT OBLIGATION, END OF YEAR	**$ 341,188**	**176,513**	**64,408**	**$ 320,034**	**149,118**

Given the curtailment of the plans, the accumulated benefit obligations at August 31, 2019 and 2018 are the same as the projected benefit obligations.

The changes in the fair value of plan assets, funded status of the plans, and the status of amounts recognized in the accompanying consolidated statements of financial position as of August 31 are as follows (in thousands):

	2019			2018	
	Emory Healthcare	SJHS	DRHS	Emory Healthcare	SJHS
Fair value of plan assets, beginning of year	$ 251,372	121,388	165,400	$ 235,118	110,316
Actual return on plan assets	16,226	5,153	17,810	12,969	9,406
Employer contributions	10,516	6,366	—	11,089	7,240
Plan settlements	(40,941)	—	(112,767)	—	—
Benefits paid	(9,127)	(5,906)	(8,283)	(7,804)	(5,574)
Fair value of plan assets, end of year	**$ 228,046**	**127,001**	**62,160**	**$ 251,372**	**121,388**
FUNDED STATUS — accrued pension cost recognized in the consolidated statements of financial position	$ (113,142)	(49,512)	(2,248)	$ (68,662)	(27,730)

The components of net periodic pension cost for the years ended August 31 are as follows (in thousands):

	2019			2018	
	Emory Healthcare	SJHS	DRHS	Emory Healthcare	SJHS
Interest cost	$ 12,582	6,250	5,695	$ 11,614	6,180
Expected return on assets	(17,077)	(8,200)	(7,035)	(18,827)	(7,777)
Amortization of prior service cost	—	(438)	—	3,552	(438)
Settlement loss recognized	15,549	—	5,731	—	—
Amortization of net loss	—	—	4	—	—
Recognized actuarial loss	1,947	1,679	—	2,295	1,866
NET PERIODIC PENSION COST	**$ 13,001**	**(709)**	**4,395**	**$ (1,366)**	**(169)**

Net periodic pension costs are recognized as employees render the services necessary to earn the pension and postretirement benefits.

Weighted average assumptions used to determine benefit obligations in the accompanying consolidated statements of financial position for 2019 and 2018 are as follows:

	2019			2018	
	Emory Healthcare	SJHS	DRHS	Emory Healthcare	SJHS
Discount rate	3.14%	3.08%	3.14%	4.31%	4.28%
Expected long-term rate of return on plan assets	6.80	6.75	4.81	8.00	6.75

Weighted average assumptions used to determine net periodic pension cost for 2019 and 2018 are as follows:

	2019			2018	
	Emory Healthcare	SJHS	DRHS	Emory Healthcare	SJHS
Discount rate	4.31%	4.00%	4.24%	4.07%	4.07%
Expected long-term rate of return on plan assets	6.80	6.75	4.81	8.00	7.00

Emory Healthcare Plan Assets

A settlement charge of approximately $11.3 million was recognized during June 2019 due to the purchase of an annuity contract for certain retirees under the Emory Healthcare Pension Plan. Liabilities and assets were remeasured prior to the settlement. The buyout reduced the projected benefit obligation (PBO) by $34.6 million and assets by $31.8 million.

A settlement charge of approximately $4.3 million was recognized during August 2019 due to a lump-sum window offered to certain vested terminated participants under the Emory Healthcare Pension Plan. Liabilities and assets were remeasured prior to the settlement. The payout reduced PBO by $11.3 million and assets by $9.1 million.

The following tables summarize the Plan's assets, which are recorded at fair value as of August 31 as follows (in thousands):

2019					
		Fair Value Hierarchy			
	Total Fair Value	Level 1	Level 2	Target Allocation	Total Asset Allocation
INVESTMENTS:					
Short-term investments and cash equivalents	$ 302	(353)	655	—%	—%
Commingled funds - equity	154,068	—	154,068	70	68
Commingled funds - fixed income	73,676	—	73,676	30	32
TOTAL INVESTMENTS	**$ 228,046**	**(353)**	**228,399**	**100%**	**100%**

2018					
		Fair Value Hierarchy			
	Total Fair Value	Level 1	Level 2	Target Allocation	Total Asset Allocation
INVESTMENTS:					
Short-term investments and cash equivalents	$ 2,103	(595)	2,698	—%	1%
Commingled funds - equity	174,329	—	174,329	70	69
Commingled funds - fixed income	74,940	—	74,940	30	30
TOTAL INVESTMENTS	**$ 251,372**	**(595)**	**251,967**	**100%**	**100%**

SJHS Pension Plan Assets

Under the terms of the agreement forming the JOC, the assets of the SJHS Pension Plan formally remain assets of SJHS, and the plan assets remain invested in the CHE Trinity Health Pension Investment Program. Accordingly, neither the JOC nor Emory Healthcare has discretion over the management of the plan assets.

However, the plan assets related to the entities contributed to the JOC (and certain other employees leased to the JOC) are contractually required to be clearly separated from the plan assets of the other entities participating in the CHE Trinity Health Employee Pension Program.

The following tables summarize the SJHS Pension Plan's assets, which are recorded at fair value as of August 31 (in thousands):

2019

		Fair Value Hierarchy			
	Total Fair Value	Level 1	Level 2	Target Allocation	Total Asset Allocation
INVESTMENTS:					
Short-term investments and cash equivalents	$ 4,460	1,654	2,806	2%	4%
Commingled funds - equity	58,278	25,940	32,338	52	46
Commingled funds - fixed income	46,315	—	46,315	35	36
Managed funds	17,948	—	17,948	11	14
TOTAL INVESTMENTS	**$ 127,001**	**27,594**	**99,407**	**100%**	**100%**

2018

		Fair Value Hierarchy			
	Total Fair Value	Level 1	Level 2	Target Allocation	Total Asset Allocation
INVESTMENTS:					
Short-term investments and cash equivalents	$ 4,814	2,067	2,747	2%	4%
Commingled funds - equity	66,187	27,008	39,179	52	55
Commingled funds - fixed income	31,751	—	31,751	35	26
Managed funds	18,636	—	18,636	11	15
TOTAL INVESTMENTS	**$ 121,388**	**29,075**	**92,313**	**100%**	**100%**

DRHS Plan Assets

As a result of the acquisition of DRHS, the funded status of the DRHS Pension Plan was remeasured as of September 1, 2018, and unamortized prior service costs and experience gains and losses were eliminated.

A settlement charge of approximately $3.3 million was recognized during June 2019 due to the purchase of an annuity contract for retirees under the DRHS Pension Plan. Liabilities and assets were remeasured prior to the settlement. The buyout reduced PBO by $95.0 million and assets by $95.4 million.

A settlement charge of approximately $2.4 million was recognized during August 2019 due to a lump-sum window offered to certain vested terminated participants under the DRHS Pension Plan. Liabilities and assets were remeasured prior to the settlement. The payout reduced PBO by $22.9 million and assets by $17.3 million.

The following table summarizes the DRHS Pension Plan's assets, which are recorded at fair value as of August 31 (in thousands):

2019

		Fair Value Hierarchy			
	Total Fair Value	Level 1	Level 2	Target Allocation	Total Asset Allocation
INVESTMENTS:					
Short-term investments and cash equivalents	$ 4,570	4,570	—	10%	7%
Commingled funds - equity	—	—	—	—	—
Commingled funds - fixed income	57,590	1,949	55,641	90	93
Managed funds	—	—	—	—	—
TOTAL INVESTMENTS	**$ 62,160**	**6,519**	**55,641**	**100%**	**100%**

Cash Flows

Emory Healthcare expects to contribute $8.0 million to the Emory Healthcare Pension Plan, $6.4 million to the SJHS Pension Plan, and does not expect to contribute to the DRHS Pension Plan during fiscal year 2020.

Expected Future Benefit Payments

Emory Healthcare annual future benefit payments, excluding lump-sum settlements, are expected to range from $8.5 million to $13.1 million for the next five years. SJHS Pension Plan annual future benefit payments, excluding lump-sum settlements, are expected to range from $6.5 million to $8.0 million for the next five years. DRHS Pension Plan annual future benefit payments, excluding lump-sum settlements, are expected to range from $0.5 million to $1.9 million for the next five years.

Other Items

Emory Healthcare uses the straight-line method to amortize prior service cost for both plans.

(19) Postretirement Healthcare and Life Insurance Benefits

The University sponsors a postretirement life insurance and healthcare benefits plan. Participants hired after 2002 pay the full retiree-specific premium equivalent and are therefore assumed to pay the full cost of their coverage. The University and Emory Healthcare each fund a separate trust (VEBA Trust) for retiree health and life benefits. The assets of the VEBA Trust are invested primarily in equity and fixed-income securities. The University funds these benefits only to the extent of current retiree claims. The University measures its participation in the VEBA Trust at August 31 each fiscal year.

The changes in the accumulated postretirement benefit obligation (APBO) as of August 31 are as follows (in thousands):

		2019		2018
	Emory University	Emory Healthcare	Total	Total
APBO, beginning of year	$ 102,672	57,976	160,648	$ 161,232
Service cost	1,522	590	2,112	2,393
Interest cost	4,134	2,322	6,456	5,673
Actuarial losses (gains)	23,822	13,217	37,039	(3,322)
Benefits paid	(3,469)	(2,051)	(5,520)	(5,328)
APBO, END OF YEAR	**$ 128,681**	**72,054**	**200,735**	**$ 160,648**

The changes in the fair value of plan assets, funded status of the plan, and the status of the accrued postretirement benefit obligation recognized in the accompanying consolidated statements of financial position as of August 31 are as follows (in thousands):

		2019		2018
	Emory University	Emory Healthcare	Total	Total
Fair value of plan assets, beginning of year	$ 73,443	19,597	93,040	$ 88,661
Actual return on plan assets	(363)	(96)	(459)	6,635
Benefits paid by Emory	—	(2,051)	(2,051)	(2,256)
Fair value of plan assets, end of year	**$ 73,080**	**17,450**	**90,530**	**$ 93,040**
FUNDED STATUS - accrued postretirement benefit cost recognized in the consolidated statements of financial position	$ (55,601)	(54,604)	(110,205)	$ (67,608)

Actuarial assumptions used to determine the values of the APBO and the benefit costs for years ended August 31, 2019 and 2018 included a discount rate of 3.10% and 4.31%, respectively. Since the plan was amended on April 11, 2002 to limit the University's liability for future medical care cost increases to 4.00%, the per capita cost increase of healthcare benefits is capped at 4.00%. The estimated long-term rate of return on plan assets was 8.00% for the University and Emory Healthcare for both years ended August 31, 2019 and 2018.

The components of net periodic postretirement benefit cost for years ended August 31 were as follows (in thousands):

	2019			2018
	Emory University	Emory Healthcare	Total	Total
Service cost of benefits earned	$ 1,522	590	2,112	$ 2,393
Interest cost on APBO	4,134	2,322	6,456	5,673
Expected return on plan assets	(5,737)	(1,486)	(7,223)	(6,893)
Recognized net actuarial loss	1,926	2,019	3,945	4,566
NET PERIODIC POSTRETIREMENT BENEFIT COST	**$ 1,845**	**3,445**	**5,290**	**$ 5,739**

The amounts accumulated in net assets without donor restrictions follow (in thousands):

	2019			2018
	Emory University	Emory Healthcare	Total	Total
Net unrecognized actuarial loss	$ 67,576	33,631	101,207	$ 60,359
Prior service cost	(116)	18	(98)	(26)
TOTAL	**$ 67,460**	**33,649**	**101,109**	**$ 60,333**

In fiscal year 2020, net unrecognized actuarial losses of $3.6 million for Emory University and $3.7 million for Emory Healthcare are expected to be amortized from net assets without donor restrictions into net periodic postretirement benefit cost.

Plan Assets

The Investment Committee of Emory University's Board of Trustees approves the investment guidelines and asset allocation targets for the pension benefits and postretirement benefits plans. The primary objective of the investments is to ensure the solvency of the plans over time to meet plan obligations. The secondary objective is to meet or exceed the plans' actuarial assumed rate of return over time without taking excess risk. The funds are diversified by asset class in accordance with established allocation targets and rebalanced as needed. Specific investments are apportioned to a combination of institutional pooled funds and mutual funds.

The following table summarizes the VEBA Trust assets for the University and Emory Healthcare as of August 31 (in thousands):

		2019				
		Fair Value Hierarchy				
	Total Fair Value	Level 1	Level 2	NAV	Target Allocation	Total Asset Allocation
Fixed income	$ 23,614	13,119	10,495	—	25%	26%
Public equity	66,952	17,292	35,777	13,883	75	74
Short-term investment and cash equivalent	(36)	(36)	—	—	—	—
TOTAL INVESTMENTS	**$ 90,530**	**30,375**	**46,272**	**13,883**	**100%**	**100%**

		2018				
		Fair Value Hierarchy				
	Total Fair Value	Level 1	Level 2	NAV	Target Allocation	Total Asset Allocation
Fixed income	$ 22,573	11,938	10,635	—	25%	24%
Public equity	70,488	18,539	37,142	14,807	75	76
Short-term investment and cash equivalent	(21)	(21)	—	—	—	—
TOTAL INVESTMENTS	**$ 93,040**	**30,456**	**47,777**	**14,807**	**100%**	**100%**

Cash Flows

Emory University and Emory Healthcare expect to contribute $3.9 million and $0 million, respectively, to the postretirement benefit plan during fiscal year 2020.

Expected Future Benefit Payments

Annual future benefit payments are expected to range from $3.9 million to $5.0 million for Emory University and from $2.5 million to $3.2 million for Emory Healthcare for the next five years.

(20) Functional Expenses

The consolidated statements of activities present expenses by natural classification. The University also summarizes expenses by functional classification, in accordance with its mission. The University's primary program services are instruction, research, public service, and the delivery of healthcare and medical services. Expenses for academic support, institutional support, and independent operations/auxiliary enterprises are generally incurred in support of these primary program activities, with academic support being related to student financial aid. Capital and plant expenditures, costs for operation and maintenance of plant, interest on indebtedness, and depreciation and amortization are allocated using a variety of cost allocation techniques, such as square footage and time and effort.

The consolidated statements of activities include the following functional expenses for the years ended August 31 (in thousands, net of the cost allocations and recharges referenced above):

	2019								2018
	Instruction	Research	Academic Support and Scholarship and Fellowship	Institutional Support	Public Service	Healthcare and Medical Services*	Independent Operations and Auxiliary	Total	Total
Salaries	$ 289,428	231,901	83,253	150,487	56,359	2,280,392	96,325	3,188,145	$ 2,703,393
Fringe benefits	74,962	57,474	20,662	32,350	14,593	468,562	19,570	688,173	608,246
Student financial aid	—	—	20,477	—	—	—	—	20,477	19,133
Nonsalary operating expenses	49,216	189,874	62,063	19,586	47,855	1,676,152	15	2,044,761	1,700,018
Interest on indebtedness	8,127	12,936	5,166	2,608	2,044	29,738	22,195	82,814	80,468
Depreciation and amortization	28,572	47,885	17,249	24,726	7,864	151,080	16,915	294,291	265,156
TOTAL EXPENSES, 2019	**$ 450,305**	**540,069**	**208,871**	**229,757**	**128,715**	**4,605,924**	**155,019**	**6,318,661**	**$ 5,376,414**
TOTAL EXPENSES, 2018	**$ 453,790**	**507,108**	**199,136**	**224,558**	**117,447**	**3,738,948**	**135,427**	**5,376,414**	

* Healthcare and Medical Services – the portion of patient care services related to Emory Healthcare expenses is $4.3 billion. Healthcare administrative costs are $396.7 million, included therein.

Costs related to the University's operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon information reported in the space study and debt financing records. Total amounts allocated in 2019 and 2018 were $175.6 million and $188.7 million, respectively. Fundraising costs were approximately $43.0 million and $38.9 million in 2019 and 2018, respectively.

(21) Medical Professional and General Liability Insurance Coverage

CCIC, Emory Healthcare's wholly owned offshore captive insurer, provides claims-made primary medical professional and general liability coverage for the University, the Hospitals, Emory Clinic, Emory Specialty Associates, and Wesley Woods Center.

As of August 31, 2019 and 2018, the University has recorded an accrual for estimated losses associated with all retained CCIC risks of approximately $203.8 million (discounted at 2.5%) and $144.6 million (discounted at 1.6%), respectively.

Emory has purchased layered excess and umbrella insurance and reinsurance coverage beyond the amounts retained by CCIC, through various carriers, for a total of $129.0 million per claim and in the aggregate.

The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While the University monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and general liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. The University's management believes adequate provision has been made for the related risk.

(22) Related-Party Transactions

The Carter Center, Inc. (CCI) is a nonprofit organization founded by former U.S. President Jimmy Carter and Rosalynn Carter, which sponsors various domestic and international programs. The Board of

Trustees of CCI comprises 16 to 28 members, including its founders, and others as elected half by the University, including the University's president, and half by the Carter Center class trustees. The University's Board of Trustees has the authority to approve amendments to CCI's articles of incorporation and bylaws. Funds held in trust for others include $780.2 million and $758.2 million, representing CCI's investment in the University's long-term investment portfolio as of August 31, 2019 and 2018, respectively.

Emory University and Children's Healthcare of Atlanta, Inc. (Children's), a Georgia nonprofit corporation, established the Emory + Children's Pediatric Institute (the Institute) effective September 1, 2018 under a Master Affiliation Agreement (the affiliation agreement). Under the terms of the affiliation agreement, approximately 350 Emory University School of Medicine Department of Pediatrics faculty physicians and PhD researchers transferred to the Institute and became employees thereof. The affiliation agreement restructured previous arrangements between the parties for pediatric teaching, research, and related clinical services. The ownership of the Institute is 50% Emory University and 50% Children's, with equal representation on the governing board. The funding obligations of each party are specified by the affiliation agreement, and each party funds its mission-related expenses. The University reports research and teaching expenses provided by these 350 faculty members in salaries, fringe benefits, professional fees and purchased services, and other operating expenses in the consolidated statements of activities.

(23) DeKalb Regional Health System (DRHS) Acquisition

On September 1, 2018 (the acquisition date), Emory Healthcare entered into a Definitive Agreement with DRHS and became the sole and controlling member of DRHS and its affiliates upon acquisition of DRHS' assets and liabilities, with the goal of DRHS being integrated operationally, financially, and clinically into Emory Healthcare. This partnership was formed as part of an effort to support an integrated healthcare delivery system with expanded geographic coverage and a full continuum of care, as well as enhancing Emory Healthcare's ability to support its charitable missions and respective community benefit activities.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by Emory Healthcare as a result of the transaction as of September 1, 2018 (in thousands):

Cash and cash equivalents	$	95,407
Patient accounts receivable, net		55,168
Other receivables, net		7,090
Prepaid expenses, deferred charges, and other assets		17,497
Investments		15,004
Property and equipment, net		134,044
Total assets acquired		324,210
Accounts payable and accrued liabilities		90,673
Bonds and notes payable		169,413
Accrued liabilities for benefit obligations and professional liabilities		46,820
Total liabilities assumed		306,906
Net assets without donor restrictions acquired	**$**	**17,304**

The fair value of the assets and liabilities acquired in the transaction resulted in a net contribution received totaling $17.3 million, which is included in other gains (losses) on the consolidated statement of activities for the year ended August 31, 2019.

The operating results of DMC, DHR, and DMCF have been included in the 2019 accompanying consolidated statement of activities since the acquisition date of September 1, 2018.

The unaudited pro forma combined summary of operations, which gives effect to including the acquired operating results of DMC, DHR, and DMCF as if the acquisition occurred on September 1, 2017, is as follows (in thousands):

	Year ended August 31, 2018	
Revenue, gains, and other support	$	456,743
Operating loss		(84,422)
Change in net assets without donor restrictions		(73,432)

As part of the terms of the Definitive Agreement, Emory Healthcare committed $239.0 million on capital projects to benefit DRHS and its affiliates over a 7-year period, beginning September 1, 2018. Such period may be extended under certain circumstances to a period of no more than 10 years.

(24) Commitments and Contingencies

Emory University (excluding Emory Healthcare) is in the process of constructing, renovating, and equipping certain facilities for which the outstanding commitments at August 31, 2019 totaled $38.1 million. Emory Healthcare's primary commitment is disclosed in note 23.

Expenditures and indirect costs related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. The amounts, if any, of expenditures which may be disallowed by the granting agencies, cannot be determined at this time, although management expects they will not have a material effect on the University's consolidated financial statements.

Lawsuits and claims have been filed against the University in the ordinary course of business. As one of the nation's largest research universities and academic medical centers, the University has active litigation that takes several forms. The University's policy is to accrue for litigation and claims when such amounts are probable and can be reasonably estimated based on consultation with external legal counsel and Emory General Counsel review.

In addition, the University is subject to many federal and state regulations, and as a result, there may be one or more pending government investigations ongoing at any time. While the outcome of many of these actions is not presently determinable, it is the opinion of management that any resulting liability from these actions will not have a material adverse effect on the consolidated financial position or operating results of the University. The University also has a comprehensive program of primary and excess insurance. Management of the University believes any current pending lawsuit subjecting the University to liability would not have a materially adverse effect on the University's consolidated financial position.

Emory Healthcare and SJHS have a JOC under the name of Emory/Saint Joseph's, Inc. to further the respective missions of Emory Healthcare and CHE Trinity Health. Under the JOC Contribution Agreement, Emory Healthcare maintains a 51% controlling ownership interest in the JOC. SJHS has a noncontrolling membership interest in the JOC of 49%. Effective August 31, 2014, CHE Trinity Health has a put right, as defined in the JOC Contribution Agreement, that may be exercised at any time with written notice to Emory Healthcare. Upon the occurrence of such event, Emory Healthcare may be required to purchase from SJHS its noncontrolling interest in the JOC.

(25) Subsequent Events

Emory has evaluated subsequent events after the consolidated statements of financial position date of August 31, 2019 through December 19, 2019, the date the consolidated financial statements were available to be issued, and noted that there are no other items to disclose except as follows:

The University has simultaneously executed a ground lease and a building lease with a developer to construct a Musculoskeletal Outpatient Center (MSK Center) at its Executive Park property. The MSK Center will be an expanded point of entry for imaging and surgical cases for Emory Healthcare, one of the fastest growing lines of business in the region.

SUPPLEMENTARY INFORMATION

STATEMENTS OF FINANCIAL POSITION—SUPPLEMENTAL INFORMATION SCHEDULE 1

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
AUGUST 31, 2019 AND 2018 (Dollars in thousands)

	August 31, 2019	August 31, 2018
ASSETS:		
Cash and cash equivalents	$ 43,908	$ 35,581
Student accounts receivable, net	21,875	109,783
Loans receivable, net	21,960	23,138
Contributions receivable, net	193,792	396,127
Other receivables, net	139,947	156,489
Prepaid expenses, deferred charges, and other assets	129,567	249,179
Investments	7,694,406	7,795,884
Interests in perpetual funds held by others	1,757,576	1,311,406
Property and equipment, net	2,039,401	1,974,860
Due from affiliates	683,888	270,014
Total assets	**$ 12,726,320**	**$ 12,322,461**
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$ 190,817	$ 194,553
Deferred revenue	286,381	468,039
Interest payable	14,892	29,266
Liability for derivative instruments	238,112	127,870
Bonds and notes payable	1,980,060	1,952,008
Accrued liabilities for benefit obligations and professional liabilities	160,002	132,057
Funds held in trust for others	826,663	791,841
Annuities payable	15,287	15,704
Government advances for federal loan programs	16,638	18,659
Asset retirement obligation	54,986	52,434
Total liabilities	**3,783,838**	**3,782,431**
Net assets without donor restrictions	3,162,389	3,132,232
Net assets with donor restrictions	5,780,093	5,407,798
Total net assets	**8,942,482**	**8,540,030**
TOTAL LIABILITIES AND NET ASSETS	**$ 12,726,320**	**$ 12,322,461**

See accompanying independent auditors' report.

STATEMENTS OF ACTIVITIES—SUPPLEMENTARY INFORMATION
SCHEDULE 2

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
YEARS ENDED AUGUST 31, 2019 AND 2018 (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2019	Total August 31, 2018
OPERATING REVENUE AND OTHER SUPPORT				
Tuition and fees, net of scholarship allowance	$ 452,423	—	$ 452,423	$ 434,166
Sales and services of auxiliary enterprises, net of scholarship allowance	74,666	—	74,666	74,481
Endowment spending distribution	197,908	—	197,908	182,562
Distribution from perpetual funds	37,077	—	37,077	35,377
Other investment income designated for current operations	67,117	—	67,117	72,934
Gifts and contributions for current use	43,383	26,293	69,676	55,754
Grants and contracts	495,839	—	495,839	470,924
Indirect cost recoveries	147,534	—	147,534	144,026
Medical services	246,435	—	246,435	336,141
Independent operations	23,798	—	23,798	24,348
Other revenue	92,565	—	92,565	54,945
Net assets released from restrictions	37,010	(17,585)	19,425	16,577
Total operating revenue	**1,915,755**	**8,708**	**1,924,463**	**1,902,235**
Operating support from Emory Healthcare	98,089	—	98,089	109,957
Total operating revenue and other support	**2,013,844**	**8,708**	**2,022,552**	**2,012,192**
OPERATING EXPENSES				
Salaries	1,124,106	—	1,124,106	1,123,502
Fringe benefits	274,743	—	274,743	273,774
Student financial aid	20,477	—	20,477	19,133
Nonsalary operating expenses:				
Professional fees and purchased services	189,127	—	189,127	194,022
Supplies and pharmaceuticals	75,789	—	75,789	72,028
Rent, utilities, and maintenance	124,683	—	124,683	115,599
Other operating expenses	4,985	—	4,985	16,105
Total nonsalary operating expenses	394,584	—	394,584	397,754
Interest on indebtedness	53,500	—	53,500	54,795
Depreciation and amortization	148,435	—	148,435	141,604
Total operating expenses	**2,015,845**	**—**	**2,015,845**	**2,010,562**
NET OPERATING ACTIVITIES	**(2,001)**	**8,708**	**6,707**	**1,630**
NONOPERATING ACTIVITIES, NET				
Investment return in excess of spending distribution for current operations	145,486	73,508	218,994	237,308
Change in undistributed income from perpetual funds held by others	—	195,591	195,591	26,880
Gifts and contributions for capital and long-term investment	13,220	117,755	130,975	418,273
Other losses	(2,842)	—	(2,842)	(1,494)
Gain on defeasance of debt	4,277	—	4,277	—
Change in fair value of derivative instruments	(110,242)	—	(110,242)	59,172
Pension and postretirement plans	(20,353)	—	(20,353)	5,273
Other nonoperating items, net	(2,388)	1,158	(1,230)	(6,988)
Net assets released from restrictions	5,000	(24,425)	(19,425)	(16,577)
Total nonoperating activities, net	**32,158**	**363,587**	**395,745**	**721,847**
CHANGE IN NET ASSETS	**30,157**	**372,295**	**402,452**	**723,477**
BEGINNING NET ASSETS	**3,132,232**	**5,407,798**	**8,540,030**	**7,816,553**
ENDING NET ASSETS	**3,162,389**	**5,780,093**	**8,942,482**	**8,540,030**

See accompanying independent auditors' report.

STATEMENT OF CASH FLOWS—SUPPLEMENTARY INFORMATION SCHEDULE 3

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
YEAR ENDED AUGUST 31, 2019 (Dollars in thousands)

	2019
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 402,452
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Restricted contributions for long-term investments and capital projects	(130,975)
Net realized and unrealized gains on investments	(484,078)
Loss on disposal of property and equipment	2,842
Interests in perpetual funds held by others	(195,591)
Gain on defeasance of debt	(4,278)
Depreciation	147,755
Accretion/amortization of bond discounts/premiums and issuance costs	(3,172)
Actuarial adjustments for retiree pension and benefit plans	20,353
Change in fair value of derivative instruments	110,242
Change in operating assets:	
Accounts and other receivables, net	(71,636)
Contributions receivable for operations	(10,004)
Prepaid expenses, deferred charges, and other assets	147,592
Due to/from affiliates	(413,874)
Change in operating liabilities:	
Accounts payable, accrued liabilities, and interest payable	(18,109)
Asset retirement obligation	2,552
Accrued liabilities for benefit obligations and professional liabilities	7,591
Deferred revenue	(5,571)
Net cash used in operating activities	**(495,909)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Disbursements of loans to students	(2,868)
Repayment of loans from students	4,046
Proceeds from sales and maturities of investments	6,046,996
Purchases of investments	(5,461,441)
Purchases of property, plant, and equipment	(215,138)
Increase in funds held in trust for others	34,822
Net cash provided by investing activities	**406,417**

(Continued)

STATEMENT OF CASH FLOWS—SUPPLEMENTARY INFORMATION
SCHEDULE 3

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
YEAR ENDED AUGUST 31, 2019 (Dollars in thousands)

(Continued from previous page)

		2019
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received for endowments and capital projects		92,735
Proceeds from bonds payable		589,659
Principal repayments of bonds payable		(554,157)
Posting of collateral for debt-related derivative instruments		(27,980)
Change in annuities payable		(417)
Decrease in government advances for federal loan programs		(2,021)
Net cash provided by financing activities		**97,819**
Net increase in cash and cash equivalents		8,327
Cash and cash equivalents at beginning of year		35,581
Cash and cash equivalents at end of year	**$**	**43,908**

See accompanying independent auditors' report.

EMORY