



SUFFOLK UNIVERSITY

Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

(With Independent Auditors' Report Thereon)

SUFFOLK UNIVERSITY

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KPMG LLP
Two Financial Center
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Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Suffolk University:

We have audited the accompanying financial statements of Suffolk University, which comprise the statement of financial position as of June 30, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Suffolk University as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Suffolk University's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 22, 2018

SUFFOLK UNIVERSITY

Statement of Financial Position

June 30, 2018

(with comparative information as of June 30, 2017)

Assets	2018	2017
Cash and cash equivalents	\$ 32,202,410	24,935,451
Short-term investments	6,155,832	25,013,995
Cash and cash equivalents and short-term investments	38,358,242	49,949,446
Student accounts and notes receivable, net	11,805,464	12,016,597
Other receivables	4,025,667	1,289,982
Prepaid charges and other assets	2,970,596	1,829,978
Pledges receivable, net	11,824,209	1,779,579
Long-term investments	251,177,592	233,407,902
Deposits with bond trustees	9,979,889	9,844,942
Property, buildings, and equipment, net	389,603,577	393,157,362
Total assets	\$ 719,745,236	703,275,788
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,970,946	13,905,159
Student deposits and deferred revenue	6,911,634	7,387,037
Accrued post-retirement health obligations	8,745,617	9,030,506
Bonds payable	331,345,000	335,400,000
Premium, discount and issuance costs	10,581,868	11,090,089
Bonds payable, net	341,926,868	346,490,089
Refundable U.S. government grants	5,388,082	5,005,535
Total liabilities	377,943,147	381,818,326
Net assets:		
Unrestricted	288,101,888	281,252,022
Temporarily restricted	19,467,975	11,826,545
Permanently restricted	34,232,226	28,378,895
Total net assets	341,802,089	321,457,462
Total liabilities and net assets	\$ 719,745,236	703,275,788

See accompanying notes to financial statements.

SUFFOLK UNIVERSITY

Statement of Activities

Year ended June 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Operating:					
Revenues:					
Tuition and fees	\$ 263,451,168	—	—	263,451,168	262,950,556
Auxiliary enterprises	20,483,965	—	—	20,483,965	20,868,651
Less scholarship aid	<u>(90,807,638)</u>	—	—	<u>(90,807,638)</u>	<u>(84,869,237)</u>
Net tuition and fees	193,127,495	—	—	193,127,495	198,949,970
Contributions	1,296,522	8,209,936	—	9,506,458	3,114,917
Investment return designated for operations	8,463,850	—	—	8,463,850	7,300,000
Building rental income	1,500,718	—	—	1,500,718	1,356,591
Other sources	3,531,508	—	—	3,531,508	2,626,199
Federal, state, and other grants and contracts	4,606,702	—	—	4,606,702	4,394,868
Net assets released from restrictions	<u>3,972,087</u>	<u>(3,972,087)</u>	—	—	—
Total operating revenues	<u>216,498,882</u>	<u>4,237,849</u>	<u>—</u>	<u>220,736,731</u>	<u>217,742,545</u>
Expenses:					
Instruction	68,076,595	—	—	68,076,595	67,499,318
Academic support	45,661,797	—	—	45,661,797	48,647,117
Student services	28,799,737	—	—	28,799,737	28,824,765
Institutional support	46,781,014	—	—	46,781,014	45,243,427
Auxiliary services	20,402,305	—	—	20,402,305	20,083,437
Public service	<u>3,940,919</u>	—	—	<u>3,940,919</u>	<u>3,718,323</u>
Total operating expenses	<u>213,662,367</u>	<u>—</u>	<u>—</u>	<u>213,662,367</u>	<u>214,016,387</u>
Increase in net assets from operating activities	<u>2,836,515</u>	<u>4,237,849</u>	<u>—</u>	<u>7,074,364</u>	<u>3,726,158</u>
Nonoperating:					
Long-term investment return	12,910,705	3,208,803	—	16,119,508	23,059,717
Investment return designated for operations	(8,463,850)	—	—	(8,463,850)	(7,300,000)
Net assets released from restrictions	1,429,905	(1,429,905)	—	—	—
Other net asset reclassifications	<u>(1,624,683)</u>	<u>1,624,683</u>	—	—	—
Contributions	—	—	5,838,931	5,838,931	293,974
Change in value of split interest	—	—	14,400	14,400	14,400
Loss on disposal of property	(4,260)	—	—	(4,260)	(58,162)
Loss on early extinguishment of debt	—	—	—	—	(19,541,298)
Postretirement benefit obligation changes other than net periodic costs	298,478	—	—	298,478	415,929
Other	<u>(532,944)</u>	—	—	<u>(532,944)</u>	—
Increase (decrease) in net assets from nonoperating activities	<u>4,013,351</u>	<u>3,403,581</u>	<u>5,853,331</u>	<u>13,270,263</u>	<u>(3,115,440)</u>
Change in net assets	6,849,866	7,641,430	5,853,331	20,344,627	610,718
Net assets at beginning of year	<u>281,252,022</u>	<u>11,826,545</u>	<u>28,378,895</u>	<u>321,457,462</u>	<u>320,846,744</u>
Net assets at end of year	<u>\$ 288,101,888</u>	<u>19,467,975</u>	<u>34,232,226</u>	<u>341,802,089</u>	<u>321,457,462</u>

See accompanying notes to financial statements.

SUFFOLK UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

	2018	2017
Cash flows (used in) provided by operating activities:		
Change in net assets	\$ 20,344,627	610,718
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,707,967	13,478,411
Amortization of premiums, discounts, and bond issue costs	(508,221)	96,406
Postretirement benefit obligation changes other than net periodic costs	(298,478)	(415,929)
Net realized and unrealized gains on investments	(11,504,299)	(19,169,629)
Loss on early extinguishment of debt	—	19,541,298
Loss on disposal of property	4,260	58,162
Contributions restricted for long-term purposes	(1,774,788)	(1,176,748)
Changes in operating assets and liabilities:		
Students accounts and notes receivable	211,133	586,513
Other receivables	(2,735,685)	28,471
Prepaid charges and other assets	(1,140,618)	(143,985)
Pledges receivable	(10,044,630)	1,036,579
Accounts payable and accrued expenses	(312,280)	1,272,207
Student deposits and deferred revenue	(475,403)	(262,480)
Accrued post-retirement health obligations	13,589	55,117
Net cash provided by operating activities	6,487,174	15,595,111
Cash flows (used in) provided by investing activities:		
Purchases of property, buildings and equipment	(9,780,375)	(35,914,118)
Proceeds from sale of property	—	611,838
Change in deposits with bond trustees	(134,947)	(3,481,491)
Purchase of investments	(57,070,497)	(59,624,484)
Proceeds from sales of investments	69,663,269	100,662,310
Net cash provided by investing activities	2,677,450	2,254,055
Cash flows (used in) provided by financing activities:		
Payments on borrowings and extinguishment of debt	(4,055,000)	(179,470,000)
Proceeds from bond issuance	—	185,251,323
Bond issuance costs incurred	—	(1,523,058)
Contributions designated for long-term purposes	1,774,788	1,176,748
Change in refundable U.S. government grants	382,547	(13,031)
Net cash (used in) provided by financing activities	(1,897,665)	5,421,982
Net increase in cash and cash equivalents	7,266,959	23,271,148
Cash and cash equivalents at beginning of year	24,935,451	1,664,303
Cash and cash equivalents at end of year	\$ 32,202,410	24,935,451
Supplemental:		
Interest paid	\$ 17,462,103	19,431,669
Noncash investing activity – change in accounts payable attributable to property, buildings and equipment	1,378,067	(6,257,151)

See accompanying notes to financial statements.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

(1) Description of the University

Suffolk University (the University) is a private, comprehensive, urban university located in historic Boston, with one other Massachusetts location and an international campus in Madrid, Spain.

Suffolk University's teaching, scholarship, and research are dedicated to educating students in the arts and sciences, business, and law so that they may become successful and conscientious citizens of the world. Across the undergraduate, graduate, and professional schools, Suffolk integrates theoretical and practical knowledge, instilling in students a passion for critical analysis and a desire for continuous learning.

Suffolk University is a talent catalyst that recognizes and develops student potential. Leveraging its location in the heart of Boston, the faculty, staff, and alumni work together to provide a student-centered experience. This diverse community builds on its dedication and excellence in education and scholarship to empower graduates to be successful locally, regionally, and globally.

The University consists of the College of Arts and Sciences, Sawyer Business School, and Law School, which offer undergraduate, graduate, and law degrees. The University is accredited by the following organizations:

New England Association of Schools and Colleges
Association to Advance Collegiate Schools of Business – International
Association to Advance Collegiate Schools of Business – Accounting & Taxation
American Bar Association
American Bar Association – Paralegal education program
American Chemical Society
American Psychological Association
Commission on Accreditation of Healthcare Management Education
Comunidad de Madrid – Suffolk University Madrid Campus Accreditation
Council for Interior Design Accreditation
Engineering Accreditation Commission of ABET, Inc.
International Association of Counseling Centers
Joint Review Committee on Education in Radiologic Technology
National Association of Schools of Art and Design
Network of Schools of Public Policy, Affairs and Administration
State Department of Education for inclusion in the reciprocity privileges of the
Interstate Certification Compact

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principals (GAAP). The financial statements include the accounts of the related corporation, Suffolk University Madrid Campus S.L. All intercompany amounts have been eliminated.

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Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

(b) Cash and Cash Equivalents

Cash and cash equivalents represent cash with original maturities of three months or less.

(c) Short-Term Investments

Short-term investments consist of funds deposited in cash management accounts and other investments with maturities at the time of purchase of 90 days or more, and carried at fair value.

(d) Net Assets

The accompanying financial statements present information regarding the University's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Permanently restricted net assets are subject to donor stipulations that they be maintained in perpetuity by the University.

Temporarily restricted net assets are subject to donor stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the University. Net appreciation (depreciation) of permanently restricted long-term investments is recognized within temporarily restricted net assets until such funds are available for expenditure under the University's spending policy and a qualifying expenditure is incurred.

Unrestricted net assets represent those net assets that the University may use at its discretion.

(e) Statement of Activities

The statement of activities reports the change in net assets from operating and nonoperating activities.

Operating revenues consist of items attributable to the University's undergraduate and graduate education programs, grants for research conducted by academic departments, auxiliary enterprise activities, certain contributions, and other sources.

Nonoperating activities include investment return on long-term investments, contributions received for endowment, postretirement health benefit obligation changes and miscellaneous items not related to the University's academic or research activities. To the extent investment income and gains are used for operations, they are reclassified as 'Investment return designated for operations' on the statement of activities.

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Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

Tuition and fees are recorded at established rates, net of institutional financial aid and scholarships provided directly to students.

Contributions, including unconditional promises to give reported as pledges receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discount on these amounts is computed using the appropriate rate commensurate with the timeframe involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor imposed restrictions are recorded as temporarily restricted revenues and reclassified to unrestricted net assets as net assets released from restrictions on the statement of activities when the time or purpose restriction has been satisfied.

Auxiliary enterprise fees for residence halls and dining are displayed along with tuition and fees net of scholarship aid to arrive at net tuition and fees.

Dividends, interest and net gains on investments of endowments are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanently endowment fund; as increases in temporarily restricted net assets for earnings on donor restricted endowments until appropriated by the Board of Trustees for spending; and as increases in unrestricted net assets in all other cases.

Expenses are reported as decreases in unrestricted net assets. The statement of activities presents expenses by functional classification. Building operations and maintenance costs, including depreciation, are allocated based on square footage. Interest expense is allocated based on square footage applied to the functional purpose for which debt proceeds were used.

(f) Estimates

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

(g) Fair Value Measurements

Long-term investments are recorded at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Nonmarketable securities can include alternative investments in private equity or other funds. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds that do not have a readily determinable fair value are generally reported at the net asset value (NAV) reported by the fund managers.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2018, the University had no specific plans or intentions to sell investments at amounts different from NAV.

The three levels of the fair value hierarchy are:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

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

(h) Property, Buildings, and Equipment

Property, buildings, and equipment are recorded at cost or, in the case of donated property, at fair value at the date of gift. Property donated with restrictions regarding its use and contributions of cash to acquire property and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, once the asset is ready for its intended use.

(i) Conditional Asset Retirement Obligations

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. At June 30, 2018 and 2017, the University had a liability of \$342,402 and \$464,820, respectively, and is recorded as part of accounts payable and accrued expenses on the statement of financial position.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

(j) Income Tax Status

The University is a not-for-profit organization and is generally exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code, as amended. The University assess uncertain tax positions and believes it has no significant uncertain tax positions.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The University has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on the operations of the University.

(k) Reclassifications

Certain reclassifications have been made to the 2017 financial statements. These reclassifications had no effect on change in net assets.

(3) Student Accounts and Notes Receivable, Net

Student and notes receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Student accounts receivable	\$ 4,258,954	3,685,626
Perkins student loans	6,227,881	6,271,232
Other student loans	<u>3,827,472</u>	<u>4,593,406</u>
Subtotal	14,314,307	14,550,264
Less allowance for doubtful accounts	<u>(2,508,843)</u>	<u>(2,533,667)</u>
Total student accounts and notes receivable, net	<u>\$ 11,805,464</u>	<u>12,016,597</u>

SUFFOLK UNIVERSITY
Notes to Financial Statements
June 30, 2018
(with summarized comparative information for June 30, 2017)

(4) Pledges Receivable, Net

Pledges receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Gross pledges receivable:		
Due within one year	\$ 3,305,503	834,262
Due within one to five years	8,918,484	1,347,240
Thereafter	<u>166,737</u>	<u>169,967</u>
	12,390,724	2,351,469
Less:		
Allowance for doubtful accounts	(110,000)	(465,630)
Discount to present value	<u>(456,515)</u>	<u>(106,260)</u>
Total pledges receivable, net	<u>\$ 11,824,209</u>	<u>1,779,579</u>

Pledges receivable are discounted at a rate of 1.79%.

At June 30, 2018, the University had conditional promises to give for scholarships and other purposes in the amount of \$22,830,993 that are not recognized as revenues in the statement of activities.

(5) Long-Term Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes. Major investment decisions are authorized by the Investment Subcommittee of the Board of Trustees that oversees the University's investments.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving private equity strategies. Private equity funds generally employ buyout, venture capital, and debt related strategies, and often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

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Notes to Financial Statements

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(with summarized comparative information for June 30, 2017)

The University's assets at June 30, 2018 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	2018			
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Investments at fair value:				
U.S. equity	\$ 94,780,625	—	—	94,780,625
International equity	50,946,370	—	—	50,946,370
U.S. fixed income	28,890,334	—	—	28,890,334
International fixed income	8,609,688	—	—	8,609,688
Real assets	34,342,887	—	—	34,342,887
Cash and cash equivalents	8,721,103	—	—	8,721,103
Funds held or administered by others	—	—	1,053,667	1,053,667
Investments measured at net asset value:				
Flexible capital	—	—	—	20,421,452
Private equity	—	—	—	3,411,466
Total long-term investments	<u>\$ 226,291,007</u>	<u>—</u>	<u>1,053,667</u>	<u>251,177,592</u>
Deposits with bond trustees:				
Cash and cash equivalents	<u>\$ 9,979,889</u>	<u>—</u>	<u>—</u>	<u>9,979,889</u>
Total funds held by bond trustee	<u>\$ 9,979,889</u>	<u>—</u>	<u>—</u>	<u>9,979,889</u>

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Notes to Financial Statements
June 30, 2018
(with summarized comparative information for June 30, 2017)

The University's assets at June 30, 2017 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term investments:				
Investments at fair value:				
U.S. equity	\$ 90,940,569	—	—	90,940,569
International equity	48,246,856	—	—	48,246,856
U.S. fixed income	36,232,017	—	—	36,232,017
International fixed income	8,515,153	—	—	8,515,153
Real assets	25,391,016	—	—	25,391,016
Cash and cash equivalents	9,464,521	—	—	9,464,521
Funds held or administered by others	—	—	1,066,664	1,066,664
Investments measured at net asset value:				
Flexible capital	—	—	—	9,408,840
Private equity	—	—	—	4,142,266
Total long-term investments	<u>\$ 218,790,132</u>	<u>—</u>	<u>1,066,664</u>	<u>233,407,902</u>
Deposits with bond trustees:				
Cash and cash equivalents	<u>\$ 9,844,942</u>	<u>—</u>	<u>—</u>	<u>9,844,942</u>
Total funds held by bond trustee	<u>\$ 9,844,942</u>	<u>—</u>	<u>—</u>	<u>9,844,942</u>

Flexible capital investments consist of a combination of investments in limited partnerships and corporations, each managed separately by a respective single fund manager. These investments are available for redemption at various frequencies (monthly, quarterly, semi-annually, or annually) and require 60–90 days' notice prior to redemption. Private equity investments are illiquid.

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Notes to Financial Statements

June 30, 2018

(with summarized comparative information for June 30, 2017)

The University's activity for Level 3 investments, measured at fair value on a recurring basis using significant unobservable inputs, is summarized below for the years ended June 30:

	2018	2017
Level 3 investments:		
Beginning fair value	\$ 1,066,664	1,079,543
Distributions	(24,493)	(37,666)
Investment return	(13,738)	(38,082)
Realized losses	(32,770)	(45,291)
Unrealized gains	58,004	108,160
Ending fair value	\$ 1,053,667	1,066,664

The University has committed to invest in limited partnerships to diversify investments. These investments have a remaining life of one to three years pursuant to provisions of the individual partnership agreements. The aggregate amount of unfunded commitments associated with these investments was \$4,390,947 at June 30, 2018.

Long-Term Investment Return, Net

Investment income and net realized and unrealized gains on the University's long-term investments are summarized as follows for the years ended June 30:

	2018		
	Unrestricted	Temporarily restricted	Total
Interest and dividends	\$ 3,886,332	728,877	4,615,209
Realized gains	5,011,609	1,063,829	6,075,438
Unrealized gains	4,012,764	1,416,097	5,428,861
Long-term investment return, net	\$ 12,910,705	3,208,803	16,119,508

	2017		
	Unrestricted	Temporarily restricted	Total
Interest and dividends	\$ 3,185,975	704,113	3,890,088
Realized gains	2,998,900	638,492	3,637,392
Unrealized gains	12,796,262	2,735,975	15,532,237
Long-term investment return, net	\$ 18,981,137	4,078,580	23,059,717

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Long-term investment returns are included in the statement of activities as follows for the years ended June 30:

	2018	2017
Long-term investment return, net:		
Operating:		
Investment return designated for operations, net	\$ 8,463,850	7,300,000
Nonoperating activities:		
Long-term investment return, net	7,655,658	15,759,717
Total investment return, net	\$ 16,119,508	23,059,717

Investment fees were \$987,866 and \$651,257 for fiscal years 2018 and 2017, respectively.

(6) Endowment Funds

The University's endowment consists of approximately 255 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment is established subject to the intent of the donor as expressed in the gift instrument. Seven criteria are to be used to guide the University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) resources of the University; 7) the investment policy of the University.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

The University classifies as permanently restricted 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.

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The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets, until appropriated for spending by the Board of Trustees.

Endowment funds consisted of the following at June 30, 2018 and 2017:

2018				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ —	8,626,048	29,459,946	38,085,994
Designated for strategic initiatives	5,088,213	—	—	5,088,213
Functioning as endowment	205,962,712	—	—	205,962,712
Total	\$ <u>211,050,925</u>	<u>8,626,048</u>	<u>29,459,946</u>	<u>249,136,919</u>

2017				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ —	6,850,045	27,685,159	34,535,204
Designated for strategic initiatives	4,703,486	—	—	4,703,486
Functioning as endowment	192,482,053	—	—	192,482,053
Total	\$ <u>197,185,539</u>	<u>6,850,045</u>	<u>27,685,159</u>	<u>231,720,743</u>

Changes in endowment funds for the fiscal years ended June 30, 2018 and 2017 were as follows:

2018				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds at June 30, 2017	\$ 197,185,539	6,850,045	27,685,159	231,720,743
Net investment return	12,863,302	3,205,908	—	16,069,210
Contributions	—	—	1,774,787	1,774,787
Additions	8,036,029	—	—	8,036,029
Designated for expenditures	(7,033,945)	(1,429,905)	—	(8,463,850)
Endowment funds at June 30, 2018	\$ <u>211,050,925</u>	<u>8,626,048</u>	<u>29,459,946</u>	<u>249,136,919</u>

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	2017			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment funds at June 30, 2016 \$	150,909,713	4,218,065	26,508,411	181,636,189
Net investment return	18,913,955	4,078,580	—	22,992,535
Contributions	—	—	1,176,748	1,176,748
Additions	33,215,271	—	—	33,215,271
Designated for expenditures	(5,853,400)	(1,446,600)	—	(7,300,000)
Endowment funds at June 30, 2017 \$	<u>197,185,539</u>	<u>6,850,045</u>	<u>27,685,159</u>	<u>231,720,743</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2018 and 2017.

(c) Return Objectives and Risk Parameters

The University has investment objectives, goals and policy guidelines for endowment assets to provide a dependable source of income to support the University's operations and programs. An additional goal of the guidelines is to provide growth in principal of long term assets. The policy guidelines provide a framework for a disciplined investment process that seeks to add value and minimize risk for the University and those who benefit from the endowment.

Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as accumulated unrestricted funds.

To satisfy its long-term rate-of-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 targets a diversified asset allocation that places emphasis on investments in the following ratio:

Investment type	Allocation
Domestic equities	31 %
International equities	18
Private equity	5
Flexible capital	15
Real assets	15
Fixed income	14
Cash	2
	<u>100 %</u>

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The University believes this investment strategy will achieve its long-term return objectives within prudent risk constraints.

(d) Spending Policy

In conjunction with input from management, the Investment Subcommittee of the Board of Trustees sets an annual target for spending from long-term investments in support of the operational budget. In accordance with the University's Investment Policy Statement, the spending target is established either as a percentage of the total portfolio value or in absolute dollar terms. In determining the spending target for the upcoming fiscal year, the University uses a 12-quarter moving average method of calculating account value to smooth the effects of short-term volatility on the market value with the last quarter established as the fourth quarter of the prior calendar year.

(7) Property, Buildings, and Equipment

The following is a summary of the University's property, buildings, and equipment as of June 30:

	<u>Estimated lives</u>	<u>2018</u>	<u>2017</u>
Land	—	\$ 46,455,421	46,455,421
Buildings	50 years	382,394,423	378,756,462
Furniture and equipment	5–10 years	81,476,141	77,595,242
Leasehold improvements	Life of lease	42,140,331	42,035,061
Library books and periodicals	5 years	1,573,317	1,160,476
Construction in progress	—	<u>3,600,073</u>	<u>659,502</u>
		557,639,706	546,662,164
Less accumulated depreciation		<u>168,036,129</u>	<u>153,504,802</u>
Total property, buildings, and equipment, net		<u>\$ 389,603,577</u>	<u>393,157,362</u>

On October 24, 2016, the University sold a property in Passadumkeag, Maine for \$670,000, recognizing a loss of \$58,162.

Depreciation expense was \$14,707,967 and \$13,478,411 in 2018 and 2017, respectively.

(8) Student Deposits and Deferred Revenue

Student deposits and deferred revenue consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Student deposits	\$ 5,301,185	5,791,946
Deferred revenues	<u>1,610,449</u>	<u>1,595,091</u>
Total student deposits and deferred revenue	<u>\$ 6,911,634</u>	<u>7,387,037</u>

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(9) Bonds Payable

Bonds payable consisted of the following at June 30:

	2018	2017
Massachusetts Development Finance Agency (MDFA):		
4.00%–5.00%, Series 2017, maturing serially through 2039	\$ 169,975,000	169,975,000
Massachusetts Development Finance Agency (MDFA):		
4.125%–5.125%, Series 2010, maturing serially through 2040	61,730,000	63,310,000
Massachusetts Health and Educational Facilities Authority (MHEFA):		
5.75%–6.48%, Series 2009, maturing serially through 2039	99,640,000	102,115,000
	331,345,000	335,400,000
Plus unamortized bond premium	14,472,306	15,161,463
Less unamortized original issue discount and bond issue costs	(3,890,438)	(4,071,374)
Total bonds payable	\$ 341,926,868	346,490,089

MDFA Series 2017: On April 25, 2017, the University issued MDFA Series 2017 Revenue Refunding Bonds in the amount of \$169,975,000. The proceeds were used to retire \$175,635,000 of the MHEFA Series 2009 Revenue Bonds. The University received a premium of \$15,276,323 from this issuance that will be amortized over the life of the bond. Costs of \$1,523,258 were incurred with this issue, which have been capitalized and will be amortized over the life of the bond.

MDFA Series 2010: On October 14, 2010, the University issued MDFA Series 2010 Revenue Bonds in the amount of \$66,285,000. The proceeds were used to demolish and construct a new academic building, as well as to make other renovations. The University incurred \$1,568,212 in costs associated with this issue, which have been capitalized and will be amortized over the life of the bond.

MHEFA Series 2009: On November 13, 2009, the University issued MHEFA Series 2009 Revenue Bonds in the amount of \$297,360,000. The proceeds were used to retire \$97,365,000 of MDFA Series 2005 Revenue Bonds, \$113,210,000 of MHEFA Series 2007 Revenue Bonds, and \$56,000,000 of MHEFA Series 2008 Revenue Bonds. The remaining \$30,785,000 was used to pay off outstanding swap obligations of \$22,764,613, and bond issue costs and adjustments to debt service funds. The University incurred \$4,877,326 in costs associated with this issue, which have been capitalized and will be amortized over the life of the bond. On July 15, 2014, the University defeased \$4,500,000 of Series 2009 Bonds with proceeds from the sale of the Fenton and Annex building, which resulted in a \$912,732 loss on the early extinguishment of the debt. On April 25, 2017, the University defeased \$175,635,000 of the Series 2009 Bonds with the proceeds from the Series 2017 bond issuance, which resulted in a \$19,541,298 loss on the early extinguishment of debt. The unamortized original issue discount and bond issuance costs of \$2,305,053 related to the refinanced portion of the Series 2009 Bonds were recognized.

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The University granted to the trustee for the benefit of the bondholders a first mortgage lien on core campus property secured equally and ratably with the Series 2009, Series 2010 and the Series 2017 Bonds. In addition, there is a lien on tuition receivables and receipts to the extent necessary to cure any deficiency in the payment.

The University is required to maintain escrow accounts sufficient to pay one year's principal and interest on the Series 2009 Bonds. This escrow amounted to \$9,979,889 and \$9,844,942 at June 30, 2018 and 2017, respectively, and is included in deposits with bond trustees.

At June 30, 2018, future minimum principal payments under bonds payable are as follows:

Fiscal year:	
2019	\$ 4,280,000
2020	9,870,000
2021	10,410,000
2022	10,960,000
2023	11,545,000
Thereafter	<u>284,280,000</u>
	\$ <u><u>331,345,000</u></u>

(10) Retirement Plan

Full-time employees of the University with more than one year of service and meeting an age requirement are eligible to participate in a defined contribution retirement annuity plan. Total University contributions under the plan amounted to \$6,515,075 and \$6,133,745 in 2018 and 2017, respectively.

(11) Leases

In fiscal year 2018 and 2017, rent expense was \$7,199,393 and \$10,064,296, respectively.

At June 30, 2018, minimum commitments payable under existing operating leases are as follows:

Fiscal year:	
2019	\$ 6,597,047
2020	6,232,859
2021	6,157,771
2022	6,089,012
2023	5,724,785
Thereafter	62,931,396

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The University has entered into various subleases with respect to certain buildings. At June 30, 2018, future minimum lease receipts were as follows:

Fiscal year:		
2019	\$	594,836
2020		496,523
2021		300,997
2022		181,080
2023		184,560
Thereafter		783,540

(12) Postretirement Benefits Other than Pensions

The University provides certain healthcare benefits to retired employees who meet specific eligibility requirements. Postretirement healthcare benefits are not provided to employees who were hired after 1995.

The following table presents the plan's funded status reconciled with amounts recognized in the University's statements of financial position at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 9,030,506	9,391,318
Service cost	115,961	121,578
Interest cost	330,873	298,731
Impact of assumption changes	(491,865)	(520,577)
Benefits paid	<u>(239,858)</u>	<u>(260,544)</u>
Benefit obligation at end of year	<u>8,745,617</u>	<u>9,030,506</u>
Change in plan assets:		
Employer contribution	239,858	260,544
Benefits paid	<u>(239,858)</u>	<u>(260,544)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accrued postretirement benefit obligation	\$ <u>8,745,617</u>	<u>9,030,506</u>

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Components of net periodic benefit cost:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 115,961	121,578
Interest cost	330,873	298,731
Amortization of actuarial gain	<u>(193,387)</u>	<u>(104,648)</u>
Net periodic benefit cost	<u>\$ 253,447</u>	<u>315,661</u>

The discount rate used in determining the accumulated postretirement benefit obligation was 4.00% and 3.75% for June 30, 2018 and 2017, respectively. For measurement purposes, both medical and dental costs were assumed to increase 3.75% and 3.25% for June 30, 2018 and 2017, respectively. The health care cost trend rate assumptions have a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 2018 and 2017 by approximately 13.90% and 14.30%, respectively, and the aggregate of the service and interest cost components of the net periodic benefit cost as of June 30, 2018 and 2017 by approximately 17.53% and 16.60%, respectively. The University expects to contribute \$438,355 to its retiree medical plan in fiscal year 2019.

The following benefit payments are expected to be paid:

Fiscal year:	
2019	\$ 438,355
2020	450,598
2021	462,138
2022	480,250
2023	505,114
2024–2028	2,666,025

(13) Related Party Transactions

The Board of Trustees has a conflict of interest policy which governs each member of the Board and all officers of the administration. It covers such areas as fiduciary responsibility, disclosure of conflicts, and prohibitions on transactions and arrangements with the University. Each covered person must complete a disclosure statement upon first acceding to office or position at Suffolk University and in July of each year. The Audit, Compliance and Risk Management Committee has the duty and responsibility of providing the Board of Trustees with a summary report of all known actual or potential conflicts of interest, either orally or in writing, on at least an annual basis and more frequently as appropriate.

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(14) Commitments and Contingencies

The University is involved in legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolutions of pending matters will not have a materially adverse effect, individually or in the aggregate, upon the University's financial statements.

(15) Subsequent Events

In July 2018, the University entered into a lease agreement for student housing. The lease is from July 18, 2018 through May 31, 2020. The University's commitment under the lease through fiscal year 2020 is approximately \$9,500,000.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2018 and through October 22, 2018, the date on which the financial statements were available to be issued.