Temple University —
Of The Commonwealth System of
Higher Education and its Subsidiaries

Consolidated Financial Statements and Supplemental Schedules as of and for the Years Ended June 30, 2019 and 2018, and Independent Auditors' Report

TEMPLE UNIVERSITY

INCORPORATED MAY 12, 1888

PERSEVERANTIA VINCIT

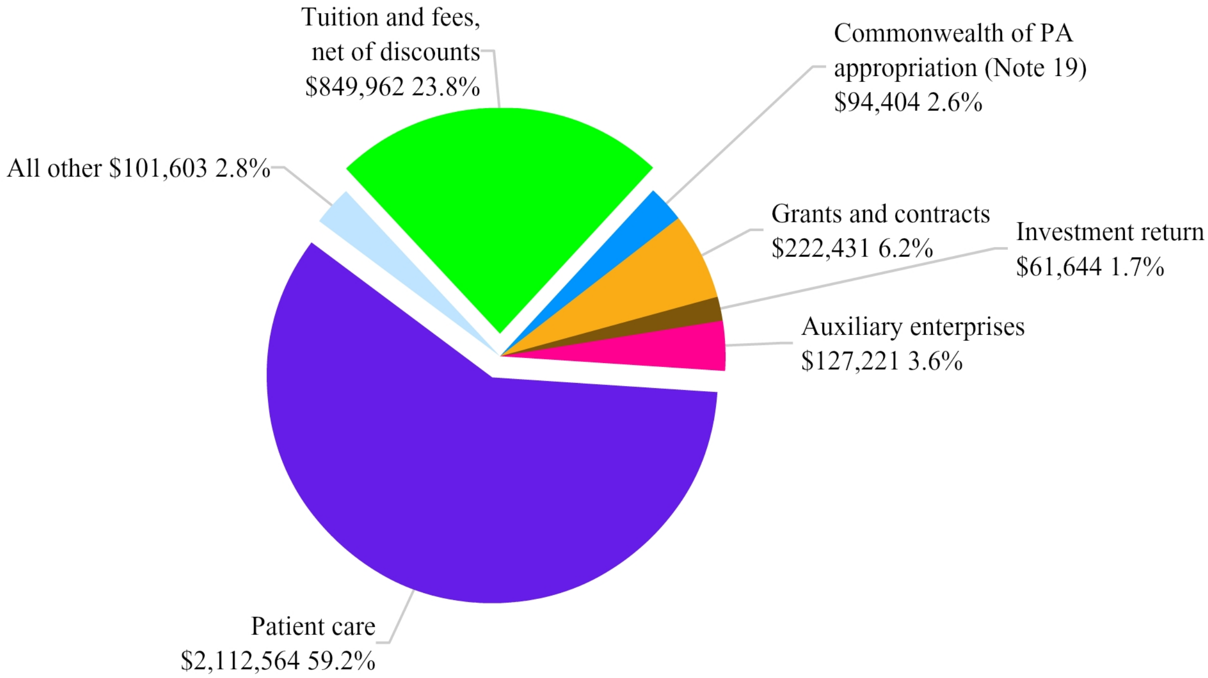
Of The Commonwealth System Of Higher Education

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

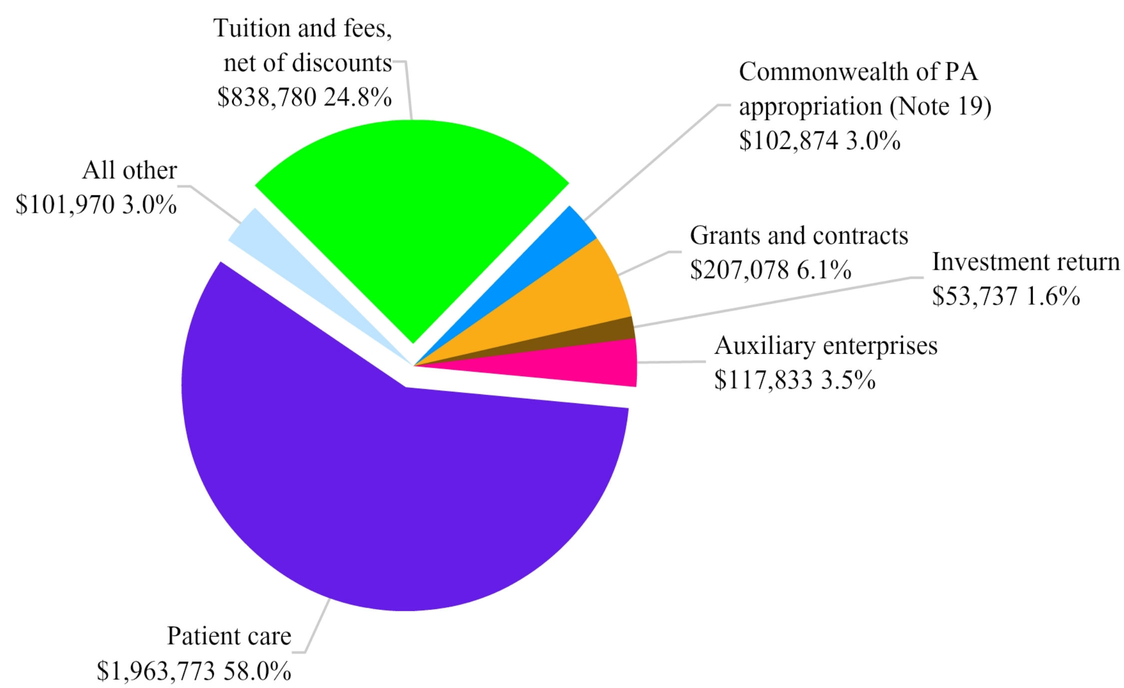
Table of Contents

Temple University —
Of The Commonwealth System of Higher Education and its Subsidiaries
Summary of Financial Statements
(dollars in thousands)

Fiscal 2019 Operating Revenues Without Donor Restrictions by Source: $3,569,829

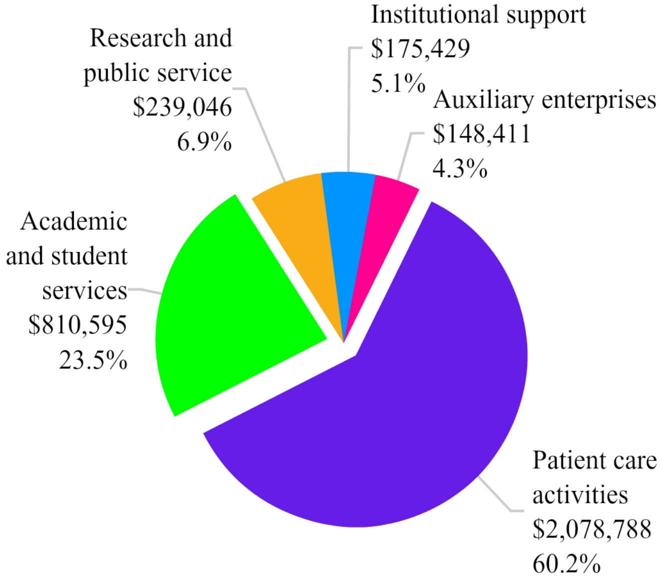


Fiscal 2018 Operating Revenues Without Donor Restrictions by Source: $3,386,045

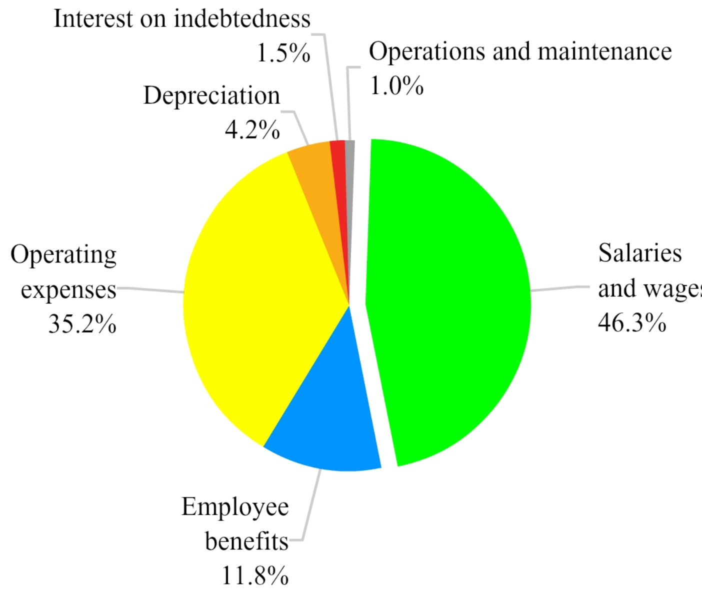


Temple University —
Of The Commonwealth System of Higher Education and its Subsidiaries
Summary of Financial Statements
(dollars in thousands)

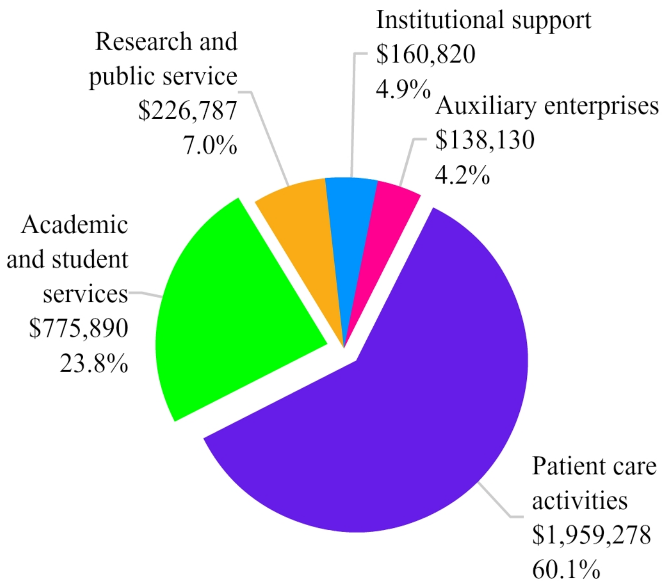
Fiscal 2019 Operating Expenses by Function: $3,452,269



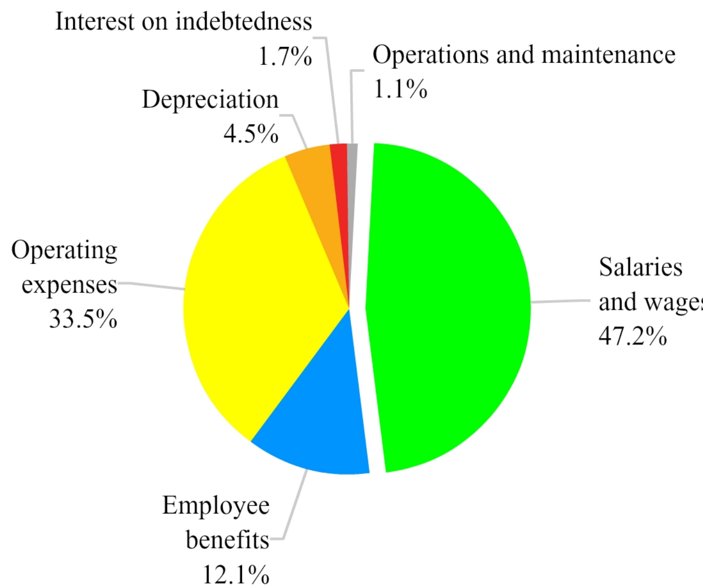
Fiscal 2019 Operating Expenses by Natural Expense Type (Excluding Recoveries)



Fiscal 2018 Operating Expenses by Function: $3,260,905



Fiscal 2018 Operating Expenses by Natural Expense Type (Excluding Recoveries)



This Page is Intentionally Blank

Deloitte & Touche LLP

1700 Market Street
Philadelphia, PA 19103-3984
USA

Tel: +1 215 246 2300
Fax: +1 215 569 2441
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Temple University — Of The Commonwealth System of Higher Education
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of Temple University — Of The Commonwealth System of Higher Education and its subsidiaries ("Temple"), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on 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 auditor's 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 Temple'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 Temple'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 Temple University — Of The Commonwealth System of Higher Education and its subsidiaries as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Temple adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"). The ASU was retrospectively adopted for all periods presented, except as it relates to the presentation of natural and functional expense classification as permitted in the transition guidance relating to the adoption of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages S-1 through S-2 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These supplemental schedules are the responsibility of Temple's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 25, 2019

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	June 30, 2019	June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 343,524	$ 347,535
Investments and self-insurance trust funds	861,954	779,086
Accounts, loans, and contributions receivable, net	543,201	458,199
Inventories and other assets	55,442	52,075
Deposits with trustees	21,760	58,625
Total current assets	1,825,881	1,695,520
Non-current assets:		
Accounts, loans, and contributions receivable, net	151,322	166,813
Endowment, investments, and self-insurance trust funds	830,013	829,061
Deposits with trustees	50,159	48,924
Other assets	68,034	39,777
Property, plant, and equipment, net	1,915,178	1,883,305
Goodwill and other intangible assets, net	16,976	18,436
Funds held in trust by others	161,354	160,601
Total non-current assets	3,193,036	3,146,917
Total assets	$ 5,018,917	$ 4,842,437
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 426,203	$ 402,886
Deferred revenue	59,880	62,994
Current portion of long-term debt	41,953	42,952
Current portion of accrued pensions and postretirement benefits	466	476
Total current liabilities	528,502	509,308
Non-current liabilities:		
Accrued expenses and other liabilities	252,739	260,542
Deferred revenue	16,024	10,468
Long-term debt	1,132,976	1,163,597
Refundable federal student loans	53,276	52,323
Accrued pensions and postretirement benefits	47,797	27,852
Total non-current liabilities	1,502,812	1,514,782
Total liabilities	2,031,314	2,024,090
Net assets:		
Without donor restrictions	2,219,495	2,103,525
With donor restrictions	768,108	714,822
Total net assets	2,987,603	2,818,347
Total liabilities and net assets	$ 5,018,917	$ 4,842,437

See accompanying notes to the consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended June 30, 2019
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net of discounts of $147,600	$ 849,962	$ —	$ 849,962
Commonwealth of Pennsylvania appropriation (Note 19)	94,404	—	94,404
Grants and contracts (federal, state, local, and private)	222,431	—	222,431
Contributions for operations and endowments	25,412	27,456	52,868
Investment return, net of expenses	61,644	3,375	65,019
Sales of educational activities	11,489	—	11,489
Auxiliary enterprises	127,221	—	127,221
Patient care activities	2,112,564	—	2,112,564
Other sources	47,504	—	47,504
Net assets released from restrictions	17,198	(17,198)	—
Total revenues	3,569,829	13,633	3,583,462
Expenses:			
Educational and general:			
Academic and student services	810,595	—	810,595
Research and public service	239,046	—	239,046
Institutional support	175,429	—	175,429
Total educational and general	1,225,070	—	1,225,070
Auxiliary enterprises	148,411	—	148,411
Patient care activities	2,078,788	—	2,078,788
Total expenses	3,452,269	—	3,452,269
Excess of revenues over expenses	117,560	13,633	131,193
Other changes in net assets:			
Investment return, net of expenses	23,367	(6,172)	17,195
Commonwealth grants for property, plant, and equipment (PP&E)	—	49,412	49,412
Contributions for PP&E	1,166	193	1,359
Gain on disposal of PP&E, net	484	—	484
Actuarial change in accrued pensions and postretirement benefits	(30,217)	—	(30,217)
Currency translation adjustment and foreign exchange realized loss, net	(170)	—	(170)
Net assets released from restrictions for PP&E	3,780	(3,780)	—
Total other changes in net assets	(1,590)	39,653	38,063
Change in net assets	115,970	53,286	169,256
Net assets, beginning of year	2,103,525	714,822	2,818,347
Net assets, end of year	$ 2,219,495	$ 768,108	$ 2,987,603

See accompanying notes to the consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net of discounts of $144,537	$ 838,780	$ —	$ 838,780
Commonwealth of Pennsylvania appropriation (Note 19)	102,874	—	102,874
Grants and contracts (federal, state, local, and private)	207,078	—	207,078
Contributions for operations and endowments	23,086	47,102	70,188
Investment return, net of expenses	53,737	3,468	57,205
Sales of educational activities	10,907	—	10,907
Auxiliary enterprises	117,833	—	117,833
Patient care activities	1,963,773	—	1,963,773
Other sources	47,808	—	47,808
Net assets released from restrictions	20,169	(20,169)	—
Total revenues	3,386,045	30,401	3,416,446
Expenses:			
Educational and general:			
Academic and student services	775,890	—	775,890
Research and public service	226,787	—	226,787
Institutional support	160,820	—	160,820
Total educational and general	1,163,497	—	1,163,497
Auxiliary enterprises	138,130	—	138,130
Patient care activities	1,959,278	—	1,959,278
Total expenses	3,260,905	—	3,260,905
Excess of revenues over expenses	125,140	30,401	155,541
Other changes in net assets:			
Investment return, net of expenses	169	20,257	20,426
Commonwealth grants for property, plant, and equipment (PP&E)	43,399	—	43,399
Contributions for PP&E	(711)	1,357	646
Loss on disposal of PP&E, net	(3,933)	—	(3,933)
Gain on extinguishment of debt	107	—	107
Actuarial change in accrued pensions and postretirement benefits	106,572	—	106,572
Loss on asset retirement obligation	(477)	—	(477)
Currency translation adjustment and foreign exchange realized loss, net	(2)	—	(2)
Net assets released from restrictions for PP&E	1,495	(1,495)	—
Adoption of ASU 2016-14 (see Note 2):			
Change in underwater endowments	(245)	245	—
Contributions of long-lived assets, fiscal 2018 activity reclassification	(43,399)	43,399	—
Total other changes in net assets	102,975	63,763	166,738
Change in net assets	228,115	94,164	322,279
Net assets, beginning of year	1,875,410	620,658	2,496,068
Net assets, end of year	$ 2,103,525	$ 714,822	$ 2,818,347

See accompanying notes to the consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash flows from operating activities:		
Change in net assets	$ 169,256	$ 322,279
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Currency translation adjustment and foreign exchange realized loss, net	170	2
Provision for bad debts	25,766	44,836
Depreciation	145,736	145,532
Amortization and accretion	(4,770)	(2,201)
Impairment of intangibles	834	1,737
Realized and unrealized gain on investments, net	(43,502)	(44,469)
Actuarial change in accrued pensions and postretirement benefits	30,217	(106,572)
Loss on asset retirement obligation	—	477
Gain on extinguishment of debt	—	(107)
(Gain) loss on disposal of property, plant, and equipment (PP&E) and assets held for sale, net	(484)	3,933
Noncash contributions received	(6,189)	(3,522)
Proceeds from sale of noncash contributions	6,189	3,522
Contributions, grants, and investment income restricted for PP&E and long-term investment	(67,221)	(78,863)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(104,847)	(18,445)
Inventories and other assets	(28,041)	(6,721)
Accounts payable and accrued expenses	11,396	(11,799)
Deferred revenue	2,170	13,693
Accrued pensions and postretirement benefits	(7,849)	3,637
Net cash provided by operating activities	128,831	266,949
Cash flows from investing activities:		
Purchases of investments, deposits with trustees, and self-insurance trust funds	(905,421)	(1,759,049)
Sales and maturities of investments, deposits with trustees, and self-insurance trust funds	828,700	1,787,085
Net change in short-term investments	71,004	(73,081)
Purchases of PP&E	(178,294)	(180,579)
Proceeds from sales of PP&E and assets held for sale	4,006	198
Loans to students	(2,120)	(9,213)
Proceeds from collections on student loans	9,504	8,350
Net cash used in investing activities	(172,621)	(226,289)
Cash flows from financing activities:		
Proceeds from contributions, grants, and investment income restricted for PP&E and long-term investment	66,887	78,415
Refundable federal student loans	953	1,201
Change in split interest agreements	151	(57)
Proceeds from long-term debt	11,331	267,062
Repayment of long-term debt	(39,779)	(40,938)
Repurchase of bonds	—	(255,930)
Proceeds from short-term borrowings (line of credit)	—	15,000
Repayment of short-term borrowings (line of credit)	—	(30,000)
Net cash provided by financing activities	39,543	34,753
Effect of exchange rate changes on cash and cash equivalents	236	(15)
Net change in cash and cash equivalents	(4,011)	75,398
Cash and cash equivalents, beginning of the year	347,535	272,137
Cash and cash equivalents, end of the year	$ 343,524	$ 347,535
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 56,657	$ 59,648
PP&E acquired through capital leases	2,274	4,258
Amounts accrued related to PP&E	14,565	16,111

See accompanying notes to the consolidated financial statements.

1. Description of Business and Operations

Founded in 1884, Temple University — Of The Commonwealth System of Higher Education (the “University”) is a comprehensive state-related research university with its headquarters and largest campus located in Philadelphia, Pennsylvania. The University provides education and training services to approximately 40,000 students at the undergraduate, graduate, and postdoctoral/professional levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, including federal, state, and local sponsors. The University offers more than 400 academic programs in 17 schools and colleges, including programs in art; business; education; engineering; law; liberal arts; media and communications; music and dance; science and technology; social work; sport, tourism, and hospitality management; theater, film, and media arts; and various health professions, including dentistry; medicine; pharmacy; podiatric medicine; and public health. The University has eight campuses and sites across Pennsylvania, international campuses in Rome (Italy) and Tokyo (Japan), and offers study abroad programs in various locations. The University is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

As a state-related institution, the University receives annual operating and capital appropriations from the Commonwealth of Pennsylvania (the “Commonwealth”). There is no assurance that such appropriations will continue to be made, or will be made, at current levels or at levels requested by the University. The annual operating and capital appropriations from the Commonwealth were $155,104 and $46,000, respectively, in 2019 and $150,586 and $40,000, respectively, in 2018. In addition to the annual appropriations, the Commonwealth also provides funding for patient care activities and sponsored programs (see Notes 2, 19, and 21).

The University is the sole member of its subsidiary Temple University Health System, Inc. (“TUHS”). The University and TUHS are collectively referred to herein as “Temple”. See the accompanying supplemental schedule for a complete listing of Temple’s subsidiary organizations. A summary of Temple’s active subsidiaries and its clinical faculty practice plans is as follows:

Temple University Health System, Inc. (“TUHS”) — A Pennsylvania nonprofit corporation dedicated to providing access to quality patient care and supporting excellence in medical education and research, of which the University is the sole member. TUHS was incorporated in August 1995 and serves principally to coordinate the activities and plans of its health care subsidiaries in Philadelphia and the surrounding area. TUHS’ subsidiaries and affiliates include a network of hospitals and outpatient centers, a comprehensive physician network of primary care and specialty practices, ambulatory services, various research entities, a foundation to support the health-care related activities of TUHS, and a captive insurance company established to reinsure the professional liability claims of certain subsidiaries of TUHS. See the accompanying supplemental schedules for a complete listing of TUHS’ subsidiaries.

Good Samaritan Insurance Co. Ltd. (“GSIC”) — A captive insurance company domiciled in Bermuda that through June 30, 2019 reinsured the professional liability risk of the University’s clinical faculty practice plans. GSIC was established in August 1989 and is a wholly-owned subsidiary of the University. Effective July 1, 2019, net assets held by GSIC were transferred to TUHS’ Bermuda domiciled wholly-owned professional liability insurance captive TUHS Insurance Co., Ltd. ("TUHIC"); and all reinsurance rights, interest, duties, obligations, responsibilities, and liabilities previously reinsured by GSIC were assumed by TUHIC. GSIC is expected to be dissolved during fiscal 2020 (see Note 24).

Temple Educational Support Services, Ltd. (“TESS”) — A limited liability company organized and incorporated under the laws of Japan. TESS was established in December 1995 to operate the University’s Japan campus and is a wholly-owned subsidiary of the University.

TUMP Offices, Inc. (“TUMP”) — TUMP was established in 1997 by the University to hold title to certain assets for the benefit of the University and is a wholly-owned subsidiary of the University. Property that is directly or indirectly acquired by TUMP is leased to the University for the conduct of activities related to the University’s exempt functions.

Temple University Physicians (“TUP”) — An unincorporated clinical faculty practice plan of the Lewis Katz School of Medicine at Temple University (“LKSOM”) that is responsible for the management and administration of LKSOM’s clinical practices. Membership of TUP is comprised of clinical faculty/physicians employed by the University at LKSOM. TUP was established in July 1986 in connection with the implementation of Temple’s policy relating to the use and disposition of funds received for medical services rendered to TUP patients within TUP, TUHS, and in other facilities. Effective July 1, 2019, the University transitioned its physician practice plan to Temple Faculty Practice Plan, Inc. ("TFPP"), a newly-formed subsidiary of TUHS (see Note 24).

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation — The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities.* The accompanying consolidated financial statements include the accounts of Temple and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Temple is required to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions. Descriptions of the two net asset categories are as follows:

Net Assets without Donor Restrictions: Net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. Temple reports donor-restricted support whose restrictions are met in the same reporting period as support within *Net assets without donor restrictions*. All expenses from operations are reported as a reduction of *Net assets without donor restrictions*, since the use of restricted contributions in accordance with donors’ stipulations results in the release of the restriction.

Net Assets with Donor Restrictions — Net assets subject to donor-imposed restrictions, which are donor stipulations that specify a use for a contributed asset that is more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity, b) the environment in which it operates and c) the purposes specified in its articles of incorporation or bylaws or comparable documents. Net assets subject to donor-imposed restrictions include contributions for which donor-imposed restrictions have not been met (primarily future capital projects), donor restricted endowment funds, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to *Net assets without donor restrictions* and reported in the consolidated statements of activities as *Net assets released from restrictions*.

Cash and Cash Equivalents — Temple considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Temple maintains cash balances in financial institutions, which exceed federal depository insurance limits. Management believes that credit risks related to these deposits are minimal. Cash equivalents that are not traded on an active exchange are carried at cost, which approximates fair value.

Endowment and Investments — Endowment and investments (collectively referred to as "investments") are comprised of the assets of Temple's endowment, certain donor restricted funds, funds designated by the board of trustees to be invested as endowments, certain funds set aside to retire long-term debt, other plant-related funds, and other funds without donor restrictions held for operating purposes. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal. Investments established for donor and board-designated endowments, investments pledged as collateral, and certain investments set aside to retire long-term debt are classified as non-current assets. All other investments are classified as current assets (see Notes 3, 10, 11, and 20).

Temple reports investments including debt and equity securities at fair value. Temple also invests in various limited partnerships, hedge funds, and other investment funds whose fair value is measured at net asset value per share as determined by the respective fund managers and financial information provided by the investment entities. This financial information includes assumptions and methods that are reviewed by Temple. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Temple has adopted, for endowments and funds designated by the board of trustees to be invested as endowments, a spending rule based on a percentage of the fair value of such investments, computed as a moving average over the past twelve quarters. For these investments, the spending rule amount is reported as *Investment return* in revenues with the excess or shortfall of total return over the spending rule amount reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities. For all other investments, interest and dividend income is reported as *Investment return* in revenues and realized and unrealized gains or losses are reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities (see Notes 3 and 11).

Investment return, net of external and direct internal investment expenses, is reported as increases to net assets without donor restrictions or assets with donor restrictions based upon the existence or absence of donor imposed restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Derivatives — The University enters into derivative financial instruments, principally futures contracts, to manage equity price risk. Futures contracts are recorded as contractual commitments on a trade-date basis and are carried at the fair value based on closing exchange quotations. The fair value of derivative financial instruments at the reporting date generally reflects the amount the University would receive or pay to terminate the contract at the reporting date. Changes in fair value are recorded as *Investment return* in *Other changes in net assets*. The University does not designate any derivative instruments as hedging instruments (see Note 3).

Self-Insurance Trust Funds — Temple self-insures or maintains deductibles under its various insurance policies for property, casualty, automobile, general liability, medical malpractice, workers' compensation, certain health and welfare, and other claims. Self-insurance trust funds include assets that are designated for payments of workers compensation risk retained by Temple. Provisions are made for estimated losses (claims made and claims incurred but not reported) generally based on actuarial methods, which include discounting of certain loss provisions (see Note 3).

Accounts, Loans, and Contributions Receivable — Accounts, loans, and contributions receivable are reported at their net realizable value. The allowance for doubtful accounts is based upon management's judgment including such factors as historical collection history, type of receivable, and periodic assessment of individual accounts. Temple writes-off receivables when they are determined to be uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The University does not accrue interest on these amounts (see Note 4).

Inventories and Other Assets— Inventories are stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out, or average cost method. Inventories at June 30, 2019 and 2018, totaled $31,031 and $30,293, respectively, and are included in *Inventories and other assets* in the consolidated balance sheets. *Inventories and other assets* also includes assets held for sale (2018 only, see "*Assets Held of Sale*" below), prepaid expenses, and advances.

Deposits with Trustees — Deposits with trustees include assets held in escrow by designated bond trustees for debt service payments and construction or enhancement of property, plant, and equipment (see Note 6).

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost less accumulated depreciation. Property, plant, and equipment gifted to Temple are recorded at the fair value at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the leasehold improvements or the lease term. Land is not depreciated. Depreciation for equipment commences once it is placed in service and depreciation for buildings and leasehold improvements commences once they are ready for their intended use (see Note 7).

Estimated useful lives of property, plant, and equipment are as follows:

	Useful Life
Land improvements	8 - 20 years
Buildings	20 - 40 years
Building improvements	15 - 40 years
Furniture, fixtures, and equipment	3 - 20 years
Library books	10 years

Cost of maintenance and repairs is charged to expense as incurred. Upon retirement or other disposition, the cost of the asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of activities.

Long-Lived Assets — Temple reviews long-lived assets, such as property, plant, and equipment, for impairment whenever events or changes indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their expected undiscounted future cash flows. If such assets are considered to be impaired, the impairment is measured by the amount the carrying value exceeds the fair value of the assets. No impairment of long-lived assets occurred in 2019 or 2018.

Assets Held for Sale — Temple classifies assets ("disposal group") as held for sale when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. Temple also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current value, and whether actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made, or that the plan will be withdrawn. The disposal group is measured at the lower of its carrying amount (cost less accumulated depreciation) or fair value less cost to sell. Long-lived assets within the disposal group are not depreciated while classified as held for sale. Assets held for sale are included within *Inventories and other assets* in the consolidated balance sheets.

At June 30, 2018, it was determined that a parcel of property located at the Northeast corner of North Broad and West Thompson streets ("Thompson") met the criteria to be classified as assets held for sale. At June 30, 2018, the net carrying value of Thompson was $1,298, which was less than the respective disposal group's estimated fair value less cost to sell. During 2019, Thompson was sold for net proceeds totaling $2,991, resulting in a gain of $1,693, which is recorded in *Gain on disposal of PP&E, net* in the 2019 consolidated statement of activities.

Goodwill and Other Intangibles — Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually, or when indicators of a potential impairment are present. Temple's annual impairment assessment date is June 30. The annual assessment for impairment of goodwill and indefinite-lived intangible assets is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. Based on the results of Temple's assessment, impairments of indefinite-lived intangible assets totaled $0 and $420 during 2019 and 2018, respectively. Subsequent to the most current assessment, there have been no indicators of potential impairment of Temple's goodwill and indefinite-lived intangible assets.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and the lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. Based upon Temple's annual impairment tests completed as of June 30, 2019 and 2018, Temple recorded impairment write-downs of $108 and $44, respectively, related to physician contract intangible assets associated with its community-based primary care practices; and $726 and $1,273, respectively, related to intellectual property. The impairment charges are included in *Patient care activities* expense in the consolidated statements of activities (see Note 23).

Funds Held in Trust by Others — Temple is the irrevocable beneficiary of the income from certain perpetual trusts administered by third parties. Temple's beneficial interest is reported at the fair value of the underlying trust assets. Because the trusts are perpetual and the original corpus cannot be used, these funds are reported as donor-restricted net assets. As Temple does not have the ability to redeem funds held in trust by others, these assets are categorized as Level 3 assets (see Note 10).

Asset Retirement Obligations — Temple recognizes the fair value of an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. When the liability is initially recorded, Temple capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the carrying amount of the asset retirement obligation liability. Changes due solely to the passage of time (accretion of the discounted liability) are recognized as an increase in the carrying amount of the liability and as an operating expense in the statement of activities. 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 consolidated statement of activities (see Notes 8 and 16).

Defined Benefit Pension and Other Postretirement Plans — Temple recognizes the over-funded or under-funded status of its defined benefit pension and other postretirement plans as an asset or liability in its balance sheets and recognizes changes in the funded status of the plans that arise during the period, but are not recognized as components of net periodic benefit cost, as *Actuarial change in accrued pensions and postretirement benefits* in the consolidated statements of activities (see Note 5).

Fair Value Measurements — Temple categorizes its assets and liabilities measured at fair value into a three-level hierarchy, based on the priority of the inputs to the respective valuation techniques, with assets that are measured using the net asset value per share practical expedient being excluded from the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Temple's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels (see Note 10).

The carrying values of short-term assets and liabilities, including cash equivalents (not traded on an active exchange), accounts receivable, and accounts payable, approximate their fair values. Investments, self-insurance trust funds, and deposits with trustees are carried at their estimated fair value (see Notes 3 and 10). The fair value of long-term debt is estimated based upon discounted cash flows at current market rates for instruments with similar remaining terms, which Temple considers Level 2 inputs (see Notes 9 and 10). Contribution receivables are recorded at the present value of expected future cash flows (see Note 4). Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold, or settled.

A reasonable estimate of the fair value of loans receivable from students under government loan programs and refundable federal student loans could not be made because the loans are not readily salable. These loans are recorded at cost, less an allowance for doubtful accounts (see Note 4).

Revenue Recognition — Temple's revenues primarily consist of tuition and fees, auxiliary enterprises, Commonwealth of Pennsylvania appropriations, grants and contracts, contributions, and patient care activities. Revenue recognition accounting policies for Temple's primary revenue sources are as follows (see Note 21 for additional revenue disclosures):

Tuition and Fees — Tuition and fees are recognized ratably on a daily straight line basis over the academic period as the University satisfies its performance obligation (e.g. as instruction is provided to students). The University's transaction price is determined based on established fixed tuition rates for the category of student (in-state vs. out-of-state) and the school or college in which they enroll, net of financial assistance provided directly by the University. Such financial assistance is recorded as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Financial assistance provided to students was $147,600 in 2019 and $144,537 in 2018.

Auxiliary Enterprises — Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as essentially self-supporting activities. Revenues from auxiliary enterprises include revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, other athletic department revenues, parking services, and other miscellaneous activities.

The University's transaction price for housing and meal plans is determined based on established fixed rates based on the dorms students chose to live in (i.e. residence halls and room type) and the meal plan type they elect. Payments for housing services are due approximately two weeks subsequent to the start of the academic term (consistent with tuition). Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. For ticket sales, revenue is recognized after the event occurs and for other auxiliary services (e.g. event parking, programs, merchandise, concessions) revenue is recognized at a point in time.

Commonwealth of Pennsylvania Appropriation — The University receives annual operating and capital appropriations from the Commonwealth of Pennsylvania. Operating appropriations are provided to support the general operations of the University, which allows for a reduction in tuition rates for Pennsylvania resident students. Funds are required to be spent in accordance with applicable laws and revenue is recognized ratably over the fiscal year as the funds are expended. Capital appropriations are provided to fund certain approved capital projects in support of the University's mission. Revenue from Commonwealth capital funding is recognized on an expense reimbursement basis and is classified as "with donor restrictions" until the capital project is completed and placed in service, at such time the net assets are released from restrictions.

Grants, Contracts, and Contributions — Temple receives sponsored program funding from various governmental, corporate, and private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of Temple, the funding organization's mission, or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred. Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, Temple has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Funds received in advance (for an exchange transaction prior to the performance obligation being satisfied; or for a contribution non-exchange transaction, prior to the condition being achieved) are recorded as *Deferred revenue* on the consolidated balance sheets.

In 2019 and 2018, sponsored programs revenue earned from federal, state, local, and private sources totaled $222,431 and $207,078, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. Temple negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received from federal sources are subject to audit in accordance with compliance standards.

Patient Care Activities — Patient care activities provided by Temple are invoiced daily, from which revenue is recognized at a point in time as patient services are provided. *Patient care activities* include revenues from TUHS. the clinical activities of TUP, the School of Dentistry, and the School of Podiatric Medicine. *Patient care activities* revenue is recognized at the amount that reflects the consideration to which Temple expects to be entitled in exchange for providing patient care. These amounts are due from Medicare and Medicaid, managed care health plans, commercial payors, patients, and others. Reimbursement is primarily based on the payment terms of contractual arrangements, such as predetermined rates per visit or procedure, per diem rates, or discounted fee-for-service rates. Generally,Temple bills the patients and third-party payers several days after the services are performed and/or the patient is discharged. In addition, Temple receives medical assistance payments for the reimbursement of services for charity and uncompensated care services. The federal funding of such costs is subject to an upper payment limit and retrospective settlement.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Temple recognizes revenues for performance obligations satisfied over a period of time based on actual charges incurred in relation to total expected (or actual) charges. Temple believes that this method provides a reasonable representation 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 TUHS receiving inpatient acute care services. TUHS measures performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. Temple recognizes revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, when: (a) services are provided; and (b) Temple does not believe the patient requires additional services. The majority of patient care activities provided by TUP are for outpatient type services. TUP recognizes revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, when services are provided.

Temple estimates the transaction price for patients based on gross charges for services provided, reduced by explicit price concessions which include contractual adjustments provided to third-party payers and discounts provided to uninsured patients in accordance with Temple's policy. Temple determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical collection experience. Revenues are also adjusted for implicit price concessions. Implicit price concessions are determined based on historical collection experience. The implicit price concessions included in estimating the transaction price represent the difference between amounts remaining to be paid and the amounts Temple generally expects to collect based on its historical experience. Subsequent changes to the estimate of transaction price are generally recorded as adjustments to patient service revenue in the period of change and are accrued on an estimated basis in the period the related services are rendered. Adjustments may also occur in future periods as final settlements are determined.

Because Temple's patient service obligations generally relate to contracts with duration of less than one year, Temple has elected to apply the optional exemption and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Generally, patients who are covered by third-party payors are responsible for related co-payments, coinsurance and deductibles, which vary in amount. Temple also provides services to uninsured patients and offer uninsured patients a discount from standard charges. Temple estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under Temple's uninsured discount programs, the discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to *Patient care activities* revenue in the period of the change.

Consistent with Temple's mission, care is provided to patients regardless of their ability to pay. Temple provides care without charge, or at a standard rate discounted for uninsured patients that is not related to published charges, to patients who meet certain criteria under Temple's charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. Because Temple does not pursue collection of amounts determined to qualify as charity care, they are not reported as *Patient care activities* revenue. Temple has determined that it has provided sufficient explicit price concessions for these accounts (see Notes 17, 18, and 21).

In assessing collectability, Temple uses a combination of contract specific adjustments (such as high dollar and long length-of-stay accounts) as well as a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. This portfolio approach is being used as Temple has a large volume of similar contracts with similar classes of customers. Temple reasonably expects that the effect of applying a portfolio approach would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts Temple has with commercial payers typically provide for retroactive audit and review of claims. Revenue includes an estimate of variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known by Temple and adjusted in future periods as final settlements or changes in estimates are determined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Temple engages in various contracts with insurance companies where Temple is at risk for the total cost of care to an attributed patient population as well as contracts that provide for pay-for-performance incentives. The value of these agreements is estimated and included in net patient service revenue.

Other *Patient care activities revenue* includes amounts earned from cafeteria operations, parking garage operations, transport services, and other non-patient care services. Such revenue is recognized as performance obligations are satisfied.

Advertising — Temple charges the costs of advertising to expense as incurred. Advertising expense was $19,794 and $18,315 in 2019 and 2018, respectively.

Other Changes in Net Assets — Temple considers all realized and unrealized gains and losses on investments, net of the endowment payout under Temple's spending formula, as *Other changes in net assets*. *Other changes in net assets* also includes interest and dividends on endowments and funds designated by the board of trustees to be invested as endowments; activity related to property, plant, and equipment (including grants and contributions, gains (losses) on disposals, and net assets released from restrictions); gains (losses) on extinguishment of debt; actuarial changes in accrued pensions and postretirement benefits; changes in conditional asset retirement obligation cash flow estimates; and foreign currency adjustments.

Income Taxes — With the exception of GSIC and TUHIC (Temple's captive insurance companies domiciled in Bermuda), TESS (the University's Japan campus), and certain inactive subsidiaries (see supplemental schedule), substantially all of the individual members of Temple are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Temple files U.S. federal, state, and local information returns and no returns are currently under examination. The statute of limitations on Temple's U.S. federal information returns remains open for three years following the year they are filed.

U.S. GAAP requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. Temple does not believe its consolidated financial statements include any uncertain tax positions that would require disclosure.

Functional Expense Allocation — The University's operation and maintenance of plant expenses ("O&M") and depreciation expense (excluding depreciation related to auxiliary and library books) are allocated to the functional expense classifications based upon the proportionate share of expenses (excluding O&M and depreciation) reported in each functional classification in the statement of activities. Depreciation related to auxiliary fixed assets (e.g. dormitories, parking garages, and athletics) is fully allocated to *Auxiliary enterprises expense* and depreciation related to library books is fully allocated to academic support expense included in *Academic and student services* in the statement of activities (see Note 22).

Use of Estimates — The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Temple's critical estimates and assumptions include revenue recognition; adequacy of allowance for accounts, loans, and contribution receivable; the valuation of assets and liabilities recorded at fair value; valuation of claim based liabilities and conditional asset retirement obligations; useful lives for depreciation and amortization; impairment of goodwill and other intangible assets; estimated settlements with third-party payors; and accounting for pension and other postretirement benefits. Actual results could differ materially from these estimates.

Recently Issued Accounting Pronouncements — Recently issued accounting pronouncements that are applicable to Temple's consolidated financial statements are as follows:

Standard	Description	Adoption
Standards that were adopted during fiscal years 2019 and 2018:		
Accounting for the Tax Cut and Jobs Act	On December 22, 2017, President Donald J. Trump signed into law the tax legislation commonly known as the Tax Cuts and Jobs Act (the "Act"). Among other items, the Act provides the following: (i) imposes an excise tax on executive compensation equal to 21% of remuneration in excess of $1,000 (excluding amounts paid to a licensed medical professional for performance of medical services) and any excess parachute payments paid to covered employees, (ii) imposes a 1.4% excise tax on endowment net investment income of applicable educational institutions (which the University is excluded from given its "state-related" status), (iii) eliminates the tax-exempt status of interest on advance refunding bonds, (iv) provides a flat tax rate of 21% on all taxable income, (v) requires unrelated business taxable income from multiple unrelated trades or business to be calculated and reported separately, and (vi) removes the tax-deductible status of certain fringe benefits that were previously tax-deductible by employers. The Act also includes individual income tax provisions that could impact charitable giving, including the following: (i) eliminates the charitable contribution deduction previously provided to donors related to the purchasing of athletic seating, (ii) donors wishing to deduct a charitable contribution deduction greater than established limits must receive contemporaneous written acknowledgment, (iii) increases the standard deduction for individuals, (iv) limits or repeals certain individual itemized deductions, (v) increases the estate tax exclusion, and (vi) increases the charitable contribution deduction limits. While the Act resulted in the elimination of certain fringe benefits as well as additional tax expense (primarily related to the excise tax on executive compensation), the Act did not have a material impact on the accompanying consolidated financial statements. Temple is currently in the process of assessing the impact the standard will have on charitable giving and Temple's ongoing financial reporting.	December 22, 2017 Prospective application upon enactment, which (for federal legislation) is the date the president signs a bill into law.
Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ASU 2018-08 (Topic 958)	Clarifies and enhances current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. In addition, ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction and improves the framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Under ASU 2018-18 certain types of contributions that were previously accounted for as unconditional contributions (e.g. recognized when a contribution is received or made) are now accounted for as conditional contributions (e.g. recognized when the barriers to entitlement are overcome). During the year ended June 30, 2019, certain contributions that would have previously been recognized as unconditional revenue in the statement of activities, are now accounted for as conditional contributions. See below "*Impact of Adopting Recent Accounting Standards*" for additional information.	July 1, 2018 Modified prospective application

Presentation of Financial Statements of Not-for-Profit Entities ASU 2016-14 (Topic 958)	Removes the requirement for a not-for-profit entity to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning a not-for-profit entity is now required to present two classes of net assets instead of three. ASU 2016-14 also requires expenses to be presented by their natural and functional classification, investment returns to be presented net of external and direct internal investment expenses, endowment funds with deficiencies to be recognized as a reduction in net assets with donor restrictions, and requires entities to provide more information about their available resources and liquidity. In addition, ASU 2016-14 requires contributions for the construction of long-lived assets to be classified as net assets with donor restrictions until the asset is placed in service. Under previous accounting standards, Commonwealth construction grant revenue was recognized as net assets without donor restriction as the revenue was recorded. Contributions of long-lived assets previously recorded in net assets without donor restrictions are related to the University's new library, which was placed into service in fiscal 2020. ASU 2016-14 was retrospectively adopted in fiscal 2019. A summary of the net asset reclassification caused by the adoption of ASU 2016-14 is presented below. See Note 11 for endowment disclosure, Note 12 for liquidity and availability of resources disclosure, Note 15 for net asset disclosure, and Note 22 for natural expense classifications.	July 1, 2018 Retrospective application
Revenue from Contracts with Customers ASU 2014-09 (Topic 606)	Supersedes the existing revenue recognition guidance and provides a new five-step framework for recognizing revenue. The core principle of the standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard also requires significantly more comprehensive disclosures than the previous standard. See below and Note 21 for additional revenue disclosures.	July 1, 2018 Modified retrospective application

Standards issued, but not yet adopted:		
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost ASU 2017-07 (Topic 715)	Requires entities to (i) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (ii) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, ASU 2017-07 requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2019 Retrospective application

Statement of Cash Flows (Topic 230): Restricted Cash ASU 2016-18 (Topic 230)	Addresses diversity in practice related to the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the balance sheet and the statement of cash flows is required to be disclosed when the balance includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. In addition, an entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2019 Retrospective application
Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ASU 2016-15 (Topic 230)	In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 amends the current guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU 2016-15 is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The sections applicable to Temple relate to (i) debt prepayment and extinguishment costs and (ii) proceeds from the settlement of insurance claims. ASU 2016-15 notes that cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities and cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lump-sum settlement, an entity should determine the classification on the basis of the nature of each loss included in the settlement. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2019 Retrospective application, may apply prospectively from the earliest date practicable if retrospective application would be impracticable
Leases ASU 2016-02 (Topic 842)	Establishes a new lease accounting model, which introduces the recognition of lease assets and liabilities for those leases classified as operating leases under previous U.S. GAAP. Temple is currently in the process of implementing the standard for fiscal 2020. The standard will result in an increase in Temple's assets and liabilities, primarily caused by the recognition of the "right to use" asset and corresponding liabilities related to Temple's operating lease commitments. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2019 Modified retrospective application

Impact of Adopting Recent Accounting Standards:

ASU 2018-08: During the year ended June 30, 2019, $10,058 of contributions that would have previously been recognized as unconditional revenue in the statement of activities, are now accounted for as conditional contributions. The table below presents the quantitative impact to Temple's consolidated financial statements for the year ended June 30, 2019 due to the adoption of ASU 2018-08:

Adoption of ASU 2018-08 (Topic 958)	**As Reported Under ASU 2018-08**	**If Reported Under Prior Guidance**	**Difference**
Consolidated Statement of Activities, Year Ended June 30, 2019			
Statement of activities:			
Revenues:			
Contributions for operation and endowment	$ 52,868	$ 62,926	$ (10,058)
Consolidated Balance Sheet, June 30, 2019			
Balance sheet:			
Assets:			
Accounts, loans, and contributions, net	$ 543,201	$ 551,536	$ (8,335)
Liabilities:			
Deferred revenue, current	59,880	58,157	1,723
Net assets	$ 483,321	$ 493,379	$ (10,058)

ASU 2016-14: As discussed above, on July 1, 2018, Temple retrospectively adopted ASU 2016-14. A summary of the net asset reclassifications caused by the adoption of ASU 2016-14 as of June 30, 2018 and 2017 is as follows:

	ASU 2016-14 Classifications		
Adoption of ASU 2016-14 (Topic 958)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
Consolidated Balance Sheet, June 30, 2018			
As previously presented:			
Unrestricted	$ 2,193,951	$ —	$ 2,193,951
Temporarily restricted	—	134,277	134,277
Permanently restricted	—	490,119	490,119
Total net assets, as previously presented	2,193,951	624,396	2,818,347
Reclassification to implement ASU 2016-14:			
Endowments with deficiencies	161	(161)	—
Commonwealth funded capital	(90,587)	90,587	—
Net assets, as reclassified for ASU 2016-14	$ 2,103,525	$ 714,822	$ 2,818,347

Adoption of ASU 2016-14 (Topic 958)	ASU 2016-14 Classifications Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Consolidated Balance Sheet, June 30, 2017 (beginning balance for fiscal 2018)			
As previously presented:			
Unrestricted	$ 1,922,192	$ —	$ 1,922,192
Temporarily restricted	—	126,018	126,018
Permanently restricted	—	447,858	447,858
Total net assets, as previously presented	1,922,192	573,876	2,496,068
Reclassification to implement ASU 2016-14:			
Endowments with deficiencies	406	(406)	—
Commonwealth funded capital	(47,188)	47,188	—
Net assets, as reclassified for ASU 2016-14	$ 1,875,410	$ 620,658	$ 2,496,068

ASU 2014-09: The adoption of ASU 2014-09 (ASC 606) impacted the timing of revenue and expense recognition related to tuition and certain auxiliary enterprises, including housing, meal plans, and student fees. Under ASC 606 tuition and certain auxiliary revenues are recognized ratably over the academic period as Temple satisfies its performance obligation (e.g. as instruction and room and board are provided to students). ASU 2014-09 also impacted deferred revenue and related accounts receivable for services not yet provided. Specifically, at June 30 2019, the amount recorded as accounts receivable and related deferred revenue is adjusted for students that have "dropped" during the refundable period. Based on the academic calendar, for the fall semester approximately 32% of the performance obligation is satisfied during fiscal quarter one and 68% during fiscal quarter two; and for the spring semester approximately 64% of the performance obligation is satisfied during fiscal quarter three and 36% during fiscal quarter four. Under the previous revenue recognition guidance (ASC 605) tuition and certain auxiliary revenues related to the fall semester were recognized 50% during fiscal quarter one and 50% during fiscal quarter two; and for the spring semester, 50% during fiscal quarter three and 50% during fiscal quarter four. Due to the fall semester ending prior to December 31 and the spring semester ending prior to June 30 (and neither semester spanning periods), ASU 2014-09 had limited impact on tuition and housing revenue recognition during the year ended June 30, 2019 (see Note 21).

For *Patient care activities*, the adoption of ASU 2014-09 resulted in changes to the presentation of allowance for doubtful accounts in the consolidated statement of activities. The principal change affecting Temple results from the presentation of variable consideration that under the accounting standard is included in the transaction price up to an amount which is probable that a significant reversal will not occur. The most common form of variable consideration Temple experiences are amounts for patient services provided that are ultimately not realizable from a patient. Under the previous standard, Temple's estimate for certain amounts not expected to be collected based on historical experience was recorded to allowance for doubtful accounts after accounts went uncollected for a period of time. Under the new standard, Temple's estimate for unrealizable amounts is recognized as implicit price concessions that are a direct reduction to *Patient care activities* revenues. These implicit price concessions are now recognized when patient service revenues are recognized. The information in the comparative period has not been restated and continues to be reported under the accounting standards in effect for that period. The table below presents the quantitative impact to Temple's consolidated financial statements for the year ended June 30, 2019 due to the adoption of ASU

2014-09:

	Year Ended June 30, 2019		
	As Reported Under ASC 606	If Reported Under ASC 605	Difference
Statement of activities:			
Revenues:			
Patient care activities revenue	$ 2,117,221	$ 2,144,506	$ (27,285)
Allowance for doubtful accounts	(4,657)	(31,942)	27,285
Total net patient service revenue, net of allowance	$ 2,112,564	$ 2,112,564	$ —

Reclassifications — As discussed above, in 2019 Temple retrospectively adopted ASU 2016-14. In addition, in 2019 the functional expense categories were changed from nine total categories to five total categories to better reflect how Temple manages its budgets and operations. The previously reported 2018 functional expenses have been reclassified to conform to the current presentation. The new presentation has no impact on total net assets or total expenses (see Note 22).

3. Endowment, Investments, and Self-Insurance Trust Funds

The carrying values of investments, including the endowment (see Note 11), at June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Investments (including endowment):		
Money market funds	$ 51,987	$ 78,623
Corporate bonds and notes	306,314	287,043
U.S. government and agency securities	384,473	345,740
Municipal bonds	4,763	7,475
Fixed income funds	51,053	63,854
Equity funds and securities	631,506	593,416
Futures contracts	780	(805)
Commodity funds	8,064	13,228
Private equity funds	6,937	4,278
Real estate funds	45,239	35,607
Multi-strategy hedge funds	178,492	151,985
Opportunistic funds	2,221	—
Other*	5,656	13,012
Total investments	$ 1,677,485	$ 1,593,456

* Other securities primarily consistent of international fixed income securities and equity method investments.

During 2018, the University transitioned its investment management responsibilities related to the University's endowment, pension plans, and postretirement plan assets to an outsourced chief investment officer ("OCIO") model. The execution of this transition required the re-balancing of the invested assets to be in-line with the OCIO's selected investment managers and asset allocations, which were approved by the University's Board of Trustees.

The carrying values of self-insurance trust funds at June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Self-insurance trust funds:		
Money market funds	$ 278	$ 367
Corporate bonds and notes	3,206	3,099
U.S. government securities	10,998	11,225
Total self-insurance trust funds	$ 14,482	$ 14,691

Investment return reported in the statements of activities for the years ended June 30, 2019 and 2018 is as follows:

	Year Ended June 30,	
	2019	2018
Investment income:		
Interest and dividends	$ 38,920	$ 35,189
Realized (losses) gains, net	(307)	96,531
Increase (decrease) in unrealized gains, net	43,601	(54,089)
Total investment income	$ 82,214	$ 77,631

Derivatives:

Futures Contracts — A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a type of commodity or financial instrument at a specified future date in accordance with the terms specified by a regulated futures exchange. The University uses equity index futures contracts to manage equity price risk. Losses in value may arise from changes in the value of the underlying instrument or if there is an illiquid secondary market for the futures contracts.

Upon entering into a futures contract, the University is required to deposit either cash or securities in an amount equal to a certain percentage of the nominal value of the contract ("initial margin"). Pursuant to the futures contract, the University agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contracts. Such receipts or payments are known as "variation margin" which are settled daily. Any variation margin unsettled at period-end is recorded as an unrealized gain (loss) in *Investment return* in *Other changes in net assets* in the statements of activities. The University recognizes a realized gain or loss when the contract is closed. Futures contracts expose the University to off-balance sheet market and liquidity risk. The University is exposed to market risk to the extent that adverse changes occur in the fair values of the underlying securities or indices. This market risk is in excess of the amount recognized in the statement of assets and liabilities. Liquidity risk represents the possibility that the University might not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

The University has credit risk associated with counterparty nonperformance. However, credit risk associated with exchange-traded contracts are typically perceived to be less because exchanges typically provide clearing house arrangements in which the collective credit of the managers of the exchange is pledged to support the financial integrity of the exchange. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading and further mitigate credit risk. All of the futures contracts held by the University at June 30, 2019 and 2018 were exchange traded contracts.

At June 30, 2019 and 2018, the University had the following open futures subject to equity price risk, for which U.S. Treasury notes were pledged as collateral (see Note 20):

June 30, 2019	Number of Contracts	Notional Amount	Variation Margin Unrealized Gain
Equity price futures contracts, not designated as hedging instruments, included in:			
Endowment	361	$ 44,277	$ 780
Postretirement benefits plan assets	132	19,176	302

June 30, 2018	Number of Contracts	Notional Amount	Variation Margin Unrealized Loss
Equity price futures contracts, not designated as hedging instruments, included in:			
Endowment	493	$ 49,924	$ (805)
Postretirement benefits plan assets	118	16,057	(347)

4. Accounts, Loans, and Contributions Receivable

Accounts receivable, net of allowances are as follows:

	June 30, 2019	June 30, 2018
Students	$ 71,561	$ 63,425
Patients	242,774	270,731
Health care programs	129,659	37,727
Grants and contracts	63,529	53,626
Commonwealth construction	10,643	22,103
Recoveries from insurance providers	50,404	56,173
Pennsylvania Department of Welfare Access to Care	9,374	4,444
Other	34,674	33,588
Accounts receivable, gross	612,618	541,817
Less: Allowance for doubtful patient accounts	(12,524)	(30,410)
Less: Allowance for doubtful student and other accounts	(31,225)	(24,334)
Total accounts receivable, net	$ 568,869	$ 487,073

Loans to students are disbursed based on financial need and consist of loans granted by the University under federal government loan programs and loans granted from institutional resources. Upon the earlier of graduation or no longer having full-time student status, the students have a grace period, which varies by loan type, until repayment of loans is required.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments on outstanding loans. At June 30, 2019 and 2018, funds advanced by the federal government totaled $53,276 and $52,323, respectively. Interest and fees collected are included in the revolving loan funds available for students. Federal loan funds are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheets. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Loans to students are shown net of allowances as follows:

	June 30, 2019	June 30, 2018
Federal government loan programs:		
Perkins loan program	$ 36,952	$ 43,156
Health professional and disadvantaged student loans	19,858	21,139
Nursing student loans	147	187
Federal government loan programs	56,957	64,482
Institutional loan programs	1,272	1,131
Student loans receivable, gross	58,229	65,613
Less: Allowance for doubtful federal government loan programs	(10,892)	(9,673)
Less: Allowance for doubtful institutional loan programs	(305)	(302)
Total student loans receivable, net	$ 47,032	$ 55,638

* On September 30, 2017, the Federal Perkins Loan program was not renewed in Congress, thus effectively ending the loan program. Previously loaned funds will continue to be collected, however, no new loans are being originated.

Student loans are considered past due when payment has not been received in over 30 days. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Further, the University does not evaluate the credit quality of the student loans receivable after the initial approval and calculation of the loans. Institutional loan balances are written off when they are deemed to be permanently uncollectible.

The aging of student loans receivable is as follows:

	June 30, 2019	June 30, 2018
30 days or less past due	$ 40,156	$ 48,745
31 through 59 days past due	2,804	3,017
90 days and greater past due	4,072	3,876
Total student loans receivable, net	$ 47,032	$ 55,638

Contributions receivable are unconditional promises to give, restricted by donors for scholarships, capital acquisitions, and other operating purposes. They are expected to be realized in the following periods:

	June 30, 2019	June 30, 2018
In one year or less	$ 15,491	$ 19,752
One to five years	31,010	33,541
Greater than five years	51,737	49,886
Contributions receivable, gross	98,238	103,179
Less: Allowance for doubtful contributions	(5,180)	(5,245)
Less: Present value discount	(14,436)	(15,633)
Total contributions receivable, net	78,622	82,301
Less: Current portion of contribution receivable, net	(13,215)	(17,095)
Non-current portion of contribution receivable, net	$ 65,407	$ 65,206

Changes to net contributions receivable during the years ended June 30, 2019 and 2018 are as follows:

	Year Ended June 30,	
	2019	2018
Balance, beginning of the year	$ 82,301	$ 78,434
New pledges	13,717	39,384
Collection of pledges	(14,701)	(29,501)
Pledges written off	(3,956)	(6,694)
Change in allowance	65	1,058
Change in discount to present value	1,196	(380)
Balance, end of the year	$ 78,622	$ 82,301

The discount rates used to calculate the present value discount are tied to U.S. Government treasury notes in effect at the time of contribution, which were between 1.92% and 2.52% for contributions made during the year ended June 30, 2019 and 2.33% and 2.97% for contributions made during the year ended June 30, 2018. The discount rates for contributions made during the years ended June 30, 2017 and prior were between 0.11% and 6.00%.

Temple also receives bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not included in the consolidated financial statements.

Section of this Page is Intentionally Blank

5. Pensions and Postretirement Benefits

Temple sponsors various postretirement programs, which include nine defined benefit pension plans (three plans sponsored by the University and six plans sponsored by TUHS), three retiree health benefits pre-funding plans, referred to below as “postretirement benefits” (one plan sponsored by the University and two plans sponsored by TUHS), and defined contribution plans. Participation in these plans is based on prescribed eligibility requirements.

Temple makes contributions to its defined benefit pension plans that comply with the funding provisions of the Internal Revenue Code. Employees participating in the pension plans are eligible to begin receiving benefit payments upon retirement, provided age and service requirements have been met. In 2001, two of the University’s defined benefit pension plans were frozen, with no future accruals. The third pension plan sponsored by the University remains active for two collectively bargained groups of employees. In 2008, the remaining TUHS sponsored defined benefit plans were closed to new participants; only certain grandfathered employees are eligible to participate in the TUHS sponsored defined benefit pension plans.

The postretirement benefits plans are postretirement trusts established for the purpose of providing medical and prescription drug coverage to eligible retirees. Eligible active employees could elect to pre-pay a portion of their future medical costs. Contributions for a period of ten years were required in order to be eligible to retire and receive benefits on or after the age of 62. This plan had a series of sunset dates beginning in 1999 through June 30, 2003. No employees hired or rehired on or after the earlier of their respective sunset date or June 30, 2003 are eligible to participate in the postretirement benefits plan.

Defined contribution retirement plans are offered to all full-time faculty and staff, with the exception of the two collectively bargained groups that participate in the active defined benefit pension plan. Deposits to the defined contribution plans are provided through contributions made by Temple and its employees into participant managed accounts. Temple’s contributions to participants’ accounts are based on a defined percentage of the participants’ elected contributions, base wages, and length of service. Temple’s contributions to the defined contribution plans in 2019 and 2018 were $76,436 and $69,448, respectively.

Certain union employees are covered by multi-employer pension plans to which Temple contributes. A contributor to a multi-employer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the plan’s unfunded vested liabilities. Until either event occurs, Temple’s share, if any, of the unfunded vested liabilities cannot be determined. At present, Temple has no plans to withdraw from the multi-employer pension plans. Pension expense for these plans was $10,947 and $10,675 in 2019 and 2018, respectively.

Section of this Page is Intentionally Blank

The activity of the defined benefit pension and postretirement benefit plans for the years ended June 30, 2019 and 2018 is as follows:

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 219,957	$ 235,292	$ 335,201	$ 408,972
Service cost	2,294	2,204	9,951	12,854
Interest cost	8,615	7,839	12,231	12,973
Plan participant contributions	212	202	1,857	1,897
Actuarial loss (gain)	18,651	(14,217)	(3,207)	(87,156)
Benefits paid	(9,827)	(9,550)	(17,189)	(14,339)
Plan expenses	(1,631)	(1,782)	—	—
Settlement	—	(31)	—	—
Benefit obligation, end of year	$ 238,271	$ 219,957	$ 338,844	$ 335,201
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 205,378	$ 200,254	$ 324,402	$ 310,146
Actual return on plan assets	13,735	11,078	8,615	21,888
Employer contributions	2,972	5,176	3,268	4,810
Plan participant contributions	212	202	1,857	1,897
Benefits paid	(9,827)	(9,550)	(17,189)	(14,339)
Plan expenses	(1,631)	(1,782)	—	—
Fair value of plan assets, end of year	$ 210,838	$ 205,378	$ 320,953	$ 324,402
Net funded status:				
Funded status, end of year	$ (27,433)	$ (14,579)	$ (17,891)	$ (10,799)

The accumulated benefit obligation for the pension plans at June 30, 2019 and 2018 was $236,572 and $218,414, respectively.

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
The funded status recognized in the balance sheets:				
Assets, non-current	$ 2,939	$ 2,950	$ —	$ —
Liabilities, current	—	—	(466)	(476)
Liabilities, non-current	(30,372)	(17,529)	(17,425)	(10,323)
Net amount recognized, funded status	$ (27,433)	$ (14,579)	$ (17,891)	$ (10,799)

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Accumulated amounts recognized in net assets without donor restrictions:				
Unrecognized net loss	$ 93,604	$ 80,384	$ (32,437)	$ (49,533)
Net amount recognized	$ 93,604	$ 80,384	$ (32,437)	$ (49,533)

The estimated net loss (gain) for the plans that will be amortized from net assets without donor restrictions into net periodic benefit cost during the following fiscal year are as follows:

	Pensions	Postretirement Benefits
Estimated amortization of net loss (gain)	$6,562	$(1,410)

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Changes in plan assets and benefit obligations recognized in other changes in net assets:				
Actuarial loss	$ 17,867	$ (12,039)	$ 10,322	$ (87,727)
Amortization of prior service credit	—	—	—	249
Amortization of net actuarial loss	(4,647)	(6,342)	6,774	(199)
Recognition of settlement loss	—	(106)	—	—
Total recognized in other changes in net assets	$ 13,220	$ (18,487)	$ 17,096	$ (87,677)

The amortization of any prior service cost and unrecognized net loss is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the pension plans or the expected average future service to retirement under the postretirement benefit plan.

Temple uses the full yield curve (or spot rate) approach to estimate the service and interest costs related to Temple's pensions and postretirement benefits plans. Such approach estimates service and interest costs by applying specific spot rates along the yield curve to determine the benefit obligation of relevant projected cash outflows (as opposed to applying an average rate). The full yield curve approach (compared to an average rate approach) provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rate on the yield curve.

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Components of net periodic cost:				
Service cost	$ 2,294	$ 2,204	$ 9,951	$ 12,854
Interest cost	8,615	7,839	12,231	12,973
Expected return on plan assets	(12,949)	(13,287)	(22,144)	(21,317)
Amortization of prior service credit	—	—	—	(249)
Amortization of net actuarial loss	4,647	6,342	(6,774)	199
Settlement	—	106	—	—
Net periodic cost (including settlement expense)	$ 2,606	$ 3,203	$ (6,736)	$ 4,460

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Weighted-average assumptions used to determine the benefit obligations at end of year:				
Discount rate(s)	3.31%-3.75%	4.13%-4.38%	3.62%	4.31%
Expected long-term rate of return on plan assets	5.50%-6.50%	6.00%-6.50%	7.00%	7.00%
Rate of compensation increase	2.50%-3.00%	2.50%-3.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for next year	N/A	N/A	6.92% / 5.62%	7.23% / 2.40%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50% / 4.44%	4.46% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2026 / 2026	2026 / 2025

	Pensions		Postretirement Benefits	
	2019	2018	2019	2018
Weighted-average assumptions used to determine net periodic cost at beginning of year:				
Discount rate(s) for benefit obligations	4.16%-4.38%	3.66%-4.07%	4.31%	3.95%
Discount rate(s) for service cost	4.20%-4.47%	3.73%-4.17%	4.33%	3.98%
Discount rate(s) for interest cost	3.79%-4.11%	2.60%-3.48%	4.03%	3.45%
Expected long-term rate of return on plan assets	6.00%-6.50%	6.00%-7.00%	7.00%	7.00%
Rate of compensation increase	2.50%-3.00%	2.50%-3.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for current year	N/A	N/A	7.26% / 0.48%	7.33% / 7.70%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50% / 4.44%	4.46% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2026 / 2026	2026 / 2025

Assumed health care cost trend rates have a significant effect on amounts reported for the postretirement benefits plan. A one-percentage point change in the assumed health care trend rate would have the following effects on Temple's (including TUHS) net periodic benefits cost and benefit obligations as of and for the year ended June 30, 2019:

	Decrease	Increase
Incremental effect on service cost and interest cost components of net periodic postretirement benefits cost	$ (2,468)	$ 2,847
Percentage of incremental effect in relation to current year service cost and interest cost	(11.13)%	12.83%
Incremental effect on benefit obligation, end of year	$ (35,865)	$ 42,270
Percentage of incremental effect in relation to current year benefit obligations, end of year	(10.58)%	12.47%

Plan Assets and Expected Return — The long-term investment strategy for assets held in the pension and postretirement benefits plans is to meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted-average of the individual expected returns for each asset category in the plans' portfolio. The target and actual asset allocation as of June 30, 2019 and 2018 is as follows (see Note 10 for plan asset fair value disclosures):

	Pensions			Postretirement Benefits		
	Target*	2019	2018	Target*	2019	2018
Asset class:						
Equity funds and securities	25%-93%	44%	56%	77%	79%	76%
Fixed income and cash	7%-75%	56%	44%	23%	21%	24%

* Target asset allocations exclude the impact of the portable alpha overlay strategies.

Expected Cash Flows — The following table shows expected cash flows (including cash flows for TUHS participants) of the pension and postretirement benefits plans:

	Pensions	Postretirement Benefits
Expected contributions for next fiscal year:		
Employer	$ 2,568	$ 466
Employee	N/A	1,900
Estimated future benefit payments reflecting expected future service for fiscal years ending June 30:		
2020	$ 11,374	$ 18,337
2021	11,789	18,797
2022	12,321	19,223
2023	12,798	19,527
2024	13,018	19,786
2025 through 2029	69,791	98,839

Other Plans — The actuarial present value of accumulated plan benefits related to a non-active group annuity pension plan has neither been determined nor included above because a guarantee of payment to the plan's beneficiaries has been made by The Equitable Life Assurance Society of America. This plan had total net assets available for benefits of $1,239 and $1,369 at June 30, 2019 and 2018, respectively.

6. Deposits with Trustees

Temple has on deposit with trustees amounts established for construction and debt repayment. These deposits are primarily invested in U.S. Government securities and money market funds (see Note 9 for a description of debt issuances).

The fair values of deposits with trustees by debt issuance at June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Construction funds:		
PAID, First Series of 2015 (University)	$ 3,258	$ 36,860
Total construction funds	3,258	36,860
Debt Repayment Funds:		
PAID, Second Series of 2016 (University)*	1	1
PHEFA, First Series of 2012 (University)*	3	2
PHEFA, First Series of 2010A & 2010B (University)*	6	4
THHEFAP, First Series of 2017 (TUHS)	36,458	29,462
THHEFAP, First Series of 2012 (TUHS)	32,193	41,220
Total debt repayment funds	68,661	70,689
Total deposits with trustees	$ 71,919	$ 107,549

* Interest earned on deposits.

7. Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2019 and 2018 is summarized as follows:

	June 30, 2019	June 30, 2018
Land and land improvements	$ 114,812	$ 112,985
Buildings and building improvements	2,412,984	2,335,814
Furniture, fixtures, equipment, and library books	1,285,191	1,248,831
Construction in progress	189,652	152,074
Property, plant, and equipment, gross	4,002,639	3,849,704
Less: Accumulated depreciation	(2,087,461)	(1,966,399)
Total property, plant, and equipment, net	$ 1,915,178	$ 1,883,305

Depreciation expense was $145,736 and $145,532 in 2019 and 2018, respectively.

8. Asset Retirement Obligations

Temple has recognized liabilities for conditional asset retirement obligations, primarily related to asbestos remediation in certain University facilities, which are included in *Accrued expenses and other liabilities* in Temple's consolidated balance sheets. Changes to the asset retirement obligation liability during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning of the year	$ 13,135	$ 11,606
Liabilities incurred	176	—
Accretion expense	589	573
Revision of estimated cash flows	—	1,409
Liabilities settled	(871)	(459)
Foreign currency translation	10	6
Balance, end of the year	$ 13,039	$ 13,135

The fair value at June 30, 2019 and 2018 of $13,039 and $13,135, respectively, was calculated using the expected cash flow (expected present value) valuation method with the following Level 3 inputs: years to abatement ranging from 1 to 19 years and 1 to 20 years, respectively, an inflation factor of 2.00% to 4.50% (both years), a credit-adjusted risk free rate of 4.63% to 7.00% (both years), and a contractor market risk premium of 5.00% (both years).

During 2018, TUHS determined that the anticipated time-line to abate asbestos in certain facilities has changed and that the current estimated costs have increased by $1,409 from the prior estimated amounts. The increase is recognized as additional liability in the 2018 consolidated balance sheet.

Section of this Page is Intentionally Blank

9. Debt and Leases

Long-term debt consists of the following at June 30, 2019 and 2018:

	Maturity	Interest Rate†	Effective Rate 2019	June 30, 2019	June 30, 2018
Long-term debt:					
University bond issuances:					
PAID Revenue Bonds, First Series of 2016, including unamortized premium of $8,456 and $9,837, respectively	April 1, 2029	5.00%	3.61%	$ 123,091	$ 131,023
PAID Revenue Bonds, Second Series of 2016, including unamortized premium of $11,237 and $11,835, respectively	April 1, 2036	5.00%	3.73%	89,347	89,945
PAID Revenue Bonds, First Series of 2015, including unamortized premium of $11,317 and $11,944, respectively	April 1, 2045	5.00%	4.11%	127,352	131,359
PHEFA Revenue Bonds, First Series of 2012, including of unamortized premium of $19,129 and $20,243, respectively	April 1, 2042	4.00%-5.00%	3.96%	192,499	197,598
PHEFA Revenue Bonds, First Series A of 2010, including unamortized premium of $2,482 and $2,572, respectively	April 1, 2021	4.00%-5.00%	3.09%	9,233	12,462
PHEFA Revenue Bonds, First Series B of 2010, including unamortized premium of $0	April 1, 2040	4.46%-6.29%	3.98%	128,350	132,330
Total University bond issuances				669,872	694,717
TUHS bond issuances:					
THHEFAP Hospital Revenue Bonds, Series 2017, including unamortized premium of $23,111 and $23,367, respectively	July 1, 2034	5.00%	3.70%	258,351	258,607
THHEFAP Hospital Revenue Bonds, Series A and B of 2012, net of unamortized discount of $5,524 and $3,943, respectively	July 1, 2042	5.00%-6.25%	5.81%	213,956	223,161
Total TUHS bond issuances				472,307	481,768
Other long-term debt:					
PENNVEST (University)	March 1, 2036	1.00%-1.29%		5,077	—
Equipment financing arrangements (TUHS)	Various	1.34%-3.80%		16,308	14,544
Loan payable to Episcopal Healthcare Foundation (TUHS)	December 31, 2020	4.00%		971	1,587
Mortgage (TUHS)	December 31, 2031	4.18%		8,644	8,871
Capital leases				10,756	12,422
Deferred financing costs				(9,006)	(7,360)
Total long-term debt, net of deferred financing costs				1,174,929	1,206,549
Less: Current maturities of long-term debt				(41,953)	(42,952)
Non-current maturities of long-term debt, net of deferred financing costs				$1,132,976	$1,163,597

† Stated interest rate remaining from fiscal 2020 through maturity. All bonds have an interest rate mode of fixed.

University Bond Issuances:

PAID Revenue Bonds, First Series of 2016 — In fiscal 2016, the University, via the Philadelphia Authority for Industrial Development ("PAID") issued $134,080 of PAID Temple University Revenue Bonds, First Series of 2016 ("First Series of 2016 Bonds") with a stated interest rate of 5.00%. The proceeds from the sale of the First Series of 2016 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of the Pennsylvania Higher Educational Facilities Authority's ("PHEFA") Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2016 Bonds. The First Series of 2016 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2029, with a first option call date of April 1, 2025. The First Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2016 Bonds during the years ended June 30, 2019 and 2018 was $4,642 and $4,915, respectively.

PAID Revenue Bonds, Second Series of 2016 — In fiscal 2016, the University, via PAID issued $78,110 of PAID Temple University Revenue Bonds, Second Series of 2016 ("Second Series of 2016 Bonds") with a stated interest rate of 5.00%. The proceeds from the sale of the Second Series of 2016 Bonds, together with other available funds, were used for the following items: (i) refunding the outstanding portion of PHEFA's Temple University Revenue Bonds, First Series of 2006, and (ii) paying costs of issuing the Second Series of 2016 Bonds. The Second Series of 2016 Bonds require principal payments of varying amounts beginning April 1, 2030 and ending on April 1, 2036, with a first option call date of April 1, 2025. The Second Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the Second Series of 2016 Bonds during the years ended June 30, 2019 and 2018 was $3,333 and $3,355, respectively.

PAID Revenue Bonds, First Series of 2015 — In fiscal 2016, the University, via the PAID issued $130,440 of PAID Temple University Revenue Bonds, First Series of 2015 ("First Series of 2015 Bonds") with a stated interest rate ranging from 2.00% to 5.00%. The proceeds from the sale of the First Series of 2015 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of PHEFA's Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2015 Bonds. The First Series of 2015 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2045, with a first option call date of April 1, 2025. The First Series of 2015 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2015 Bonds during the years ended June 30, 2019 and 2018 was $3,990 and $2,841, respectively.

PHEFA Revenue Bonds, First Series of 2012 — In fiscal 2012, the University, via PHEFA issued $200,000 of PHEFA Temple University Revenue Bonds, First Series of 2012 ("First Series of 2012 Bonds") with a stated interest rate ranging from 1.00% to 5.00%. The proceeds from the sale of the First Series of 2012 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series of 2012 Bonds. The First Series of 2012 Bonds require annual principal payments of varying amounts beginning April 1, 2013 and ending on April 1, 2042, with a first option call date of April 1, 2022. The First Series of 2012 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2012 Bonds during the years ended June 30, 2019 and 2018 was $7,741 and $7,937, respectively.

PHEFA Revenue Bonds, First Series A of 2010 — In fiscal 2010, the University, via PHEFA issued $46,665 of PHEFA Temple University Revenue Bonds, First Series A of 2010 ("First Series A of 2010 Bonds") with a stated interest rate ranging from 4.00% to 5.00%. The proceeds from the sale of the First Series A of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of the

University and (ii) paying costs of issuing the First Series A of 2010 Bonds. The First Series A of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2011 and ending on April 1, 2021, with an optional redemption at any time upon payment of the redemption price. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series A of 2010 Bonds during the years ended June 30, 2019 and 2018 was $355 and $504, respectively.

PHEFA Revenue Bonds, First Series B of 2010 — In fiscal 2010, the University, via PHEFA issued $143,590 of PHEFA Temple University Revenue Bonds, Federally Taxable Build America Bonds, First Series B of 2010 ("First Series B of 2010 Bonds") with a stated interest rate ranging from 4.21% to 6.29%. The proceeds from the sale of the First Series B of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series B of 2010 Bonds. The First Series B of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2040, with a first option call date of April 1, 2020. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series B of 2010 Bonds during the years ended June 30, 2019 and 2018 was $5,203 and $5,326, respectively.

TUHS Bond Issuances:

THHEFAP Hospital Revenue Bonds, Series 2017 — In fiscal 2018, TUHS, via the Hospitals and Higher Education Facilities Authority of Philadelphia ("THHEFAP") issued $235,240 of THHEFAP Hospital Revenue Bonds, Series 2017. The proceeds of the Bonds were used to defease the Authority's outstanding Revenue Bond Series A and B of 2007 and Revenue Bond Series B of 2012, resulting in a gain of approximately $107 which has been recorded as a non-operating gain in other income.

THHEFAP Hospital Revenue Bonds, Series A and B of 2012 — In fiscal 2012, TUHS, via THHEFAP issued $311,105 of THHEFAP Hospital Revenue Bonds, Series A and B of 2012 with a stated interest rate ranging from 5.00% to 6.25%.

The TUHS bond issuances are generally collateralized by the assets and gross revenues of the TUHS Obligated Group. The TUHS Obligated Group includes TUHS, Temple University Hospital, Inc., Jeanes Hospital, Temple Physicians, Inc., Temple Health System Transport Team, Inc., American Oncologic Hospital, Institute for Cancer Research, Fox Chase Cancer Center Medical Group, Inc., and Fox Chase Network, Inc. Interest expense on TUHS long-term debt during the years ended June 30, 2019 and 2018 was $24,144 and $26,841, respectively.

Temple has complied with all financial debt covenants during the years ended June 30, 2019 and 2018.

Other Long-term Debt:

PENNVEST Debt Obligation — In June 2017, the University and the Pennsylvania Infrastructure Investment Authority ("PENNVEST") entered into an agreement for PENNVEST to provide financing totaling $6,748 for the construction of certain storm water improvements, including a green roof assembly and green roof landscaping on the University's library. Construction commenced in fiscal 2018. During the year ended June 30, 2019, the University borrowed $5,104 against the obligation, and has $1,644 available for future borrowings. The stated interest rate is 1.00% for years 1 through 5 and 1.29% for years 6 through maturity. The maturity date is currently March 31, 2036 and is subject to being extended if additional amounts are borrowed in the future. Interest expense during the year ended June 30, 2019 was $16. No amount was borrowed or outstanding at any time during the year ended June 30, 2018.

Lines of Credit — In 2017, TUHS obtained a line of credit ("TUHS Line of Credit") from PNC Bank, National Association ("PNC"). The TUHS Line of Credit was most recently renewed in 2019 with a borrowing limit of $40,000 and an expiration date of June 18, 2020. Amounts borrowed accrue interest at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus 140 basis points. During 2018, TUHS borrowed $15,000 against the TUHS Line of Credit to fund working capital requirements, which was repaid in full during 2018. Interest expense on the TUHS Line of Credit during the year ended June 30, 2018 was $102. No amount was borrowed or outstanding at any time during the year ended June 30, 2019.

In July 2015, the University obtained a $100,000 revolving line of credit (the "Revolver") from PNC Bank, National Association ("PNC"). The Revolver expires on July 31, 2019, and amounts borrowed accrue interest at a rate of the one-month London Interbank Offered Rate plus 55 basis points. The Revolver is secured by a subordinated gross revenue pledge of the University, and is cross-defaulted to the covenants in the University's bond indenture. The Revolver can be used to fund seasonal working capital requirements, fund capital expenditure bridge financing, and fund general corporate purposes. No amount was borrowed or outstanding at any time during the years ended June 30, 2019 and 2018.

In addition, the University has a $7,500 unsecured line of credit (the "Unsecured Line of Credit") with PNC. The Unsecured Line of Credit expires on March 31, 2020 and contains annual renewal options. Borrowings under the Unsecured Line of Credit accrue interest at either the Base Rate or Euro-Rate per annum, as selected by the University. The interest rate under the Base Rate option is equal to the Prime Rate, whereas, the interest rate under the Euro-Rate option is equal to the sum of the Euro-Rate plus 55 basis points. At June 30, 2019 and 2018, $2,114 (in both years) of the Unsecured Line of Credit was used as collateral for letters of credit with the Philadelphia Redevelopment Authority and National Union Fire Insurance.

Leases — Temple leases certain facilities and equipment under leases having initial or remaining noncancelable terms in excess of one year. The future minimum lease payments as of June 30, 2019 are as follows:

	Capital Leases	Operating Leases
2020	$ 4,245	$ 24,118
2021	3,220	20,187
2022	1,989	14,953
2023	951	6,431
2024	369	5,529
Thereafter	—	56,084
Total minimum lease payments	10,774	$ 127,302
Amounts representing interest on capital leases	(18)	
Present value of net minimum capital lease payments	$ 10,756	

At June 30, 2019 and 2018, property, plant, and equipment with respect to capital leases had a net book value of $10,155 and $11,745, respectively. Interest expense on capital leases during the years ended June 30, 2019 and 2018 was $498 and $600, respectively.

Rent expense for operating leases is recorded on a straight-line basis over the life of the lease. Rent expense on operating leases during the years ended June 30, 2019 and 2018 was $49,059 and $50,989, respectively.

Interest — Total interest expense incurred, net of capitalized interest, was $50,781 and $54,431 for the years ended June 30, 2019 and 2018, respectively. Temple capitalizes interest cost on qualifying assets. Property, plant, and equipment includes capitalized interest of $1,339 and $2,679 at June 30, 2019 and 2018, respectively.

Fair Value and Maturity — As of June 30, 2019 and 2018, the fair value of Temple's bond issuances (excluding net unamortized premium of $70,478 and $74,279, respectively, deferred financing costs of $9,006 and $7,360, respectively, and accrued interest of $20,463 and $22,027, respectively) with a principal value of $1,071,701 and $1,102,206, respectively, was approximately $1,218,044 and $1,219,418, respectively. The fair value was determined based upon discounted cash flows at current market rates for instruments with similar remaining terms. Temple considers these valuation inputs to be Level 2 inputs in the fair value hierarchy (see Note 10). The market prices utilized reflect the rate that Temple would have to pay to a credit-worthy third-party to assume its obligation and do not reflect an additional liability to Temple.

Long-term debt matures in varying amounts through 2045. The aggregate amounts of principal payments are as follows:

2020	$	34,122
2021		33,812
2022		31,663
2023		38,407
2024		35,509
Thereafter		929,188
Total principal payments		1,102,701
Deferred financing costs		(9,006)
Unamortized premium and discount, net		70,478
Capital leases		10,756
Total long-term debt	$	1,174,929

Section of this Page is Intentionally Blank

10. Fair Value Measurements

Temple applies the provisions of FASB ASC 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

A financial asset or liability classification is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy consists of the following three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that Temple can access at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets primarily consist of money market funds, U.S. treasury securities, equity securities, exchange traded futures contracts, and equity and fixed income mutual funds.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 2 assets primarily consist of corporate bonds and notes, U.S. government agency securities, municipal bonds, and certain equity and fixed income funds.

Level 3 — Unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value or assets that management does not have the ability to redeem. Level 3 inputs include values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting Temple's own assumptions. Level 3 assets consist of perpetual trusts administered by third-parties for which Temple does not have the ability to manage or redeem.

Investments for which fair value is measured using the net asset value per share practical expedient are not included within the fair value hierarchy.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2019 and 2018:

Section of this Page is Intentionally Blank

June 30, 2019	Level 1	Level 2	Level 3	Total
Investments (including endowment):				
Money market funds	$ 50,955	$ 1,032	$ —	$ 51,987
Corporate bonds and notes	—	306,314	—	306,314
U.S. government and agency securities	352,984	31,489	—	384,473
Municipal bonds	—	4,763	—	4,763
Fixed income funds	15,484	—	—	15,484
Equity funds and securities	423,176	—	—	423,176
Futures contracts§	780	—	—	780
Real estate funds	—	670	—	670
Other	—	1,981	—	1,981
Total investments in fair value hierarchy	$ 843,379	$ 346,249	$ —	1,189,628
Investments measured at NAV				484,298
Investments carried at equity				3,559
Total investments				$ 1,677,485
Self-insurance trust funds:				
Money market funds	$ 278	$ —	$ —	$ 278
Corporate bonds and notes	—	3,206	—	3,206
U.S. government securities	10,254	744	—	10,998
Total self-insurance trust funds	$ 10,532	$ 3,950	$ —	$ 14,482
Deposits with trustees:				
Money market funds	$ 46,069	$ —	$ —	$ 46,069
U.S. government securities	25,850	—	—	25,850
Total deposits with trustees	$ 71,919	$ —	$ —	$ 71,919
Funds held in trust by others:				
Funds held in trust by others	$ —	$ —	$ 74,756	$ 74,756
Beneficial interest in assets held by Episcopal Foundation	—	—	28,163	28,163
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	58,435	58,435
Total funds held in trust by others	$ —	$ —	$ 161,354	$ 161,354

§ Futures contracts are valued at the net unrealized appreciation (depreciation) on the instrument (see Note 3).

June 30, 2019	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	$ 5,707	$ —	$ —	$ 5,707
Fixed income funds	33,697	—	—	33,697
Corporate bonds and notes	—	33,297	—	33,297
U.S. government and agency securities	19,158	—	—	19,158
Municipal bonds	—	619	—	619
Collateralized mortgage obligations	—	1,058	—	1,058
Equity funds	81,399	—	—	81,399
Exchange traded funds	445	—	—	445
Total pension plans in fair value hierarchy	$ 140,406	$ 34,974	$ —	175,380
Pension plans measured at NAV				35,458
Total pension plans				$ 210,838
Postretirement plans:				
Money market funds	$ 2,259	$ —	$ —	$ 2,259
U.S. government securities	36,888	—	—	36,888
Equity funds and securities	35,952	—	—	35,952
Total postretirement plans in fair value hierarchy	$ 75,099	$ —	$ —	75,099
Postretirement plans measured at NAV				245,854
Total postretirement plans				$ 320,953

Section of this Page is Intentionally Blank

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments (including endowment):				
Money market funds	$ 77,665	958	—	$ 78,623
Corporate bonds and notes	—	287,043	—	287,043
U.S. government and agency securities	289,311	56,429	—	345,740
Municipal bonds	—	7,475	—	7,475
Fixed income funds	12,150	—	—	12,150
Equity funds and securities	365,725	—	—	365,725
Futures contracts§	(805)	—	—	(805)
Real estate	—	320	—	320
Other	—	9,102	—	9,102
Total investments in fair value hierarchy	$ 744,046	$ 361,327	$ —	1,105,373
Investments measured at NAV				484,173
Investments carried at equity				3,910
Total investments				$ 1,593,456
Self-insurance trust funds:				
Money market funds	$ 367	$ —	$ —	$ 367
Corporate bonds and notes	—	3,099	—	3,099
U.S. government securities	10,530	695	—	11,225
Total self-insurance trust funds	$ 10,897	$ 3,794	$ —	$ 14,691
Deposits with trustees:				
Money market funds	$ 61,151	$ —	$ —	$ 61,151
U.S. government and agency securities	9,888	36,510	—	46,398
Total deposits with trustees	$ 71,039	$ 36,510	$ —	$ 107,549
Funds held in trust by others:				
Funds held in trust by others	$ —	$ —	$ 75,568	$ 75,568
Beneficial interest in assets held by Episcopal Foundation	—	—	28,418	28,418
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	56,615	56,615
Total funds held in trust by others	$ —	$ —	$ 160,601	$ 160,601

§ Futures contracts are valued at the net unrealized appreciation (depreciation) on the instrument (see Note 3).

June 30, 2018	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	$ 7,187	$ —	$ —	$ 7,187
Fixed income funds	26,991	—	—	26,991
Corporate bonds and notes	—	35,122	—	35,122
U.S. government and agency securities	19,451	—	—	19,451
Municipal bonds	—	717	—	717
Collateralized mortgage obligations	—	778	—	778
Exchange traded funds	376	—	—	376
Equity funds and securities	76,627	—	—	76,627
Total pension plans in fair value hierarchy	$ 130,632	$ 36,617	$ —	167,249
Pension plans measured at NAV				38,129
Total pension plans				$ 205,378
Postretirement plans:				
Money market funds	$ 2,049	$ —	$ —	$ 2,049
U.S. government securities	32,670	—	—	32,670
Equity funds and securities	61,531	—	—	61,531
Total postretirement plans in fair value hierarchy	$ 96,250	$ —	$ —	96,250
Postretirement plans measured at NAV				228,152
Total postretirement plans				$ 324,402

Temple assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within the fair value hierarchy as a result of changes in, among other things, inputs used, liquidity, or valuation methodologies. During the years ended June 30, 2019 and 2018, Temple did not have any significant transfers between levels within the fair value hierarchy.

The following table is a reconciliation of the changes in fair value of Temple's financial assets, which have been classified in Level 3 in the fair value hierarchy:

	Funds Held in Trust by Others
Balance, June 30, 2017	$ 151,609
Realized and unrealized gains, net	8,992
Balance, June 30, 2018	160,601
Realized and unrealized losses, net	1,290
Expiration of trust	(537)
Balance, June 30, 2019	$ 161,354

Information for investments whose fair value is estimated using its net asset value ("NAV") practical expedient (or its equivalent) at June 30, 2019 and 2018 is as follows:

June 30, 2019	Fair Values: Investments / Endowment	Fair Values: Pensions	Fair Values: Post-retirement	Redemption: Frequency	Redemption: Notice Period
Commodity funds	$ 8,064	$ —	$ 4,081	Daily-Monthly	1-20 days
Multi-strategy hedge funds	178,492	15,448	70,107	Daily-Annual	45-95 days
Private equity	6,937	—	2,856	Illiquid	N/A
Real estate funds	44,569	11,429	15,509	Quarterly	30-90 days
Fixed income funds	35,685	—	29,515	Daily-Monthly	1-30 days
Equity funds	208,330	8,581	122,487	Weekly-Quarterly	3-90 days
Opportunistic funds	2,221	—	1,299	Illiquid	N/A
Total value	$ 484,298	$ 35,458	$ 245,854		

June 30, 2018	Fair Values: Investments / Endowment	Fair Values: Pensions	Fair Values: Post-retirement	Redemption: Frequency	Redemption: Notice Period
Commodity funds	$ 13,228	$ —	$ 6,785	Daily-Quarterly	1-90 days
Multi-strategy hedge funds	151,985	19,001	41,663	Daily-Annual	45-95 days
Private equity	4,278	—	1,630	Various	Various
Real estate funds	35,287	9,707	12,890	Monthly-Quarterly	30-90 days
Fixed income funds	51,704	—	43,465	Daily-Monthly	1-30 days
Equity funds	227,691	9,421	121,719	Daily-Monthly	5-90 days
Total value	$ 484,173	$ 38,129	$ 228,152		

Unfunded commitments at June 30, 2019 and 2018 are as follows:

	June 30, 2019			June 30, 2018		
	Endowment	Post-retirement	Total	Endowment	Post-retirement	Total
Private equity	$ 77,854	$ 32,058	$ 109,912	$ 81,042	$ 33,310	$ 114,352
Real estate funds	51	—	51	51	—	51
Opportunistic funds	8,393	4,249	12,642	—	—	—
Unfunded commitments	$ 86,298	$ 36,307	$ 122,605	$ 81,093	$ 33,310	$ 114,403

Commodity funds include investments in a both long and short commodity derivatives in a unitized fund structure.

Multi-strategy hedge funds include hedge fund-of-funds that invest in the commingled funds of hedge fund managers. Funds are allowed to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds may make equity, credit/fixed income, rate, and currency investments. Strategies employed may include long/short, event-driven, arbitrage, and macro.

Private equity investments include private partnerships, funds and/or other special purpose vehicles that invest in a range of strategies including, venture capital, growth equity, leveraged buyouts, credit-oriented opportunities, mezzanine and distressed debt, and special situations. Investments fund "start-up" companies or the buyout of existing companies or divisions within a company. Investments include domestic or international and encompass private and public securities. These funds can never be redeemed and these investments typically require capital lock-ups of 10 years or more.

Real estate funds include investments in public or private partnerships, funds and/or special purpose vehicles that make private real estate investments located within or outside the United States. Major sectors within this space include apartments, office properties, regional properties, industrial properties, and hotels, but may include land, medical facilities, self-storage and other real property investments. Investments may include equity, debt, or both and may encompass "core", "value-added", or "opportunistic" opportunities. Investments are typically structured as partnerships.

Fixed income funds include investments made in commingled funds or fund-of-funds that invest in sovereign and government debt securities, corporate debt securities, U.S. Treasury Inflation-Protected securities. These funds generally seek long-term capital appreciation and provide a hedge against inflation.

Equity funds include investments made in commingled funds or fund-of-funds that invest in U.S., international, and global equity securities through a variety of active strategies. The funds generally seek long-term capital appreciation.

Opportunistic funds include investments with attractive risk/return characteristics based on a particular market environment. These investments include strategies such as private credit, distressed debt, and direct lending.

11. Endowment Funds

Temple's endowment consists of a portfolio of actively managed individual funds established for a variety of purposes, including providing a funding source for (i) operations; (ii) scholarships and awards; (iii) academic leadership funds; and (iv) the master facility plan. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, 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.

Board-Designated Endowment Funds — Board-designated endowment funds are quasi-endowment funds created by the Board of Trustees by designating a portion of Temple's net assets without donor restrictions to be invested to provide income for an intended purpose. Board-designated endowment fund assets are recognized in net assets without donor restrictions.

Interpretation of Relevant Law — ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA, but rather has enacted Pennsylvania Act 141. The Board of Trustees has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Temple classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of Temple has interpreted the relevant law as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Temple considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Temple has interpreted the relevant law to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the relevant law, Temple considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund; (ii) the purposes of the organization and the donor-restricted endowment fund; (iii) general economic conditions; (iv) the possible effect of inflation and deflation; (v) the expected total return from income and the appreciation of investments; (vi) other resources of the organization; and (vii) the investment policies of Temple.

Underwater Endowment — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original value or the level that the donor requires Temple to retain as a fund of perpetual duration. When donor-restricted endowment deficiencies exist, they are classified as a reduction of donor-restricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred subsequent to the investment of contributions (often shortly after the investment of newly established endowments) and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Underwater endowments at June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Underwater endowments:		
Number of underwater donor-restricted endowments	148	70
Original gift value	$ 34,192	$ 10,926
Fair value	33,477	10,765
Endowment deficiencies	$ (715)	$ (161)

Endowment Investment Policy — Temple has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this approach, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the total of the amount drawn annually for operations plus the rate of inflation and investment management fees. Temple expects its endowment funds, over time, to provide an average real rate of return, net of investment management fees, of approximately 5.00% annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Temple 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). Temple targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy — Annually, the Board of Trustees approves a spending rule distribution percentage that is consistent with the long term preservation of the real value of the assets, but in no event shall the percentage be less than 2.00% nor more than 7.00% per year. During the years ended June 30, 2019 and 2018, Temple's spending rule limited the spending of endowment resources to 4.50% of the average fair value of endowment funds for the prior twelve fiscal quarters (see Note 24). To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use. These endowment funds include scholarship funds, awards funds, academic leadership funds, and master facility funds. The draw to operations under the spending policy for the years ended June 30, 2019 and 2018 totaled $31,172 and $28,108, respectively.

Temple's endowment balances, including board-designated endowment funds, by net asset classification at June 30, 2019 and 2018 are as follows:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 268,421	$ —	$ 268,421
Donor-restricted endowment funds:*			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	346,391	346,391
Accumulated investment gains	—	54,064	54,064
Term endowment funds	—	13,326	13,326
Total endowment funds	$ 268,421	$ 413,781	$ 682,202

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 275,835	$ —	$ 275,835
Donor-restricted endowment funds:*			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	329,814	329,814
Accumulated investment gains	—	63,733	63,733
Term endowment funds	—	14,583	14,583
Total endowment funds	$ 275,835	$ 408,130	$ 683,965

* Excludes donor restricted funds held in trust by others of $74,756 at June 30, 2019 and $75,568 at June 30, 2018 (see Notes 10 and 15).

Section of this Page is Intentionally Blank

The changes in Temple's endowment assets (excluding changes in funds held in trust by others, see Notes 10 and 15) for the years ended June 30, 2019 and 2018 are as follows:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 275,835	$ 408,130	$ 683,965
Investment return:			
Investment income	—	3,615	3,615
Net realized gain	455	619	1,074
Net unrealized gain	4,289	5,786	10,075
Total investment return	4,744	10,020	14,764
Contributions and transfers:			
Donor contributions	253	13,792	14,045
Other	(974)	1,574	600
Total contributions and transfers	(721)	15,366	14,645
Appropriation of endowment assets for expenditure (spending rule)	(11,437)	(19,735)	(31,172)
Endowment net assets, end of the year	$ 268,421	$ 413,781	$ 682,202

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 250,694	$ 364,658	$ 615,352
Investment return:			
Investment income	—	6,748	6,748
Net realized gain	44,038	53,609	97,647
Net unrealized loss	(25,606)	(31,062)	(56,668)
Total investment return	18,432	29,295	47,727
Contributions and transfers:			
Donor contributions	317	32,367	32,684
Board-designated endowment	15,825	—	15,825
Other	99	386	485
Total contributions and transfers	16,241	32,753	48,994
Appropriation of endowment assets for expenditure (spending rule)	(9,532)	(18,576)	(28,108)
Endowment net assets, end of the year	$ 275,835	$ 408,130	$ 683,965

12. Liquidity and Availability of Resources

Temple's financial assets and liquidity resources available within one year of the consolidated balance sheet date for general expenses (e.g. operating expenses and scheduled payments on debt) are as follows:

	June 30, 2019	June 30, 2018
Financial assets:		
Cash and cash equivalents	$ 343,524	$ 347,535
Investments (excluding purpose designated funds)	841,483	763,199
Accounts, loans, and contributions receivable, net (excluding donor restricted receivables)	620,463	470,339
Appropriation of board-designated endowment assets for general operating expenditures in the following year (estimate based on the fiscal year-end fair values and board approved spending rate for the subsequent year)	6,900	7,489
Total financial assets available within one year to fund general expenses	1,812,370	1,588,562
Liquidity resources (Note 9):		
Revolving line of credit (undrawn) (University)	100,000	100,000
Revolving line of credit (undrawn) (TUHS)	40,000	40,000
Unsecured line of credit (undrawn and unpledged) (University)	5,386	5,386
Total financial assets and liquidity resources available within one year	$ 1,957,756	$ 1,733,948

Temple's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, for fiscal year 2019 and 2018 the Board of Trustees approved current distribution of 4.50% of the average fair value for the prior 12 fiscal quarters, for a total spending rule appropriation of $31,172 and $28,108, respectively.

Temple's cash flows have seasonal variations during the year, primarily attributable to the collection of tuition, the timing of receipts of the Commonwealth of Pennsylvania appropriation, and the collection of donor contributions, which are typically more concentrated at calendar and fiscal year-end. As part of Temple's liquidity management, Temple structures its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, Temple invests cash in excess of daily requirements in cash equivalents and short-term investments. To help manage unanticipated liquidity needs, Temple has committed lines of credit in the excess of $145,000, which it could draw upon. Additionally, at June 30, 2019 and 2018, Temple's board-designated endowment totaled $268,421 and $275,835, respectively, of which $162,347 and $166,418, respectively, has been board-designated to support general operations. Although Temple does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available. Temple also has unfunded commitments on alternative investments (see Note 10 for investment disclosures).

13. Professional Liability Insurance

Temple purchases primary commercial claims-made insurance coverage for professional liability claims from a commercial insurer, which in turn reinsures all of the risk with GSIC, a wholly-owned captive insurance company domiciled in Bermuda. Temple is self-insured through its captive insurance companies. In addition, Temple obtains $500 ($1,500 aggregate) coverage for its physicians from the Medical Care Availability and Reduction of Error fund ("Mcare") and also purchases excess coverage from unaffiliated commercial insurers.

The Mcare Act was enacted by the Pennsylvania legislature in 2002. The Mcare Act created the Mcare Fund, which is the state-mandated funding mechanism for the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by Temple's physicians and other health care providers practicing in the state. The Mcare Fund is funded on a pay-as-you-go basis. The Mcare Fund levies health care provider surcharges, calculated as a percentage of the premiums established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency) for basic coverage, to pay claims and administrative expenses on behalf of Mcare Fund participants. The Mcare Act legislation provides for the gradual phase-out of Mcare Fund coverage; however, this has been deferred by the Pennsylvania legislation and will be considered in the future.

Self-insured professional liabilities include amounts for reported claims, which, depending on occurrence and aggregate limits, are retained (through June 30, 2019, see Note 24) by Temple's insurance captives, the University, or TUHS, and claims incurred but not reported, which are retained by the University and TUHS. The gross carrying amount of accrued asserted and unasserted actuarially determined professional liability claims, includes self-insured professional liabilities plus amounts retained by Mcare and commercial insurers. Professional liabilities (discounted at 1.75% at June 30, 2019 and 2.75% at June 30, 2018) and related recoveries are as follows:

	June 30, 2019	June 30, 2018
Accrued professional liability claims retained, net	$ 190,749	$ 200,413
Plus: Accrued liabilities above retention limits (estimated insurance recoveries)	37,671	35,614
Accrued professional liability claims, gross	228,420	236,027
Less: Current portion of accrued professional liability claims, gross	(43,099)	(53,353)
Non-current, accrued professional liability claims, gross	$ 185,321	$ 182,674

Professional liability claims are included in *Accrued expenses* with the corresponding estimated insurance recoveries recorded in *Accounts, loans, and contributions receivable, net* in Temple's consolidated balance sheets.

14. Commitments and Contingencies

From time to time, claims are made against Temple based on a variety of theories of liability, including without limitation alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on Temple's future financial position or changes in its net assets. See Note 9 for commitments under capital and operating leases, Note 10 for unfunded investment commitments, and Note 20 for assets pledged as collateral.

15. Net Assets

A summary of Temple's net assets is as follows:

	June 30, 2019	June 30, 2018
Net Assets:		
Without donor restrictions	$ 2,219,495	$ 2,103,525
With donor restrictions:		
Term endowments, life income funds, and accumulated endowment gains	67,390	78,316
Contributions for instruction, research, and support	43,901	45,840
Contributions for property, plant, and equipment	148,857	100,036
Corpus of contributions for endowments	346,391	329,814
Corpus of contributions for student loans	215	215
Funds held in trust by others	74,756	75,568
Beneficial interest in Episcopal Foundation	28,163	28,418
Beneficial interest in Fox Chase Cancer Center Foundation	58,435	56,615
Total net assets with donor restrictions	768,108	714,822
Total net assets	$ 2,987,603	$ 2,818,347

16. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30, 2019 and 2018 consist of the following:

	June 30, 2019	June 30, 2018
Accounts payable	$ 188,628	$ 166,739
Accrued interest payable	20,463	22,027
Accrued payroll	34,656	33,254
Accrued vacation	34,132	31,259
Claim based liabilities, professional (Note 13), worker's compensation, general liability, and health and welfare benefits	271,030	285,442
Conditional asset retirement obligation (Note 8)	13,039	13,135
Student and other deposits	2,783	2,100
Estimated retroactive adjustments, third-party payors	13,152	15,520
Other	101,059	93,952
Total accounts payable and other accrued expenses	678,942	663,428
Less: Current portion	(426,203)	(402,886)
Non-current, accounts payable and other accrued expenses	$ 252,739	$ 260,542

17. Patient Care Activities

Temple provides health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. Temple serves a disproportionately high number of poor or indigent patients and accordingly, derives a substantial portion of its patient care revenues from the Federal Government (Medicare) and Commonwealth of Pennsylvania (Medical Assistance) programs. At June 30, 2019 and 2018, Temple had net accounts receivable from Medicare of $29,382 and $39,836, respectively, and from Medical Assistance of $56,878 and $53,198, respectively (see Note 4).

Patient accounts receivables are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and Temple ceases collection efforts. Overall, the total of self-pay write-offs for the year ended June 30, 2019 has not changed significantly from the year ended June 30, 2018. Temple has not experienced significant changes in write-off trends nor has Temple changed its charity care policy (see Note 18).

As discussed in Note 2, *Patient care activities* revenue includes estimates of reimbursement from third-party payors. During the years ended June 30, 2019 and 2018, *Patient care activities* revenue increased by $5,584 and $4,719, respectively, as a result of settlements or changes in estimates related to prior years TUHS cost reports.

See Note 21 for a summary of *Patient care activities* revenues recognized by major payor sources based on primary insurance designation.

18. Charity Care

Temple maintains detailed records to identify and monitor the level of charity care it provides to its patients. Charity care costs are estimated by applying an overall cost to charge ratio to charity care charges. During the years ended June 30, 2019 and 2018, the estimated costs and expenses incurred to provide charity care, including the estimated unreimbursed cost of services in excess of specific payments for services rendered to Medical Assistance recipients, were $274,856 and $256,857, respectively (see Note 19).

19. Commonwealth of Pennsylvania Grants and Other Support

Temple receives support from the Commonwealth of Pennsylvania primarily in the form of the Commonwealth of Pennsylvania appropriations (operations and infrastructure), grants and contracts, and medical assistance supplemental funding. Medical assistance supplemental funding is to provide accessibility to health care services, including care for the uninsured and indigent population of Pennsylvania (see Note 18). Patient care supplemental funding provided by the Commonwealth of Pennsylvania is included in *Patient care activities* revenue in the consolidated statements of activities. There is no guarantee that funding from the Commonwealth of Pennsylvania will continue consistent with historical levels in future years. Under certain circumstances, Temple could be required to repay certain of the support received from the Commonwealth of Pennsylvania.

Support received from the Commonwealth of Pennsylvania during 2019 and 2018 is as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Commonwealth of Pennsylvania support:		
Patient care related:		
Access to Care program funds	$ 200,968	$ 167,812
State and local hospital assessment program:		
Assessment revenues	89,088	82,130
Assessment expenses	(48,909)	(46,787)
Net state and local hospital assessment program	241,147	203,155
Academic Health Center funding	6,266	6,210
Total patient care support	247,413	209,365
Non-patient care related:		
Appropriation	155,104	150,586
Share of appropriation used to support matching funds under the Commonwealth of PA Medical Assistance Program*	(60,700)	(47,712)
Appropriation, net	94,404	102,874
Grants and contracts	15,032	13,944
Grants for property, plant, and equipment	49,412	43,399
Total non-patient care support	158,848	160,217
Total Commonwealth of Pennsylvania support	$ 406,261	$ 369,582

* Recorded in *Patient care activities* revenue by TUHS.

In addition to the above Commonwealth of Pennsylvania funding amounts, which are included in *Revenues* and *Other changes in net assets* in the consolidated statements of activities, TUHS received Academic Health Center funding from the Commonwealth of Pennsylvania totaling $6,266 in 2019 and $6,210 in 2018, which was transferred from TUHS to the University to support allowable academic health center costs. Such funding is included in *Transfer from TUHS* in the consolidated statements of activities.

20. Pledged Assets

At June 30, 2019 and 2018, GSIC had restricted cash of $320 and $950, respectively, and non-current investments in fixed income securities of $38,271 and $39,290, respectively, held in trust in order to secure GSIC's liabilities under certain reinsurance contracts.

At June 30, 2019 and 2018, TUHIC had restricted cash of $488 and $1,132, respectively, and non-current investments in fixed income securities of $47,578 and $48,905, respectively, held in trust in order to secure TUHIC's liabilities under certain reinsurance contracts.

At June 30, 2019 and 2018, the University had $4,665 and $3,570, respectively, of non-current investments in fixed income securities pledged as collateral under futures contracts (see Note 3).

See Note 9 for amounts pledged as collateral under Temple's bond issuances, lines of credit, and letters and credit and Note 10 for unfunded investment commitments.

21. Revenue

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Undergraduate and graduate students who adjust their course load or withdraw completely within the "drop/add period", typically the first two weeks of the academic term, are entitled to receive a full credit for all charges and a refund for any payments made in accordance with the University's "drop/add" policy. Professional students do not have a formal "drop/add" period and all coarse load adjustments for professional students are at the discretion of the University. Effective for academic year 2020, payments for tuition are due approximately two weeks subsequent to the start of the academic term. Prior to academic year 2020, payments for tuition were due approximately one week prior to the start of the academic year.

When students enroll or register for classes, a contract exists between the University and the student. For professional students, this typically occurs prior to fiscal year-end for the subsequent academic year. As professional students do not have discretion over the "drop/add" process, the University considers such contract an indication of the professional student's financial responsibility for the tuition and fees associated with those courses and a contractual agreement to the related payment terms. For non-professional students, the contract is considered cancelable until the "drop/add" period has ended, therefore, revenue and any deferred revenue contract obligation is recorded subsequent to the "drop/add" period (or if cash is received in advance of performance obligation).

The University offers two summer sessions. Summer I is provided in fiscal quarter four and Summer II spans fiscal years. Because the academic term for Summer II spans two reporting periods, a portion of the payments for Summer II (approximately 90%) are included in deferred revenue at June 30.

Temple's revenues primarily consist of tuition and fees, auxiliary enterprises, Commonwealth of Pennsylvania appropriations, grants and contracts, contributions, and patient care activities. Revenue recognition by revenue source is as follows (see Note 2 for additional revenue disclosures):

Revenue Source	Revenue Recognition
Tuition and fees	Ratably over the academic term
Commonwealth operating appropriation	Ratably over the fiscal year
Commonwealth capital appropriation	Expense reimbursement
Grants and Contracts (exchange transactions)	As performance obligations are satisfied
Contributions (non-exchange transaction)	When the barrier (condition) is satisfied. If no barrier and no right of return/release exist, then recognized when received.
Patient care activities	As services are provided
Auxiliary enterprises:	
Housing	Ratably over the academic term
Meal Plans	Ratably over the academic term
Ticket sales	After event occurs
Parking passes	Ratably over the parking permit period
Other (e.g. event parking, programs, merchandise, concessions)	Point-of-sale

Deferred Revenue — Deferred revenue primarily includes payments received prior to the start of the academic term. The following table depicts activities for deferred revenue during the year ended June 30, 2019.

	Tuition and Fees							
	Summer II (Undergrad/ Grad)	Fall Semester (Undergrad/ Grad)	Professional Students	Sponsored Contracts (Exchange)	Auxiliary Contract Liabilities	Deferred Rent	Other Deferred Revenues	Total
Balance at June 30, 2018	$ 19,449	$ 3,321	$ 16,741	$ 13,265	$ 12,204	$ 4,754	$ 3,728	$ 73,462
Revenue Recognized in 2019	(19,449)	(3,321)	(16,741)	(13,265)	(2,153)	(730)	(3,728)	(59,387)
Cash received and contracts entered into in advance of performance	18,427	3,683	17,469	17,011	4,283	—	956	61,829
Balance at June 30, 2019	$ 18,427	$ 3,683	$ 17,469	$ 17,011	$ 14,334	$ 4,024	$ 956	$ 75,904

The current portion of *Deferred revenue* of $59,880 at June 30, 2019 will be recognized as revenue in fiscal 2020 in accordance with the revenue recognition policies described above and in Note 2.

Temple has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract that has an original expected duration of one year or less. Temple expects to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

Disaggregation of Revenue — In 2019 academic year, approximately 69% of the University's students are residents of the Commonwealth of Pennsylvania, and approximately 31% are from outside of Pennsylvania. The following tables provide the disaggregation of revenues at June 30, 2019 and 2018 for *Tuition and fees*, *Grants and contracts*, *Auxiliary enterprises*, and *Patient care activities.*

Revenues from *Tuition and fees*, during the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Tuition and fees revenues:		
Undergraduate students	$ 640,950	$ 627,839
Graduate students	137,949	138,040
Professional	135,775	132,050
Continuing education	8,590	9,833
Temple's Japan campus	24,218	24,287
Fees	50,080	51,268
Total tuition and fee revenues	997,562	983,317
Less: Discounts	(147,600)	(144,537)
Total tuition and fees revenues, net of discounts	$ 849,962	$ 838,780

Revenues from *Grants and contracts*, during the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Grants and contracts revenues:		
Federal	$ 147,470	$ 146,684
Commonwealth of Pennsylvania	15,032	13,944
Local	4,996	3,757
Private	54,933	42,693
Total grants and contracts revenues	$ 222,431	$ 207,078

Revenues from *Auxiliary enterprises*, during the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Auxiliary enterprises revenues:		
Housing	$ 62,575	$ 61,773
Meal plans	25,306	24,586
General activity fee	3,343	3,378
Athletics	14,929	8,831
Parking service	6,601	6,454
Liacouras Center	2,789	2,858
Other (primarily includes food services, bookstore, and TU Press)	11,678	9,953
Total auxiliary enterprises revenues	$ 127,221	$ 117,833

Revenues from *Patient care activities* recognized by major payor sources based on primary insurance designation during the years ended June 30, 2019 and 2018 were as follows:

	2019			2018		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Patient care						
Medicare	$ 338,105	$ 283,091	$ 621,196	$ 355,947	$ 262,299	$ 618,246
Medicaid	228,927	155,037	383,964	205,708	148,043	353,751
Commercial	204,199	450,822	655,021	211,824	434,836	646,660
Self-pay	751	14,754	15,505	1,436	18,552	19,988
Other	282,609	154,269	436,878	203,407	121,721	325,128
Total patient care activities*	$ 1,054,591	$ 1,057,973	$ 2,112,564	$ 978,322	$ 985,451	$ 1,963,773

* Physician revenue is included in outpatient revenue in the above table.

22. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall service mission of Temple. Temple's primary service missions are academic instruction, research, and patient care. Each functional classification displays all expenses related to the underlying operations by natural classification. Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Operation and maintenance of plant expenses (“O&M”) and depreciation expense (excluding depreciation related to auxiliary and library books) are allocated to the functional expense classifications based upon the proportionate share of expenses (excluding O&M and depreciation) reported in each functional classification. Depreciation related to auxiliary fixed assets (e.g. dormitories, parking garages, and athletics) is fully allocated to *Auxiliary enterprises expense* and depreciation related to library books is fully allocated to *Academic support expense*. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt.

Functional expense categories are as follows:

Academic and Student Services:

Instruction: Expenses for all activities that are part of the University’s instruction program and include expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions.

Academic Support: Expenses incurred to provide support services for the University's primary missions of instruction, research, and public service and includes expenses related to providing services that directly assist the academic functions of the University.

Student Services: Expenses incurred for activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenses for student services administration; social and cultural development; counseling and career guidance; financial aid administration; student admissions; maintenance of student records; and student health services.

Student aid: Grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to students.

Research and Public Service:

Research: Expenses for activities specifically organized to produce research, whether commissioned by an agency external to Temple or separately budgeted by an organizational unit within Temple.

Public Service: Expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the University. These activities include community service programs (excluding instructional activities) and cooperative extension services.

Institutional Support: Expenses for central, executive-level activities concerned with management and long-range planning for the entire University. Institutional support includes executive management, fiscal operations, general administration, and public relations/development.

Auxiliary Enterprises: Expenses relating to the operation of auxiliary enterprises. Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. Auxiliary enterprises include residence halls, food services, intercollegiate athletics, University stores, faculty clubs, and parking.

Patient Care Activities: Primarily includes expenses associated with TUHS and TUP, the University's clinical faculty practice plan; as well as expenses from the University's schools of dentistry and podiatry.

Expenses by functional and natural classification for the year ended June 30, 2019 are as follows:

2019	Academic and Student Services	Research and Public Service	Institutional Support	Operations and Maintenance	Auxiliary Enterprises	Patient Care Activities	Total Expenses
Salaries and wages	$ 465,420	$ 112,333	$ 75,872	$ 33,013	$ 26,625	$ 885,094	$ 1,598,357
Employee benefits	118,142	27,581	21,609	8,766	6,594	226,159	408,851
Operating expenses	153,405	67,287	61,550	57,032	74,311	801,069	1,214,654
Allocations and cost recoveries:							
Depreciation	51,902	13,596	10,089	—	25,510	45,046	146,143
Interest on indebtedness	8,356	2,008	764	1,121	15,371	23,161	50,781
Operations and maintenance	57,097	16,518	12,702	(83,732)	—	30,898	33,483
TUHS cost recovery	(43,727)	(277)	(7,157)	(16,200)	—	67,361	—
Total operating expenses	$ 810,595	$ 239,046	$ 175,429	$ —	$ 148,411	$ 2,078,788	$ 3,452,269

23. Goodwill and Other Intangible Assets

At June 30, 2019 and 2018, goodwill and other intangible assets totaled $16,976 and $18,436, respectively. Intangible assets primarily relate to the affiliation with American Oncologic Hospital ("AOH") and acquisitions of community-based primary care practices by Temple Physicians, Inc.

Details of intangible assets as of June 30, 2019 and 2018 are as follows:

June 30, 2019	Amortizing				Non-Amortizing
	Gross Carrying Amount*	Accumulated Amortization	Impairment	Net Book Value	Book Value¥
Intellectual property	$ 4,342	$ (2,742)	$ (726)	$ 874	$ —
Contracts and agreements	1,860	(1,015)	—	845	—
Physician contracts	2,346	(2,238)	(108)	—	—
Other	619	(450)	—	169	—
Goodwill	—	—	—	—	524
Trade name - AOH	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,564
Total intangible assets	$ 9,167	$ (6,445)	$ (834)	$ 1,888	$ 15,088

June 30, 2018	Amortizing				Non-Amortizing
	Gross Carrying Amount*	Accumulated Amortization	Impairment	Net Book Value	Book Value¥
Intellectual property	$ 5,615	$ (2,472)	$ (1,273)	$ 1,870	$ —
Contracts and agreements	1,860	(870)	—	990	—
Physician contracts	2,390	(2,074)	(44)	272	—
Other	619	(403)	—	216	—
Goodwill	—	—	—	—	524
Trade name - AOH	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,564
Total intangible assets	$ 10,484	$ (5,819)	$ (1,317)	$ 3,348	$ 15,088

* Net of impairments recorded in prior years

¥ Net of impairments of $0 in 2019 and $420 in 2018.

Amortization expense for the years ended June 30, 2019 and 2018 was $626 and $875, respectively.

Amortization expense in future years is estimated as follows:

2020	$	331
2021		304
2022		304
2023		289
2024		234
Thereafter		426
	$	1,888

The changes in the carrying amount of goodwill and other intangible assets for the years ended June 30, 2019 and 2018 are as follows:

	Goodwill		Other Intangibles		Total	
Balance, June 30, 2017	$	524	$	20,520	$	21,044
Acquisitions, physician contracts		—		4		4
Amortization		—		(875)		(875)
Impairment, indefinite live assets		—		(420)		(420)
Impairment, amortizing assets		—		(1,317)		(1,317)
Balance, June 30, 2018		524		17,912		18,436
Amortization		—		(626)		(626)
Impairment, amortizing assets		—		(834)		(834)
Balance, June 30, 2019	$	524	$	16,452	$	16,976

24. Subsequent Events

Temple has evaluated subsequent events through October 25, 2019, the date the consolidated financial statements were available to be issued. Except as noted below, there were no events requiring adjustments to or disclosure in the consolidated financial statements.

Effective July 1, 2019, in order to consolidate and better coordinate the clinical activities of Temple's healthcare enterprise, the University transitioned its physician practice plan known as Temple University Physicians, formerly an unincorporated subdivision of the LKSOM, to Temple Faculty Practice Plan, Inc. ("TFPP"), a newly-formed subsidiary of TUHS. During the years ended June 30, 2019 and 2018, the University's physician practice plans had revenues of $203,777 and $200,634, respectively, and operating expenses and transfers of $208,152 and $202,495, respectively. At June 30, 2019, the University's physician practice plans had assets (primarily comprised of patient activity receivables, professional liability insurance recoveries, and PP&E) totaling $72,157 and liabilities (primarily comprised of accrued salary expenses and professional liability reserves) totaling $101,732. On July 1, 2019, the assets and liabilities of the University's physician practice plans were transferred to TFPP, with the transfer occurring at the carrying value of the assets and liabilities at June 30, 2019. Effective July 1, 2019, all activities related to the physician practice plan were assumed by TFPP and all activities related to the physician practice plan are fully consolidated into TUHS.

Also effective July 1, 2019, the assets and liabilities in the University's wholly-owned professional liability insurance captive GSIC were transferred to TUHS' wholly-owned professional liability insurance captive TUHIC, with the transfer occurring at the carrying value of the assets and liabilities at June 30, 2019. At June 30, 2019 and 2018, GSIC assets (primarily comprised of cash, cash equivalents, and investments) totaled $41,222 and $45,194, respectively, and liabilities (primarily comprised of professional liability claim reserves) totaled $26,531 and $24,878, respectively. On July 1, 2019, all reinsurance rights, interest, duties, obligations, responsibilities, and liabilities previously reinsured by GSIC were assumed by TUHIC. GSIC is expected to be dissolved during fiscal 2020.

As part of the asset transfer agreement related to the TUP and GSIC transactions, the University will also transfer cash proceeds to TUHS in an amount equal to the June 30, 2019 combined net deficit of TUP and GSIC.

In July 2019, Temple agreed to sell American Oncologic Hospital, doing business as, The Hospital of the Fox Chase Cancer Center and its share of the insurer Health Partners Plans to Thomas Jefferson University. The terms of the agreement of sale will be set upon completion of a formal agreement.

Effective July 1, 2019, the University Board of Trustees approved the fiscal 2020 spending rule distribution percentage of 4.25%, a 25 basis-point reduction from the 4.50% effective during fiscal 2019 and 2018.

* * * * *

Supplemental Schedules

The following schedules reflect the changes in net assets without donor restrictions for the University and its controlled entities. The columnar classification reflects the various budgetary categories and operations of Temple. The University's Clinical Faculty Practice Plans primarily includes TUP's clinical activities. Other long-term net assets include the net book value of property, plant, and equipment, net assets set aside to retire debt, University matching of federal loan programs, and the unfunded liability for pensions and postretirement benefits.

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Net Assets Without Donor Restrictions — For the Year Ended June 30, 2019 (in thousands)

	Net Assets Without Donor Restrictions										
			University, Excluding Temple Educational Support Services								
	Temple University Health System	Temple Educational Support Services	Clinical Practice Plans	Educational and General	Quasi - Endowment	Externally Sponsored Activities	Unexpended Capital	Other Long-term	Total University	Consolidating Eliminations	Total
Revenues:											
Tuition and fees, net of discounts of $147,600	$ —	$ 28,007	$ —	$ 823,755	$ —	$ —	$ —	$ —	$ 823,755	$ (1,800)	$ 849,962
Commonwealth of Pennsylvania appropriation	—	—	—	94,404	—	—	—	—	94,404	—	94,404
Grants and contracts	42,561	—	—	44,590	—	135,278	—	2	179,870	—	222,431
Contributions for operations and endowments	7,723	—	—	1,918	(746)	16,517	—	—	17,689	—	25,412
Investment return	12,238	—	(37)	27,734	—	20,125	323	1,261	49,406	—	61,644
Sales of educational activities	—	—	—	11,489	—	—	—	—	11,489	—	11,489
Auxiliary enterprises	—	—	—	126,191	—	—	143	887	127,221	—	127,221
Patient care activities	1,906,101	—	203,814	2,649	—	—	—	—	206,463	—	2,112,564
Other sources	36,548	—	—	8,731	—	1,223	933	69	10,956	—	47,504
Net assets released from restrictions	7,705	—	—	(46)	—	9,539	—	—	9,493	—	17,198
Total revenues	2,012,876	28,007	203,777	1,141,415	(746)	182,682	1,399	2,219	1,530,746	(1,800)	3,569,829
Expenses:											
Educational and general	51,237	26,766	—	906,031	—	150,024	10,159	82,653	1,148,867	(1,800)	1,225,070
Auxiliary enterprises	—	—	—	104,788	—	603	2,095	40,925	148,411	—	148,411
Patient care activities	1,913,052	—	160,206	5,459	—	—	—	71	165,736	—	2,078,788
Total expenses	1,964,289	26,766	160,206	1,016,278	—	150,627	12,254	123,649	1,463,014	(1,800)	3,452,269
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	—	(14,141)	—	(3,118)	(104,117)	121,376	—	—	—
Retirement of indebtedness	—	—	—	(46,028)	—	—	(168)	46,196	—	—	—
Capital replacement and expansion	—	—	—	(94,823)	—	(5,711)	100,534	—	—	—	—
Transfer from TUP	—	—	(47,946)	47,946	—	—	—	(5,274)	(5,274)	—	(5,274)
Other transfers	—	—	—	(157)	26	(9,036)	14,441	—	5,274	—	5,274
Total transfers	—	—	(47,946)	(107,203)	26	(17,865)	10,690	162,298	—	—	—
Excess (deficit) of revenues over expenses and transfers	48,587	1,241	(4,375)	17,934	(720)	14,190	(165)	40,868	67,732	—	117,560
Other changes in net assets:											
Investment return	6,879	215	—	19,824	(6,694)	—	—	3,143	16,273	—	23,367
Contributions for PP&E	—	—	—	—	—	—	832	334	1,166	—	1,166
Gain (loss) on disposal of PP&E, net	677	(2)	—	(2)	—	—	2,991	(3,180)	(191)	—	484
Actuarial change in accrued pensions and postretirement	(14,870)	—	—	—	—	—	—	(15,347)	(15,347)	—	(30,217)
Transfer from TUHS	(7,736)	—	1,470	6,266	—	—	—	—	7,736	—	—
Currency translation adjustment	—	89	—	(259)	—	—	—	—	(259)	—	(170)
Net assets released from restrictions for PP&E	1,474	—	—	67	—	—	2,239	—	2,306	—	3,780
Total other changes in net assets	(13,576)	302	1,470	25,896	(6,694)	—	6,062	(15,050)	11,684	—	(1,590)
Change in net assets without donor restrictions	35,011	1,543	(2,905)	43,830	(7,414)	14,190	5,897	25,818	79,416	—	115,970
Net assets without donor restrictions, beginning of year	290,816	3,337	15,686	346,827	275,835	86,286	121,490	963,248	1,809,372	—	2,103,525
Net assets without donor restrictions, end of year	$ 325,827	$ 4,880	$ 12,781	$ 390,657	$ 268,421	$ 100,476	$ 127,387	$ 989,066	$ 1,888,788	$ —	$ 2,219,495

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Net Assets WIthout Donor Restrictions — For the Year Ended June 30, 2018 (in thousands)

	Net Assets Without Donor Restrictions										
			University, Excluding Temple Educational Support Services								
	Temple University Health System	Temple Educational Support Services	Clinical Practice Plans	Educational and General	Quasi - Endowment	Externally Sponsored Activities	Unexpended Capital	Other Long-term	Total University	Consolidating Eliminations	Total
Revenues:											
Tuition and fees, net of discounts of $144,537	$ —	$ 28,371	$ —	$ 812,209	$ —	$ —	$ —	$ —	$ 812,209	$ (1,800)	$ 838,780
Commonwealth of Pennsylvania appropriation	—	—	—	102,874	—	—	—	—	102,874	—	102,874
Grants and contracts	39,296	—	—	40,967	—	126,844	—	(29)	167,782	—	207,078
Contributions for operations and endowments	5,761	—	—	1,414	397	15,514	—	—	17,325	—	23,086
Investment return	12,279	—	8	20,767	—	18,450	604	1,629	41,458	—	53,737
Sales of educational activities	—	—	—	10,907	—	—	—	—	10,907	—	10,907
Auxiliary enterprises	—	—	—	116,906	—	—	316	611	117,833	—	117,833
Patient care activities	1,760,621	—	200,626	2,526	—	—	—	—	203,152	—	1,963,773
Other sources	35,491	—	—	10,309	—	1,247	717	44	12,317	—	47,808
Net assets released from restrictions	8,813	—	—	30	—	11,326	—	—	11,356	—	20,169
Total revenues	1,862,261	28,371	200,634	1,118,909	397	173,381	1,637	2,255	1,497,213	(1,800)	3,386,045
Expenses:											
Educational and general	44,313	26,407	—	856,134	—	147,370	11,521	79,552	1,094,577	(1,800)	1,163,497
Auxiliary enterprises	—	—	—	96,700	—	681	481	40,268	138,130	—	138,130
Patient care activities	1,789,028	—	164,411	5,763	—	—		76	170,250	—	1,959,278
Total expenses	1,833,341	26,407	164,411	958,597	—	148,051	12,002	119,896	1,402,957	(1,800)	3,260,905
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	(344)	(21,344)	—	(4,527)	(108,348)	134,563	—	—	—
Retirement of indebtedness	—	—	—	(44,844)	—	—	966	43,878	—	—	—
Capital replacement and expansion	—	—	—	(67,124)	—	(171)	67,295	—	—	—	—
Transfer from TUP	—	—	(37,740)	37,740	—	—	—	—	—	—	—
Other transfers	—	—	—	(3,657)	15,845	(19,804)	4,189	3,427	—	—	—
Total transfers	—	—	(38,084)	(99,229)	15,845	(24,502)	(35,898)	181,868	—	—	—
Excess (deficit) of revenues over expenses and transfers	28,920	1,964	(1,861)	61,083	16,242	828	(46,263)	64,227	94,256	—	125,140
Other changes in net assets:											
Investment return	5,262	—	—	(11,880)	8,899	—	191	(2,303)	(5,093)	—	169
Commonwealth grants for PP&E	—	—	—	—	—	—	43,399	—	43,399	—	43,399
Contributions for PP&E	—	—	—	—	—	—	(1,159)	448	(711)	—	(711)
Loss on disposal of PP&E, net	(55)	(9)	—	—	—	—	—	(3,869)	(3,869)	—	(3,933)
Gain on extinguishment of debt	107	—	—	—	—	—	—	—	—	—	107
Actuarial change in accrued pensions and postretirement	35,457	—	—	—	—	—	—	71,115	71,115	—	106,572
Loss on asset retirement obligation	—	—	—	—	—	—	(477)	—	(477)	—	(477)
Transfer from TUHS	(7,680)	—	1,470	6,210	—	—	—	—	7,680	—	—
Currency translation adjustment	—	(85)	—	83	—	—	—	—	83	—	(2)
Net assets released from restrictions for PP&E	609	—	—	—	—	—	886	—	886	—	1,495
Adoption of ASU 2016-14 (see Note 2):											
Change in underwater endowments	—	—	—	(245)	—	—	—	—	(245)	—	(245)
Contributions of long-lived assets	—	—	—	—	—	—	(43,399)	—	(43,399)	—	(43,399)
Total other changes in net assets	33,700	(94)	1,470	(5,832)	8,899	—	(559)	65,391	69,369	—	102,975
Change in net assets without donor restrictions	62,620	1,870	(391)	55,251	25,141	828	(46,822)	129,618	163,625	—	228,115
Net assets without donor restrictions, beginning of year	228,196	1,467	16,077	291,576	250,694	85,458	168,312	833,630	1,645,747	—	1,875,410
Net assets without donor restrictions, end of year	$ 290,816	$ 3,337	$ 15,686	$ 346,827	$ 275,835	$ 86,286	$ 121,490	$ 963,248	$ 1,809,372	$ —	$ 2,103,525

The following is a summary of Temple's subsidiary organizations included in the consolidated financial statements and their tax-exempt status. Unless otherwise indicated, all exempt organizations are such under Internal Revenue Code Section 501(c)(3).

- Temple University — Of The Commonwealth System of Higher Education ("Temple"), exempt
  - Good Samaritan Insurance Co. Ltd. ("GSIC"), non-exempt (Bermuda)
  - Temple Educational Support Services, Ltd. ("TESS"), non-exempt (Japan)
  - TUMP Offices, Inc. ("TUMP"), exempt 501(c)(2)
  - Global Technology Management Corp., non-exempt (inactive)

  - Temple University Health System, Inc. ("TUHS"), exempt
    - Temple University Hospital, Inc. ("TUH"), exempt
      - Temple University Health System Foundation ("TUHSF"), exempt
    - Temple Physicians, Inc. ("TPI"), exempt
    - Temple Faculty Practice Plan, Inc. ("TFPP"), exempt (incorporated June 2018)
    - Jeanes Hospital ("JH"), exempt
    - Episcopal Hospital ("EH"), exempt
    - TUHS Insurance Co., Ltd. ("TUHIC"), non-exempt (Bermuda)
    - Temple Health System Transport Team, Inc. ("T3"), exempt
    - Temple Center for Population Health, LLC ("TCPH"), exempt
    - American Oncologic Hospital ("AOH"), exempt (doing business as, The Hospital of the Fox Chase Cancer Center)
      - Fox Chase Limited ("FC"), non-exempt
      - Institute for Cancer Research ("ICR"), exempt (doing business as, The Research Institute of Fox Chase Cancer Center)
      - Fox Chase Cancer Center Medical Group, Inc. ("MGI"), exempt
      - Fox Chase Network, Inc. ("Network"), exempt