



*Moving Forward Together*

# Princeton University Highlights

Fiscal years ending June 30

## FINANCIAL

(dollars in thousands)	2021	2020
<b>Principal sources of revenues</b>		
Tuition and fees (net)	\$ 104,671	\$ 133,287
Government grants and contracts	342,042	336,660
Private gifts, grants, and contracts	166,494	167,524
Investment earnings, including unrealized gains or losses	11,828,798	1,386,133
<b>Principal purposes of expenditures</b>		
Academic and research	1,119,674	1,102,833
Student services and support	286,459	290,050
General administration and operations	291,399	274,590
<b>Summary of financial position</b>		
Assets	44,460,038	33,030,216
Liabilities	4,997,204	4,573,636
Net assets	39,462,834	28,456,580
<b>Net assets</b>		
Without donor restrictions	17,355,782	12,401,995
With donor restrictions	21,896,017	15,866,206
Noncontrolling interests	211,035	188,379
<b>Total</b>	<b>\$ 39,462,834</b>	<b>\$ 28,456,580</b>

## STUDENTS

<b>Enrollment</b>		
Undergraduate students	4,688	5,328
Graduate students	3,079	2,997
<b>Degrees conferred</b>		
Bachelor's degrees	1,175	1,268
Advanced and all other degrees	898	920
<b>Annual tuition rate</b>		
Undergraduate	\$ 48,502	\$ 51,870
Graduate	53,890	51,870

## FACULTY

Full-time equivalent	1,007	1,041
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*In the Nation's Service  
and the Service of Humanity.*

# 2020-21



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“Our long, unwelcome separation teaches us this: to forge a common good together, we must break bread together.”



We must, in other words, relate to one another not just as disembodied intellects, interests or ideologies, or as faces in Zoom boxes, but also as real, three-dimensional people who share basic needs and a common humanity. We must all recover, renew and reinvigorate the genuinely human forms of connection so missing from our world over the last year and all too absent, even before the pandemic, from our country’s conversations about America’s common good.”

— **President Christopher L. Eisgruber**, Commencement, May 2021







Approximately 1,100 seniors, 200 graduate students, and 3,000 guests attended Princeton's 274th Commencement ceremony in Princeton Stadium on May 16, 2021. Students sat in chairs spaced apart on Powers Field, while guests were socially distanced in assigned seating among the stands.

# Setting Our Eyes on the Future

## LETTER FROM THE TREASURER

**We entered the 2021 fiscal and academic years in a place of deep, overarching uncertainty.**

The recently completed spring semester was marked by an end to in-person classes with the University effectively closing campus to all but a few students and employees. In the midst of this uncertain start to the fiscal year, we had clarity on what would be needed to continue the academic and research mission of the University - flexibility, ingenuity, and a strong sense of community that defines Princeton.



To be certain, the 2020-2021 fiscal year presented unforeseen challenges both at Princeton and throughout the world. Disruptions to standard-operating procedure remained the norm, resulting in a hauntingly quiet campus, with the exception of a sharply reduced population and a few essential operations, through much of calendar year 2020. Yet for all of the situations that required creativity, leadership, and resilience, this year also delivered unprecedented opportunities to reflect on the forward-looking vision that characterizes the Princeton spirit.

Dedicated teams showed up day after day to keep campus safe and support our community. Students and faculty connected across laptops and continents to redefine excellence in teaching and research, while contributing to humanity's understanding of the COVID-19 virus. Generous alumni united to fast-track critical projects such as a state-of-the-art COVID-19 testing lab, one of only several connected to a University without a veterinary or medical school. Through it all, the University kept its eyes on the future, including advancing the priorities under its 2016 strategic framework and 2026 campus plan.

It is not an understatement to say that our success in welcoming undergraduates back to campus in the spring of 2021 was a collective endeavor. Yet the meaning of that accomplishment goes beyond the short term. This commitment to uniting for the common good has far-reaching implications as we write Princeton's next chapter together. New insights, innovative ways of partnering, and an unwavering focus on operating in the service of humanity are more than abstract concepts. Now more than ever, they are inherent to the energy with which we approach our work.

As a University community with deeply-rooted history and traditions, the pandemic has shown us that Princeton has the ability to welcome new challenges with strength and agility, while relying on our foundational beliefs in an in-person liberal arts education. Today, we look toward the horizon with a unique combination of confidence, optimism, and pragmatism. The achievements that define this year will both inform and elevate our efforts for years to come, from the expansion of campus, to increasing access and affordability, to investment in high-impact fields including engineering and environmental sciences. As we embark on that journey, we maintain an unshakable faith in the values that steered us through this tumultuous year and that guide us into the future.

**James S. Matteo**

Vice President for Finance and Treasurer

# A United Effort

To say this was a year like no other would be an understatement. Indeed, it was one of the most challenging in University history as the world grappled with the COVID-19 pandemic.

Yet every moment underscored Princeton's enduring commitment to working in the service of the nation and humanity. Thinking locally, we drew deep inspiration from an all-hands-on-deck effort to bring the Princeton experience to a virtualized world. Casting eyes beyond FitzRandolph Gate, we saw firsthand how centering research and community transforms possibility, from groundbreaking pandemic discoveries to investment in the people and places that define us. All the while, we worked toward safely repopulating campus, highlighting just how much we can achieve when Tigers rally. In short, this was a year that distilled our collective values, while reinforcing the long-term value of a firm foundation designed to carry us forward for years to come.





# Spring 2021: A Thoughtful Transition

**T**hroughout the pandemic, students, faculty, and staff have exhibited an impressive level of alignment to the fast-evolving protocols guiding their activities online and on campus. Elegant adjustment to this evolving new normal required flexibility and a belief in the long view, bolstered by sound policy, unwavering leadership at all levels, and focused use of University resources in the service of health and safety.

“Our staff’s dedicated and creative response to the pandemic enabled us to support our students in some of the most difficult circumstances the University has ever faced,”

said President Christopher L. Eisgruber in his spring 2021 letter to the University community. What would ultimately prove to be a successful, if unusual, spring 2021 semester can be directly traced to a high degree of resilience and cooperation, along with rapid development of a state-of-the-art testing program and a clear playbook for campus operations.





## Standing Up a State-of-the-Art Testing Lab

By August 2020, Princeton had already initiated a comprehensive asymptomatic testing protocol for students, faculty, researchers, and staff members on campus for eight or more hours per week. Led by the University Health Services Global and Community Health team, this was one of many initiatives that have helped keep the campus positivity rate relatively low for the duration of the pandemic.

That effort experienced a significant leap forward with the launch of the Princeton COVID-19 Testing Lab in November. The federally certified clinical laboratory, supported by alumni contributions and the University endowment, is one of only several nationwide to be launched at a university without a medical or veterinary school.

The lab opening was a key factor in the University's decision to welcome back undergraduates to live on campus in spring 2021.

In short order, it expanded capacity to 10,000 tests per week, and by the start of the fall 2021 semester, had the capability for 15,000 tests per week.

“From nothing, from not even a gleam in anybody's eye, to a few months later having this state-of-the-art, high capacity, functioning and accredited site — that kind of grit and determination and commitment from a lot of players, I think, speaks to Princeton's character,” noted Bonnie Bassler, chair of the Department of Molecular Biology, where the lab is housed.

All told, it went from concept to actualization in only six months, with work spanning everything from construction and data design to certification under the federal Clinical Laboratory Improvement Amendments (CLIA) and licensure by the New Jersey Department of Health's Division of Public Health and Environmental Laboratories. A remarkable achievement amidst

rapidly changing conditions, it involved concerted effort across University offices, from faculty, staff, and administrators to procurement, facilities, health services, and the Office of the Provost.

A key win in opening the lab is rapid results delivery paired with personal communication in the case of a positive test. While outside lab tests can take 48-72 hours, on-site testing is faster. By identifying cases early — before symptoms have appeared — individuals can be isolated to mitigate community spread.

When the lab came online, University Health Services staff checked results hourly and immediately contacted anyone with a positive test to offer information and guidance. “Whenever possible, we want people to learn of their positive results from a member of the UHS team, not an email or an app,” explains Irini Daskalaki, infectious disease physician at University Health Services (UHS). “We understand that usually this is a surprise for them, so we really want to be there for them and be able to answer their questions.” From there, streamlined contract tracing ensures that additional testing is pursued.

Vital during a period of limited operations, this was essential to the resumption of campus operations in January 2021. As the fiscal year concluded in June, more than 300,000 tests had been completed.



## Creating a Pandemic Playbook for Princeton

Few familiar with Princeton will be surprised to learn that evolving campus protocols have been met with a spirit of cooperation and mutual respect. This echoes the University's core values, which emphasize the common good. Recognizing that the navigation of a pandemic demands clear, consistent communication, University Health Services and the Office of Communications launched the Princeton Playbook public health campaign in advance of the spring semester to help Princetonians "come together as tigers, one stripe apart."

“ The Playbook helps students understand both the University's role and students' individual responsibilities to reduce or prevent the spread of COVID-19 on our campus,” explains Sonya Satinsky, director, Health Promotion and Prevention Services.

Led by the Office of Communications, and including an online toolkit, videos, signage, and a social media hashtag, the action-oriented campaign was designed with input from undergraduate students. It empowered Princetonians to prepare for a much-anticipated return, protect one another, participate in actions to reduce exposure, and persist through an unusual time in University history.

This was part of a comprehensive communications plan. The Playbook reinforced the expectations outlined for undergraduates in the Social Contract, including weekly asymptomatic testing, daily online symptom checks via TigerSafe, and cooperation with quarantine and contact tracing efforts. In addition, covid.princeton.edu was launched as a single stop for comprehensive information, including a publicly available COVID-19 testing dashboard with detailed weekly statistics and updated risk levels that ensures complete transparency. Vaccine requirements were also announced in 2021.

## Promoting Campus Wellbeing: Community Advocates Program

As the spring semester got underway, strong messaging was paired with a key element to bolster a spirit of collective care: direct support from people within the community. Led by the Office of the Vice President for Campus Life, the Community Advocates Program included approximately 150 senior administrators, faculty, and staff members who volunteered to work across campus. Stationed at buildings frequented by students, they offered guidance on public health best practices, answered a variety of student questions, and handed out essentials such as hand sanitizer, disinfecting wipes, and face masks. It's just one more example of working together to support a safe, health-smart experience on campus.





Together, these united efforts culminated in Princeton reopening its doors.

# A Welcome Back

A powerful reflection of hard work and sacrifice at all levels, January 16, 2021 was a much anticipated day by undergraduates. During a phased move-in, nearly 2,900 Tigers began to resume their lives on campus. For some who began their Princeton journey the prior fall, it was the first time they saw the University in person. While most activities remained online, and residency was voluntary, it was a vital first step in restoring access to the textured, interpersonal interactions that define the Princeton experience.

By all accounts, it was a success. “Our students surpassed even our high expectations,” said President Christopher L. Eisgruber in his spring 2021 letter to the Princeton community. “Their care, and their sacrifices, kept our campus healthy and our community safe. Indeed, the University’s on-campus infection rates were consistently lower than rates in the surrounding region.”



## Capturing an Uncommon Time via Hybrid Courses

While the majority of spring 2021 courses were held online during the transition, a handful of offerings were hybrid, connecting students on campus with peers around the world. With support from The McGraw Center for Teaching and Learning, these courses combined forward-thinking practices for online learning with safety-minded in-person interactions.

One such course was led by Dean of the College Jill Dolan. “Introduction to American Popular Culture” investigated the intersection of popular culture and identity, an auspicious topic when students were logging in via Zoom worldwide. Bringing together 80

students from Albania to Zimbabwe, it was among a small subset of options for international students, whose federal visa requirements included an in-person teaching component for the spring.

As pandemic guidelines eased late in the semester, Dolan and her team were able to transition to in-person precepts. It was a powerful moment that brought into focus the synergy created when we learn together. “I didn’t realize how much I missed those little moments of connection that you can have with students — and that they can have with each other,” reflected alumna and preceptor Beth Stroud ’18.

## Examining the Pandemic Across Areas of Study

As the COVID-19 crisis evolved, many courses made it a part of the syllabus.

### Freshman Seminar: Fighting for Health

“The pandemic has transformed public health from a shadow subject and loosely understood professional field to a front line discipline, both academically and professionally.”

— **Leslie Gerwin**, *associate director, Program in Law and Public Affairs, Princeton School of Public and International Affairs; lecturer, American studies*

### From the Apocalypse to the ‘New Normal’ (and back)

“Paying attention to the discourses as they emerge allows us to observe more easily the mechanisms that shape those representations, as well as their reception.”

— **Natalia Castro Picón**, *assistant professor, Spanish and Portuguese*

### Special Topics in Sustainable, Resilient Cities and Infrastructure Systems: Engineering the Post-COVID City

“The class is organized around a framework to build back better, so how we learn from COVID to build back cities that are more pandemic-resilient, as well as sustainable and equitable.”

— **Anu Ramaswami**, *Sanjay Swani '87 Professor of India Studies; professor, civil and environmental engineering, Princeton Institute for International and Regional Studies, High Meadows Environmental Institute; director, Chadha Center for Global India*



## Reimagining the Lab Experience

Most labs remained closed throughout early 2021. With strict adherence to social distancing protocols and creative thinking, however, several courses, such as “Experimental Physics,” offered in-person learning at a distance. Pairing partners on site and on Zoom, this innovation enabled access and essential experience with scientific research equipment.

# Critical Pandemic Research

Inspired to do their part, Princeton faculty tirelessly pursued research to inform global understanding of the pandemic in real time.



## Improving vaccines

A new nanoparticle in development may create a stronger immune response and more scalable production line.

**Robert Prud'homme**, *professor, chemical and biological engineering*

**Shahram Hejazi**, *faculty, Keller Center for Innovation in Engineering Education*

## Changing behaviors

A paper in the journal *Basic and Applied Social Psychology* reveals the behavioral effects of mindfulness and cognitive dissonance on vaccinations, mask use, and social distancing.

**Joel Cooper**, *professor, psychology*


**Logan Pearce**, *graduate student, psychology*

## Understanding economic impact

Pandemic shutdowns have an outsized socioeconomic effect on low-income Black households, according to a study published in the journal *Socius*.

**Adam Goldstein**, *assistant professor, sociology and public affairs, School of Public and International Affairs*

**Diana Enriquez**, *doctoral candidate, sociology*



“The strength of our endowment allows us to try new things, to experiment and to take risks,” explains **Provost Deborah Prentice**. “We have the financial backstop to take big bets on people and ideas that may lead to amazing discoveries that impact the world.”

## Developing better PPE

University labs deliver high-demand PPE to hospitals while devising enhanced powered air purifying respirator covers to safeguard healthcare workers.

**Daniel Cohen**, *assistant professor, mechanical and aerospace engineering*

**Daniel Notterman**, *senior researcher, lecturer with rank of professor, molecular biology; chair, Princeton’s Institutional Review Board for Human Subjects*

**Matt Heinrich**, *doctoral candidate, mechanical and aerospace engineering*

## Fostering collaboration

Behavioral science can inform effective messaging that shifts global COVID-19 attitudes and behavior, according to a study in the Royal Society of Open Science.

**Daniel Rubenstein**, *Class of 1877 Professor of Zoology; professor, ecology and evolutionary biology*

## Tracking variants

Vaccine stockpiling among certain nations may impact the global trajectory of the virus and make novel variants more likely, according to a study in the journal *Science*.

**Bryan Grenfell**, *Kathryn Briger and Sarah Fenton Professor of Ecology and Evolutionary Biology and Public Affairs; associated faculty, High Meadows Environmental Institute (HMEI)*

**Simon Levin**, *James S. McDonnell Distinguished University Professor in Ecology and Evolutionary Biology; associated faculty, HMEI*

**C. Jessica E. Metcalf**, *associate professor, ecology and evolutionary biology, public affairs; associated faculty, HMEI*

**Caroline Wagner**, *assistant professor of bioengineering, McGill University; former postdoctoral research associate, HMEI*

**Chadi Saad-Roy**, *graduate student, ecology and evolutionary biology, Lewis-Sigler Institute for Integrative Genomics*

**Sinead Morris '18**, *postdoctoral research scientist, Columbia University; Ph.D. candidate, ecology and evolutionary biology*

**Rachel Baker**, *associate research scholar, HMEI*

**Andrea Graham**, *professor, ecology and evolutionary biology; associated faculty, HMEI*

# Advancing the 2026 Campus Plan

## Making the Most of an Unprecedented Moment

**A**s we entered summer of 2020, it was clear that standard operating procedure would require rapid redefinition.

This was particularly true for the dedicated teams charged with maintaining campus operations while bringing its ambitious next iteration to life. Princeton's 2026 Campus Plan, supported by alumni contributions and the University endowment, is broad in scope. It reflects a mission-centered vision that encompasses strategic priorities such as access and affordability, expanding the undergraduate student population, and investment in critical fields such as environmental studies and engineering. One of the most extensive building programs in Princeton history, it will encompass more than 3 million square feet in facilities scheduled to come online over the next decade.

An unwavering focus on safety paired with the ability to pivot kept plans on track across a range of projects.

Early on, the Office of Capital Projects capitalized on the fact that construction was deemed a critical industry in New Jersey, while onboarding furloughed Pennsylvania workers. The team also leveraged strong, well-established relationships to keep approvals moving via creative solutions including virtual inspections. This, along with a swift shutdown of campus operations that limited exposure to COVID-19, mitigated significant scheduling impact.

To ensure safety during construction, teams on the ground worked hand-in-hand with Environmental Health and Safety to maintain University, state, and CDC policies for shared spaces. Facilities installed COVID-19 shielding everywhere from Firestone Library to the residential colleges, and employees completed mandatory EHS COVID-19 safety training.



“ In many ways the Princeton capital plan is a net-zero transition exemplar. Princeton's investments in geo-exchange and heat pump technologies, building envelope improvements, solar panels and electric buses symbolize the actions that all U.S. institutions, companies and individuals must make in the decades ahead.”

– **Chris Greig**, Theodora D. '78 & William H. Walton III '74 Senior Research Scientist at the Andlinger Center for Energy and the Environment



## Hallmark Projects Completed

Notable in any year, completion of these projects during the pandemic serves as a testament to a spirit of teamwork and focus among our staff and leadership.

### **September 2020: McCosh 50 Auditorium**

The notable character of this historic gem was maintained, while next-generation visual, acoustical, technological, and environmental innovations enhance usability.

### **Fall 2020: 36 University Place**

A gathering space for prospective students and their families comes to life, providing accessibility, comfort, and a sense of welcome for diverse audiences.

### **Fall 2020: Robertson Hall**

Function meets form in a prominent campus location fully reconceptualized to cultivate collaborative, dynamic teaching and learning experiences.

### **Summer 2021: Solar Expansion**

Eight solar projects with a minimalist visual profile boost solar capacity from 5.5% to 19% of current electric energy use.

## Advancing Strategic Priorities: Capital Projects Underway

In the coming years, critical University hubs will be transformed with respect for the unique character of campus, while sites like the Lake Campus development and a connectivity-oriented neighborhood for engineering and environmental studies come to life.

### **Coming Fall 2022: New College East and New College West**

One of Princeton's highest strategic priorities is to expand the undergraduate population by roughly 10% in support of its emphasis on diversity, equity, and inclusion. These LEED-certified colleges, each of which can house 500 students, broke ground in 2020.

### **Coming Fall 2024: Princeton University Art Museum**

A reenvisioned hub for the arts and humanities will advance social engagement, nearly double the exhibition space, and offer a new home for the Department of Art and Archeology.

### **2046 Net Carbon Neutrality**

Sustainability is a through line as Princeton advances towards 2046.

# Looking Forward: A Strong Foundation for the Future

**D**espite the challenges that this fiscal year presented, a collective, visionary response has surfaced insights with the capacity to shape Princeton's future. In real time, innovation in the delivery of online course experiences forged collaborative possibilities that build upon the foundation of Princeton's in person, residential learning community. Emerging pandemic research by Princeton faculty underscores our enduring commitment to leveraging our resources for the common good.

It wasn't just about traveling from point A to point B — though that process was formidable at times. It was about setting our sights always on the horizon, imagining new possibilities for both Princeton and the greater world.

Heading into the fall, we welcomed our latest cohort of undergraduates. Arriving from around the world, the 1,345 members of the first-year class includes more than 200 students who deferred enrollment from the Classes of 2023 and 2024. Eighteen percent are first-generation college students, 22% are lower-income students eligible for federal Pell grants and 62% qualify for financial aid. We look forward to introducing them to the power and potential that are unlocked when Princetonians move forward together.







# Financial Review



# Financial Statement Overview

## LETTER FROM THE CONTROLLER

**D**uring a year of historically strong financial markets juxtaposed with the economic challenges of a global pandemic, fiscal year 2021 was a remarkable year for Princeton University, with respect to both its operating and investment performance. Net assets for the year ended June 30, 2021 increased by a record \$11.0 billion, or 38.7 percent, nearly all due to exceptional investment results. The return of 46.9 percent from the managed investment portfolio ranked in the top-quartile among large university endowments. The University's Endowment spending rate of 5.53 percent in 2021, which is set at the beginning of the year, was held flat as a cautious measure to weather the uncertainty of the financial markets. As of June 30, 2021, the University's Endowment Net Assets stood at an all-time high of \$37.0 billion, an increase of 42.7 percent for the year. The strength of the University's financial resources enables it to support extraordinary needs during extraordinary times, such as the COVID-related expenses of testing, remote instruction, and local community support. A strong operating surplus in 2021 of \$322 million, or 14.9 percent of total operating revenues, was achieved through the prudent management of operating expenses, as well as savings from curtailed travel, conference, and related costs that helped offset lost student revenues of \$50 million and incremental expenses of \$30 million resulting from the pandemic.

Revenues of \$105 million from tuition and fees, net of scholarships and fellowships, declined 21 percent in fiscal 2021, due to a 10 percent discount in 2020-2021 tuition that was provided to undergraduate students. Revenues of \$34 million from auxiliary sales and services, which include student room and board charges, net of financial aid, declined 46 percent due to the campus shutdown during the fall 2020 semester caused by the pandemic, as well as the suspension of events, camps, and other auxiliary services normally provided by the University.

Revenues of \$342 million from government grants and contracts, and \$59 million from private sponsors were flat in 2021, despite the disruption caused by the partial shutdown of research labs. The components of sponsored research revenues can be seen in Table 1. The sharp increase in private research revenues beginning in fiscal 2019 was attributable to the adoption of ASU 2018-08, accounting for contributions received, resulting in the accelerated recognition of revenue from unconditional privately sponsored grants in the amount of \$62 million.

Revenues from long-term gifts and pledges of \$219 million, up 15.9 percent from the prior year, made for a record year of fundraising as the University publicly launched its *Venture Forward* capital campaign. Unrestricted Annual Giving and spendable restricted gifts, which are vital to the University's annual operations and financial aid capacity, raised \$113 million, up slightly from the prior year thanks to the unwavering generosity of loyal alumni.

Total operating revenues of \$2.2 billion in fiscal 2021 were on par with the prior year.

Total operating expenses of \$1.8 billion in fiscal 2021 increased by 2.4 percent. Salaries, wages, and benefits growth of 4.0 percent, and space and occupancy growth of 13.0 percent were offset by a 6.0 percent reduction in supplies, services, and other costs such as travel and conference expenses, which were sharply curtailed during the pandemic. Interest expense increased 8.0 percent as a result of new debt issued to fund the University's capital plan.

**Table 1**  
**COMPONENTS OF SPONSORED RESEARCH REVENUES**  
(\$ in thousands)

Year	Government	Private	Adjustment for ASU 2018-08	Independent Operations
2021	199,644	58,503		142,398
2020	207,908	58,382		128,752
2019	201,479	44,449	62,096	105,926
2018	174,373	40,070		118,544
2017	182,896	40,536		112,649

The University successfully pursued its regular practice of using debt for capital expenditure and property renewal purposes. Princeton's bonds and notes continue to attract high demand as a safe haven for investors. In connection with a \$250 million issuance of new money tax-exempt bonds and a \$179 million issuance of refunding bonds, Princeton again received the highest attainable short-term and long-term credit ratings from both Moody's Investors Service and Standard & Poor's ratings agencies, affirming the University's stellar credit standing.

### ACCOUNTING PRINCIPLES

Princeton University's financial statements, which follow herein, are presented in accordance with generally accepted accounting principles set forth by the Financial Accounting Standards Board (FASB) as supplemented by the American Institute of Certified Public Accountants (AICPA) audit and accounting guide for not-for-profit entities. In addition to general accounting guidance, the statements reflect the impact of specific reporting requirements of not-for-profit organizations prescribed by FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Compliance with AICPA guidance includes consolidating wholly owned subsidiaries and significant trusts in which the University is a beneficiary, as well as reporting tuition discounts, primarily fellowships and scholarships, as reductions of tuition and fee revenue. The financial statements are fully comparable, including prior-year data on the Consolidated Statements of Activities.

### FINANCIAL REPORTS

The principal objectives of the accounting standards are to provide consistency among the financial statements of not-for-profit organizations and to make them comparable to those of the for-profit sector. The standards require not-for-profit organizations to provide, for their external

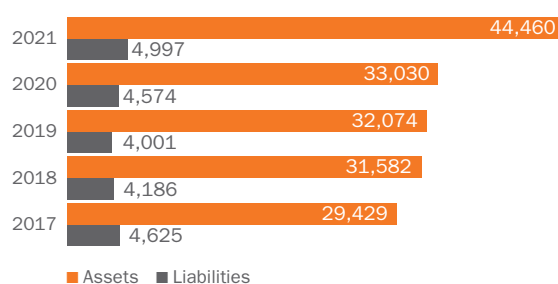
financial reports, a statement of financial position, a statement of activities, and a statement of cash flows. The organization's resources are classified between two categories of net assets, that is, gross assets less liabilities, based solely on the existence or absence of donor-imposed restrictions. Amounts for each of the two classes of net assets — net assets with donor restrictions and net assets without donor restrictions — are displayed in a statement of financial position, and the changes in each category are displayed in a statement of activities.

Net assets with donor restrictions consist of resources that may not be spent, mainly true Endowment funds. They generally are the result of gifts and bequests with donor stipulations that they be invested to provide a permanent source of income. They also may include gifts-in-kind, such as works of art or real property. Net assets with donor restrictions also include those that, again by donor stipulation, must be invested only for a certain period of time or that may be used in a future period for a specified purpose. Net assets with donor restrictions also include the accumulated income and gains on Endowment funds, absent explicit donor stipulations to the contrary, until appropriated for expenditure. Net assets without donor restrictions may be expended for any purpose and result from gifts, grants, other institutional resources, and income and gains on those funds.

### Statement of Financial Position

The Consolidated Statement of Financial Position is a snapshot of the University's resources and obligations at the close of the fiscal year and is comparable to the document commonly referred to as the balance sheet. Assets on the statement, which totaled \$44.0 billion as of June 30, 2021 (see Table 2), are presented in decreasing order of liquidity, from cash to property, the least liquid asset.

**Table 2**  
**ASSETS AND LIABILITIES**  
(\$ in millions)



# Financial Statement Overview

## LETTER FROM THE CONTROLLER

(Continued)

As of June 30, 2021, managed and other investments totaling \$38.7 billion accounted for 87 percent of total assets, and increased 40.7 percent from the prior year primarily due to significant investment returns, additions of Endowment gifts, and proceeds from the 2021 bond issuance (see Table 3). Property (net of accumulated depreciation) totaling \$4.5 billion accounted for an additional 10 percent of total assets. Other significant assets were contributions receivable, which totaled \$281 million, and educational and mortgage loans receivable, which totaled \$451 million.

**Table 3**  
**MANAGED AND OTHER INVESTMENTS**  
(\$ in millions)

2021	38,701
2020	27,511
2019	26,812
2018	26,460
2017	24,475

Liabilities, which totaled \$5.0 billion as of June 30, 2021 (see Table 2), are presented in order of anticipated time of liquidation. Indebtedness to third parties totaling \$3.5 billion, which primarily includes loans to finance the construction, renovation, and maintenance of University facilities and bonds issued for working capital and general corporate purposes, accounted for 71 percent of total liabilities as of June 30, 2021. Also included are the liabilities under unitrust agreements totaling \$100 million, which represent the estimated amounts payable to donors under the University's planned giving programs. The accounting rules require donees to record a liability for the present value of the expected lifetime payments to donors, and to recognize the net amount received as a contribution in the year of receipt.

Net assets, which totaled \$39.5 billion as of June 30, 2021, are calculated as total assets less total liabilities and are classified into two categories — net assets with donor restrictions and net assets without donor restrictions (see Table 4). Net assets without donor restrictions, which totaled \$17.4 billion as of June 30, 2021, include gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. In accordance with the accounting rules, certain net assets without donor restrictions have been partially earmarked, or designated, according to their intended use by the University. Net

assets with donor restrictions, which totaled \$21.9 billion, include: promises to give that are receivable in future years as well as donor-restricted contributions whose purpose has not yet been fulfilled, the accumulated income and gains on true Endowment assets that have been reinvested, Endowment gifts that cannot be spent, and funds held in perpetual trust by others. Noncontrolling interests of \$0.2 billion pertain to the share of controlled and consolidated investment funds that are not owned by the University.

**Table 4**  
**NET ASSETS**  
(\$ in millions)

2021	17,356	21,896	211
2020	12,402	15,866	188
2019	12,220	15,656	197
2018	11,882	15,313	201
2017	10,650	13,963	191

■ Noncontrolling Interests ■ Without Donor Restrictions  
■ With Donor Restrictions

## Statement of Activities

The Consolidated Statement of Activities is a summary of the income and expenses for the year, classified according to the existence or absence of the restrictions described above. Sources such as tuition, most sponsored research, and auxiliary activities normally are shown as income without donor restrictions, whereas income from certain gifts or sponsored agreements may be includible in either of the two classes of income, depending upon the donor's specifications. Gifts to Endowment, for example, are designated as with donor restrictions. Income from donor-restricted sources is reclassified to income without donor restrictions when the circumstances of the restriction have been fulfilled. All expenditures are made from net assets without donor restrictions, since funds cannot be spent until all restrictions on their use have been released.

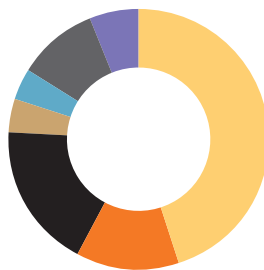
The Consolidated Statement of Activities is presented in two sections, operating and nonoperating, which reflect the principles of the University's operating budget. Items of income reported in the operating section, which totaled \$2.162 billion for the year ended June 30, 2021, include all receipts without donor restrictions as well as the Endowment earnings made available for spending under

**Figure 1**  
**OPERATING REVENUES**  
Fiscal Year 2021



- Support from Investments (68%)
- Net Tuition and Fees (5%)
- Government Grants and Contracts (16%)
- Private Gifts, Grants and Contracts (8%)
- Net Auxiliary Sales and Services (1%)
- Other Sources (2%)

**Figure 2**  
**OPERATING EXPENSES BY NATURAL CLASSIFICATION**  
Fiscal Year 2021



- Salaries and Wages (44%)
- Employee Benefits (14%)
- Supplies, Services & Other (17%)
- Space and Occupancy (4%)
- Student Stipends & Prizes (4%)
- Depreciation (10%)
- Interest (7%)

**Figure 3**  
**OPERATING EXPENSES BY FUNCTIONAL CATEGORY**  
Fiscal Year 2021



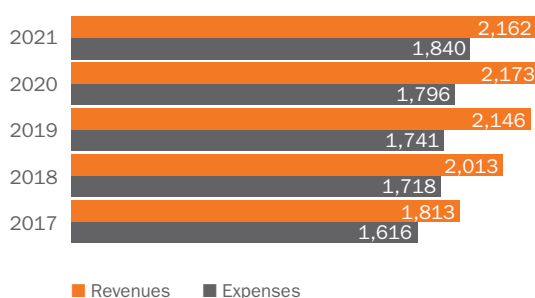
- Academic & Research (61%)
- Student Services & Support (15%)
- General Administration and Institutional Support (16%)
- Independent Operations (8%)

the spending rule. The major components of operating revenues and their relative proportions are shown in Figure 1.

Virtually all expenses, which totaled \$1.840 billion, are considered to be associated with operating activity and are reported on the Consolidated Statement of Activities by natural classification. The major components of operating expenses by natural category and their relative proportions are shown in Figure 2.

Operating expenses by functional classification are reported in the footnotes to the financial statements. The major components of operating expenses by functional classification and their relative proportions are shown in Figure 3.

**Table 5**  
**OPERATING ACTIVITIES**  
\$ in Millions



For the year ended June 30, 2021, the University produced a surplus from operating activities in the amount of \$322 million, calculated as total operating revenues less total operating expenses, as illustrated in Table 5.

Major items of income that are considered nonoperating, which amounted to a net gain of \$10.7 billion for the year ended June 30, 2021, include unrealized appreciation on investments and Endowment income earned in the current year to be used in the current and succeeding years, in accordance with operating budget policy. The distribution of investment income for spending under the University's spending policy is shown as a transfer from nonoperating activities to operating revenue. Unrestricted gift income from Annual Giving and expendable gifts restricted for departmental use are shown as operating income, whereas income from promises to give (pledges) is considered a nonoperating source of income.

The Consolidated Statement of Activities concludes with a reconciliation of the change in each class of net assets for the year to the balance of net assets shown on the Consolidated Statement of Financial Position. The total change in net assets for the year ended June 30, 2021 for all classes of net assets was an increase of \$11.0 billion.

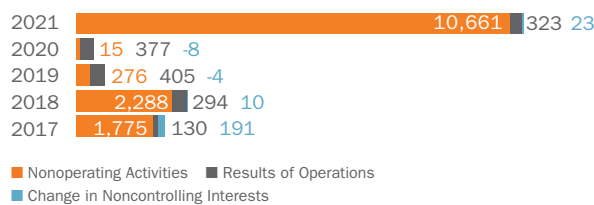
# Financial Statement Overview

## LETTER FROM THE CONTROLLER

(Continued)

The composition of the change in net assets attributable to operating and nonoperating activities can be seen in Table 6:

**Table 6**  
**CHANGE IN NET ASSETS**  
(\$ in millions)



### Statement of Cash Flows

The Consolidated Statement of Cash Flows is the bridge from the change in net assets to the change in the cash balance from one year-end to the next. The cash balance on the Consolidated Statement of Cash Flows now includes true cash and restricted cash included in the cash, managed investments, and other investments lines on the Consolidated Statement of Financial Position, as a result of the adoption of ASUs 2016-15 and 2016-18 in fiscal 2020. Several items shown as expenses in the Consolidated Statement of Activities, such as depreciation, do not require an outlay of cash, whereas the purchase of capital assets, which does require an outlay of cash, is added directly to assets on the Consolidated Statement of Financial Position and is reflected on the Consolidated Statement of Activities only in the form of depreciation expense. Other items that affect cash balances but are not required to be included in the Consolidated Statement of Activities include the purchase and sale of investments, proceeds from borrowing and the repayment of loan principal, and the net change in accounts receivable and payable.

The reconciling items on the Consolidated Statement of Cash Flows are grouped into three categories. Operating activities, which used \$721 million in net cash for the year ended June 30, 2021, are those items of income and expense that occur during the normal course of providing services as an educational institution. Cash flows from operating activities also include investment earnings distributions of interest and dividends. Investing activities, which used \$115 million in net cash, include the acquisition and disposal of capital assets such as buildings and equipment and the purchase and sale of investments.

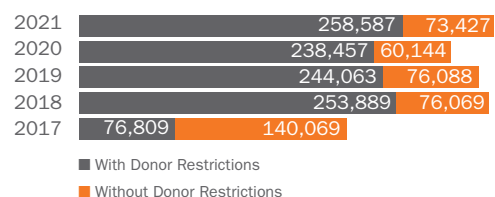
Financing activities, which provided \$480 million in net cash, include the proceeds from long-term borrowing to finance capital additions, renewal, and replacement, and the repayment of principal on such indebtedness, as well as the disbursement of funds for new educational and mortgage loans and the collection of principal payments on such loans. Also included are contributions restricted for long-term purposes, such as endowments.

### CONTRIBUTIONS

In accordance with FASB ASC 958-310, *Not-for-Profit Entities — Receivables*, donors' unconditional promises to give are required to be recorded by donees as revenue and as amounts receivable in the year received. Where collection is not expected within one year, the amount recorded is determined on a present-value basis. Conditional promises to give are recognized when they become unconditional, that is, when the conditions imposed by the donor have been substantially met.

Contributions must be classified among those with donor restrictions or without donor restrictions, as dictated solely by the donor. For the year ended June 30, 2021, contributions classified as with donor restrictions totaled \$259 million, and those classified as without donor restrictions totaled \$73 million. The classification of contributions is essential for the proper presentation of revenue in the Consolidated Statement of Activities and of net assets in the Consolidated Statement of Financial Position, as previously discussed.

**Table 7**  
**PRIVATE GIFTS**  
(\$ in thousands)



### ENDOWMENT MANAGEMENT

A significant portion of the operating budget is financed from Endowment earnings (see Figure 1). The University's investment portfolio is accounted for under a consistently applied formula.

Most invested funds participate in the Primary Pool, which is operated on a pooled investment basis.

Long-term growth of principal and increased future earnings are the University's investment objectives for these funds. Funds participating in the Primary Pool are assigned units on a market-value basis and appreciate or depreciate based on the change in unit market value. After deducting investment management fees, the earnings are allocated quarterly on the basis of units owned by participating funds.

The University follows an Endowment spending rule that provides for an annual increase in the amount of Primary Pool earnings allocated for spending, provided that the resulting spending rate, expressed as a percentage of the market value, remains within a policy band as further discussed in the Report on Investments, which follows. For the Primary Pool's year ended June 30, 2021, the income per unit (net of service charges) was \$53.62. The unit earnings allocated for spending were \$676.42 in fiscal years 2021 and 2020. The market value of a unit was \$17,067.25 at June 30, 2021 and \$12,233.00 at June 30, 2020.

The University also maintains a group of separately invested funds. Included therein are funds established from gifts of investments restricted from sale by donors, funds held in trust by others, and the University's investments in strategic real estate.

## **CONCLUSION**

Princeton hopes that the readers of these financial statements find the presentations and explanations helpful in interpreting the financial state of the University. Princeton is blessed with extraordinary financial resources and is responsible for protecting and preserving them over a very long time horizon. This long-term view allows Princeton to place any near-term economic, financial, or operational challenge in perspective, and also reminds us that one year's strong performance is quite short in the context of Princeton's 275-year history. The University is committed to utilizing its financial resources in a thoughtful, prudent, and consistent manner in support of its current educational and research programs, while preserving their value for future generations.



Kenneth Molinaro  
Controller

# Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

**A**s of June 30, 2021, Princeton's Endowment stood at \$37.7 billion, an increase of approximately \$11.1 billion from the previous year.<sup>1</sup> The vast majority of the Endowment, \$37.2 billion, is actively managed by the Princeton University Investment Company ("PRINCO").<sup>2</sup> While PRINCO maintains its own Board of Directors (the "Directors"), it is a University office operating under the final authority of the University's Board of Trustees (the "Trustees").

The purpose of the Endowment is to provide steady support for the University's current and future operating needs while preserving real value for future generations. This mission requires an expected long-term return that exceeds the sum of the annual rate of spending and University inflation. To pursue this goal, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Against a backdrop of historically strong markets, the portion of the Endowment actively managed by PRINCO generated a 46.9 percent investment return during fiscal 2021, outperforming its primary benchmark by 4.3 percent.

Of course, the evaluation of our investment program should focus on the long term, and our long-term results are strong from both absolute and relative perspectives. The Endowment's annualized return over the past 10 years is 12.7 percent, which equates to a real return of 10.2 percent when adjusted for the Higher Education Price Index (HEPI), a measure of University inflation. As discussed further below, the 12.7 percent 10-year annualized nominal gain compares well to the Policy Portfolio Index's 10.4 percent increase and the 65/35 benchmark's 11.1 percent annualized return. The Endowment stacks up well against benchmarks over longer time horizons as well, with a 20-year annualized return of 11.2 percent versus 9.5 percent for the Policy Portfolio Index and 7.6 percent for the 65/35 benchmark.

## SPENDING

Each year, the Trustees decide upon an amount to be spent from the Endowment for the following fiscal year.<sup>3</sup> In their deliberations, the Trustees use a spending framework that is designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. For many years, the framework targeted annual spending between 4.00 percent and 5.75 percent of the Endowment's beginning value. In 2015, the Trustees decided that, considering the continued strength of Princeton's investment program, higher long-term average spending rates could be supported. Indeed, they found that a higher average rate of spending was necessary in order to achieve intergenerational equity, i.e., to balance the interests of current and future students and faculty. Moreover, a higher average spending rate would likely help optimize the mix of the University's three important types of capital—financial, physical, and human. The Trustees agreed that an important step toward the goal of higher long-term average spending was to raise the upper boundary of the spending target range to 6.25 percent. Notably, this marked the second time that the Trustees have raised the upper boundary of the spending range in recent memory, having previously moved the boundary from 5.00 percent to 5.75 percent in 2006.

In fiscal 2021, aggregate Endowment spending distributions equaled \$1.5 billion, an increase of approximately \$36 million from the prior year. Spending per Endowment unit equated to 5.5 percent of market value at the start of fiscal 2021.

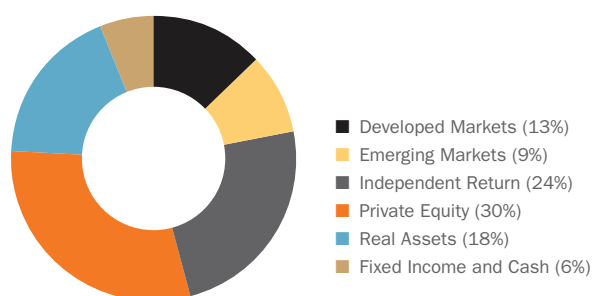
## ASSET ALLOCATION

Asset allocation involves deciding what share of the portfolio should be placed within each of the various broad asset categories. The decisions attempt to balance the relative merits of equities versus fixed income, domestic versus foreign investments, and publicly traded versus non-marketable assets.

- 1 Excluded from Princeton's traditional definition of "Endowment" are working capital, planned giving investments, and proceeds from debt.
- 2 The pool actively managed by PRINCO excludes University mortgages, loans, and other assets held primarily for strategic University purposes. "Endowment net assets," as reported in the notes to the Consolidated Financial Statements in the amount of \$37.0 billion as of June 30, 2021, further exclude agency funds in custody for others.
- 3 Excluded from these decisions are funds devoted to certain strategic purposes, such as subsidizing faculty and staff housing.

Princeton’s long-term asset allocation decisions are embodied by a Policy Portfolio that describes the asset categories in which Princeton will invest, a set of target weights that indicate how the portfolio will be positioned in “normal” market conditions, and a range of weightings within which exposures can be adjusted mid-term in response to significant market disequilibria or other unusual circumstances. Figure 1 depicts the Policy Portfolio targets.

**Figure 1**  
**PRINCETON UNIVERSITY POLICY PORTFOLIO<sup>4</sup>**  
 Fiscal Year 2022



Readily manifest is PRINCO’s bias toward equities or equity-like assets—94 percent of the portfolio is allocated toward these investments. Also striking is the relatively small portion (only 13 percent) of the Endowment that is targeted to traditional developed market equity-focused managers. Large portions of the portfolio are allocated to other high expected-return categories. Independent Return, Private Equity, and Real Assets bear further description. Independent Return is broadly defined as consisting of investment vehicles that seek high absolute returns that are typically independent of broad market trends. Private Equity and Real Assets include investments in private companies, venture capital opportunities, real estate, and natural resources. These areas can offer attractive opportunities for skilled, patient investors.

The Policy Portfolio is diversified among asset categories for a number of reasons. Most importantly,

PRINCO seeks return premia, in both risk-adjusted and absolute terms. In each equity asset category, Princeton has competitive advantages that create superior return potential. A broader opportunity set means that the portfolio may be capable of producing high returns more often and in a greater variety of environments. The multi-asset class approach also offers diversification benefits that help to control risk in most environments.

PRINCO historically reviewed the Policy Portfolio annually. However, given the typical and anticipated frequency of changes to the Policy Portfolio, several years ago we moved to a regime where we will generally review it bi-annually unless there is a compelling reason to do so more frequently. PRINCO did not review the Policy Portfolio this past fiscal year, and thus, no changes were made to it during the period.

Table 1 gives a historical perspective of how the Policy Portfolio has evolved over the past two decades. Clearly evident is the long-standing practice of aggressive positioning. In the first decade shown, non-traditional investments grew as a share of the portfolio, reflecting a deliberately paced expansion after extensive consideration over multiple years. In the last decade, changes have largely reflected incremental adjustments to various asset categories, with a particular focus on optimizing the Endowment’s liquidity profile.

**Table 1**  
**PRINCETON UNIVERSITY**  
**ENDOWMENT POLICY PORTFOLIO TARGETS<sup>5</sup>**  
 Every Five Years Since 2002

Asset Class	2002	2007	2012	2017	2022
Developed Markets	25.5%	20.5%	12.0%	16.0%	13.0%
Emerging Markets	7.5%	8.5%	11.0%	10.0%	9.0%
Independent Return	25.0%	25.0%	25.0%	25.0%	24.0%
Private Equity	15.0%	19.0%	23.0%	25.0%	30.0%
Real Assets	12.0%	20.0%	23.0%	19.0%	18.0%
<b>Total Equity</b>	<b>85.0%</b>	<b>93.0%</b>	<b>94.0%</b>	<b>95.0%</b>	<b>94.0%</b>
Fixed Income and Cash	15.0%	7.0%	6.0%	5.0%	6.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Diversification into international investments is an important part of our multi-asset class approach. PRINCO believes such investments have the potential to increase long-term expected returns while helping to manage portfolio risk. Relative to the U.S., international markets tend to be less efficient, providing meaningful opportunities to add value through active management.

4 Policy targets and ranges represent those adopted as of May 2019, which went into effect for benchmarking purposes on July 1, 2019.

5 Policy Portfolio targets are pro forma based on current asset class definitions.

# Report on Investments

## PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

A distinctive element of PRINCO's approach to international investments is an emphasis on "foreign local" managers. These managers are based outside the U.S. and invest locally in their respective geographies. Over time, we have gained more exposure to such managers both in marketable and non-marketable categories. Indeed, we have formally articulated efforts in this regard through our "Grand Unifying Theme 1.0." This theme, while very important, is not immediately apparent in the Policy Portfolio, as it cuts across several asset categories. Notably, measured on the basis of current market value and uncalled commitments, about 33 percent of the Endowment was, on June 30, 2021, in the hands of managers based outside of the U.S.

**Table 2**  
**ASSET ALLOCATION**  
June 30, 2021

Allocation	FY22 Policy Target	Actual
Developed Markets	13.0%	7.6%
Emerging Markets	9.0%	8.3%
Independent Return	24.0%	21.1%
Private Equity	30.0%	41.9%
Real Assets	18.0%	13.8%
Fixed Income and Cash	6.0%	7.3%

Table 2 compares PRINCO's long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2021. Within relatively small and predetermined ranges, PRINCO's Staff and Directors will intentionally overweight or underweight more or less compelling asset categories. These deliberate allocation overlays occur most frequently in the marketable asset categories. Within Private Equity and Real Assets, deviations from Policy Portfolio targets can occur without deliberate intent, due to funding and market dynamics. When the Policy Portfolio targets for Private Equity and Real Assets were established, and when they are reviewed, it is with the understanding that allocation deviations in these categories are neither easily nor cheaply controlled with great precision, and therefore will often need to be offset by allocation adjustments in other categories.

That said, the large overweight in Private Equity is unintentional and is due to two key factors. Firstly, with the benefit of hindsight, we recognize that our commitments to Private Equity funds during fiscal years 2006 through 2008 were too high. Since that time, we have reduced our commitment pace to a sustainable

steady-state rate and expect to glide gradually over multiple years back to the target allocation. Indeed, this decline would be happening at a faster pace if not for the second factor—the asset category's very strong performance. Private Equity was the Endowment's best performing asset category in fiscal 2021 with nearly triple-digit returns, and has generated a 28.7 percent annualized return over the past five years relative to a 9.5 percent annualized return for the Endowment excluding Private Equity. For this past fiscal year in particular, we received significant net cash flow from Private Equity investments. Nonetheless, the allocation to this category increased meaningfully due to its spectacular performance. We are cautiously optimistic that the Private Equity portfolio will continue to generate meaningful liquidity in the next several years. It will, however, take substantial time for exposure to decline to the Policy target level.

In the spring of 2020, PRINCO intentionally increased exposure, via what we describe as a Mid-Term Adjustment (or MTA), to Fixed Income and Cash (FIC) to be significantly above its Policy target. The decision to increase exposure to FIC reflected increased uncertainty and pessimism regarding cash flows from the Private Equity program. It is always difficult to forecast cash flows from non-marketable programs, but it became markedly more difficult to do so given the uncertainty created by the COVID-19 crisis. Thus, in order to meet University spending requirements, we foresaw potentially having to raise more funds from our marketable managers than is typical. This led us to focus on preserving value in the marketable portfolios by reducing *beta* exposure and increasing FIC.

This past year, with significant improvements in the Endowment's liquidity prospects, we unwound this increase in the FIC MTA target. Cash flow projections from the Private Equity program improved meaningfully, and our actual cash flow experience was significantly better than our projections in the spring of 2020. Most notably, we experienced an exceptionally robust IPO environment for venture capital investments. Additionally, the Endowment's marketable equity portfolios produced substantial gains. These portfolios have been, and can continue to be, significant sources of liquidity.

With the reduction in the FIC target during fiscal 2021, we modestly increased allocations to the long-only equity categories. Of note, since the end of the fiscal year, we have decreased the Developed Markets MTA target and increased the Independent Return MTA target. This

move reflects a view that the developed equity markets, particularly those in the U.S., are significantly overvalued. An improved liquidity situation has provided capital for PRINCO to increase Independent Return exposure. New investments in Independent Return are particularly focused on targeting the historically wide disparity between the valuations of growth and value stocks in the U.S. market.

Zooming out, we continue to focus on improving gender and racial diversity among our managers. Our ultimate goal is to have our manager roster “look like America,” as we believe diverse and inclusive teams have an advantage at solving complex problems like those involved within investment management. Stated simply, improved diversity will help us generate better returns.

While we have made efforts to improve diversity for more than 15 years, progress has been painfully slow for much of this period. As a result, about four years ago, we initiated different approaches to redouble our work. Our new intentionality, which we describe as our “Grand Unifying Theme 2.0,” involves asking ourselves before every major decision—*e.g.*, hiring an external manager, designing and recruiting for an intern program, considering internal staff hiring decisions, selecting PRINCO Board members—are we proceeding down a path that will help improve diversity within our ecosystem? For answers of “no,” we ask whether we can modify the presumed path. Although we are in early innings, our new mindset has produced some promising results. For example, of the 10 active U.S.-based manager relationships that were initiated since the start of fiscal 2019 (including one whose first fund was formed shortly after the start of fiscal 2021), seven of them, accounting for about two-thirds of assets deployed among these new relationships, qualify as diverse-led. For four of those firms, representing more than 40 percent of assets deployed with new relationships, African-American individuals represent at least half of the leadership.

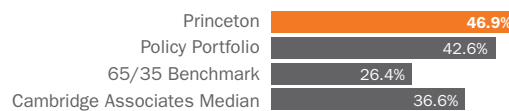
(For more on PRINCO’s diversity efforts, see <https://princeton.edu/about/diversity-inclusion/>).

## PERFORMANCE

In the midst of strongly surging equity markets and a “red hot” market for technology IPOs, the Endowment generated an extremely strong fiscal 2021 investment return of 46.9 percent.<sup>6</sup> Based upon preliminary estimates of the Higher Education Price Index, our fiscal 2021 performance translates into a real gain of approximately 43.0 percent, less than one percentage point shy of the record set in fiscal 1983 for the highest real return generated in the 44 years during which Princeton has relied on external managers to invest the Endowment.

PRINCO has traditionally used two benchmarks to provide context for our results. Our primary benchmark, the Policy Portfolio Index (or “PPI”), consists of a blend of individual asset category benchmarks weighted by long-term allocation targets. As shown in Figure 2, in fiscal 2021, we outperformed the PPI, which produced a 42.6 percent gain. Our results and the PPI both substantially bested the 26.4 percent return of our secondary benchmark—a 65/35 blend of the S&P 500 and the Barclays Government/Credit Bond Index—illustrating the strength of the multi-asset class approach this fiscal year.<sup>7</sup> Notably, our performance in fiscal 2021 compares very well to that of other college and university endowments, for which the median return was 36.6 percent, and the breakpoint for top-quartile results was 41.3 percent.<sup>8</sup>

**Figure 2**  
FISCAL YEAR 2021 PERFORMANCE



<sup>6</sup> Reported results exclude the returns on certain short-term assets and other assets, such as faculty and staff mortgages, held primarily for strategic University purposes. The total asset base upon which performance is calculated equaled \$37.2 billion at fiscal year-end.

<sup>7</sup> The 65 percent S&P 500/35 percent Barclays Government/Credit Bond Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually. Since its inception in 1987, PRINCO has used this benchmark to represent the returns that might have been earned by institutional investors pursuing more traditional investment approaches.

<sup>8</sup> The median college and university endowment return is based on data compiled by Cambridge Associates for over 150 college and university endowments.

# Report on Investments

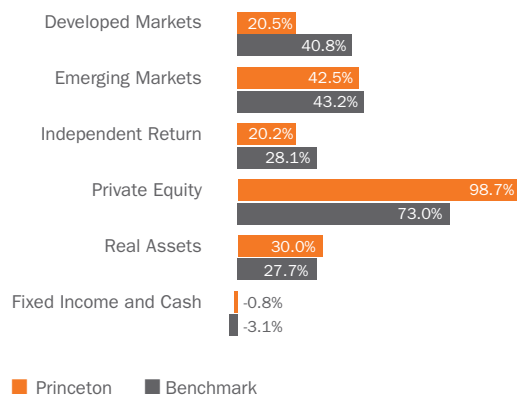
## PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

The star performing asset class this year was Private Equity, with a striking 98.7 percent return. Turbo charging Private Equity was our substantial allocation (about one-fifth of the Endowment) to the sub-category known as Developed Markets Venture Capital, which broke the triple-digit barrier, producing a 138.5 percent return. Beyond Private Equity, our equity asset classes had strong returns: 42.5 percent for Emerging Markets, 30.0 percent for Real Assets, 20.5 percent for Developed Markets, and 20.2 percent for Independent Return. While absolute performance was strong across the board, relative performance varied. Private Equity beat its benchmark by 25.7 percent. Real Assets produced more modest outperformance, beating its benchmark by 2.3 percent. Developed Markets, Independent Return, and Emerging Markets underperformed by 20.3 percent, 7.8 percent, and 0.7 percent, respectively. The non-equity asset category, Fixed Income and Cash, lost 0.8 percent yet outperformed its benchmark by 2.3 percent.

**Figure 3**  
**PRINCETON ASSET CLASS RETURNS**  
**VS. BENCHMARKS**

Fiscal Year 2021



**Benchmarks used:**

**Developed Markets:** Blend of Wilshire 5000 and MSCI World ex-U.S. IMI Indices

**Emerging Markets:** MSCI Emerging Markets IMI Index

**Independent Return:** HFRI Fund Weighted Composite Index + 50 basis points per annum

**Private Equity:** Customized Cambridge Associates benchmark

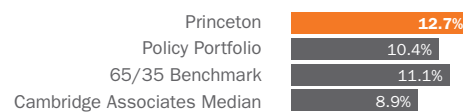
**Real Assets:** Blend of Cambridge Associates Real Estate benchmark, an energy component, and a timber component

**Fixed Income and Cash:** Barclays Government Bond Index

Of course, the evaluation of our investment program should focus on the long term, and our long-term results are strong (see Figure 4). The Endowment's annualized return over the past 10 years was 12.7 percent, equating to a HEPI-adjusted real return of 10.2 percent, which enabled us to very meaningfully grow purchasing power after spending. The 12.7 percent annualized nominal gain compares well to the Policy Portfolio Index's 10.4 percent increase and the 65/35 benchmark's 11.1 percent annualized return. Our performance was also strong compared to the 8.9 percent median return for college and university endowments over the period. For added perspective, Princeton's Endowment would be about \$12 billion smaller if our results over the past 10 years had equaled those of the median college and university endowment, assuming unchanged levels of spending.

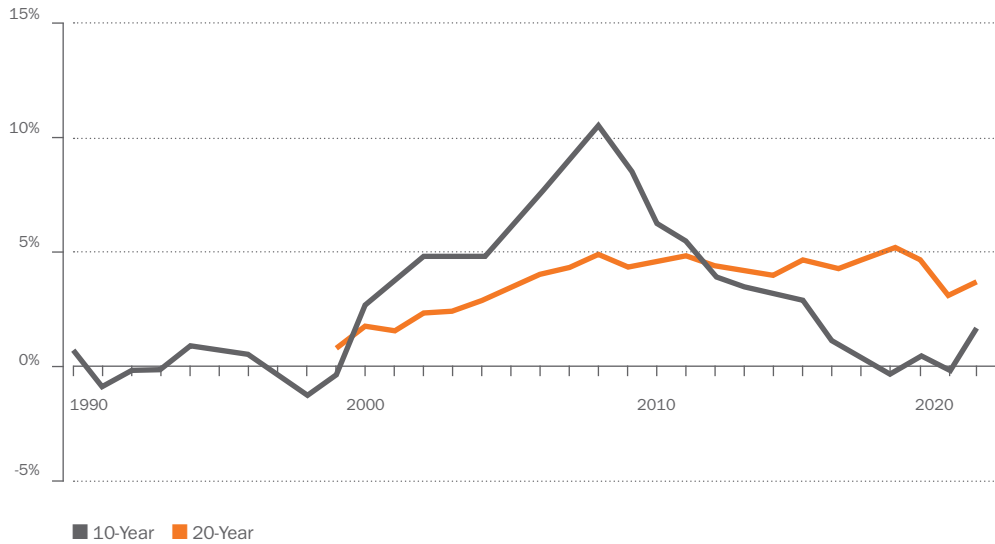
**Figure 4**  
**10-YEAR ANNUALIZED PERFORMANCE**

Ending June 30, 2021



Examining performance over rolling periods enables an additional long-term perspective. Figure 5 compares PRINCO's investment performance over rolling 10- and 20-year periods to that of the 65/35 benchmark. As the figure highlights, even with a decade-long view, the comparison has endpoint sensitivity (i.e., there is surprisingly high variability from year-to-year). As such, and consistent with our long-term approach, it is informative to also evaluate returns over 20-year periods. While the difference between 10-year returns has been variable, the Endowment has consistently outperformed the 65/35 benchmark over 20-year periods. The decline in 10-year relative performance largely reflects that during the period diversification away from traditional U.S. stocks and bonds has been costly. Notably, U.S. equities benefited significantly in recent years from equity valuations expanding to lofty levels, while fixed income benefited from bond yields dropping to extremely low levels. It seems unlikely that the 65/35 benchmark will benefit to the same degree from such tailwinds in the decade ahead.

**Figure 5**  
**PRINCETON ROLLING RETURNS MINUS 65/35 BENCHMARK ROLLING RETURNS**



Over the past 10 years, Princeton outperformed within asset categories by an average annualized margin of 2.2 percent, with four of six asset categories outperforming their respective benchmarks (see Figure 6). Particularly notable is the fact that the most easily benchmarked equity categories – Developed and Emerging Markets – registered very strong absolute returns and significant outperformance.<sup>9</sup> In aggregate, these categories gained 14.1 percent annualized over the past 10 years, surpassing a Policy-weighted benchmark by 6.0 percent annualized. In both categories, results reflect outstanding execution by our managers and PRINCO’s willingness to construct a roster that has industry and country exposures that deviate greatly from benchmarks. Key to Emerging Markets’ performance have been PRINCO’s actions to reshape the portfolio to focus on country specialist managers.

Independent Return’s 10-year results have been modest in absolute terms, but with solid outperformance. This period has been particularly challenging for managers in this category, as interest rates have fallen to historically low levels and stock-pickers have faced significant headwinds on short positions during a sustained bull market.

Private Equity was the Endowment’s strongest performing category over this period and outperformed. Venture capital investments in developed markets drove these strong results. Real Assets has produced disappointing absolute and relative results. Natural resources investments faced severe headwinds caused by declining commodity prices. Moreover, this asset class is especially difficult to benchmark, and much (albeit far from all) of this underperformance relates to differences between the composition and approach of the Endowment’s real estate and energy programs and those of their benchmarks. Additionally, nine years ago we finished a major revamping of the Real Assets program. Decisions made then and since have resulted in outperformance, but it has been hidden behind a continuing drag created by many older investments.

Fixed Income and Cash nominal results were below expectations, as yields and inflation have been at historically low levels for much of this period. The asset category trailed the benchmark’s return, due to our holding shorter-than-market duration bonds for most of the period.

<sup>9</sup> We describe these categories as “easily benchmarked” because for each there exists an easily investable index alternative that closely parallels our investment approach. No such alternatives exist for the other equity asset categories.

# Report on Investments

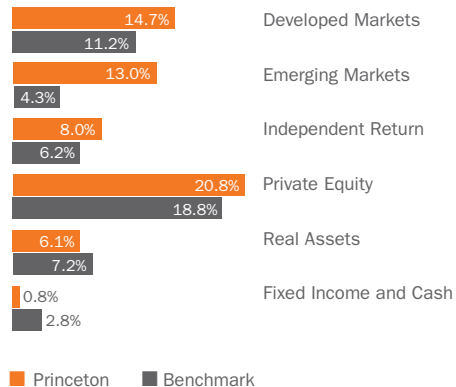
PRINCETON UNIVERSITY INVESTMENT COMPANY

(Continued)

**Figure 6**

**PRINCETON ASSET CLASS RETURNS VS. BENCHMARKS**

Ten Years Ending June 30, 2021



**Benchmarks used:**

**Developed Markets:** Blend of Wilshire 5000 and MSCI World ex-U.S. IMI Indices

**Emerging Markets:** MSCI Emerging Markets Index prior to 6/30/10; MSCI Emerging Markets IMI Index thereafter

**Independent Return:** 40% Wilshire 5000 Index + 60% 91-day T-Bill + 550 basis points per annum prior to 6/30/10; 40% MSCI All Country World Index + 60% (91-day T-Bill + 650 basis points per annum) through 6/30/12; HFRI Fund Weighted Composite Index + 50 basis points per annum thereafter

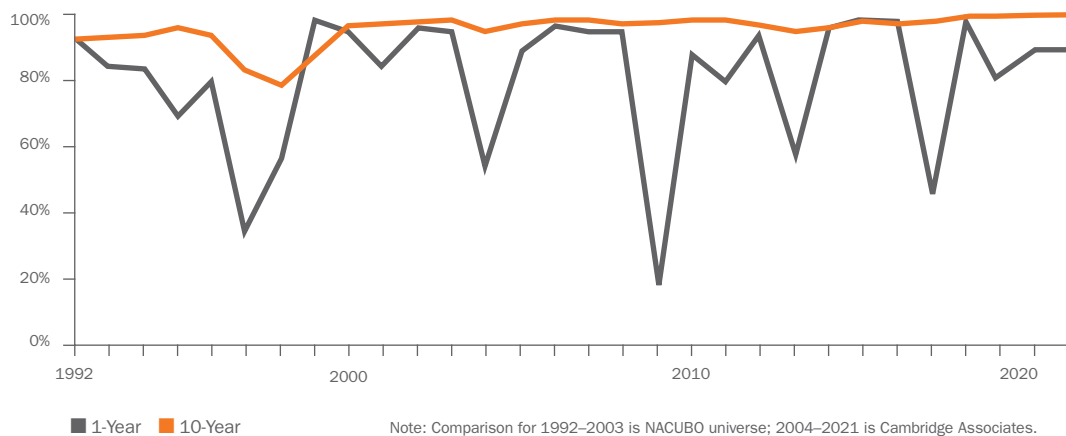
**Private Equity:** Customized Cambridge Associates benchmark

**Real Assets:** Blend of levered NCREIF Property Index, an energy component, and a timber component prior to 6/30/10; levered NCREIF Property Index replaced with Cambridge Associates Real Estate benchmark thereafter

**Fixed Income and Cash:** Barclays Government Bond Index

**Figure 7**

**PRINCETON ANNUALIZED FISCAL YEAR RETURN PERCENTILE RANK OVER ROLLING PERIODS**



## CONCLUSION

In conclusion, it was indeed a good year for reaping. But, sow what?

As in “What should we plant now? Should we plant now? Should we leave a few fields fallow?” The answers are not clear. Perhaps these words should guide:

**Valuations up?**

**Not the same as high IQ**

**Humility now!**

**Party has been great**

**When will punchbowl be taken?**

**Best leave before end**

**Lonely is ok,**

**Even if band still plays on**

**Take some chips with you**

**Some waves can be surfed;**

**Others best to dive under**

**Getting gnarly, Dude!**

**Continue approach:**

**Partnering with the world’s best**

**Micro matters most**

**Best times, worst times, same:**

**Focus past the horizon --**

**Year is but a blink**

While our approach served us particularly well in fiscal 2021, we are reminded that a year is quite short in the context of a mission horizon focused on perpetuity. Indeed, Figure 7 illustrates the volatility of our returns and reminds us that our focus must remain on the long term, remembering that doing reasonably well more often than not—with occasional stellar moments, even if with few, but not many, off years—compounds to excellence over the long term.



Andrew Golden  
President

Princeton University Investment Company





## **Report of Independent Auditors**

To the Trustees of Princeton University:

We have audited the accompanying consolidated financial statements of Princeton University and its subsidiaries (the "University", which as described in Note 2 is legally known as The Trustees of Princeton University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and of cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Princeton University and its subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

November 22, 2021

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*PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, New York 10017  
T: (646) 471 3000, F: (813) 286 6000, www.pwc.com/us*

# Consolidated Statements of Financial Position

Princeton University  
June 30, 2021 and 2020

<i>(dollars in thousands)</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash	\$ 37,297	\$ 105,648
Accounts receivable	161,933	157,125
Receivables associated with investments	98,282	20,232
Educational and mortgage loans receivable	450,663	449,759
Contributions receivable	280,913	348,453
Managed investments at market value	37,364,851	26,250,932
Funds held in trust by others	144,338	112,091
Other investments	1,335,787	1,260,344
Property, net of accumulated depreciation	4,520,824	4,267,022
Other assets	65,150	58,610
<b>Total assets</b>	<b>\$ 44,460,038</b>	<b>\$ 33,030,216</b>
<b>Liabilities</b>		
Accounts payable	\$ 70,820	\$ 56,957
Liabilities associated with investments	60,241	20,136
Deposits, advance receipts, and accrued liabilities	352,747	241,186
Deposits held in custody for others	181,720	130,614
Liability under planned giving agreements	100,392	86,255
Indebtedness to third parties	3,547,757	3,396,518
Accrued postretirement benefits	683,527	641,970
<b>Total liabilities</b>	<b>\$ 4,997,204</b>	<b>\$ 4,573,636</b>
<b>Net assets</b>		
Without donor restrictions controlled by the University	\$ 17,355,782	\$ 12,401,995
Without donor restrictions attributable to noncontrolling interests	211,035	188,379
<b>Total net assets without donor restrictions</b>	<b>17,566,817</b>	<b>12,590,374</b>
<b>Total net assets with donor restrictions</b>	<b>21,896,017</b>	<b>15,866,206</b>
<b>Total net assets</b>	<b>\$ 39,462,834</b>	<b>\$ 28,456,580</b>
<b>Total liabilities and net assets</b>	<b>\$ 44,460,038</b>	<b>\$ 33,030,216</b>

See notes to consolidated financial statements.

# Consolidated Statements of Activities

Princeton University  
Year ended June 30, 2021

<i>(dollars in thousands)</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021 Total</b>
<b>Revenues and other sources</b>			
Tuition and fees, net of financial aid	\$ 104,671	-	\$ 104,671
Government grants and contracts	342,042	-	342,042
Private gifts, grants, and contracts	87,459	\$ 79,035	166,494
Auxiliary sales and services, net of financial aid	34,045	-	34,045
Other operating revenues	47,274	-	47,274
Investment earnings distributed	663,187	804,778	1,467,965
<b>Total operating revenues</b>	<b>1,278,678</b>	<b>883,813</b>	<b>2,162,491</b>
Net assets released from restrictions	843,992	(843,992)	-
<b>Total revenues and other sources</b>	<b>2,122,670</b>	<b>39,821</b>	<b>2,162,491</b>
<b>Operating expenses</b>			
Salaries and wages	817,649	-	817,649
Employee benefits	250,595	-	250,595
Supplies, services, and other	305,396	-	305,396
Space and occupancy	78,358	-	78,358
Student stipends and prizes	75,049	-	75,049
Depreciation	188,591	-	188,591
Interest on indebtedness	124,292	-	124,292
<b>Total operating expenses</b>	<b>1,839,930</b>	<b>-</b>	<b>1,839,930</b>
<b>Results of operations</b>	<b>282,740</b>	<b>39,821</b>	<b>322,561</b>
<b>Nonoperating activities</b>			
Adjustments to planned giving agreements	-	33,758	33,758
Increase in value of assets held in trust by others	-	30,248	30,248
Private gifts, noncurrent	6,978	212,045	219,023
Net realized and unrealized appreciation on investments	5,304,526	6,524,272	11,828,798
Distribution of investment earnings	(663,187)	(804,778)	(1,467,965)
Net periodic benefit cost other than service cost	(16,991)	-	(16,991)
Other postretirement benefit changes	34,166	-	34,166
Reclassifications, transfers, and other nonoperating	5,555	(5,555)	-
<b>Increase from nonoperating activities</b>	<b>4,671,047</b>	<b>5,989,990</b>	<b>10,661,037</b>
<b>Increase in net assets - University</b>	<b>4,953,787</b>	<b>6,029,811</b>	<b>10,983,598</b>
Change in noncontrolling interests	22,656	-	22,656
<b>Total increase in net assets</b>	<b>4,976,443</b>	<b>6,029,811</b>	<b>11,006,254</b>
Net assets at the beginning of the year	12,590,374	15,866,206	28,456,580
<b>Net assets at the end of the year</b>	<b>\$ 17,566,817</b>	<b>\$ 21,896,017</b>	<b>\$ 39,462,834</b>

See notes to consolidated financial statements.

# Consolidated Statements of Activities

Princeton University  
Year ended June 30, 2020

<i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Revenues and other sources</b>			
Tuition and fees, net of financial aid	\$ 133,287	-	\$ 133,287
Government grants and contracts	336,660	-	336,660
Private gifts, grants, and contracts	71,216	\$ 96,308	167,524
Auxiliary sales and services, net of financial aid	62,601	-	62,601
Other operating revenues	33,359	-	33,359
Investment earnings distributed	630,639	809,006	1,439,645
<b>Total operating revenues</b>	<b>1,267,762</b>	<b>905,314</b>	<b>2,173,076</b>
Net assets released from restrictions	869,936	(869,936)	-
<b>Total revenues and other sources</b>	<b>2,137,698</b>	<b>35,378</b>	<b>2,173,076</b>
<b>Operating expenses</b>			
Salaries and wages	801,441	-	801,441
Employee benefits	226,194	-	226,194
Supplies, services, and other	325,050	-	325,050
Space and occupancy	69,307	-	69,307
Student stipends and prizes	70,084	-	70,084
Depreciation	188,890	-	188,890
Interest on indebtedness	115,259	-	115,259
<b>Total operating expenses</b>	<b>1,796,225</b>	<b>-</b>	<b>1,796,225</b>
<b>Results of operations</b>	<b>341,473</b>	<b>35,378</b>	<b>376,851</b>
<b>Nonoperating activities</b>			
Adjustments to planned giving agreements	-	(4,180)	(4,180)
Increase in value of assets held in trust by others	-	(2,314)	(2,314)
Private gifts, noncurrent	7,729	181,731	189,460
Net realized and unrealized appreciation on investments	574,654	811,479	1,386,133
Distribution of investment earnings	(630,639)	(809,006)	(1,439,645)
Net periodic benefit cost other than service cost	(15,025)	-	(15,025)
Other postretirement benefit changes	(94,842)	-	(94,842)
Reclassifications, transfers, and other nonoperating	(1,547)	(2,869)	(4,416)
<b>Increase (decrease) from nonoperating activities</b>	<b>(159,670)</b>	<b>174,841</b>	<b>15,171</b>
<b>Increase in net assets - University</b>	<b>181,803</b>	<b>210,219</b>	<b>392,022</b>
Change in noncontrolling interests	(8,388)	-	(8,388)
<b>Total increase in net assets</b>	<b>173,415</b>	<b>210,219</b>	<b>383,634</b>
Net assets at the beginning of the year	12,416,959	15,655,987	28,072,946
<b>Net assets at the end of the year</b>	<b>\$ 12,590,374</b>	<b>\$ 15,866,206</b>	<b>\$ 28,456,580</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Princeton University

Years ended June 30, 2021 and 2020

<i>(dollars in thousands)</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 11,006,254	\$ 383,634
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	188,591	188,890
Amortization of bond issuance costs and premiums	(23,269)	(13,280)
Property gifts-in-kind	(449)	(345)
Adjustments to planned giving agreements	(33,758)	4,180
Net realized and unrealized gains on investments	(11,828,798)	(1,386,133)
Loss on disposal of fixed assets	4,712	21,009
Decrease (Increase) in value of assets held in trust by others	(32,247)	2,878
Contributions received for long-term investment	(257,911)	(122,835)
Change in noncontrolling interests	(22,656)	8,388
Changes in operating assets and liabilities:		
Receivables	61,828	(79,452)
Other assets	(6,540)	(38,805)
Accounts payable	18,669	16,724
Deposits, advance receipts, and accrued liabilities	111,561	105,276
Deposits held in custody for others	51,106	(7,902)
Accrued postretirement benefits	41,557	140,544
<b>Net cash and restricted cash used in operating activities</b>	<b>(721,350)</b>	<b>(777,229)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(452,618)	(323,130)
Proceeds from disposal of property, plant, and equipment	1,155	887
Purchases of investments	(20,216,086)	(14,250,827)
Proceeds from maturities/sales of investments	20,552,709	15,485,623
<b>Net cash and restricted cash (used in) provided by investing activities</b>	<b>(114,840)</b>	<b>912,553</b>
<b>Cash flows from financing activities</b>		
Issuance of indebtedness to third parties	511,331	480,133
Payment of debt principal	(336,823)	(97,521)
Contributions received for long-term investment	257,911	122,835
Transactions on planned giving agreements	47,895	(9,973)
<b>Net cash and restricted cash provided by financing activities</b>	<b>480,314</b>	<b>495,474</b>
<b>Net (decrease) increase in cash and restricted cash</b>	<b>(355,876)</b>	<b>630,798</b>
<b>Cash and restricted cash at the beginning of the year</b>	<b>945,047</b>	<b>314,249</b>
<b>Cash and restricted cash at the end of the year</b>	<b>\$ 589,171</b>	<b>\$ 945,047</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 136,024	\$ 129,118
<b>Supplemental information on cash and restricted cash</b>		
Cash as shown in the Consolidated Statements of Financial Position	\$ 37,297	\$ 105,648
Cash and restricted cash included in Managed Investments (see Note 4)	430,155	380,561
Cash included in Other Investments (see Note 3)	121,719	458,838
<b>Total cash and restricted cash as shown on the Consolidated Statements of Cash Flows</b>	<b>\$ 589,171</b>	<b>\$ 945,047</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

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## 1. NATURE OF OPERATIONS

Princeton University (the “University”) is a private, not-for-profit, nonsectarian institution of higher learning. When originally chartered in 1746 as the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. First located in Elizabeth, and briefly in Newark, the school moved to Princeton in 1756.

The student body numbers approximately 4,688 undergraduates and 3,079 graduate students in more than 90 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science, and the Princeton School of Public and International Affairs. The faculty numbers approximately 1,290, including visitors and part-time appointments.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Princeton University (now legally known as “The Trustees of Princeton University”) are prepared on the accrual basis and include the accounts of its wholly owned subsidiaries, foundation, and investments controlled by the University. Financial information conforms to the statements of accounting principles of the Financial Accounting Standards Board (FASB) and to the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Entities*. Relevant pronouncements include FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

External consolidated financial statements of not-for-profit organizations require the preparation of a consolidated statement of financial position, a consolidated statement of activities, and a consolidated statement of cash flows. The classification of the organization’s net assets and its revenues and expenses into two categories according to the existence or absence of donor-imposed restrictions — net assets with donor restrictions and net assets without donor restrictions — is also required. Changes, including reclassification and transfers, in each category are reflected in the Consolidated Statements of Activities, certain of which are further categorized as nonoperating. Such nonoperating activities primarily reflect transactions of a long-term investment or capital nature, contributions receivable in future periods, contributions subject to donor-imposed restrictions, gains and losses on investments in excess of the University’s spending rule, postretirement benefit changes, and other nonrecurring activities.

Cash and cash equivalents are recorded at fair value and include several depository accounts, checking accounts, institutional money market funds, and similar temporary investments with maturities of three months or less at the date of purchase. The University has elected to classify cash equivalents that are part of the University’s investments as short-term investments.

Unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received. The amounts are discounted based on timing of expected collections. Amounts received from donors to planned giving programs consist primarily of charitable trusts and charitable gift annuities. The assets related to these agreements are included in Other investments at fair value and the liability for the present value of annuity payments to the donor in Liability under planned giving agreements.

Other significant accounting policies are described elsewhere in these notes.

The preparation of the University’s consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the Consolidated Statements of Financial

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

Position, and the reported amounts of revenues and expenses included in the Consolidated Statements of Activities. Actual results could differ from such estimates.

Certain prior year balances have been reclassified to conform with current year presentation.

## Revenue from Tuition, Fees, and Auxiliary Services

Revenue from tuition, fees, and auxiliary services, which consist primarily of student room and board, are presented at transaction prices, which typically are determined based on standard published rates for the services provided, less any institutional financial aid awarded by the University to qualifying students. For the years ended June 30, 2021 and 2020, revenue from tuition, fees, and auxiliary services was as follows:

<b>2021</b>	<b>At published</b>	<b>Institutional</b>	
<i>(dollars in thousands)</i>	<b>rates</b>	<b>aid</b>	<b>Total net</b>
Tuition and fees	\$ 375,922	\$ (271,251)	\$ 104,671
Room, board, and other	42,855	(8,810)	34,045
<b>Total</b>	<b>\$ 418,777</b>	<b>\$ (280,061)</b>	<b>\$ 138,716</b>

<b>2020</b>	<b>At published</b>	<b>Institutional</b>	
<i>(dollars in thousands)</i>	<b>rates</b>	<b>aid</b>	<b>Total net</b>
Tuition and fees	\$ 416,793	\$ (283,506)	\$ 133,287
Room, board, and other	82,736	(20,135)	62,601
<b>Total</b>	<b>\$ 499,529</b>	<b>\$ (303,641)</b>	<b>\$ 195,888</b>

Of the \$139 million in net total tuition, fees, and auxiliary revenue recognized in fiscal 2021, \$113 million was from undergraduate students, \$19 million was from graduate students, and \$7 million was from other sources. Of the \$196 million in net total tuition, fees, and auxiliary revenue recognized in fiscal 2020, \$157 million was from undergraduate students, \$23 million was from graduate students, and \$16 million was from other sources.

Tuition, fees, and auxiliary revenues are recognized and associated performance obligations are satisfied over time during the course of the fiscal year in which the student services are provided.

## Revenue from Sponsored Grants and Contracts

The University receives sponsored program funding in the form of grants and contracts from governments, foundations, industry, and other private sources generally for research activities. 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 the University, the funding organization's mission, or the public at large.

Grants and contracts that are reciprocal in nature include certain private grants and the contract with the U.S. Department of Energy to operate the Princeton Plasma Physics Laboratory. Revenue from exchange agreements generally is recognized over time as performance obligations are satisfied, which in most cases occur as related costs are incurred.

Revenue from nonexchange transactions (contributions/gifts and certain grants) 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). Revenue from conditional nonexchange transactions is recognized when the barrier is satisfied, which is generally as costs are incurred or certain milestones are achieved. Conditions on grants, such as Federal government grants,

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

typically include limitations on how research activities must be conducted, such as compliance with OMB cost principles. In addition, the University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenue from nonexchange agreements that are considered unconditional, such as most foundation grants, generally is recognized as revenue with donor restrictions when the grant funds are awarded, and is released into net assets without donor restrictions when the purpose has been met.

As of June 30, 2021, the University has unrecorded conditional grant agreements of \$325 million from government sponsors and \$100 million from nongovernment sponsors. Indirect costs recovered on federally sponsored programs generally are based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University 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.

## **New Accounting Pronouncements**

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU removes certain disclosures, modifies certain disclosures, and adds additional disclosures related to fair value measurement. The University has evaluated the impact of the new standard on the University consolidated financial statements and has determined that there is no material impact.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definitions of Collections, Not-for-Profit Entities (Topic 958)*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU modifies the term “Collections,” which in turn may change collection recognition policies, and also adds certain disclosure requirements. The University implemented ASU 2019-03 on July 1, 2020 and included the updated collections policy in Note 9, Property.

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## **3. INVESTMENTS**

### **Managed Investments**

All managed investments are reported at fair value. The fair value of marketable equity, debt, and certain derivative securities (which include both domestic and foreign issues) generally is based upon a combination of published current market prices and exchange rates. The fair value of restricted securities and other investments for which published market prices are not available is based on estimated values using discounted cash flow analysis and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships and similar investment vehicles is based on the net asset value of such investments and generally is estimated by external investment managers, including general partners or valuation committees. These valuations necessarily involve assumptions and methods that are reviewed, evaluated, and adjusted, if necessary, by the University. Changes in assumptions could have a significant effect on the fair values of these investments. Actual results could differ from these estimates and could have a material impact on the consolidated financial

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

statements. These investments generally are less liquid than other investments, and the values reported may differ from the values that would have been reported had a ready market for these securities existed. Securities transactions are reported on a trade-date basis. Realized gains and losses are calculated using the specific identification cost method.

A summary of managed investments by asset category at fair value at June 30, 2021 and 2020 is presented below. The managed investment categories are presented on a “manager-mandate” basis, that is, all of the assets and market value of the underlying funds and accounts are included in the asset class that is the primary focus of the fund or account. (Many funds and accounts have contractual flexibility to invest across more than one asset class.)

<i>(dollars in millions)</i>	<b>2021</b>	<b>2020</b>
Managed investments:		
Developed markets	\$ 3,388.6	\$ 2,934.2
Emerging markets	3,131.8	2,454.3
Independent return	8,435.0	6,491.1
Private equity	16,404.4	10,048.6
Real assets	4,420.4	3,188.7
Fixed income	1,154.5	753.4
Cash and other	430.2	380.6
<b>Gross managed investments<sup>1</sup></b>	<b>\$ 37,364.9</b>	<b>\$ 26,250.9</b>
Receivables (liabilities) associated with investments – net	38.0	0.1
Noncontrolling interests	(211.0)	(188.4)
<b>Net managed investments</b>	<b>\$ 37,191.9</b>	<b>\$ 26,062.6</b>

<sup>1</sup>Includes derivative financial instruments at fair value

The Princeton University Investment Company (PRINCO) manages investments for a foundation that the University controls, the Stanley J. Seeger Hellenic Fund, and deposits held in custody for others. The investment balances managed by PRINCO for these entities as of June 30, included in the University’s consolidated financial statements, are as follows:

<i>(dollars in millions)</i>	<b>2021</b>	<b>2020</b>
Princeton University	\$ 36,958.4	\$ 25,896.0
Stanley J. Seeger Hellenic Fund	71.0	50.0
Deposits held in custody for others	162.5	116.6
<b>Net managed investments</b>	<b>\$ 37,191.9</b>	<b>\$ 26,062.6</b>

The composition of net investment return from managed and other investments for the years ended June 30 was as follows:

<i>(dollars in millions)</i>	<b>2021</b>	<b>2020</b>
Net realized and unrealized gains (losses)	\$ 11,697.3	\$ 1,201.5
Interest, dividends, and other income	131.5	184.6
<b>Total</b>	<b>\$ 11,828.8</b>	<b>\$ 1,386.1</b>

Princeton University investments, together with the Stanley J. Seeger Hellenic Fund and deposits held in custody for others, are invested in a single unitized pool. The market value of each unit was \$17,067.25 and \$12,233.00 at June 30, 2021 and 2020, respectively. The average value of a unit during the years ending June 30, 2021 and 2020 was \$13,974.70 and \$12,069.03, respectively.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

The average invested market balance in the unitized pool during the years ending June 30, 2021 and 2020 was \$30.165 billion and \$25.381 billion, respectively.

The University follows a spending rule for its unitized investments, including funds functioning as endowment, that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings distributed and available for spending are shown in operating revenue, and the balance is shown as nonoperating revenue. Amounts distributed per unit under that rule were \$676.42 for fiscal years 2021 and 2020.

The University invests in various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

## Derivative Financial Instruments

As part of its investment strategy, the University enters into transactions utilizing a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency contracts. These financial instruments and strategies allow the University to fine-tune the asset allocation of the investment portfolio. In the case of forward currency exchange contracts, options, and swap contracts, these instruments are traded through securities and commodities exchanges. These financial instruments are executed with creditworthy banks and brokerage firms, are subject to an enforceable master netting arrangement or similar agreement, and are presented at fair value on a net basis on the Consolidated Statements of Financial Position.

Investment-related derivative exposures at June 30 are as follows:

<b>2021</b> <i>(dollars in millions)</i>	<b>Long Notional<sup>1</sup></b>	<b>Short Notional<sup>1</sup></b>	<b>Net Derivative Assets (Liabilities)</b>	<b>Gains (Losses)<sup>2</sup></b>
Index futures	-	\$ (1,123.3)	\$ (15.8)	\$ (234.7)
Equity swaps	\$ 1,218.2	(1,047.0)	16.6	79.6
<b>Total</b>	<b>\$ 1,218.2</b>	<b>\$ (2,170.3)</b>	<b>\$ 0.8</b>	<b>\$ (155.1)</b>

<b>2020</b> <i>(dollars in millions)</i>	<b>Long Notional<sup>1</sup></b>	<b>Short Notional<sup>1</sup></b>	<b>Net Derivative Assets (Liabilities)</b>	<b>Gains (Losses)<sup>2</sup></b>
Index futures	-	\$ (993.7)	\$ (12.9)	\$ (92.3)
Equity swaps	\$ 207.2	(399.9)	9.5	(28.6)
<b>Total</b>	<b>\$ 207.2</b>	<b>\$ (1,393.6)</b>	<b>\$ (3.4)</b>	<b>\$ (120.9)</b>

<sup>1</sup> Notional amounts are representative of the volume and activity of each derivative type during the years ended June 30, 2021 and 2020

<sup>2</sup> Gains and losses on derivatives are recorded under "Net realized and unrealized appreciation on investments" in the Consolidated Statements of Activities

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

Investment-related derivative assets, liabilities, and collateral by counterparty at June 30 are as follows:

2021 <i>(dollars in millions)</i>	# of Contracts	Gross Derivative Assets	Fair Value		Net
			Gross Derivative Liabilities	Collateral (Held) Pledged	
Counterparty A	28	\$ 30.6	\$ (28.5)	\$ 47.0	\$ 49.1
Counterparty B	8	100.6	(77.7)	(16.8)	6.1
Counterparty C	1	-	(24.1)	6.3	(17.8)
Total	37	\$ 131.2	\$ (130.3)	\$ 36.5	\$ 37.4

2020 <i>(dollars in millions)</i>	# of Contracts	Gross Derivative Assets	Fair Value		Net
			Gross Derivative Liabilities	Collateral (Held) Pledged	
Counterparty A	1	-	\$ (12.9)	\$ 77.2	\$ 64.3
Counterparty B	6	\$ 11.7	(4.5)	-	7.2
Counterparty C	1	2.3	-	(3.8)	(1.5)
Total	8	\$ 14.0	\$ (17.4)	\$ 73.4	\$ 70.0

## Funds Held in Trust by Others

The University is the income beneficiary of various trusts that are held and controlled by independent trustees. In addition, the University is the income beneficiary of entities that qualify as supporting organizations under Section 509(a)(3) of the U.S. Internal Revenue Code. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. Funds held in trust by others, stated at fair value, amounted to \$144.3 million in 2021 and \$112.1 million in 2020.

## Other Investments

Other investments include working capital (consisting primarily of U.S. Treasury bonds), a small number of funds that must be separately invested due to donor or legal restrictions, planned giving investments, proceeds from debt, and local real estate holdings expected to be liquidated strategically over several years. A summary of other investments at fair value at June 30, 2021 and 2020 is as follows:

<i>(dollars in millions)</i>	2021	2020
Working capital	\$ 459.5	\$ 511.5
Planned giving investments	195.2	161.4
Proceeds from debt	548.3	483.8
Strategic real estate investments	38.1	32.7
Other	94.7	70.9
Total	1,335.8	\$ 1,260.3

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

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## 4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The University applies fair value measurements to certain assets and liabilities, including the University's managed investments, other investments, and funds held in trust by others, in accordance with the requirements described above.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities that the University has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

**Level 3:** Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 primarily consist of limited partnership interests and other similar investment vehicles.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant proportion of price or other inputs that are considered to be unobservable are used in their valuations.

Investments in investee funds that are valued using the net asset value (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the University has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy. Certain of these investments may be subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

The University has various processes and controls in place to ensure investment fair value is reasonable and performs due diligence procedures on its investments, including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency. The University holds direct real estate investments categorized as Level 3. Valuation for material directly held real estate investments is determined from periodic valuations prepared by independent appraisers or broker opinions.

The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2021 and 2020:

2021 (dollars in millions)	Fair Value Measurements at Reporting Date Using				NAV as Practical Expedient
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets at fair value</b>					
Managed investments (gross):					
Developed markets	\$ 3,388.6	\$ 33.1	\$ (10.2)	\$ 0.5	\$ 3,365.2
Emerging markets	3,131.8	504.9	(24.1)	-	2,651.0
Independent return	8,435.0	14.6	-	0.5	8,419.9
Private equity	16,404.4	3.2	(45.8)	3.0	16,444.0
Real assets	4,420.4	847.4	96.7	3.0	3,473.3
Fixed income	1,154.5	1,154.5	-	-	-
Cash and other	430.2	469.1	(38.9)	-	-
<b>Total managed investments (gross)</b>	<b>37,364.9</b>	<b>3,026.8</b>	<b>(22.3)</b>	<b>7.0</b>	<b>34,353.4</b>
Funds held in trust by others	144.3	-	-	144.3	-
Other investments	1,335.8	1,100.8	-	235.0	-
<b>Total</b>	<b>\$ 38,845.0</b>	<b>\$ 4,127.6</b>	<b>\$ (22.3)</b>	<b>\$ 386.3</b>	<b>\$ 34,353.5</b>

2020 (dollars in millions)	Fair Value Measurements at Reporting Date Using				NAV as Practical Expedient
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets at fair value</b>					
Managed investments (gross):					
Developed markets	\$ 2,934.2	\$ 22.5	\$ 2.2	\$ 0.9	\$ 2,908.6
Emerging markets	2,454.3	504.2	-	-	1,950.1
Independent return	6,491.2	-	-	1.1	6,490.1
Private equity	10,048.6	(3.2)	5.8	11.4	10,034.6
Real assets	3,188.7	303.1	7.2	3.4	2,875.0
Fixed income	753.3	448.5	-	-	304.8
Cash and other	380.6	386.3	(5.7)	-	-
<b>Total managed investments (gross)</b>	<b>26,250.9</b>	<b>1,661.4</b>	<b>9.5</b>	<b>16.8</b>	<b>24,563.2</b>
Funds held in trust by others	112.1	-	-	112.1	-
Other investments	1,260.3	1,066.0	-	194.3	-
<b>Total</b>	<b>\$ 27,623.3</b>	<b>\$ 2,727.4</b>	<b>\$ 9.5</b>	<b>\$ 323.2</b>	<b>\$ 24,563.2</b>

Assets and liabilities of a majority-owned and -controlled investment fund have been consolidated for reporting purposes at June 30, 2021 and 2020. Gross managed investments include consolidated investment fund assets of \$1,136.8 million and \$1,327.1 million at June 30, 2021 and 2020, respectively, and liabilities associated with investments include consolidated investment fund liabilities of \$8.9 million and \$0.0 million at June 30, 2021 and 2020, respectively. The portion of consolidated net assets not owned by the University is reported as a noncontrolling interest.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

The following tables present the net change in the assets measured at fair value on a recurring basis and included in the Level 3 fair value category for the years ended June 30, 2021 and 2020:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
<i>(dollars in millions)</i>	June 30, 2020	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2021
<b>Assets at fair value</b>							
Managed investments (gross):							
Developed markets	\$ 0.9	\$ (0.8)	\$ 0.4	-	-	-	\$ 0.5
Emerging markets	-	-	-	-	-	-	-
Independent return	1.1	0.3	-	\$ (0.9)	-	-	0.5
Private equity	11.4	(8.4)	-	-	-	-	3.0
Real assets	3.4	(0.2)	1.2	(1.4)	-	-	3.0
<b>Total managed</b>							
<b>investments (gross)</b>	<b>16.8</b>	<b>(9.1)</b>	<b>1.6</b>	<b>(2.3)</b>	-	-	<b>7.0</b>
Funds held in trust by others	112.1	30.1	2.1	-	-	-	144.3
Other investments	194.3	57.5	3.0	(19.8)	-	-	235.0
<b>Total Level 3 investments</b>	<b>\$ 323.2</b>	<b>\$ 78.5</b>	<b>\$ 6.7</b>	<b>\$ (22.1)</b>	-	-	<b>\$ 386.3</b>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
<i>(dollars in millions)</i>	June 30, 2019	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2020
<b>Assets at fair value</b>							
Managed investments (gross):							
Developed markets	\$ 1.0	\$ (0.1)	-	-	-	-	\$ 0.9
Emerging markets	-	-	-	-	-	-	-
Independent return	1.1	0.7	-	\$ (0.7)	-	-	1.1
Private equity	138.6	-	-	-	-	\$ (127.2)	11.4
Real assets	3.9	(0.3)	-	(0.2)	-	-	3.4
<b>Total managed</b>							
<b>investments (gross)</b>	<b>144.6</b>	<b>0.3</b>	-	<b>(0.9)</b>	-	<b>(127.2)</b>	<b>16.8</b>
Funds held in trust by others	115.0	(2.9)	-	-	-	-	112.1
Other investments	208.2	(15.2)	\$ 7.0	(5.7)	-	-	194.3
<b>Total Level 3 investments</b>	<b>\$ 467.8</b>	<b>\$ (17.8)</b>	<b>\$ 7.0</b>	<b>\$ (6.6)</b>	-	<b>\$ (127.2)</b>	<b>\$ 323.2</b>

The University 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 hierarchy levels as a result of changes in valuation methodologies, liquidity, and/or redemption terms. No transfers in or out of Level 3 occurred in the year ended June 30, 2021. The University's policy is to recognize transfers at the beginning of the reporting period.

Realized gains of \$5.7 million and losses of \$6.8 million related to Level 3 investments and unrealized gains of \$72.8 million and losses of \$11.0 million related to Level 3 investments are included in net realized and unrealized appreciation on investments in the Consolidated Statements of Activities for the years ended June 30, 2021 and 2020, respectively.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2021 and 2020. The information is presented on a “manager-mandate” basis.

<b>2021</b> <i>(dollars in millions)</i>	<b>June 30</b> <b>Fair Value</b>	<b>Unfunded</b> <b>Commitments</b>	<b>Redemption Frequency</b> <b>(If Currently Eligible)</b>	<b>Redemption</b> <b>Notice Period</b>
<b>Managed investments (gross)</b>				
Developed markets (a)	\$ 3,388.6	\$ 119.2	monthly—annually	10-120 days
Emerging markets (b)	3,131.8	1.1	daily—annually	7-90 days
Independent return (c)	8,435.0	547.1	monthly—annually	3-90 days
Fixed income and cash (d)	1,584.7	-	daily	1 day
<b>Marketable asset classes</b>	<b>\$ 16,540.1</b>	<b>\$ 667.4</b>		
Private equity (e)	16,404.4	2,889.0		
Real assets (f)	4,420.4	1,646.2		
<b>Nonmarketable asset classes</b>	<b>\$ 20,824.8</b>	<b>\$ 4,535.2</b>		
<b>Total gross managed investments</b>	<b>\$ 37,364.9</b>	<b>\$ 5,202.6</b>		

<b>2020</b> <i>(dollars in millions)</i>	<b>June 30</b> <b>Fair Value</b>	<b>Unfunded</b> <b>Commitments</b>	<b>Redemption Frequency</b> <b>(If Currently Eligible)</b>	<b>Redemption</b> <b>Notice Period</b>
<b>Managed investments (gross)</b>				
Developed markets (a)	\$ 2,934.2	\$ 142.0	daily—annually	10-120 days
Emerging markets (b)	2,454.3	2.2	daily—annually	7-90 days
Independent return (c)	6,491.1	455.9	monthly—annually	60-90 days
Fixed income and cash (d)	1,134.0	-	daily-monthly	1-7 days
<b>Marketable asset classes</b>	<b>\$ 13,013.6</b>	<b>\$ 600.1</b>		
Private equity (e)	10,048.6	2,577.8		
Real assets (f)	3,188.7	1,641.8		
<b>Nonmarketable asset classes</b>	<b>\$ 13,237.3</b>	<b>\$ 4,219.6</b>		
<b>Total gross managed investments</b>	<b>\$ 26,250.9</b>	<b>\$ 4,819.7</b>		

**(a) Developed Markets:** This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges, over-the-counter markets, or equity and debt securities traded on exchanges in countries with developed economies. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds. Investments representing approximately 5 percent of the market value of this asset class are in nonredeemable assets.

**(b) Emerging Markets:** This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economies. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or, in the case of custodied accounts, the fair value of the securities held, at prevailing exchange rates. Investments representing approximately 27 percent of the market value of this asset class are invested in nonredeemable assets.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

**(c) Independent Return:** This asset class includes funds invested in equity and debt securities and financial instruments such as options, swaps, futures, and other derivatives. Funds in this asset class may hold both long and short positions in any of these instruments and pursue a variety of investment strategies such as long/short equity investments and event-driven/arbitrage based upon the fund's investment mandate and the current opportunity set. Investments representing approximately 25 percent of the market value of this asset class are invested in nonredeemable assets.

**(d) Fixed Income and Cash:** On a combined basis, these asset classes primarily include U.S. government and U.S. government-guaranteed securities held in separate accounts at the custodial bank. The majority of the investments in these asset classes can be liquidated on a daily basis.

**(e) Private Equity:** This asset class includes funds primarily invested in buyouts or venture capital. The fair values of the investments in this asset class generally have been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

**(f) Real Assets:** This asset class includes funds primarily invested in real estate and natural resources. The fair values of the investments in this asset class have been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. However, \$1,080.4 million at June 30, 2021, and \$469.1 million at June 30, 2020, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments of the funds are liquidated.

Investments in the marketable asset classes generally are redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately \$3.0 billion of the marketable asset classes are invested in "nonredeemable assets," which are not eligible for redemption by the University. Nonredeemable assets are specific investments within a fund designated by the fund manager as ineligible for withdrawal. Due to the illiquid nature of nonredeemable assets, it is impossible for the University to predict when these assets will liquidate and the proceeds be distributed to investors.

In addition to nonredeemable assets, the University may be limited in its ability to effect a withdrawal if a fund manager invokes a "gate" provision restricting redemptions from its fund. Gates generally are triggered when aggregate fund withdrawal requests exceed a contractually predetermined threshold. No withdrawal requests were impacted by a gate in the year ended June 30, 2021.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments generally are called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

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## 5. ENDOWMENT

The University's endowment consists of approximately 4,800 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the state of New Jersey in June 2009.

**Interpretation of relevant law** – The University interprets the UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also classified as net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 was:

<b>2021</b> <i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 2,251,419	\$ 2,251,419
Appreciation	-	18,579,232	18,579,232
Board-designated endowment funds	\$ 16,195,791	-	16,195,791
<b>Total</b>	<b>\$ 16,195,791</b>	<b>\$ 20,830,651</b>	<b>\$ 37,026,442</b>

<b>2020</b> <i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 2,128,592	\$ 2,128,592
Appreciation	-	12,837,086	12,837,086
Board-designated endowment funds	\$ 10,978,605	-	10,978,605
<b>Total</b>	<b>\$ 10,978,605</b>	<b>\$ 14,965,678</b>	<b>\$ 25,944,283</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>2021</b> (dollars in thousands)			
Endowment net assets, beginning of the year	\$ 10,978,605	\$ 14,965,678	\$ 25,944,283
Net investment return	5,369,914	6,513,537	11,883,451
Contributions	3,023	107,498	110,521
Appropriation of endowment assets for expenditure	(654,027)	(798,483)	(1,452,510)
Reclassifications, transfers, and board designations	498,276	42,421	540,697
<b>Endowment net assets, end of year</b>	<b>\$ 16,195,791</b>	<b>\$ 20,830,651</b>	<b>\$ 37,026,442</b>

	Without Donor Restrictions	With Donor Restrictions	Total
<b>2020</b> (dollars in thousands)			
Endowment net assets, beginning of the year	\$ 10,631,017	\$ 14,868,628	\$ 25,499,645
Net investment return	634,558	793,897	1,428,455
Contributions	113	85,234	85,347
Appropriation of endowment assets for expenditure	(622,500)	(793,580)	(1,416,080)
Reclassifications, transfers, and board designations	335,417	11,499	346,916
<b>Endowment net assets, end of year</b>	<b>\$ 10,978,605</b>	<b>\$ 14,965,678</b>	<b>\$ 25,944,283</b>

**Funds with deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2021. At June 30, 2020, funds with deficiencies totaled \$0.07 million. Deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions while continued appropriations are deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of restricted endowments below the original amount of the gift. Subsequent investment gains then are used to restore the balance up to the fair market value of the original amount of the gift. Both fund deficiencies and subsequent gains above that amount are recorded in net assets with donor restrictions.

**Return objectives and risk parameters** – The University has adopted investment and spending policies for endowment assets that attempt to support the University’s current and future operating needs while preserving intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods as well as University-designated funds. Under these policies, the endowment assets are invested in a manner intended to produce returns that exceed both the annual rate of spending and University inflation.

**Strategies employed for achieving objectives** – The vast majority of the endowment assets are actively managed by PRINCO, which is structured as a University office but maintains its own Board of Directors, and operates under the final authority of the University’s Board of Trustees (the “Trustees”).

In pursuit of the investment return objectives, PRINCO maintains an equity-biased

# Notes to Consolidated Financial Statements

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portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

**Spending policy and how the investment objectives relate to spending policy** – Each year, the Trustees decide upon an amount to be spent from the endowment for the following fiscal year. In their deliberations, the Trustees use a spending framework designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. The framework targets annual spending rates of between 4.0 percent and 6.25 percent.

The endowment must seek investment returns sufficient to meet spending policy targets as well as to maintain future purchasing power without deterioration of corpus resulting from University inflation.

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## 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The University's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statements of Financial Position were as follows:

<i>(dollars in thousands)</i>	2021	2020
<b>Financial assets:</b>		
Cash	\$ 37,297	\$ 105,648
Accounts receivable	102,216	99,290
Educational and mortgage receivable	15,993	15,996
Contributions receivable	115,406	116,935
Working capital	459,407	511,451
Investments: appropriated for spending in the following year	1,517,000	1,423,000
<b>Total financial assets available within one year</b>	<b>\$ 2,247,319</b>	<b>\$ 2,272,320</b>
<b>Liquidity resources:</b>		
Taxable debt and commercial paper (unexpended)	825,887	741,859
Bank lines of credit (undrawn)	533,195	292,300
<b>Total financial assets and resources available within one year</b>	<b>\$ 3,606,401</b>	<b>\$3,306,479</b>

As part of the University's liquidity management strategy, the University structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term working capital investments. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses, and other factors affecting available cash. Endowment funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor restrictions where applicable; however, cash withdrawals from the investment pool are available for general liquidity purposes. To help manage unanticipated liquidity needs, the University has committed bank lines of credit in the amount of \$555 million, which it could draw upon, and a taxable commercial

# Notes to Consolidated Financial Statements

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paper program authorized to a maximum level of \$480 million.

Additionally, the University has board-designated endowment funds of \$16.2 billion and \$11.0 billion as of June 30, 2021 and 2020, respectively. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 4 for disclosures about investments).

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## 7. EDUCATIONAL AND MORTGAGE LOANS

Educational loans include donor-restricted and federally sponsored educational loans that bear mandated interest rates and repayment terms and are subject to significant restrictions on their transfer and disposition. These loans totaled \$46.0 million and \$53.2 million at June 30, 2021 and 2020, respectively.

Through a program designed to attract and retain excellent faculty and senior staff, the University provides home acquisition and financing assistance on residential properties in the area surrounding the University. Notes receivable from faculty and staff and co-ownership interests in the properties are included in mortgage loans and are collateralized by mortgages on those properties. These loans and interests totaled \$404.7 million and \$396.6 million at June 30, 2021 and 2020, respectively.

### Allowance for Doubtful Loans

Management assesses the adequacy of the allowance for doubtful loans by performing evaluations of the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of borrowers, the economic environment, the level of delinquent loans, and the value of any collateral associated with the loans. In addition to general economic conditions and other factors described above, a detailed review of the aging of loans receivable is considered in management's assessment. The level of the allowance is adjusted according to the results of management's analysis.

Loans less than 120 days delinquent are deemed to have a minimal delay in payment and generally are not written off. Loans delinquent by 120 days or more are subject to standard collection practices, including litigation. Only loans that are deemed uncollectible are written off, and this occurs only after several unsuccessful collection attempts, including placement at an external collection agency. Considering the other factors discussed herein, management considers the allowance for doubtful loans at June 30, 2021 and 2020 to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2021 and 2020 are reported net of allowances for doubtful loans of \$0.6 million and \$0.3 million, respectively.

# Notes to Consolidated Financial Statements

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## 8. CONTRIBUTIONS RECEIVABLE

At June 30, 2021 and 2020, the University had received from donors unconditional pledges receivable in the following periods:

<i>(dollars in thousands)</i>	2021	2020
Less than one year	\$ 115,406	\$ 116,935
One to five years	131,595	198,428
More than five years	61,995	65,729
<b>Total</b>	<b>\$ 308,996</b>	<b>\$ 381,092</b>
Less unamortized discount	21,113	24,412
Less allowance for doubtful pledges	6,970	8,227
<b>Total</b>	<b>\$ 280,913</b>	<b>\$ 348,453</b>

The amounts pledged have been recorded after discounting the future cash flows to the present value (discount rates ranged from 0.72 percent to 6.18 percent). Current-year pledges are included in revenue as additions to net assets with donor restrictions and are included in contributions receivable at fair value based on observable ASC 820 Level 2 inputs.

In addition, at June 30, 2021, the University had received from donors pledges totaling \$66.2 million, conditioned upon the raising of matching gifts from other sources and other criteria. These amounts will be recognized as income in the periods in which the conditions have been fulfilled.

## 9. PROPERTY

Land additions are reported at estimated market value at the date of gift, or on a cost basis. Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as property at June 30, 2021 and 2020 consisted of the following:

<i>(dollars in thousands)</i>	2021	2020
Land	\$ 110,265	\$ 113,867
Buildings and improvements	5,046,289	4,976,605
Construction in progress	427,983	165,531
Equipment and systems	505,917	452,698
Rare books	138,329	130,909
Library books, periodicals, and bindings	335,189	322,703
Fine art objects	160,185	154,193
<b>Total property</b>	<b>\$ 6,724,157</b>	<b>\$ 6,316,506</b>
Accumulated depreciation	(2,203,333)	(2,049,484)
<b>Total</b>	<b>\$ 4,520,824</b>	<b>\$ 4,267,022</b>

Equipment, library books, periodicals, and bindings are stated at cost, net of accumulated depreciation. Equipment includes items purchased with federal government funds; an indeterminate portion of those items are expected to be transferred to the University at the termination of the respective grant or contract.

In addition to making purchases with University funds, the University, since its inception, has received a substantial number of fine art objects and rare books from individual gifts and bequests. Art objects and rare books acquired through June 30, 1973 are carried at insurable values at that date because it is not practicable to determine the historical cost or market value at

# Notes to Consolidated Financial Statements

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the date of gift. Art objects and rare books acquired subsequent to June 30, 1973 are recorded at cost or fair value at the date of gift. Works of art, literary works, historical treasures, and artifacts that are part of a collection are protected, preserved, and held for public exhibition, education, and research in furtherance of public service. Collections are not capitalized, and contributed collection items are not recognized as revenues in the University's consolidated financial statements. Should items of the collection be sold, proceeds from the sale will be used for the acquisition of new collection items, the direct care, which includes conservation care, cataloging, documenting, and proper access and use, of existing collections, or both.

The University uses componentized depreciation for buildings and building improvements used for research. The costs of research facilities are separated into building shell, service system, and fixed equipment components that are separately depreciated.

Annual depreciation is calculated on the straight-line method over useful lives ranging from 10 to 50 years for buildings and improvements, 30 years for library books, and 5 to 25 years for equipment and systems. Art objects and rare books having cultural, aesthetic, or historical value are not depreciated.

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## 10. LEASES

The University's leases are primarily real estate operating leases. Under the lease accounting standard adopted in fiscal 2020, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases result in the recognition on the consolidated statements of financial position of ROU assets, representing the right to use the underlying assets for the lease term, and lease liabilities, representing the obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. The University determines if an arrangement is a lease or contains a lease at inception of a contract.

As permitted under the transition guidance in Topic 842, the University elected a package of practical expedients which, among other provisions, allowed the University to carry forward historical lease classifications, and the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. The University also elected the hindsight practical expedient to determine the lease term for existing leases, which permits entities to consider available information prior to the effective date of the new guidance as to the actual or likely exercise of options to extend or terminate the lease. Certain real estate leases have renewal options, and the lease term includes options to extend the lease when it is reasonably certain that the University will exercise that option. Real estate lease agreements typically have initial terms of 5 to 15 years. The University does not include short-term leases within the consolidated statements of financial position since it has elected the practical expedient to exclude leases with an initial term of 12 months or less from operating right-of-use assets and lease liabilities.

At lease inception, operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. The University has elected to utilize a portfolio approach to implementation of existing operating leases and applied a single discount rate to all leases in each portfolio. For the initial and subsequent measurement of all lease liabilities, the discount rate is based on the rate implied within the lease or if not readily determinable the University has elected to apply a risk-free rate, using the applicable treasury yield as of implementation date.

Lease expense is recognized on a straight-line basis over the term of the lease.

# Notes to Consolidated Financial Statements

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Operating lease expense was \$15 million (including amortization related to ROU assets and lease liabilities) for each of the years ended June 30, 2021 and 2020.

ROU assets recorded in Other assets were \$34.8 million and \$44.5 million at June 30, 2021 and 2020, respectively. Lease liabilities recorded in Deposits, advance receipts, and accrued liabilities were \$35.4 million and \$44.8 million at June 30, 2021 and 2020, respectively.

The weighted average remaining lease term was four years and five years for leases at June 30, 2021 and 2020, respectively. The weighted average discount rate was 1.89% and 1.87% for operating leases at June 30, 2021 and 2020, respectively.

Future maturities of lease liabilities at June 30, 2021 are as follows:

*(dollars in thousands)*

2022	\$ 9,755
2023	9,225
2024	8,752
2025	4,641
2026	2,341
Thereafter	1,986
Total minimum lease payments	36,700
Imputed interest	(1,261)
<b>Total lease liabilities</b>	<b>\$ 35,439</b>

## 11. INCOME AND EXCISE TAXES

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income. The University files U.S. federal and various state and local tax returns. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2018 through the present.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. TCJA impacts the University in several ways, including imposing excise taxes on certain excess compensation and net investment income, and establishing new rules for calculating unrelated business taxable income. The University has reflected the tax assets, liabilities, and payables in the consolidated financial statements based on reasonable estimates under the regulatory guidance on the TCJA. The University continues to evaluate the impact of the TCJA on current and future tax positions.

ASC 740, *Income Taxes*, prescribes the minimum recognition threshold that a tax position must meet in connection with accounting for uncertainties in income tax positions taken, or expected to be taken, by an entity before being measured and recognized in the consolidated financial statements. The University continues to evaluate its tax positions pursuant to the principles of ASC 740, and has determined that there is no material impact on the University's consolidated financial statements.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

## 12. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2021 and 2020, the University's debt consisted of taxable bonds, taxable notes, tax-exempt bonds issued through the New Jersey Educational Facilities Authority (NJEFA), commercial paper, various parent loans, and notes as follows:

<i>(dollars in thousands)</i>	<b>2021</b>	<b>2020</b>
<b>Taxable Revenue Bonds</b>		
2009 Series A, 5.70%, due March 2039, net of unamortized discount of \$988 and \$1,043	\$ 499,012	\$ 498,957
2016 Series A, 1.85%, 2.61%, 3.63%, due July 2021, July 2026, July 2046	75,000	100,000
2017 Series A, 3.84%, due July 2048	150,000	150,000
2020 Series A, 2.52% due July 2050	500,000	500,000
<b>Taxable Notes</b>		
2012, 3.37%, due July 2042	170,000	170,000
2013, 4.73%, due July 2044	75,000	75,000
<b>NJEFA Revenue Bonds</b>		
2011 Series B, 4.09%, due July 2041, including unamortized premium of \$0 and \$11,452	-	221,402
2014 Series A, 3.77%, due July 2044, including unamortized premium of \$14,762 and \$15,404	197,632	201,413
2015 Series A, 2.32% due July 2035, including unamortized premium of \$21,205 and \$22,720	106,665	120,025
2015 Series D, 3.40% due July 2045, including unamortized premium of \$15,835 and \$16,494	154,090	157,904
2016 Series A, 2.53% due July 2035, including unamortized premium of \$16,317 and \$17,483	113,552	119,008
2016 Series B, 1.77% due July 2027, including unamortized premium of \$15,729 and \$18,351	116,064	123,621
2017 Series B, 2.91% due July 2036, including unamortized premium of \$42,379 and \$45,204	293,439	321,839
2017 Series C, 3.50% due July 2047, including unamortized premium of \$18,513 and \$19,225	154,288	157,724
2017 Series I, 2.97% due July 2040, including unamortized premium of \$57,598 and \$60,630	388,023	401,985
2021 Series B, 2.34% due March 2051, including unamortized premium of \$50,324 and \$0	300,324	-
2021 Series C, 1.66% due March 2041, including unamortized premium of \$25,342 and \$0	204,607	-
<b>NJEFA Capital Improvement Fund Bonds</b>		
2014 Series B, 3.67%, due September 2033, including unamortized premium of \$145 and \$156	2,472	2,609
2016 Series A, 2.53%, due September 2020	-	164
<b>Commercial Paper</b>		
Taxable, 0.07% and 0.25% with maturities up to one year	18,500	22,000
Tax-Exempt, 0% and 0.25% with maturities up to one year	-	19,000
<b>Parent Loans, 0.56% to 4.94% with maturities up to six years</b>		
	38,246	42,657
<b>Notes</b>		
	-	37
<b>Total Borrowings</b>	<b>\$ 3,556,914</b>	<b>\$ 3,405,345</b>
Unamortized debt issuance costs	(9,157)	(8,827)
<b>Total Borrowings Net of Unamortized Issuance Costs</b>	<b>\$ 3,547,757</b>	<b>\$ 3,396,518</b>

# Notes to Consolidated Financial Statements

Princeton University

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The University is authorized by the Trustees to issue new debt of up to \$650 million annually. In April 2021, the University issued \$250 million par amount of the NJEFA 2021 Series B Tax-Exempt Bonds to finance the costs of the acquisition, construction, renovation, and installation of certain capital assets to be located at or near the University's main campus in Princeton, New Jersey. In addition, the University issued \$179 million par amount of the NJEFA 2021 Series C Tax-Exempt Bonds. These bonds were issued for the purpose of the current refunding and defeasance of the callable 2011 Series B Bonds. The University intends to issue additional debt in the future.

The full faith and credit of the University is pledged in all loan agreements with the NJEFA. In fiscal 1999, the University entered into a loan facility (subsequently converted to two separate loan facilities) with a national bank to fund its parent loan program, which is currently authorized by the Trustees up to \$100 million. Fixed or variable rates may be selected on a pass-through basis to the borrowers; terms may be as long as 14 years. In fiscal 2021, the University entered into a new fixed rate loan facility of up to \$30 million, and reduced the amount of the variable rate loan facility from \$30 million to \$25 million. In addition, the University modified these loan facilities to provide that they may be drawn for educational and other corporate purposes of the University, including but not limited to the University's internal educational loan programs.

In fiscal 1998, a commercial paper program was authorized as an initial step of financing to provide construction funds for approved capital projects. The commercial paper proceeds are primarily used to finance construction expenditures until permanent financing from gifts or other sources is made available. The University maintains both taxable and tax-exempt programs. In fiscal 2021, the University increased the authorization amount for its taxable commercial paper program from \$280 million to \$480 million. The maximum authorized amount for both programs is \$600 million.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2021, excluding commercial paper, are as follows:

<i>(dollars in thousands)</i>	<b>Principal Payments</b>
2022	\$ 96,078
2023	99,825
2024	85,812
2025	88,130
2026	113,700
Thereafter	2,777,709
<b>Subtotal</b>	<b>3,261,254</b>
Unamortized premium	277,160
<b>Net long-term debt</b>	<b>\$ 3,538,414</b>

In fiscal 2021, the University increased its committed bank lines of credit from \$300 million to \$500 million, in addition to the two fixed and variable rate loan facilities noted above, under which the University may borrow on an unsecured basis at agreed-upon rates. There were \$6.5 million and \$7.7 million in letters of credit outstanding at June 30, 2021 and 2020, respectively.

## 13. EMPLOYEE BENEFIT PLANS

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which invests in the Teachers Insurance and Annuity Association and College Retirement Equities Fund, Vanguard Fiduciary Trust Funds, and other funds. The University's contributions were \$69.6 million and \$67.6 million for the years ended June 30, 2021 and 2020, respectively. The University also provides deferred compensation arrangements for certain officers,

# Notes to Consolidated Financial Statements

Princeton University

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faculty, and staff. Accrued benefits of \$683.5 million and \$642.0 million for the years ended June 30, 2021 and 2020, respectively, include the Accumulated postretirement benefit obligation and deferred compensation.

## Postretirement Benefits Other Than Pensions

ASC 715, *Compensation — Retirement Benefits*, requires the recognition of a defined benefit postretirement plan's funded status as either an asset or a liability on the Consolidated Statements of Financial Position. Actuarial gains or losses and prior service costs or credits that arise during the period must be recognized as a component of net assets without donor restrictions. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which initially was elected in 1993 and amortized over 20 years. The University continues to recognize the cost of providing postretirement benefits for employees over the service period until their full retirement eligibility under the plan.

The University provides single-coverage health insurance to its retirees who meet certain eligibility requirements. Participants may purchase additional dependent or premium coverage. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the University's expressed intent to increase retiree contributions in line with medical costs.

The benefit costs for the years ended June 30, 2021 and 2020 consisted of the following:

<i>(dollars in thousands)</i>	2021	2020
Service cost	\$ 35,612	\$ 24,741
Interest cost	15,772	15,378
(Gain)/loss amortization	1,219	(352)
<b>Total</b>	<b>\$ 52,603</b>	<b>\$ 39,767</b>

The APBO at June 30, 2021 and 2020 consisted of actuarially determined obligations to the following categories of employees:

<i>(dollars in thousands)</i>	2021	2020
Retirees	\$ 168,014	\$ 162,734
Active employees eligible to retire	157,370	147,942
Other active participants	271,458	267,728
<b>Total</b>	<b>\$ 596,842</b>	<b>\$ 578,404</b>

As of June 30, 2021 and 2020, the APBO was unfunded.

The assumptions used to calculate the APBO at June 30, 2021 and 2020 were as follows:

	2021	2020
Discount rate	2.75%	2.75%
Healthcare cost trend rate	5.63%	5.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2027
Prescription drug cost trend rate	6.88%	7.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2027

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A one-percentage-point change in assumed health care trend rates would have the following effects on postretirement benefits:

<i>(dollars in thousands)</i>	1-Percentage point increase	1-Percentage point decrease
Effect on APBO	\$ 123,782	\$ (125,423)
Effect on total of service and interest cost	13,136	(9,420)

The table below reflects expected postretirement plan benefit payments over the next 10 years. These amounts reflect the total benefits expected to be paid from the plan, net of the participants' share of the cost and federal subsidies. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee benefit service.

*(dollars in thousands)*

2022	\$ 10,275
2023	11,227
2024	12,281
2025	12,791
2026	13,940
2027 – 2031	85,055

The University provides Medicare retiree drug coverage through an employer group waiver plan (EGWP). Under EGWP, the cost of drug coverage is offset through direct federal subsidies, brand-name drug discounts, and reinsurance reimbursements. The net effect of these subsidies has been recognized in the calculation of the University's postretirement benefit obligation as of June 30, 2021 and 2020.

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## 14. NET ASSETS

Net assets are categorized as without donor restrictions and with donor restrictions. Net assets without donor restrictions are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain net assets classified as without donor restrictions for external reporting purposes are board-designated for specific purposes or uses under the internal operating budget practices of the University. Net assets with donor restrictions generally are established by donors in support of schools or departments of the University, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, the library, the art museum, building construction, and other specific purposes. This category includes gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Donor restrictions normally are released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Certain donor restrictions are perpetual in nature and may include gifts, pledges, trusts and remainder interests, and income and gains that are required to be permanently retained.

# Notes to Consolidated Financial Statements

Princeton University

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The composition of net assets by restriction and purpose at June 30, 2021 and 2020 was as follows:

<b>2021 Net Assets</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Assets</b>
<i>(dollars in millions)</i>			
Endowment:			
Teaching and research	\$ 1,831	\$ 7,786	\$ 9,617
Student financial aid	875	5,688	6,563
Department programs and support	3,965	5,022	8,987
Designated for operations	5,909	2,335	8,244
Designated for capital	3,616	-	3,616
Other:			
Pledges	-	281	281
Capital, unallocated gifts, and grants	-	536	536
Annuities and trusts	-	248	248
Net investment in plant	2,058	-	2,058
Operating	(898)	-	(898)
Noncontrolling interests	211	-	211
<b>Total</b>	<b>\$ 17,567</b>	<b>\$ 21,896</b>	<b>\$ 39,463</b>

<b>2020 Net Assets</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Assets</b>
<i>(dollars in millions)</i>			
Endowment:			
Teaching and research	\$ 1,278	\$ 5,573	\$ 6,851
Student financial aid	595	4,079	4,674
Department programs and support	2,731	3,643	6,374
Designated for operations	3,783	1,671	5,454
Designated for capital	2,592	-	2,592
Other:			
Pledges	-	348	348
Capital, unallocated gifts, and grants	-	359	359
Annuities and trusts	-	193	193
Net investment in plant	1,896	-	1,896
Operating	(473)	-	(473)
Noncontrolling interests	188	-	188
<b>Total</b>	<b>\$ 12,590</b>	<b>\$ 15,866</b>	<b>\$ 28,456</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

## 15. EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION

Expenses are presented by functional classification in alignment with the overall mission of the University. The University's primary service mission is academic instruction and research, which includes direct supporting functions such as the University's library system and art museum. Student services and support include various student-supporting functions such as admission, health, career, and athletics, as well as auxiliary enterprises and related student aid. The Princeton Plasma Physics Laboratory, which is operated by the University on behalf of the U.S. Department of Energy, is classified as an independent operation.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Plant operations and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to the functional categories that have benefited from the associated debt. Depreciation is allocated based on functional usage of property, plant, and equipment.

Expenses by functional and natural classification for the years ended June 30, 2021 and 2020 were as follows:

### 2021

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 503,043	\$ 63,175	\$ 184,642	\$ 66,789	\$ 817,649
Employee benefits	171,709	19,986	35,357	23,543	250,595
Supplies, services, and other	150,230	49,120	57,629	48,417	305,396
Space and occupancy	6,200	4,524	64,112	3,522	78,358
Student stipends and prizes	-	74,998	-	51	75,049
Allocations:					
Depreciation	133,662	36,899	17,954	76	188,591
Interest	73,611	10,472	40,209	-	124,292
Operations and maintenance	81,219	27,285	(108,504)	-	-
<b>Total operating expenses</b>	<b>1,119,674</b>	<b>286,459</b>	<b>291,399</b>	<b>142,398</b>	<b>1,839,930</b>
Net periodic benefit cost other than service cost	11,082	1,449	2,892	1,568	16,991
<b>Total expenses</b>	<b>\$ 1,130,756</b>	<b>\$ 287,908</b>	<b>\$ 294,291</b>	<b>\$ 143,966</b>	<b>\$ 1,856,921</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

## 2020

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 490,647	\$ 66,118	\$ 183,723	\$ 60,953	\$ 801,441
Employee benefits	158,864	19,474	28,498	19,358	226,194
Supplies, services, and other	171,187	56,636	51,822	45,405	325,050
Space and occupancy	4,934	4,408	57,003	2,962	69,307
Student stipends and prizes	-	70,084	-	-	70,084
Allocations:					
Depreciation	132,268	36,753	19,795	74	188,890
Interest	66,268	9,427	39,564	-	115,259
Operations and maintenance	78,665	27,150	(105,815)	-	-
<b>Total operating expenses</b>	<b>1,102,833</b>	<b>290,050</b>	<b>274,590</b>	<b>128,752</b>	<b>1,796,225</b>
Net periodic benefit cost other than service cost	9,943	1,381	2,426	1,275	15,025
<b>Total expenses</b>	<b>\$ 1,112,776</b>	<b>\$ 291,431</b>	<b>\$ 277,016</b>	<b>\$ 130,027</b>	<b>\$ 1,811,250</b>

## Student Financial Aid

The University provides financial aid to undergraduate students in the form of scholarship grants designed to meet 100 percent of demonstrated financial need. All Ph.D. and many Master's degree candidates in the Graduate School receive financial support for the duration of their degree program in the form of fellowships, assistantships in research or teaching, and non-University awards. Graduate student support covers the full cost of tuition and fees and a stipend that supports estimated living expenses. Students also may be awarded grants that support various academic or research activities. Undergraduate scholarships and graduate fellowships and assistantships are reported as discounts to tuition and fee revenues in the Consolidated Statements of Activities. Student stipends, awards, and prizes are reported as operating expenses. Student financial aid costs are funded by the University's endowment, Annual Giving, and other University resources.

Total student financial aid costs for the years ended June 30, 2021 and 2020 were as follows:

Student Financial Aid (dollars in thousands)	2021	2020
Scholarships and fellowships	\$ 280,061	\$ 303,641
Stipends and prizes	75,049	70,084
<b>Total</b>	<b>\$ 355,110</b>	<b>\$ 373,725</b>

## 16. COMMITMENTS AND CONTINGENCIES

At June 30, 2021, the University had authorized major renovation and capital construction projects for more than \$3,337.1 million. Of the total, approximately \$910.7 million had not yet been expended. The University has entered into certain agreements to guarantee the debt of others. Under these agreements, if the principal obligor defaults on the debt, the University may be required to satisfy all or part of the remaining obligation. The total amount of these guarantees was \$18.2 million at June 30, 2021.

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

The University is subject to certain legal claims that have arisen in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position, consolidated statement of activities, or cash flows.

## 17. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 22, 2021, which is the date the consolidated financial statements were issued, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

## 18. CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

The following tables present the consolidating statements of financial position of all legal entities of the Trustees of Princeton University as of June 30, 2021 and 2020:

<b>As of June 30, 2021</b> <i>(dollars in thousands)</i>	<b>Princeton University</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
Cash	\$ 37,297	-	-	\$ 37,297
Accounts receivable	161,933	-	-	161,933
Receivables associated with investments	98,282	-	-	98,282
Educational and mortgage loans receivable	450,663	-	-	450,663
Contributions receivable	280,913	-	-	280,913
Managed investments at market value	36,724,156	\$ 640,695	-	37,364,851
Funds held in trust by others	144,338	12	\$ (12)	144,338
Other investments	1,335,787	-	-	1,335,787
Property, net of accumulated depreciation	4,520,824	-	-	4,520,824
Other assets	65,150	-	-	65,150
<b>Total assets</b>	<b>43,819,343</b>	<b>640,707</b>	<b>(12)</b>	<b>44,460,038</b>
<b>Liabilities</b>				
Accounts payable	70,820	-	-	70,820
Liabilities associated with investments	60,241	-	-	60,241
Deposits, advance receipts, and accrued liabilities	352,747	-	-	352,747
Deposits held in custody for others	181,732	-	(12)	181,720
Liability under planned giving agreements	83,046	-	-	83,046
Liability for annuity contracts	17,346	-	-	17,346
Indebtedness to third parties	3,547,757	-	-	3,547,757
Accrued postretirement benefits	683,527	-	-	683,527
<b>Total liabilities</b>	<b>4,997,216</b>	<b>-</b>	<b>(12)</b>	<b>4,997,204</b>
<b>Net assets</b>				
Total net assets without donor restrictions	16,997,117	569,700	-	17,566,817
Total net assets with donor restrictions	21,825,010	71,007	-	21,896,017
<b>Total net assets</b>	<b>38,822,127</b>	<b>640,707</b>	<b>-</b>	<b>39,462,834</b>
<b>Total liabilities and net assets</b>	<b>\$ 43,819,343</b>	<b>\$ 640,707</b>	<b>\$ (12)</b>	<b>\$ 44,460,038</b>

# Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2021 and 2020

## As of June 30, 2020

(dollars in thousands)

	Princeton University	Affiliates	Eliminations	Consolidated
<b>Assets</b>				
Cash	\$ 105,648	-	-	\$ 105,648
Accounts receivable	157,125	-	-	157,125
Receivables associated with investments	20,232	-	-	20,232
Educational and mortgage loans receivable	449,759	-	-	449,759
Contributions receivable	348,453	-	-	348,453
Managed investments at market value	25,832,844	\$ 418,088	-	26,250,932
Funds held in trust by others	112,091	12	\$ (12)	112,091
Other investments	1,260,344	-	-	1,260,344
Property, net of accumulated depreciation	4,267,022	-	-	4,267,022
Other assets	58,610	-	-	58,610
<b>Total assets</b>	<b>32,612,128</b>	<b>418,100</b>	<b>(12)</b>	<b>33,030,216</b>
<b>Liabilities</b>				
Accounts payable	56,957	-	-	56,957
Liabilities associated with investments	20,136	-	-	20,136
Deposits, advance receipts, and accrued liabilities	241,186	-	-	241,186
Deposits held in custody for others	130,626	-	(12)	130,614
Liability under planned giving agreements	69,751	-	-	69,751
Liability for annuity contracts	16,504	-	-	16,504
Indebtedness to third parties	3,396,518	-	-	3,396,518
Accrued postretirement benefits	641,970	-	-	641,970
<b>Total liabilities</b>	<b>4,573,648</b>	<b>-</b>	<b>(12)</b>	<b>4,573,636</b>
<b>Net assets</b>				
Total net assets without donor restrictions	12,222,248	368,126	-	12,590,374
Total net assets with donor restrictions	15,816,232	49,974	-	15,866,206
<b>Total net assets</b>	<b>28,038,480</b>	<b>418,100</b>	<b>-</b>	<b>28,456,580</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,612,128</b>	<b>\$ 418,100</b>	<b>\$ (12)</b>	<b>\$ 33,030,216</b>

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**Office of the Controller**  
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701 Carnegie Center, Princeton, NJ 08540

Published by the **Office of the Vice President for Finance and Treasurer**

Production Director **Dana Pomeroy**

Design by **Smith + Manning Design, Princeton, NJ**

Narrative Text "A United Effort" by **Jenn Hall**

Photographs by **Princeton University Office of Communications Staff, Sameer Khan (Fotobuddy), Renae Hill, Aaron Nathans, C. Todd Reichart, Qihong Lu, Jon Roemer**

Cover Photography by **Josh Friedman**

Printed by **Allied Printing Services**

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