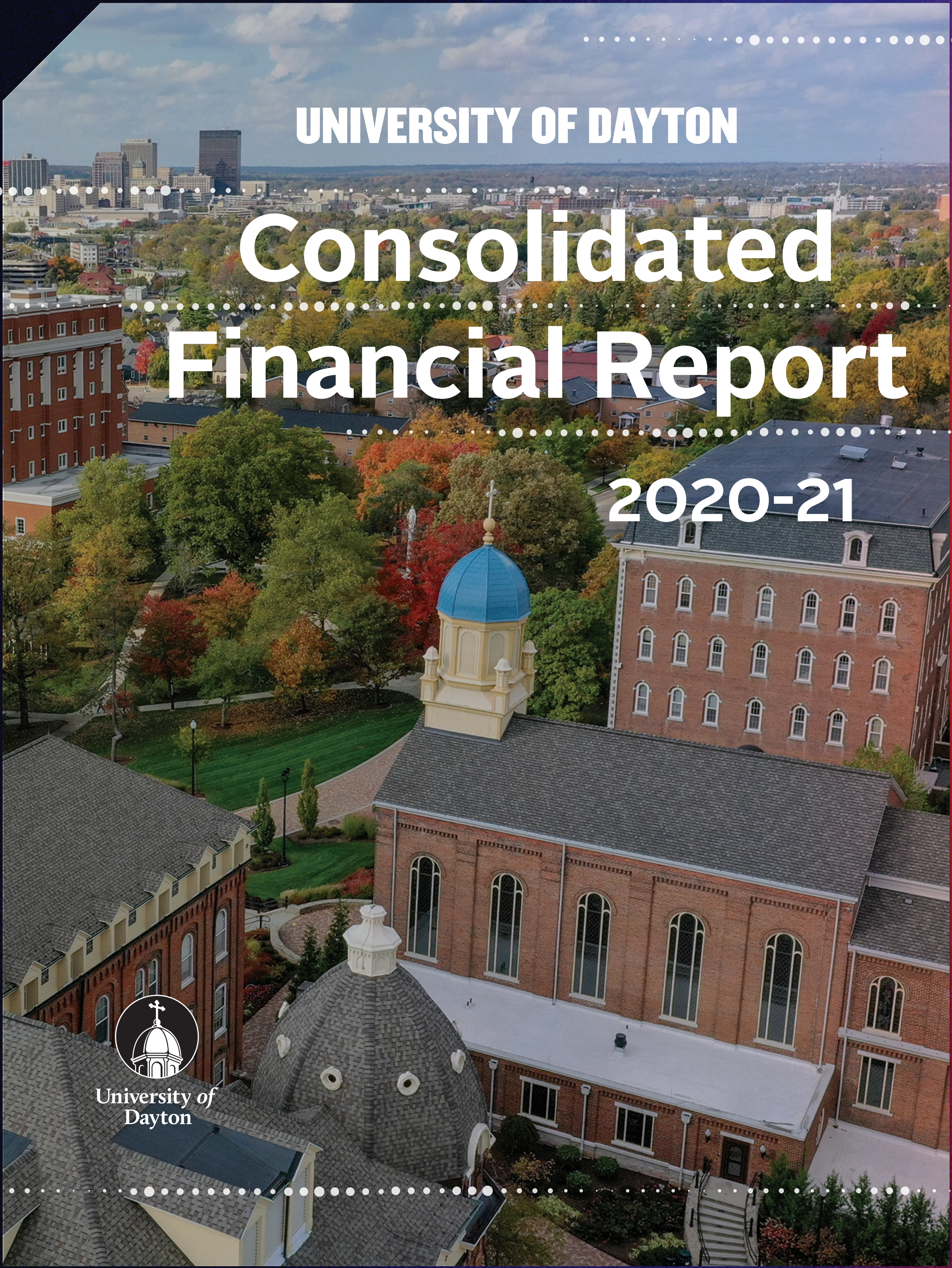
UNIVERSITY OF DAYTON

Consolidated Financial Report

2020-21



University of Dayton

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University of Dayton

AT A GLANCE

93%
SUCCESS RATE

11,677
STUDENTS (UNDERGRADUATE, GRADUATE, LAW)

$195 MILLION IN SPONSORED RESEARCH IN FISCAL YEAR 2021

#1
CATHOLIC UNIVERSITY FOR ENGINEERING R&D

#1
NATIONALLY FOR FEDERALLY SPONSORED MATERIALS ENGINEERING R&D

#1
STUDENT-RUN INVESTMENT FUND WITH $60 MILLION OF ASSETS UNDER MANAGEMENT

17
DIVISION I TEAMS

ONE DAY
ONE DAYTON

$2.8 MILLION RAISED ON GIVING DAY FROM 6,024 FLYERS

ACHIEVED A GOLD STARS RATING FOR OUR SUSTAINABILITY EFFORTS

A MESSAGE FROM THE PRESIDENT

In fiscal year 2020-2021, the University of Dayton navigated through the greatest public health crisis of our times while achieving record enrollment and welcoming the most racially/ethnically diverse undergraduate student body in history.

The new academic year also marked the start of classes at The Hub Powered by PNC Bank in the newly revitalized Dayton Arcade in the heart of the city. As an anchor tenant with The Entrepreneurs' Center, the University of Dayton helped create one of the largest university-anchored innovation hubs in the country. In fall 2021, nearly 250 students from a variety of majors enrolled in classes — and are learning by doing as they rub shoulders with entrepreneurs and artists.

The University continues to build for the future. Jessie S. Hathcock Hall, named for the first African American woman to graduate from the University of Dayton, is the newly renovated home for the growing computer science department. In an innovative reuse of a century-old, vacant church on Brown Street, the University has partnered with Premier Health and a private developer to transform it into a new medical facility serving both the community and campus. UD also received approval from the Dayton City Commission to build the $45 million Roger Glass Center for the Arts at the corner of Main and Stewart streets.

With outstanding work from our scientists, engineers, and researchers, the University achieved another year of record research with $195 million in sponsored research revenues. According to the most recent data available from the National Science Foundation, UD performs more sponsored materials research and development than any university or college in the nation and is the top Catholic university for sponsored engineering research and development. We are committed to advancing research for the common good, such as turning municipal waste into jet fuel, creating models to predict the effects of climate change on Arctic Sea ice, or tailoring medical diagnostics software to quickly diagnose COVID-19, to name just a few projects.

In a challenging financial year, the value of the University's long-term investment pool, including its endowment, grew to $1.1 billion. One highlight: the University's student-run investment fund is now the largest in the country at nearly $60 million of assets under management. The Davis Center for Portfolio Management's Flyer Investments Fund allows undergraduates to manage a portion of the University's endowment as well as a pool of assets for the Dayton Foundation. Students make all investment decisions to buy, hold, and sell stocks, and have historically outperformed the S&P 500 and professional money managers.

In the midst of the pandemic, alumni, and friends rallied behind supporting the University's strategic initiatives. During the last fiscal year, UD attracted nearly $29 million in cash and commitments, and donors established 25 new endowed scholarships. On "One Day One Dayton" — our annual day of giving — more than 700 volunteers and friends reached out to their peers and raised more than $2.8 million to support current and future students.

On behalf of the entire administration, faculty, and staff, I am proud to share the tangible results of our work to advance the University of Dayton in the spirit of our Catholic, Marianist mission. I look forward to another year of thoughtful financial stewardship and strategic investments as we continue to build a sustainable foundation with growth in excellence and impact.

Eric F. Spina
President


21
1850
University of Dayton

2020-21

UNIVERSITY HIGHLIGHTS

A COMMON MISSION

As a Catholic, Marianist university, we readily adapt and change with the times. We educate in a family spirit providing a high-quality education on a campus that's known for its hospitality and inclusiveness. Above all, we build community — inviting people with diverse talents, interests and backgrounds to enrich and advance our common mission.

STUDENT MATTERS

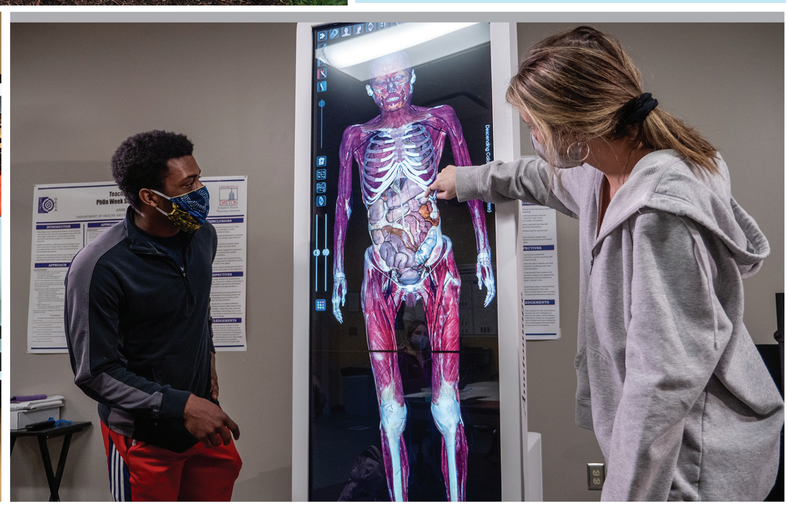
In spite of the pandemic, UD's enrollment grew to 11,677 and set new records for full-time undergraduate enrollment, total enrollment — including graduate, law and doctoral students — and racial/ethnic and socioeconomic diversity for fall 2020, with 20.5% of the first-year class eligible for the federal Pell grant.

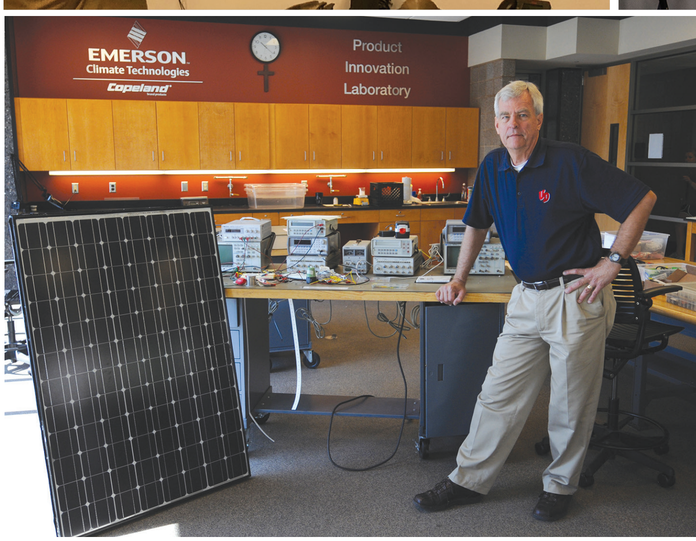
University *of* Dayton

University of Dayton Research Institute

RESEARCH EXCELLENCE

Led by the University of Dayton Research Institute, sponsored research topped $195 million, bolstering the University's revenue and providing career-building opportunities for students.





THE HUB AT THE ARCADE

UNDER CONSTRUCTION

While the pandemic slowed construction work, we moved ahead with the $14 million renovation of Hathcock Hall for our rapidly growing computer science department. At the historic Arcade in downtown Dayton, work also continued on an innovative complex to bring students together with local entrepreneurs.


JESSE PHILIPS HUMANITIES CENTER

2020-21

FINANCIAL HIGHLIGHTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2021

Fiscal year 2020-2021 began under a significantly volatile economy and ongoing uncertainty resulting from the global pandemic. In the spring of 2020, as the impact of COVID-19 began to significantly disrupt daily life in the United States and the State of Ohio, the University of Dayton transitioned to remote learning and implemented a variety of strong fiscal controls to mitigate the impact of the pandemic on our financial operations.

The leadership of the University held two tenets above all: the first was a commitment to the health and safety of our students, faculty and staff. The second was the imperative to ensure the University of Dayton was able to maintain operations and weather the storm of the pandemic. With this context, as we entered fiscal year 2021, it was amid the impact of many challenging decisions, including furloughing more than 400 individuals and eliminating another 60 positions, suspending university-matching retirement contributions, slashing capital spending, making significant reductions to executive compensation, and implementing policies aimed to focus non-personnel spending only on those items essential to carry out our academic, research, service and mission-related activities.

Through collaborative efforts with faculty, staff, and students, as well as state and local public health officials and medical partners, the University implemented and managed the public health requirements allowing students to safely return to in-person learning in the Fall of 2020. Procurement and Payable Services prioritized critical institutional needs and fiscal stewardship, leveraging University systems to direct COVID-19 spending to Ohio businesses. As a result, the University experienced exceptional supply chain stability for personal protective equipment, cleaning, and medical supplies.

While the year began with a challenged, uncertain, and constrained budget outlook, our revenues were buoyed by stronger than expected enrollment and auxiliary performance, continued record growth in sponsored research volumes, and more than $15 million in direct institutional aid from the federally sponsored Higher Education Emergency Relief Funds (HEERF) and the State of Ohio-sponsored Coronavirus Relief Fund (CRF). Indeed, Ohio led all 50 states in its monetary support and commitment to private higher education during a once-in-a-century crisis and we are incredibly grateful. We were successful in muting expense growth through a campuswide commitment to financial stewardship.

These favorable revenue and expense outcomes, combined with record investment performance, allowed the University to finish the year in a much stronger financial position than the original budget had forecasted and to unwind nearly all of the fiscal constraints that had been in place at the beginning of the year. Notably, the University was able to continue its long track record of healthy, surplus operations while also growing the balance sheet by nearly $300 million to over $2 billion. This balance sheet growth was all on the net asset side, as the University took advantage of a historically low interest rate environment, issuing approximately $45 million in bonds while refinancing a past issuance with a significantly higher cost of capital. During this issuance process in November of 2020, S&P and Moody's again affirmed our ratings as stable at A+ and A2, respectively. In sum, our strong financial performance in fiscal 2021 allows the University to enter 2022 well-positioned to emerge from the pandemic and return to a cycle of investment and growth.

The following discussion and analysis provide an overview of the financial position of the University of Dayton for the year ended June 30, 2021 with comparative information for the previous year ended June 30, 2020. This overview has been prepared by management and should be read in conjunction with the audited financial statements and the notes that follow this section.

Andrew T. Horner
Executive Vice President for Business and Administrative Services

MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2021

FINANCIAL OVERVIEW

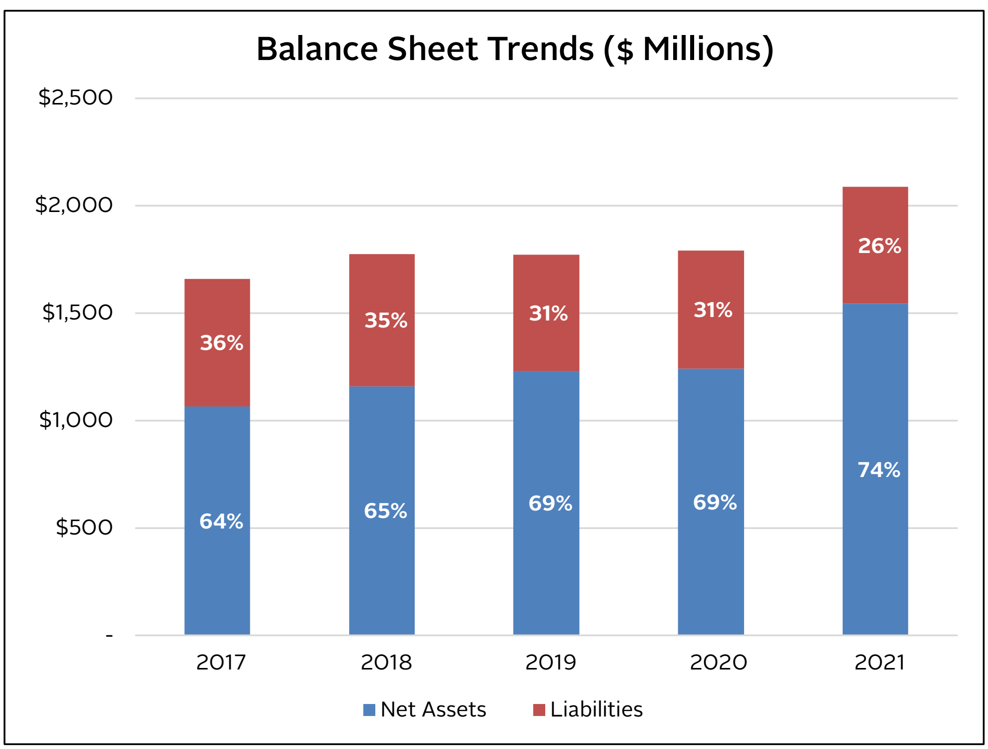
The University ended fiscal year 2021 with an operating surplus of $42 million, compared to $39 million in fiscal year 2020, and an unrestricted operating margin of 5.1%. Student-driven revenues (net tuition and auxiliaries) continued to be impacted by the pandemic, declining $5 million from the previous year but outperformed expectations. However, grants and contracts associated with the research institute grew by $25 million. Non-sponsored grant and contract operating expenses were largely flat year over year, with the exception of COVID-related expenses that were supported by federal and state grants. Non-operating activities consist mainly of investment returns in excess of amounts designated for current operations of $256 million.

The statement of financial position also showed significant strength again this year, with net assets growing $300 million to end the year at $1.5 billion. This growth in net assets was largely as a result in growth of total assets from $1.8 to $2.1 billion, while the University's total liabilities declined slightly year over year.

Statement of Financial Position Highlights

- The University's endowment grew by nearly $200 million to $804 million.
- The increase in the cash position from the prior year is due to management focusing on optimizing liquidity to manage the uncertainty of the market and potential increased expenses or liabilities related to the pandemic.
- Land, buildings and equipment declined year over year as a result in the pause in significant investment in plant during fiscal year 2020 and 2021 due to the pandemic.
- The University adopted ASU 2016-02 on July 1, 2020. This resulted in the recognition of right-of-use assets and lease liabilities at year-end of $8 and $10 million respectively. There was no material impact to the statement of activities or the cash flow.

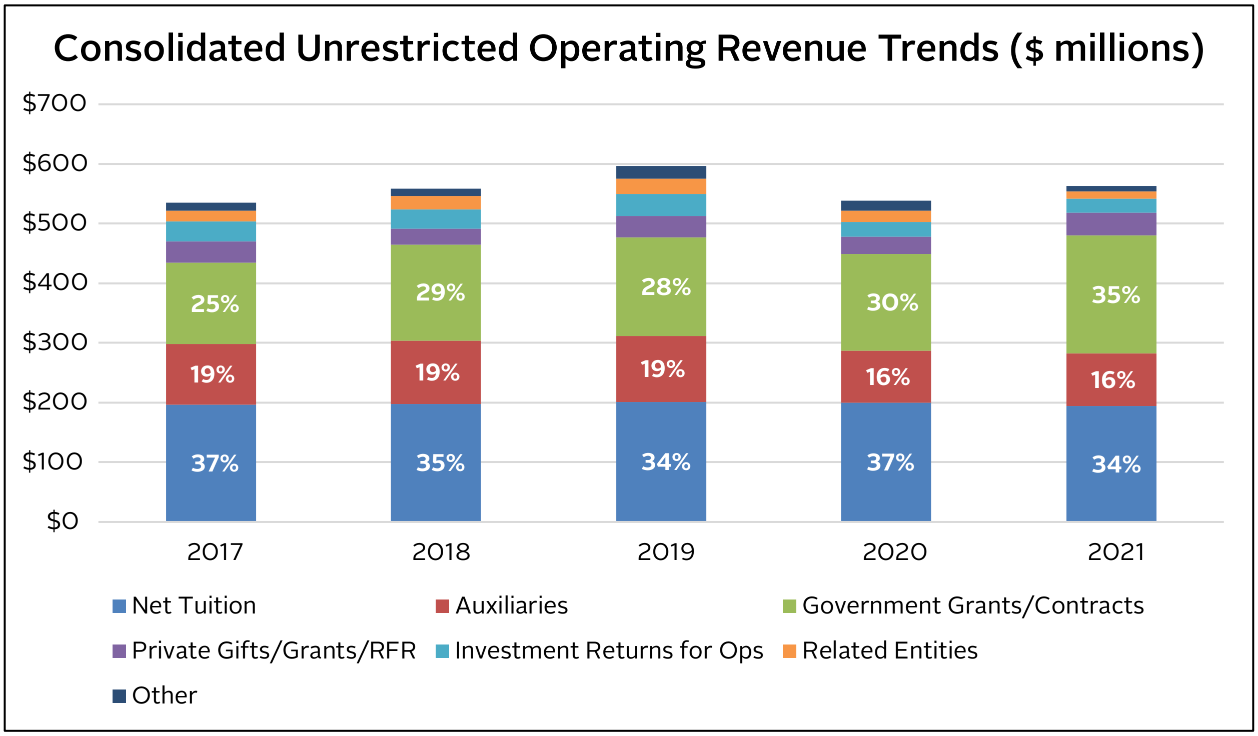
The University's balance sheet trends, including its growth and changing composition, are depicted below:



MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2021

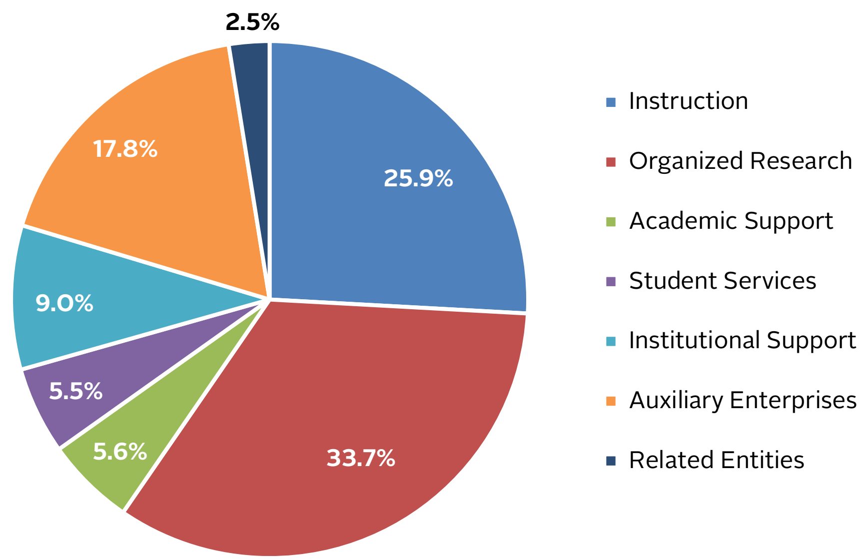
Operating Performance Highlights Total consolidated operating revenues returned to a cycle of growth in fiscal 2021, increasing to $563 million from $538 million in fiscal year 2020. The last 5 years of revenue trends by major component are summarized below:



- The University was awarded a total of $27 million in Higher Education Emergency Relief Funding from the US Department of Education, and $8 million of Coronavirus Relief Funds from the State of Ohio. $15 million of those grants were expended in fiscal year 2021.
- Net tuition declined $5 million from the prior year largely as a result of pandemic-related market pressures. Given the challenges of the pandemic, many prospective students delayed entrance to higher education and some current students chose to pause their academic studies, especially international undergraduates. To assist our students and their families through this difficult time, the University provided increased levels of institutional financial support. These investments led to record overall enrollment levels, a strong first year class with record-setting measures of academic quality, racial/ethnic and socioeconomic diversity, and important progress in our longer-term strategy to diversify our enrollment channels.

Operating expenses for the University grew by only 2.2% from \$522 million to \$534 million in 2021. The major components are summarized below:

Consolidated Operating Expenses



- Salaries and benefits were lower than previous year by \$9 million primarily as a result of the temporary suspension of certain benefits as well as staffing reductions and furloughs made during the summer of 2020 connected to the closure of campus for public health safety.
- Expenses related to health and safety measures of the pandemic were in excess of \$10 million. All other non-sponsored research expenses were \$15 million lower than the previous year.

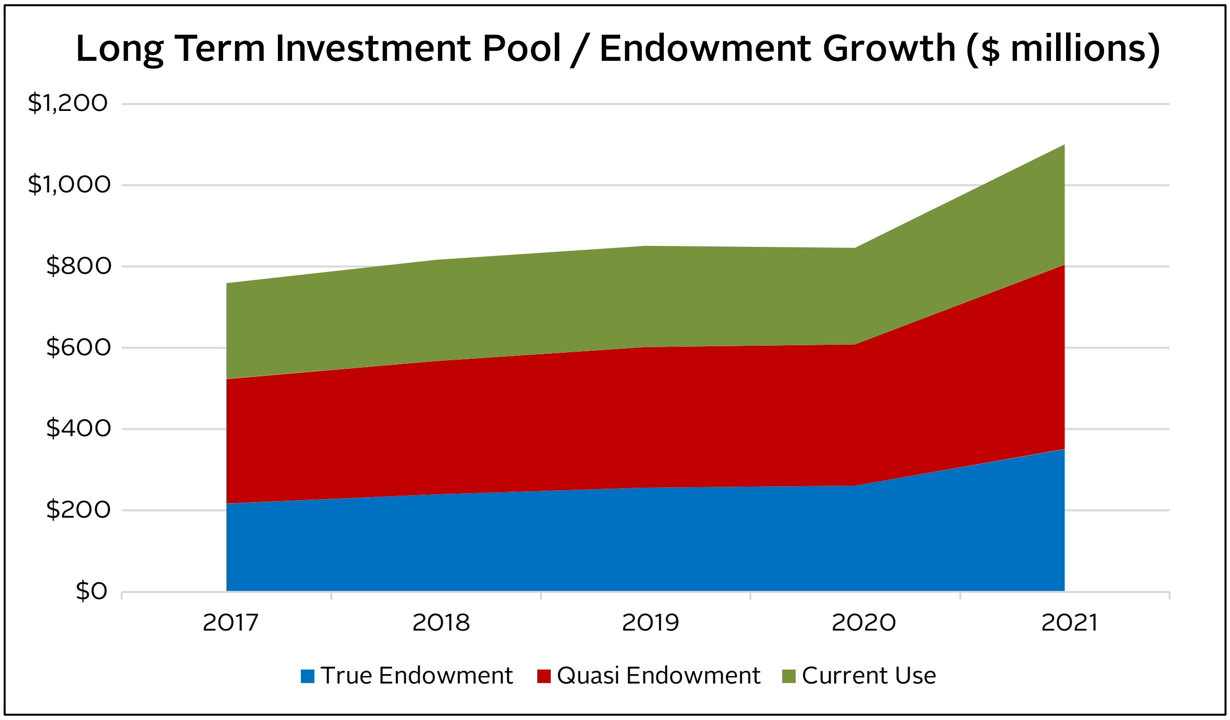
Capital and Debt

- While the University continued to closely manage capital spending due to the continued financial uncertainty caused by the pandemic, Jessie S. Hathcock Hall was completed in FY 2021. The University invested approximately \$14 million into the renovation of the former Kettering Labs Annex and Music Theater Building. This 58,000-square-foot construction and renovation project includes new laboratory, office, and classroom spaces, many overlooking Baujan Field. Jessie Scott Hathcock '30 was the first African American woman to graduate from the University of Dayton
- The University closed on its Series 2020 bonds through the Ohio Higher Education Facilities Commission in December 2020 at a record low total interest cost of 2.55%. The \$45 million in proceeds from this bond issuance were used to refinance the remainder of the Series 2011A Revenue Bonds, fund a portion of the Dayton Arena renovation, Hathcock Hall, and various other capital projects.
- With the new bonds being issued, the University's credit ratings were affirmed. The University holds ratings of A2 with a stable outlook with Moody's, and A+ with a stable outlook with Standard and Poor's.

Investments and Endowed Funds

- The University's investments had strong performance growing from $878 million in fiscal year 2020 to $1.1 billion in fiscal year 2021, an increase of nearly 30%.
- The endowment funds grew from $609 million in 2020 to $804 million in 2021. This growth included contributions of $12 million and net investment earnings of $207 million. The University withdrew $22 million for its annual spending appropriation to support current operations.

The makeup of the University's investment pool is summarized below:



2020-21

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of Dayton
Dayton, Ohio

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of the University of Dayton which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statement of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

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

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

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

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

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

RSM US LLP

Dayton, Ohio
October 27, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020
(IN THOUSANDS)

		2021		2020
Assets				
Cash	**$**	**94,329**	$	53,946
Accounts receivable - net (Note 3)		**76,515**		56,177
Pledges receivable - net (Note 3)		**27,153**		40,964
Inventories, prepaid expenses and other		**7,389**		6,789
Notes receivable - net (Note 3)		**5,312**		6,760
Investments and assets held by others (Note 4, 6, 12)		**1,136,675**		877,889
Right-of-use assets (Note 7)		**7,712**		-
Land, buildings, and equipment (Note 8)		**732,177**		748,550
Total assets	**$**	**2,087,262**	$	1,791,075
Liabilities				
Accounts payable	**$**	**29,118**	$	19,507
Accrued payroll and compensated absences		**27,582**		25,385
Other liabilities		**27,992**		19,905
Deferred revenue and student deposits		**9,822**		19,733
Lease liabilities (Note 7)		**9,551**		-
Split interest agreement obligations (Note 6)		**10,373**		10,622
Interest rate swap obligations (Note 10, 12)		**5,718**		14,964
Indebtedness (Note 9)		**372,385**		379,936
Accrued postretirement benefits (Note 11)		**46,735**		52,272
Advances from government for federal loans		**3,982**		5,945
Total liabilities		**543,258**		548,269
Net Assets (Note 13)				
Without donor restrictions		**1,064,979**		890,201
With donor restrictions		**478,410**		352,088
Noncontrolling Interest		**615**		517
Total net assets		**1,544,004**		1,242,806
Total liabilities and net assets	**$**	**2,087,262**	$	1,791,075

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2021
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Student tuition and fees	$ 436,579	$ -	**$ 436,579**
Less student aid	(242,157)	-	**(242,157)**
	194,422	-	**194,422**
Private gifts, grants and other (Note 15)	11,869	19,191	**31,060**
Private research contracts	7,106	-	**7,106**
Government grants and contracts	198,017	8,966	**206,983**
Investment return designated for current operations (Note 4)	24,231	10,824	**35,055**
Auxiliary enterprises	88,104	-	**88,104**
Related entities	11,965	1,200	**13,165**
	535,714	40,181	**575,895**
Net assets released from restrictions	26,896	(26,896)	**-**
Total revenues, gains, and other support	562,610	13,285	**575,895**
Expenditures:			
Salaries and benefits	296,279	-	**296,279**
Interest expense	14,142	-	**14,142**
Depreciation	38,743	-	**38,743**
Cost of sales	10,861	-	**10,861**
Contract services and maintenance	81,780	-	**81,780**
Supplies	19,032	-	**19,032**
Utilities and communications	9,298	-	**9,298**
Other expenditures	63,725	-	**63,725**
	533,860	-	**533,860**
Change in net assets from operations	28,750	13,285	**42,035**
Other activities:			
Investment return in excess of amounts designated for current operations (Note 4)	139,748	116,121	**255,869**
Actuarial change in annuities	-	(1,257)	**(1,257)**
Loss on pledge write-off	-	(1,827)	**(1,827)**
Gain/loss on non-operating activities	165	-	**165**
Change in interest rate swap agreements	3,318	-	**3,318**
Change in postretirement benefit obligation (Note 11)	2,895	-	**2,895**
Change in other activities	146,126	113,037	**259,163**
Change in net assets	174,876	126,322	**301,198**
Less: change in net assets attributable to to the noncontrolling interest	(98)	-	**(98)**
Change in net assets attributable to the University of Dayton	174,778	126,322	**301,100**
Net assets at beginning of year	890,201	352,088	**1,242,289**
Net assets at end of year	$ 1,064,979	$ 478,410	**$ 1,543,389**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Student tuition and fees	$ 412,713	$ -	$ 412,713
Less student aid	(213,080)	-	(213,080)
	199,633	-	199,633
Private gifts, grants and other (Note 15)	18,699	28,795	47,494
Private research contracts	7,946	-	7,946
Government grants and contracts	162,221	4,361	166,582
Investment return designated for current operations (Note 4)	24,875	8,631	33,506
Auxiliary enterprises	86,894		86,894
Related entities	18,919	-	18,919
	519,187	41,787	560,974
Net assets released from restrictions	18,358	(18,358)	-
Total revenues, gains, and other support	537,545	23,429	560,974
Expenditures:			
Salaries and benefits	304,740	-	304,740
Interest expense	15,227	-	15,227
Depreciation	35,427	-	35,427
Cost of sales	12,244	-	12,244
Contract services and maintenance	63,503	-	63,503
Supplies	17,472	-	17,472
Utilities and communications	10,049	-	10,049
Other expenditures	63,768	-	63,768
	522,430	-	522,430
Change in net assets from operations	15,115	23,429	38,544
Other activities:			
Investment return in excess of amounts designated for current operations (Note 4)	(15,762)	4,964	(10,798)
Actuarial change in annuities	-	63	63
Change in interest rate swap agreements	(4,237)	-	(4,237)
Change in postretirement benefit obligation (Note 11)	(7,806)	-	(7,806)
Loss on disposal of real property	(3,577)	-	(3,577)
Reclassification of net assets	(29,116)	29,116	-
Change in other activities	(60,498)	34,143	(26,355)
Change in net assets	(45,383)	57,572	12,189
Less: change in net assets attributable to to the noncontrolling interest	(75)		(75)
Change in net assets attributable to the University of Dayton	(45,458)	57,572	12,114
Net assets at beginning of year	935,659	294,516	1,230,175
Net assets at end of year	$ 890,201	$ 352,088	$ 1,242,289

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
Operating activities:		
Change in net assets	**$ 301,198**	$ 12,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**38,743**	35,427
Amortization	**(1,360)**	(1,757)
Amortization of right to use asset and other	**4,794**	-
Gifts for restricted purposes	**(15,298)**	(10,811)
Net realized and unrealized (gains) losses on investments	**(269,383)**	380
Income restricted for long-term investment	**(5,050)**	(580)
Change in accrued postretirement benefit obligation	**(5,537)**	5,457
Loss on interest rate swap agreements	**(3,318)**	4,237
Cash provided by operating assets and liabilities:		
(Increase) decrease in receivables	**(6,526)**	3,183
(Increase) decrease in inventories and prepaid expenses and other	**(600)**	870
Increase in accounts payable, accrued liabilities, and other liabilities	**19,645**	11,444
(Decrease) increase in deferred revenue and student deposits	**(9,912)**	7,413
Decrease in right to use liability	**(2,116)**	-
Net cash provided by operating activities	**45,280**	67,452
Investing activities:		
Income restricted for long term investment	**5,050**	580
Proceeds from the sale of investments	**122,714**	334,729
Purchases of investments	**(112,116)**	(326,399)
Decrease in notes receivable	**1,448**	1,754
Additions of land, buildings and equipment, net of nominal disposals	**(22,371)**	(45,961)
Net cash used in investing activities	**(5,275)**	(35,297)
Financing activities:		
Decrease in advances from government for federal loans	**(1,963)**	(6,573)
Gifts for restricted purposes	**15,298**	10,811
Interest rate swap settlement	**(5,928)**	-
Payments of lease liabilities	**(839)**	-
Proceeds on indebtedness	**38,871**	-
Premium on bond issuance	**7,179**	-
Payments on indebtedness	**(52,240)**	(12,126)
Net cash provided by (used in) financing activities	**378**	(7,888)
Net increase in cash	**40,383**	24,267
Cash:		
Beginning	**53,946**	29,679
Ending	**$ 94,329**	$ 53,946

See notes to consolidated financial statements.

Note 1. Description of the Organization

The University of Dayton (the University) is an independent, coeducational institution founded and sponsored by the Society of Mary (the Marianists), a Roman Catholic Institute of Consecrated Life. The University is located in Dayton, Ohio and is one of the nation's largest Catholic institutions of higher learning. Its students are actively recruited from all states, as well as from over one hundred foreign nations. The student population approximates 8,600 undergraduate and 2,600 graduate students. The University awards baccalaureate, masters, and select doctoral degrees in programs within the College of Arts and Sciences and four professional schools: the School of Business Administration, the School of Education and Health Sciences, the School of Engineering, and the School of Law. Through these academic units and its Research Institute, the University conducts a wide variety of academic and scientific research.

The accompanying consolidated financial statements present the accounts of the following entities, hereafter referred to as the University:

- The University of Dayton;
- Nine legal limited liability companies that own interests in real estate near the University's campus, and of which the University is the sole member;
- UDCI, Ltd., a limited liability company established to hold the University's interests in its operations in China, and of which the University is the sole member;
- The River Park Community Corporation, a separate not for profit corporation engaged in activities related to the University, and of which the University is the sole member;
- 111 River Park, LLC, a wholly owned affiliate of The River Park Community Corporation;
- River Park Development II, LLC, a wholly owned affiliate of The River Park Community Corporation;
- 1414 South Patterson, LLC, a limited liability company established to hold the University's interests in a real estate joint venture, and of which the University is the sole member;
- Dayton Hotel II, LLC and Concord Dayton Hotel II, LLC, both of which are controlled by 1414 South Patterson, LLC and established to own and operate a hotel adjacent to the University's campus;
- 1401 South Main, LLC, a limited liability company established to hold the University's interests in the real estate and operations of an office building on campus, and of which the University is the sole member; and
- Arcade Innovation Hub, LLC, a limited liability company established with Dayton/Miami Valley Entrepreneurs Center, Inc. to own a transdisciplinary space for innovation and creation which the University is 75% owner.

Note 2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements.

Basis of presentation: The consolidated financial statements include the accounts of all controlled affiliates that are required to be consolidated, and all intercompany transactions and balances have been eliminated. Investments in joint ventures for which the University does not have control or is not the primary beneficiary, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method. Accordingly, the University's share of net earnings and losses from these ventures is included in the consolidated statements of activities.

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets: Net assets are classified into two categories: without donor restrictions, that are free of donor imposed restrictions as well as net assets designated by the governing board; and with donor restrictions, which have donor-imposed restrictions. The latter category has restrictions that will be met either by actions of the University or by the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University.

The expiration of a donor restriction on a contribution or endowment income is recognized in the period in which the restriction expires, and, at that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of long-lived assets, such as land, buildings, or equipment without donor restrictions concerning the use are reported as revenue of the net asset class without donor restrictions. Such gifts are recorded at fair value at the date of donation. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Donor restrictions are considered released upon acquisition of the asset.

Net assets are released from donor restriction by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. Contributions received with donor restrictions, where the restrictions are met in the same fiscal year, are reported as net assets without donor restrictions.

Related-party transactions: The Marianists are a separate entity from the University. Members of the Marianists may serve on the faculty and staff of the University under employment agreements; however, they are not eligible to participate in the University's retirement programs. On an annual basis, the University reimburses the Marianists an amount equivalent to the salaries and benefits of employed members. The reimbursement was $1,076 in 2021 and $1,109 in 2020. The University's intent is to compensate the Marianists at a rate comparable to University employees in similar positions. The Marianists contribute funds to the University, which are recorded as gifts. These gifts were $782 and $798 in 2021 and 2020, respectively. The University also recorded a pledge of $1,500 from the Marianists in 2018, with $500 received in 2019, $500 received in 2020, and $500 received in 2021. A new pledge was recorded in 2021 for $100, with $40 received in 2021, $40 due in 2022, and $20 due in 2023.

Liquidity: Assets and liabilities are listed in their estimated order of liquidity. For accounts with undeterminable liquidity, the University has made additional disclosures in the accompanying notes to the consolidated financial statements.

(IN THOUSANDS)

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Revenue is recognized as performance obligations are satisfied, which are determined based on the nature of the services and goods provided.

Tuition and fees revenue is reported within the fiscal year in which educational services are provided. Tuition and fees relating to summer sessions that begin after June 30 are recorded in the consolidated statement of financial position as deferred revenue.

Scholarships and fellowships awarded to students for tuition, fees, and room and board are based upon need and merit. These awards include amounts funded by the endowment, research funds, and gifts, and reduce the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Institutional aid is netted against tuition and fees in the consolidated statements of activities as:

	2021	2020
Scholarships and fellowships:		
Institutionally funded	$ 233,094	$ 205,918
Externally funded - gifts and grants	9,063	7,162
Total amount netted against tuition and fees revenue	$ 242,157	$ 213,080

The University receives grant and contract revenues from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return. Revenues from reciprocal transactions are recognized as the performance obligations are met, which is generally as the related costs are incurred. The funding may also represent 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. Revenue from nonreciprocal transactions are considered contributions and are recognized when conditions have been substantially met.

Gifts of cash, property, and marketable securities are recorded as revenue at fair value when received. Unconditional pledges are recognized as revenue based on the estimated present value of the future cash flows, net of allowances, when the commitment is received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Conditional pledges are recorded as revenue only when donor conditions are substantially met.

Conditional promises not reflected in the financial statements, which consist primarily of the difference between the award amount and the revenue recognized for the non-exchange transactions were $228,521 and $211,610 as of June 30, 2021 and 2020, respectively.

Deferred revenue is primarily composed of amounts received for grants and contracts that are not billed on a cost reimbursement basis and student tuition received, but not yet been earned. If services are conducted over a fiscal year-end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year. Future performance obligations will be met within the next fiscal year.

Note 2. Summary of Significant Accounting Policies (Continued)

Auxiliary enterprises include residence halls, food services, retail stores, and athletics. Fee charges are directly related to the costs of services rendered to provide student housing and dining facilities, ticket sales for athletic and community events, parking services, grants from the NCAA and other miscellaneous activities. These services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and fees charged are directly related to, although not necessarily equal to, the cost of the goods or services.

Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Other revenues are directly related to the costs of services rendered and are recognized as revenue when the services or goods are delivered.

Cash and cash equivalents: Cash and cash equivalents include all cash and highly liquid investments that are neither internally nor externally restricted. The University considers highly liquid investments to be cash equivalents when they are both readily convertible to cash and so near to maturity (typically within 90 days) when acquired that their value is not subject to substantial risk due to changes in interest rates.

Accounts receivable, net: Accounts receivable consist of amounts due to the University for tuition, grants and contracts, and other revenue generated by the University. The University has recorded an allowance for doubtful accounts based on management's assessment of collectability while considering historical collection results as well as current business and economic conditions. Amounts are recorded at estimated net realizable value.

Pledges receivable, net: Pledges are recorded as revenue in the year the pledge is made. Unconditional donor pledges to give cash, marketable securities, and other assets are reported using a discounted cash flow approach. The discount rates used range from 0.4% to 7.0% depending on the year the pledge was received. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restriction that limit the use of the donated assets are reported as with donor restrictions support until the donor restriction expires. Most unconditional pledges are designated for scholarships and general operating purposes. An allowance is recorded for amounts deemed uncollectible.

Inventories: Inventories are stated at the lower of cost or market. The auxiliary operations determine cost using the first in, first out method. Facilities determines cost using an average cost method.

Notes receivable, net: Notes receivable consist of a loan associated with the office and research facility and from student loans under government loan programs. An allowance for doubtful accounts has been recorded based on management's assessment of collectability while considering historical collection results as well as current business and economic conditions. The notes are recorded at estimated net realizable value.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and assets held by others: The University invests its endowed funds and other funds in a variety of marketable securities and alternative investments. Investments in marketable debt and equity securities are carried at fair market value based on quoted market prices or the last reported sale price on the last business day of the fiscal year.

Alternative investments include limited partnerships, private equity, hedge funds, and real estate partnerships, do not have readily determinable fair values, and are carried at the University's proportionate share of the fund's net asset value used as a practical expedient. Such fair value estimates are based upon the funds' net asset value at its year end, adjusted for any contributions, distributions and earnings between the funds' year end and the University's year end. In management's opinion, the stated values approximate fair value. Due to the inherent uncertainty of valuation, the estimated values may differ from values that would have been used had a readily available market value for the investments existed, and such differences may be material.

The weighted average method is used for purposes of determining gains and losses on the sale of marketable securities. Interest and dividend income is recorded when earned.

The University also holds certain real estate investments that are not readily marketable. These investments are accounted for using the equity method.

In addition, the University has assets held by others which represent the present value of the estimated income the University will receive in the future from beneficial interest in trusts for which third parties serve as the trustees.

Split interest agreements: The University has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the University, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The University is also the beneficiary of charitable trusts held by third party trustees. Assets held under these agreements are included in investments and are recorded at fair value. At the date of contribution, the University records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. The split interest agreement obligation is recorded as a liability on the consolidated statement of financial position. Obligations under split interest agreements are recorded at the present value of estimated payments (based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 1.2% to 10.0%). The annual change in the value of the split interest agreement obligation to life beneficiaries is reflected in the consolidated statement of activities and represents the change in actuarial assumptions as well as the revenues and expenses of the trust.

Adoption of new accounting standard ASU 2016-02: In February 2016, in an effort to increase transparency and comparability among organizations, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability for all leases with a term of more than 12 months. The University adopted the requirements of ASU 2016-02 and all related amendments on July 1, 2020, utilizing an optional transition method that allows for a cumulative-effect adjustment in the period of adoption with no restatement of prior periods. This transition method also does not require new lease disclosures for periods prior to the effective date. The University elected certain practical expedients available under the guidance, which allowed the University to not reassess prior conclusions related to existing contracts containing leases, lease classification, and initial direct costs.

Note 2. Summary of Significant Accounting Policies (Continued)

Adoption of ASU 2016-02 on July 1, 2020, resulted in the recognition of operating lease right-of-use assets and lease liabilities of $6,072 and $6,893, respectively, in the Consolidated Statement of Financial Position. The difference between the additional lease assets and lease liabilities was primarily due to tenant improvement allowances that are capitalized as other assets. The new standard did not materially impact the Consolidated Statement of Activities or Consolidated Statement of Cash Flows. The additional disclosures required are presented in Note 7: Right of Use Assets and Lease Liabilities.

Leases: The University determines whether an arrangement is or contains a lease at the inception of the arrangement based on the unique facts and circumstances present in that arrangement. This determination generally depends on whether the arrangement conveys the right to control the use of an identified asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if the University obtains the rights to direct the use of, and to obtain substantially all of the economic benefit from, the use of the underlying asset. Some of the University's leases include both lease and nonlease components, which are accounted for as a single lease component as allowed for under the practical expedient in Accounting Standards Codification (ASC) 842-10-15-37. Some operating lease agreements include variable lease costs, including taxes, and common area maintenance or increases in rental costs related to inflation. Such variable payments, other than those dependent upon a market index or rate, are expensed when the obligation for those payments is incurred. Lease expense is recorded in operating expenses in the Consolidated Statements of Activities. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the University is reasonably certain to exercise are considered short-term leases and are not recorded on the balance sheet. The University had 1 short-term lease during the year ended June 30, 2021.

Right-of-use assets and lease liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. Right-of-use assets are depreciated over the shorter of the lease term or their respective useful lives, ranging from 10-15 years. When a borrowing rate is not explicitly available for a lease, the University's incremental borrowing rate is used based on information available at the lease's commencement date to determine the present value of its lease payments. Operating lease payments are recognized on a straight-line basis over the lease term.

The University has operating leases for office and research equipment as well as research, housing, and retail buildings used in operations. The University also has finance leases composed primarily of research equipment and computer hardware. These leases have remaining lease terms of less than one year to five years, some of which include renewal options. The University considers these renewal options in determining the lease term used to establish right-of-use assets and lease liabilities when it is determined that it is reasonably certain that the renewal option will be exercised.

Land, buildings, and equipment: Property and equipment is recorded at cost. Depreciation of buildings, land improvements, and equipment is recorded using the straight-line method over the estimated useful lives of 45 years, 20 years, and 3 to 15 years, respectively. The cost of repairs and maintenance is expensed in the year incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Derivative instruments: The University has entered into interest rate swap agreements to reduce the costs of and exposure to significant, unanticipated fluctuations caused by interest-rate volatility on certain variable rate debt. The University's goal is to lower (whenever possible) the cost of its borrowed funds. In accordance with the *Accounting for Derivative Instruments* and *Hedging Activities* Topics of the ASC, the University recognizes its derivative financial instruments as either assets or liabilities at fair value in the consolidated statements of financial position. The fair values of the interest rate swaps reflect the present value of the future potential gains or losses if settlement were to take place on the statement of financial position date. The derivative instruments are not designated as a hedging instruments and, therefore, gains and losses on the derivative instruments are recorded as other income (expense) in the consolidated statements of activities during the period of change.

Advances from government for federal loans: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are recorded as a liability in the accompanying consolidated statements of financial position. The Federal Perkins Loan Program expired September 30, 2017 and the University may not disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education.

Other expenditures: Other expenditures on the consolidated statement of activities expenditures for travel, leases, insurances taxes, licenses, membership dues and other general expenditures of the University.

Income taxes: The University is recognized by the Internal Revenue Service (IRS) as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). The University is a public charity as defined by IRC Section 170(b)(1)(A)(ii). The University is exempt from federal income taxes except to the extent of income derived from unrelated business activities. Unrelated business income is not material to the financial statements. The entities for which the University is the sole member are disregarded for tax purposes. Any activity from these entities is included in the tax return of the University.

The River Park Community Corporation has been recognized by the Internal Revenue Service as a title holding corporation exempt from federal taxation under Section 501(c)(2) of the IRC. The River Park Community Corporation is exempt from federal income taxes except to the extent of income derived from unrelated business activities.

Tax returns filed by the University and River Park Community Corporation are subject to examination by the IRS up to three years from the filing date of each return. Forms 990 and 990T filed by the entities are no longer subject to examination for the years 2017 and prior.

The University completed an analysis of its tax position, in accordance with ASC 740, *Income Taxes*, and determined that no amounts were required to be recognized in the consolidated financial statements as of June 30, 2021 or 2020.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates are used to determine the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also are used to determine the reported amounts of revenue, gains, and other support and expenditures during the reporting period. The actual results could differ from these estimates.

Functional expenses: Expenses have been classified as instruction, organized research, public service, academic support, student services, institutional support, auxiliary enterprises and related entities (Note 15). These are classified based on direct expenditure where possible. Natural expenses attributable to more than one functional expense category are allocated proportionally by assigned square footage.

Fair value measurements: The University follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, and as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs utilize quoted market prices in active markets for identical assets or liabilities

Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals

Level 3 – Inputs are unobservable for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

Subsequent events: The University has evaluated and disclosed any subsequent events through October 27, 2021, which is the date the financial statements were issued and made available.

(IN THOUSANDS)

Note 2. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements: The following three recently issued accounting pronouncements are currently being evaluated, as described below:

FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, modifies the presentation and disclosure requirements of contributed nonfinancial assets. The University is currently evaluating the impact of the pending adoption of the new standard on the financial statements, which will be effective for the fiscal year ending June 30, 2022.

FASB ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The University is currently evaluating the impact of the pending adoption of the new standard on the financial statements, which will be effective for the fiscal year ending June 30, 2023.

FASB ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University is currently evaluating the impact of adopting this new guidance on its consolidated financial.

Note 3. Receivables

Accounts receivable, net: Accounts receivable consist of the following as of June 30:

	2021	2020
Amounts due from students for tuition and other costs	$ 8,658	$ 8,441
Grants and contracts	56,180	38,001
Related entities	6,088	5,243
Other	7,906	6,226
	78,831	57,911
Less: allowance for doubtful accounts	(2,317)	(1,734)
Total accounts receivable, net	$ 76,515	$ 56,177

(IN THOUSANDS)

Note 3. Receivables (Continued)

Pledges receivable, net: Outstanding pledges receivable as of June 30, 2021 and 2020, respectively, are as follows:

	2021	2020
Less than one year	$ 17,621	$ 24,679
One to five years	12,342	17,901
More than five years	335	2,393
	30,298	44,973
Less: discount on pledges	(1,738)	(1,878)
Less: allowance for uncollectible pledges	(1,407)	(2,131)
Total pledges receivable, net	$ 27,153	$ 40,964

Notes receivable, net: Notes receivable consist of the following as of June 30:

	2021	2020
Student loans under government loan programs	$ 5,077	$ 6,408
Other notes	1,618	1,662
	6,695	8,070
Less: allowance for doubtful accounts for student loans	(1,383)	(1,310)
Total notes receivable, net	$ 5,312	$ 6,760

(IN THOUSANDS)

Note 4. Investments

The carrying value of investments at June 30 is reflected in the following table:

	2021	2020
Cash and cash equivalents	$ 14,199	$ 18,138
Fixed maturity:		
US Treasuries	1,657	8
Mutual funds and pooled accounts		
Domestic	5,277	11,925
International	-	7,511
Individual securities		
Domestic	104,562	94,067
Total fixed maturity	111,496	113,511
Equities:		
Mutual funds and pooled accounts:		
Domestic	39,425	31,087
International	245,279	189,350
Individual securities:		
Domestic	303,106	227,110
Total equities	587,810	447,547
Exchange traded commodities and real assets	1,968	3,355
Hedge funds	209,030	162,894
Private equity funds	176,582	99,478
Real estate and real estate funds	32,889	30,020
Assets held by others	1,285	1,075
Other	1,416	1,871
Total	$ 1,136,675	$ 877,889

Approximately $1,100,631 and $846,846 of the carrying value of investments as of June 30, 2021 and 2020, respectively, is invested in the University's long-term investment pool (the pool). The pool includes the University's endowment funds.

Some of the investments, including the real estate and real estate funds, limited partnerships, hedge funds and private equity investments, have time restrictions on redemption. These restrictions vary from six months to the stated term of the limited partnership, trust, or fund, which may be longer than one year. During this period, the University may not be able to readily sell or convert certain holdings in the pool to cash. Funds that have restrictions on liquidity in excess of one year are approximately $205,818 and $125,333 as of June 30, 2021 and 2020, respectively, and range from two to seven years in duration.

(IN THOUSANDS)

Note 4. Investments (Continued)

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported in the consolidated financial statements.

The following tables summarize the gross return on investments and its classification in the consolidated statements of activities as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest earnings	$ 16,138	$ 5,403	$ 21,541
Net realized and unrealized gains	147,841	121,542	269,383
Gross return on investments	163,979	126,945	290,924
Investment return designated for current operations	(24,231)	(10,824)	(35,055)
Investment return in excess of amounts designated for current operations	$ 139,748	$ 116,121	$ 255,869

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest earnings	$ 16,636	$ 6,452	$ 23,088
Net realized and unrealized gains (losses)	(7,523)	7,143	(380)
Gross return on investments	9,113	13,595	22,708
Investment return designated for current operations	(24,875)	(8,631)	(33,506)
Investment return in excess of amounts designated for current operations	$ (15,762)	$ 4,964	$ (10,798)

(IN THOUSANDS)

Note 5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	2021	2020
Financial assets at year end:		
Cash	$ 94,329	$ 53,946
Accounts receivable - net	76,515	56,177
Pledges receivable - net	27,153	40,964
Notes receivable - net	5,312	6,760
Investments and assets held by others	1,136,675	877,889
Total financial assets	1,339,984	1,035,736
Less amounts not available to meet cash needs for general expenditures within one year:		
Cash restricted for advances from federal loans	-	(838)
Accounts receivables greater than a year	(1,494)	(3,593)
Pledge payments greater than a year	(22,018)	(36,729)
Notes receivables greater than a year	(5,222)	(6,668)
Investments not available due to contractual restrictions - bond reserves	(1,644)	(2,765)
Investments not available due to donor or board restrictions	(822,145)	(635,671)
Financial assets available to meet cash needs for general expenditures within one year	$ 487,461	$ 349,472

The cash flows of the University vary throughout the fiscal year due to tuition billings as well as concentrated contributions received at calendar year and fiscal year ends. Our practice is to regularly monitor our liquidity needs to meet our operating and other contractual commitments, while optimizing any short-term excess cash investing opportunities. To further manage liquidity, the University also maintains bank lines of credit.

Note 6. Split Interest Agreements

A summary of assets held and related obligations related to split interest agreements as of June 30 follows:

	2021	2020
Assets:		
Investments:		
Charitable remainder trusts	$ 14,150	$ 11,656
Charitable gift annuities	5,214	4,173
Total	$ 19,364	$ 15,829
Liabilities:		
Split interest agreement obligations:		
Charitable remainder trusts	$ 7,929	$ 8,118
Charitable gift annuities	2,444	2,504
Total	$ 10,373	$ 10,622
Net:		
Charitable remainder trusts	$ 6,221	$ 3,538
Charitable gift annuities	2,770	1,669
Total	$ 8,991	$ 5,207

Contributions related to split interest agreements totaled $253 and $100 for the years ended June 30, 2021 and 2020, respectively.

(IN THOUSANDS)

Note 7. Right of Use Assets and Lease Liabilities

The components of lease expense at June 30, 2021 are as follows:

Finance lease expense:		
Amortization of right-of-use assets	$	750
Interest on lease liabilities		14
Operating lease expense		1,922
Variable lease expense		450
Short-term lease expense		564
Total lease expense	$	3,700
Other Information:		
Right-of-use assets-finance leases	$	724
Right-of-use assets-operating leases	$	6,988
Lease liabilities-finance leases	$	571
Lease liabilities-operating leases	$	8,980
Weighted-average remaining lease term-finance leases		2.53 years
Weighted-average remaining lease term-operating leases		3.89 years
Weighted-average discount rate-finance leases		2.73%
Weighted-average discount rate-operating leases		1.04%

Payments due include options to extend leases that are reasonably certain through fiscal year 2026 and are summarized below as of June 30, 2021:

Fiscal Year		Finance		Operating
2022	$	251	$	2,567
2023		251		2,424
2024		87		2,086
2025		-		1,348
2026		-		732
Thereafter		-		-
		589		9,157
Less: amounts representing interest		(18)		(177)
Total lease liabilities	$	571	$	8,980

(IN THOUSANDS)

Note 8. Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	2021	2020
Buildings	$ 852,897	$ 839,555
Equipment	181,740	178,238
Land and land improvements	114,536	111,400
Library books	85,268	83,041
Renovations-in-progress	5,770	10,657
	1,240,211	1,222,891
Accumulated depreciation	(508,034)	(474,341)
	$ 732,177	$ 748,550

Construction commitments: During 2020, the University committed to renovating a facility now known as Hathcock Hall (formerly known as the Music Theatre building) to house the Computer Science program. The costs of the renovation of the facility are estimated to total $14,300. As of June 30, 2021, the University was contractually committed for construction and architectural services totaling $458. The University had incurred $13,230 of costs through 2021.

Note 9. Indebtedness

The University finances the construction, renovation, and acquisition of certain facilities through the issuance of debt obligations which may include bonds, bank loans, and other borrowings. Total indebtedness for the years ended June 30 was as follows:

	2021	2020
Notes and term loan:		
Term loan	$ -	$ 24,043
Term loan - 1401 S Main	1,980	1,980
Senior secured note	17,050	18,340
Other various notes	3,874	2,157
Revenue bonds:		
2003, due serially	3,550	4,650
2006, due serially	14,065	18,945
2011A, due serially	-	14,810
2013, due serially	48,625	50,265
2015A, due serially	49,775	49,775
2015B, due serially	16,630	17,420
2016A, due serially	27,200	28,000
2016B, due serially	20,870	20,870
2018A, due serially	65,910	67,028
2018B, due serially	46,120	47,775
2020, due serially	37,040	-
	352,689	366,058
Net unamortized premium	22,406	16,830
Net unamortized issuance cost	(2,710)	(2,952)
	$ 372,385	$ 379,936

Note 9. Indebtedness (Continued)

Under the terms of a New Market Tax Credit financing arrangement in 2011, the University borrowed $27,315 under a term loan agreement with a bank. This term loan was unsecured and bore interest at LIBOR plus 1.35% and matured on August 1, 2021, the interest rate was fixed at 5.16% under the terms of a related swap agreement. The loan required monthly payments of only interest through October 31, 2016. Beginning on November 1, 2016, the University was required to make quarterly principal payments ranging from $199 to $250 through May 1, 2021, $11,500 on June 1, 2021, and $254 on August 1, 2021 at maturity. The loan was paid off early in 2021.

Under the terms of a New Market Tax Credit financing arrangement in 2018, the University borrowed $1,980 under a term loan agreement with a regional new market fund. This term loan is unsecured and bears interest at a fixed rate of 2.92% and matures on November 1, 2025. The loan requires monthly payments of only interest through October 31, 2025. On November 1, 2025, the University is required to make a lump sum principal payment of $1,980.

The senior secured note is an amortizing loan at a fixed interest rate of 3.98% with a final maturity of December 17, 2026. The proceeds were used to finance the purchase and planned renovation of hotel adjacent to the University's campus; the note is secured by a mortgage on this real estate. Monthly principal payments range from $62 to $189 through November 2026, with a balance of $5,000 due at maturity.

On March 20, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. The CARES Act established the Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA), to provide loans to help offset certain payroll and other operating costs. A subsidiary of the University applied for, and was awarded, an unsecured PPP loan in the amount of $1,250 on April 20, 2020 and a second unsecured PPP loan in the amount of $1,831 on April 21, 2021, calculated on the basis of documented payroll costs. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains payroll levels during the subsequent 24 week period.

If the conditions are not met, the University will be required to pay interest on both loans at 1%. The first loan matures on April 20, 2022, with monthly payments of principal and interest totaling $69 beginning November 20, 2020 with any remaining principal and accrued interest due at maturity. The second loan is due in full with all accrued interest at maturity on April 12, 2026. In July 2021, The University received confirmation from the SBA that the full amount of the first PPP loan in the amount of $1,250 had been forgiven.

The University uses the proceeds from Revenue Bonds to finance the construction and renovation of facilities related to the University's academic purpose. Revenue Bonds are structured as long-term leases with the State of Ohio Higher Education Facility Commission. Under the terms of these indentures, the buildings and facilities (historical cost totaling over $485,285) are pledged as security, in addition to University revenue and the full faith and credit of the University. Upon repayment of the Revenue Bonds and termination of the leases, ownership of the respective facilities is transferred to the University.

The 2003 Revenue Bonds bear interest at a variable rate based upon the Consumer Price Index plus a stated spread; this rate has been fixed at rates ranging from 4.09% to 4.44% through final maturity in 2024 under the terms of a related swap agreement. Principal payments ranging from $1,100 to $3,775 are due annually through final maturity in 2024.

(IN THOUSANDS)

Note 9. Indebtedness (Continued)

The 2006 Revenue Bonds bear interest at variable rates based upon the Consumer Price Index plus a spread; these rates have been fixed at rates ranging from 4.09% to 4.44% through December 1, 2023 under the terms of a related swap agreement. Principal payments ranging from $715 to $5,345 are due annually through final maturity in 2024.

The 2011A Revenue Bonds bear interest at fixed rates ranging from 4.0% to 5.625%. Principal payments ranging from $685 to $1,775 are due annually through final maturity in 2042. These were bonds were paid off in 2021.

The 2013 Revenue Bonds bear interest at fixed rates ranging from 3.0% to 5.0%. Principal payments ranging from $1,320 to $3,240 are due annually through final maturity in 2044.

The 2015A Revenue Bonds bear interest at fixed rates ranging from 3.0% to 5.0%. Principal payments ranging from $650 to $5,440 are due annually beginning in 2025 through final maturity in 2046.

The 2015B Revenue Bonds bear interest at fixed rates ranging from 0.9% to 4.335%. Principal payments ranging from $595 to $1,765 are due annually through final maturity in 2036.

The 2016A Revenue Bonds bear interest at variable rates based upon the 1-month LIBOR plus a stated spread; the interest rate has been fixed at 4.30% under the terms of a related swap agreement. Principal payments are ranging from $800 to $2,875 are due annually beginning in 2021 through 2026, with a final

The 2016B Revenue Bonds bear interest at a fixed rate of 1.99%. Principal payments of $2,735 and $2,875 are due annually in 2025 and 2026, with a final principal payment of $15,260 due in 2027.

The 2018A Revenue Bonds bear interest at fixed rates ranging from 3.0% to 5.0%. Principal payments ranging from $1,015 to $ 4,050 are due annually beginning in 2019 through final maturity in 2049.

The 2018B Revenue Bonds bear interest at fixed rates ranging from 4.0% to 5.0%. Principal payments ranging from $1,000 to $5,115 are due annually beginning in 2019 through final maturity in 2036.

The 2020 Revenue Bonds bear interest at fixed rates ranging from 3.0% to 5.0%. Principal payments ranging from $260 to $7,085 are due annually beginning in 2028 through final maturity in 2042.

The outstanding bonds do not require mandatory reserves for future payments of principal and interest.

Bond obligations are generally callable by the University and mature at various dates through 2046. Maturities on debt obligations for the next five years and thereafter are:

2022	$ 15,910
2023	15,315
2023	16,018
2024	16,699
2025	56,465
2026 and thereafter	232,282
Total	$ 352,689

Note 9. Indebtedness (Continued)

Interest expense was $14,142 for 2021 and $15,227 for 2020. Interest capitalized was $0 for 2021 and $41 for 2020. Cash paid for interest was $14,866 for 2021 and $15,999 for 2020.

As discussed more fully in Note 10, the University has entered into interest rate swap agreements that fix the interest rates on its variable rate debt.

The University maintains unsecured revolving credit agreements with two banks totaling $40,000. The agreements, which are $20,000 each, are due to expire on November 30, 2021 and February 28, 2022. As of June 30, 2021 and 2020, respectively, the University had no outstanding balances on these lines of credit.

As of June 30, 2021, the University had met all of the covenants required under its bond indentures and bank loans.

Note 10. Interest Rate Swap Obligations

The University uses interest rate swap agreements to manage interest rate risk associated with its variable rate debt. Under these agreements, the University and its counterparty agree to exchange the difference between the fixed and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. The difference between the fixed and variable interest amounts under the swap agreements is recorded as interest expense. The change in fair value of the interest rate swap agreements is recorded as a change in net unrealized gain (loss) on interest rate swap agreements.

In July 2011, the University entered into an interest rate swap agreement with a notional amount of $27,449. This agreement effectively fixed the interest rate on the $27,315 term note. The University received the one-month LIBOR rate plus a spread of 1.35% and was required to pay a fixed rate of 5.16% through September 30, 2031. The outstanding notional amount of the swap is $0 and $24,176 at June 30, 2021 and 2020 respectively. The fair value of this agreement as of June 30, 2021 and 2020 is recorded as a liability of $0 and $6,302, respectively in the accompanying consolidated statements of financial position. The University terminated this swap in November 2020 when it retired the term note.

In August 2006, the University entered into an interest rate swap agreement with a notional amount of $22,350, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2021 and 2020 is $3,550 and $4,650 of the $54,100 State of Ohio Higher Education Facility Commission Converted 2003 Revenue Bonds whose interest rate was tied to the CPI at rates ranging from 4.09% to 4.44% for the bonds maturing between the dates of December 1, 2015 and December 1, 2023. The fair value of this agreement as of June 30, 2021 and 2020 is recorded as an asset of $3 and a liability of $210, respectively in the accompanying consolidated statements of financial position.

Also in August 2006, the University entered into an interest rate swap agreement with a notional amount of $25,995, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2021 and 2020 is $14,065 and $18,945, respectively. This agreement effectively fixed the interest rate on the portion of the $72,105 State of Ohio Higher Education Facility Commission, 2006 Revenue Bonds whose interest rate was tied to the Consumer Price Index (CPI) at rates ranging from 4.09% to 4.44% for the bonds maturing between the dates of December 1, 2015 through December 1, 2023. The fair value of this agreement as of June 30, 2021 and 2020 is recorded as an asset of $26 and a liability of $804, respectively in the accompanying consolidated statements of financial position.

(IN THOUSANDS)

Note 10. Interest Rate Swap Obligations (Continued)

In April 2007, the University entered into an interest rate swap agreement with a notional amount of $28,000, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2021 and 2020 is $27,200 and $28,000 respectively. This agreement effectively fixed the interest rate on the $28,000 State of Ohio Higher Education Facility Commission 2002 Variable Rate Revenue Bonds at 3.999% through December 1, 2032. In 2009, the 2002 bonds were retired and replaced with the 2011B Revenue Bonds, which were subsequently retired and replaced with the 2016A Revenue Bonds. In March 2016, the University amended this interest rate swap agreement. Under the revised agreement, the University receives 67% of the one-month LIBOR rate, plus a spread of 0.25% which effectively fixed the rate of the 2016A Bonds at 4.3%. The fair value of this agreement as of June 30, 2021 and 2020 is recorded as a liability of $5,747 and $7,648, respectively in the accompanying consolidated statements of financial position.

Note 11. Retirement Plans

The University sponsors a defined contribution retirement plan that includes substantially all of its full-time employees. The University purchases individual retirement annuities through Teachers Insurance and Annuity Association (TIAA) to fund retirement benefits. The University contributes between 2.5% and 9% of an eligible employee's salary into such annuities, depending upon the employee's contribution levels and years of service. University contributions into participant accounts vest ratably over the participant's first four years of service. The University has no unfunded pension obligation because its required plan contributions are funded on a current basis. The cost to fund these benefits was $9,462 in 2021 and $10,465 in 2020.

Through salary reduction agreements, employees may contribute additional amounts on a tax-deferred basis with a preferred investment provider, in accordance with limitations under the Internal Revenue Code of 1986, as amended.

The University also provides health care benefits to retired faculty and staff hired before January 1, 2014; this benefit is not available to employees hired after that date. Faculty and staff are eligible for this benefit if they have either worked 20 years and attained age 55, or worked 10 years and attained age 60, while in service with the University. The plan is contributory and contains other cost-sharing features such as deductibles and co-insurance; contributions by plan participants were $1,440 in 2021 and $1,398 in 2020. The University makes amounts available to retirees to purchase health care insurance under this plan and the accrued liabilities associated with this plan have been recorded on the University's financial statements in accordance with generally accepted accounting principles. During 2019, the plan was amended replacing the Medicare Supplement plan with a Medicare Advantage plan.

Postretirement benefit expense related to the Plan includes the following components as of June 30:

	2021	2020
Service cost of benefits earned	$ 1,112	$ 1,010
Interest cost on liability	1,108	1,433
Amortization of net loss	(1,911)	(2,534)
Net periodic postretirement benefit cost	$ 309	$ (91)

(IN THOUSANDS)

Note 11. Retirement Plans (Continued)

A summary of the components of the changes in the projected benefit obligations and funded status of the Plan as of June 30 is as follows:

	2021	2020
Change in projected benefit obligations:		
Projected benefit obligation, beginning of year	$ 52,300	$ 46,815
Service cost	1,112	1,010
Interest cost	1,108	1,433
Actuarial (gain) loss	(4,806)	5,245
Benefits paid	(2,979)	(2,231)
Projected benefit obligation, end of year	46,735	52,272
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	-	-
Employer contributions	2,979	2,231
Benefits paid	(2,979)	(2,231)
Fair value of plan assets, end of year	-	-
Net liability on the statements of financial position	$ 46,735	$ 52,272

A summary of the components recognized in net assets without donor restrictions for the years ended June 30 is as follows:

	2021	2020
Actuarial (loss) gain	$ 4,806	$ (5,272)
Prior service cost	(1,706)	(1,706)
Amortization of net loss	(205)	(828)
	$ 2,895	$ (7,806)

There are unrecognized actuarial gains of $24,232 and $21,337 included in net assets without donor restrictions at June 30, 2021 and 2020, respectively, which have not yet been recognized in the net periodic benefit cost.

The following weighted-average assumptions were used to determine the postretirement benefit obligation and the postretirement benefit cost as of June 30:

	2021	2020
Weighted-average discount rate used to determine the projected benefit obligation	2.38%	2.18%
Weighted-average discount rate assumption used to determine the net periodic benefit cost	2.18%	3.15%

(IN THOUSANDS)

Note 11. Retirement Plans (Continued)

The University used the RPH-2019 Total Dataset Mortality Table fully generational using scale MP-2019 in determining its obligation.

The health care cost trend rate assumption significantly affects the projected benefit obligation and the change in the postretirement benefit obligation reported in the consolidated financial statements. The model is based on long-term projections of Gross Domestic Product per capita and National Health Expenditures per capita. These inputs are based on assumptions from the University's actuaries. The model does not specifically include an administrative cost trend. Rather, administrative costs are incorporated with the medical assumptions.

The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30:

	2021	2020
Initial year trend:		
Combined trend pre-Medicare	6.60%	6.60%
Combined trend post-Medicare	7.40%	7.40%
Combined ultimate trend for pre-1994 and grandfathered retirees:		
Pre-Medicare	4.50%	4.50%
Post-Medicare	4.10%	4.10%
Combined ultimate trend for non-grandfathered participants and post-1994 retirees:		
Pre-Medicare	5.00%	5.00%
Post-Medicare	No Trend	No Trend
Year that rates reach the ultimate trend rate	2042	2041

A one-percentage point change in the assumed health care cost trend rate would have the following effect on the postretirement benefit obligation as of June 30, 2021, and the net periodic benefit cost:

	1.00% Increase	1.00% Decrease
Effect on postretirement benefit obligation	$ 222	$ 191
Effect on net periodic benefit cost	3,671	3,222

The following benefit payments, which reflect expected future service and the effect of the Medicare subsidy, as appropriate, are expected to be paid over the next ten years:

Year ending:	
2022	$ 2,921
2023	3,044
2024	3,053
2025	3,085
2026	3,151
2027–2031	14,848

Note 12. Fair Value of Financial Instruments

The University records investments in cash and cash equivalents, equity securities and equity and bond mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the fair value hierarchy.

The University records its investments in U.S. government treasuries, exchange traded commodities and real estate at their current fair values based on quoted market prices in markets that are not active for all significant inputs, which is consistent with Level 2 in the fair value hierarchy. Following is the summary of the inputs and valuation techniques used as of June 30, 2021 and 2020 for valuing Level 2 investments:

Investments	Input	Valuation Technique
Short term money market funds	Broker/Dealer	Market
US Treasuries	Broker/Dealer	Market
Exchange traded commodities and real assets	Broker/Dealer	Market

The University also holds investments in private equity funds, real estate and real estate funds, hedge funds and other investments that are not publicly traded but are valued at a net asset value per unit, or its equivalent. The University records its portion of these funds at the reported net asset value of its ownership interest in partner capital as reported by the general partner or fund manager, and as such, these investments have been excluded from the fair value hierarchy. Due to the inherent uncertainty of valuation, the estimated fair values may differ from values that would have been used had a readily available market value for the investments existed, and such differences could be material.

The University also holds certain real estate investments that it accounts for using the equity method. As such, these investments are also excluded from the fair value hierarchy.

The University has an interest rate swap and fair value is provided by valuation experts using externally developed models that consider observable and unobservable market parameters due to limited market activity of the instruments.

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The following table summarizes the recorded amount of assets and liabilities by class of asset/liability recorded at fair value on a recurring basis:

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Short term money market funds	$ 992	$ 13,207	$ -	$ 14,199
US Treasuries	13	1,644	-	1,657
Fixed maturity:				
Mutual funds				
Domestic	5,277			5,277
Individual securities:				
Domestic		104,562		104,562
Equities:				
Mutual funds:				
Domestic	39,425	-	-	39,425
International	245,279	-	-	245,279
Individual securities:				
Domestic	303,106	-		303,106
Assets held by others [b]	-	-	1,285	1,285
	594,092	119,413	1,285	714,790
Investments reported at fair value based on net asset value and equity method:				
Private equity funds [a]				176,582
Real estate and real estate funds [a]				24,405
Real assets [a]				1,968
Hedge funds [a]				209,030
Real estate - equity method				8,484
Guaranteed investment contract	-	-		1,416
Total investments	$ 594,092	$ 119,413	$ 1,285	$ 1,136,675
Liabilities				
Interest rate swap obligation	$ -	$ 5,718	$ -	$ 5,718

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Short term money market funds	$ 642	$ 17,496	$ -	$ 18,138
US Treasuries	5	3	-	8
Fixed maturity:				
Mutual funds				
Domestic	11,925			11,925
International	7,511			7,511
Individual securities:				
Domestic		94,067		94,067
Equities:				
Mutual funds:				
Domestic	31,087	-	-	31,087
International	189,350	-	-	189,350
Individual securities:				
Domestic	227,110	-	-	227,110
Assets held by others [b]	-	-	1,075	1,075
	467,630	111,566	1,075	580,271
Investments reported at fair value based on net asset value and equity method:				
Private equity funds [a]				99,478
Real estate and real estate funds [a]				21,471
Real assets [a]				3,355
Hedge funds [a]				162,894
Real estate - equity method				8,549
Guaranteed investment contract	-	-		1,871
Total investments at fair value	$ 467,630	$ 111,566	$ 1,075	$ 877,889
Liabilities				
Interest rate swap obligation	$ -	$ 14,964	$ -	$ 14,964

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

(b) The fair value of benefit interests in trusts held by others (perpetual trusts) are based on quoted prices of the underlying assets held by trustees. Due to restrictions on these assets that do not allow the University redemption rights, fair value is deemed to be based on Level 3 inputs.

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The table below represents quantitative information about significant unobservable inputs related to investments reported at fair value using the practical expedient.

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)*	Redemption Notice Period
Private equity funds [a]	$ 176,582	$ 115,029	n/a	n/a
Real estate and real estate funds [b]	24,405	23,961	n/a	n/a
Real assets [c]	1,968	446	n/a	n/a
Hedge funds - Equity long/short [d]	39,354	-	monthly, quarterly	30-60 days
Hedge funds - Event driven [e]	47,472	-	quarterly	45-90 days
Hedge funds - Global opportunities [f]	22,545	-	monthly, quarterly	3-45 days
Hedge funds - Relative value [g]	76,589	-	quarterly, annually	60-90 days
Hedge funds - Multi-strategy [h]	23,070	-	quarterly, annually	65-90 days
Total	$ 411,985	$ 139,436		

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)*	Redemption Notice Period
Private equity funds [a]	$ 99,478	$ 135,253	n/a	n/a
Real estate and real estate funds [b]	21,471	20,398	n/a	n/a
Real assets [c]	3,355	446	n/a	n/a
Hedge funds - Equity long/short [d]	32,803	-	monthly, quarterly	30-60 days
Hedge funds - Event driven [e]	34,348	-	quarterly	45-90 days
Hedge funds - Global opportunities [f]	10,474	-	monthly, quarterly	3-45 days
Hedge funds - Relative value [g]	66,147	-	quarterly, annually	60-90 days
Hedge funds - Multi-strategy [h]	19,122	-	quarterly, annually	65-90 days
Total	$ 287,198	$ 156,097		

**Redemptions may be subject to an initial and/or rolling one to three year lock up or investor/fund level gate.*

[a] This class includes several private equity funds engaging venture capital, buyout and turnaround investments in U.S. and European companies. These funds may hold publicly traded securities as well as other securities that do not have a readily determinable market value. Investments in publicly traded securities are generally valued at quoted market prices in active markets. Investments without readily determinable quoted market prices in active markets are valued by the fund managers or valuation committees; such valuation estimates consider cost data, restrictions affecting marketability, operating results, the financial condition of the underlying portfolio company and prices determined by using recent observable transaction information for similar investments or transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. It is anticipated that the underlying assets of the fund would be liquidated over the next 7 to 10 years.

Note 12. Fair Value of Financial Instruments (Continued)

(b) Real estate funds class includes several funds that invest primarily in U.S. commercial real estate properties. The holdings in these funds are valued by the fund managers or valuation committees; such valuation estimates consider cost data, restrictions affecting marketability, operating results, the financial condition of the underlying property and prices determined by using recent observable transaction information for similar purchase, sale or financing transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund.

(c) Real assets are held in a private real estate investment trust that invests in commercial timberland properties. The trust's holdings are valued by fund manager or valuation committees by using recent observable transaction information for similar holdings or transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund.

(d) Long-short strategies seek to profit by taking positions in equities and generally involve fundamental analysis in the investment decision process. Managers in these strategies tend to be "stock pickers" and typically manage market exposure by shifting allocations between long and short investments depending on market conditions and outlook. Long-short strategies may comprise investments in one or multiple countries, including emerging markets and one or multiple sectors.

(e) Event driven strategies involve investing in opportunities created by significant transaction events, such as spin-offs, mergers and acquisitions, and reorganizations. These strategies include risk arbitrage, distressed situations investing, special situations, opportunistic investing, and activism.

(f) Global opportunities strategies seek to exploit opportunities in various global markets. Portfolio managers employing these strategies have a broad mandate to invest in those markets and instruments which they believe provide the best opportunity. A portfolio manager employing a global macro strategy may take positions in currencies, sovereign bonds, global equities, and equity indices or commodities.

(g) Relative value strategies seek to profit by exploiting pricing inefficiencies between related instruments while remaining long-term neutral to directional price movements in any one market. These strategies include, but are not limited to: Convertible Bond Arbitrage, Fixed Income Arbitrage, Options Arbitrage, Pairs Trading, and multiple "Market Neutral" strategies.

(h) Multi-strategy funds dynamically allocate their assets among a variety of investment strategies to capture systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles. The various investment strategies employed include those detailed above. These investments include a commitment based investment in a renewable energy fund focused on the development, operation, and management of various solar projects.

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value for the years ended June 30:

	Assets Held by Others
Balance at July 1, 2020	$ 1,075
Total gains or losses for the period included in earnings (or changes in net assets)	253
Purchase	-
Sales	(43)
Balance at June 30, 2021	$ 1,285

	Assets Held by Others
Balance at July 1, 2019	$ 1,070
Total gains or losses for the period included in earnings (or changes in net assets)	52
Purchase	-
Sales	(47)
Balance at June 30, 2020	$ 1,075

There were no significant transfers in and out of Level 1, 2, or 3 during the period ending June 30, 2021 or 2020.

The carrying amount of cash, accounts receivable, and deferred income and student deposits approximates fair value because of the short duration of these financial instruments.

A reasonable estimate of the fair value of the notes receivable and advances from government for federal loans could not be made because the notes receivable are not saleable and can only be assigned to the United States government or its designees. It is not practical to estimate the fair value of grants and contracts receivable since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

The carrying amount of pledges receivable approximates fair value as these donations are recorded at the net present value of the amount pledged.

The fair value of indebtedness is approximately $417,891 as of June 30, 2021. For fixed-rate debt, the fair market value is based on an estimate of the prevailing market yield and resulting price for each maturity of debt. The market yield is impacted by several factors including credit, length of maturity, coupon, and optional redemption provisions. Variable rate debt that is callable by the borrower at any time is generally valued at par.

(IN THOUSANDS)

Note 13. Nature and Amount of Net Assets

Net assets without donor restrictions at June 30 are designated for the following:

	2021	2020
Without donor restrictions:		
Board-designated endowment	$ 454,064	$ 346,914
Net investment in plant	306,598	327,787
Undesignated	304,317	215,500
Total net assets without donor restrictions	$ 1,064,979	$ 890,201

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2021	2020
Net assets restricted for specified purpose or passage of time:		
Instruction	$ 78,019	$ 46,601
Administrative and general	59,952	6,779
Organized research	3,516	1,116
Libraries	9,093	4,899
Student aid	105,977	51,684
Auxiliary enterprises	2,408	11,401
Pledges receivable including capital gifts for construction	11,373	21,090
Total specified purpose or time restrictions	270,338	143,570
Net assets restricted perpetually:		
Instruction	68,613	64,837
Administrative and general	13,374	13,225
Organized research	2,604	2,604
Libraries	4,644	4,627
Student aid	112,343	105,607
Auxiliary enterprises	925	926
Pledges receivable	5,569	16,692
Total restricted perpetually	208,072	208,518
Total net assets with donor restrictions	$ 478,410	$ 352,088

Note 14. Endowment Funds

The University's endowment consists of donor restricted endowment funds and unrestricted board-designated or quasi endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanent endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowments is classified as unrestricted or donor restricted in accordance with UPMIFA and donor stipulations. Also in accordance with the University's interpretation of UPMIFA and absent specific donor restrictions on an endowed fund, the Board may appropriate the realized and unrealized net appreciation in the fair value of the assets of that fund for uses and purposes of the fund.

From time to time, the fair value of assets associated with the 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. In accordance with accounting standards, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021 and 2020, funds with an original gift value of $2,504 and $17,279 were "underwater" by $92 and $1,152, respectively.

The long-term objective of the University's investment portfolio is to generate a return which is sufficient to provide funding for programs supported by its endowment. To accomplish this objective, the University seeks to earn the greatest total return possible consistent with its general risk tolerance and a diversified asset allocation strategy. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that includes equity-based investments to achieve its long-term objectives within prudent risk constraints.

The University uses a hybrid method to calculate the amount it appropriates from its endowment each year (the appropriation). A portion of the appropriation is based on the prior year's appropriation plus an inflationary factor. The remaining portion of the appropriation is calculated by computing a return on the average of the previous twenty quarters ending market value computed at December 31 each year for the fiscal year beginning the following July 1. The amount appropriated is bound by a floor of 3.5% and a ceiling of 5.5% of the previous December 31 fair values for the endowment funds.

In accordance with UPMIFA the University has appropriated funds where the purpose restriction has not yet been met. These net assets are classified as with donor restrictions and will be released upon satisfaction of the donor restriction. The amount of appropriated but unspent funds included in net assets with donor restrictions totaled $20,857 and $16,782 at June 30, 2021 and 2020, respectively.

(IN THOUSANDS)

Note 14. Endowment Funds (Continued)

The University has the following endowment-related activities:

	Changes in Endowment Net Assets		
	Without Donor Restrictions	With Donor Restriction	Total
Endowment net assets at July 1, 2020	$ 346,914	$ 261,723	$ 608,637
Investment return:			
Investment income	1,598	21	1,619
Net appreciation (depreciation) (realized and unrealized)	116,053	88,906	204,959
Contributions	1,091	10,502	11,593
Other (additions and deletions to endowment)	-	-	-
Appropriation of endowment assets for expenditure	(11,592)	(10,824)	(22,416)
Endowment net assets at June 30, 2021	$ 454,064	$ 350,328	$ 804,392

	Changes in Endowment Net Assets		
	Without Donor Restrictions	With Donor Restriction	Total
Endowment net assets at July 1, 2019	$ 345,677	$ 257,428	$ 603,105
Investment return:			
Investment income	6,210	141	6,351
Net appreciation (depreciation) (realized and unrealized)	5,675	3,495	9,170
Contributions	42	9,290	9,332
Other (additions and deletions to endowment)	-	-	-
Appropriation of endowment assets for expenditure	(10,690)	(8,631)	(19,321)
Endowment net assets at June 30, 2020	$ 346,914	$ 261,723	$ 608,637

(IN THOUSANDS)

Note 14. Endowment Funds (Continued)

The composition of net assets, by type, of endowment funds at June 30 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 350,328	$ 350,328
Board-designated endowment funds	454,064	-	454,064
	$ 454,064	$ 350,328	$ 804,392

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 261,723	$ 261,723
Board-designated endowment funds	346,914	-	346,914
	$ 346,914	$ 261,723	$ 608,637

Note 15. Private Gifts, Grants, and Other

Private Gifts, Grants, and Other include the following:

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Gifts and grants	$ 3,313	$ 19,191	$ 22,504
Miscellaneous income	8,556	-	8,556
	$ 11,869	$ 19,191	$ 31,060

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Gifts and grants	$ 3,111	$ 28,795	$ 31,906
Miscellaneous income	15,588	-	15,588
	$ 18,699	$ 28,795	$ 47,494

(IN THOUSANDS)

Note 16. Expense Summary

The University's expenses classified by natural classification, for the years ended June 30, 2021 and 2021 are summarized as follows:

	2021							
	Instruction	Organized Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Related entities	Total
Salaries and benefits	$ 107,173	$ 89,742	$ 20,097	$ 17,900	$ 24,961	$ 34,044	$ 2,362	$ 296,279
Interest expense	2,705	742		7	1,440	8,372	876	14,142
Depreciation	6,260	8,499	3,452	2,024	2,202	11,034	5,272	38,743
Cost of sales	-	-	-	7	1	10,427	426	10,861
Contract services and maintenance	4,353	46,595	1,147	1,662	11,098	15,750	1,175	81,780
Supplies	2,249	9,665	629	577	2,253	3,329	330	19,032
Utilities and communications	1,384	743	363	197	1,614	4,628	369	9,298
Other expenditures	13,936	24,093	4,067	6,774	4,547	7,573	2,735	63,725
Total expenses	$ 138,060	$ 180,079	$ 29,755	$ 29,148	$ 48,116	$ 95,157	$ 13,545	$ 533,860

	2020							
	Instruction	Organized Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Related entities	Total
Salaries and benefits	$ 109,539	$ 84,101	$ 19,488	$ 19,738	$ 30,496	$ 36,543	$ 4,835	$ 304,740
Interest expense	3,052	737	570	-	881	9,066	921	15,227
Depreciation	6,212	5,710	3,181	1,988	1,592	11,656	5,088	35,427
Cost of sales	1	-	-	10	-	11,399	834	12,244
Contract services and maintenance	5,011	31,364	1,060	1,961	8,125	14,150	1,832	63,503
Supplies	2,607	7,393	593	404	1,463	4,272	740	17,472
Utilities and communications	1,670	844	381	147	1,747	4,819	441	10,049
Other expenditures	15,095	20,801	2,071	5,345	5,470	11,008	3,977	63,767
Total expenses	$ 143,187	$ 150,950	$ 27,344	$ 29,593	$ 49,774	$ 102,913	$ 18,668	$ 522,429

Note 17. Consolidated Entities

Hotel operations: The University is a member of a joint venture to own a local hotel adjacent to its campus. The University is a 90% partner in this venture.

The University recorded the following assets, liabilities, and equity on its books at June 30:

	2021	2020
Assets:		
Land, buildings and equipment	$ 31,147	$ 34,087
Liabilities and equity:		
Senior secured note	20,130	19,589
Controlling interest - University net assets	45	3,155
Noncontrolling interest	24	517

(IN THOUSANDS)

Note 17. Consolidated Entities (Continued)

Innovation Hub: The University is a member of a joint venture to own an transdisciplinary space for innovation and creation near campus. The University is a 75% partner in this venture.

The University recorded the following assets, liabilities, and equity on its books at June 30, 2021:

Assets:		
Land, buildings and equipment	$	2,423
Liabilities and equity:		
University net assets		862
Noncontrolling interest		591

Note 18. Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the University operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial impact will be to the University.

Note 19. Financial Responsibility

In 2019 the Department of Education revised certain provisions of the 34 Code of Federal Regulations Section 668.172 which applies to the University. As a result of the revision the University is disclosing certain information to facilitate compliance with the provisions of Section 668.172 provided as follows:

Property, plant and equipment, net: The Department of Education has defined pre-implementation property, plant and equipment as assets acquired as of June 30, 2019 less any assets resulting from capital leases entered into between December 15, 2018 and June 30, 2019. All subsequently acquired assets are deemed post-implementation property, plant and equipment. As of June 30, 2021, the University has $369,305 of post-implementation property, plant and equipment with outstanding debt and $357,102 of post-implementation property, plant and equipment without outstanding debt.

Debt: The Department of Education has defined pre-implementation debt as debt acquired as of June 30, 2019, and any debt acquired subsequent to June 30, 2019 is defined as post-implementation debt. As of June 30, 2021, the University has $340,217 pre-implementation debt and $29,088 post-implementation debt. As of June 30, 2021 total debt for long term purposes is $369,305.

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2021-22

MEMBERS OF THE BOARD OF TRUSTEES

2021-22

*Denotes Executive Committee members

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