Tulane University

Financial Statements as of and for the
Years Ended June 30, 2020 and 2019, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To The Board of Administrators of Tulane University:

We have audited the accompanying consolidated financial statements (the "financial statements") of Tulane University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulane University as of June 30, 2020 and 2019, and the changes in its net assets, its cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

November 5, 2020

TULANE UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019
(In thousands)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 142,883	$ 75,043
Deposits in trust	11,326	37,330
Accounts and other receivables—net	81,168	69,256
Contributions receivable—net	53,197	60,490
Loans receivable—net	28,772	33,616
Investments	1,490,798	1,461,769
Prepaid expenses and other assets	32,793	19,715
Property, plant, and equipment—net	998,388	973,442
TOTAL ASSETS	$ 2,839,325	$ 2,730,661
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 114,457	$ 92,156
Deferred revenue and refundable deposits	84,471	84,953
Lines of credit	50,000	-
Notes payable	53,526	41,573
Bonds payable	710,282	729,221
Federal student loan funds	31,895	46,194
Total liabilities	1,044,631	994,097
NET ASSETS:		
Without donor restrictions	154,485	140,122
Without donor restrictions, funds functioning as endowment	133,198	131,804
Total without donor restrictions	287,683	271,926
With donor restrictions	1,507,011	1,464,638
Total net assets	1,794,694	1,736,564
TOTAL LIABILITIES AND NET ASSETS	$ 2,839,325	$ 2,730,661

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2020
REVENUES:			
Tuition and fees	$ 641,562	$ -	$ 641,562
Less: Institutional scholarships and fellowships	(202,284)	-	(202,284)
Tuition and fees—net	439,278	-	439,278
Government grants and contracts	130,457	-	130,457
Private gifts and grants	55,302	56,577	111,879
Medical group practice, labs, and clinics	196,804	-	196,804
Affiliated hospital agreements/contracts	45,710	-	45,710
Endowment income	14,302	48,475	62,777
Investment income and gains—net	6,087	2,278	8,365
Recovery of indirect costs	36,673	-	36,673
Auxiliary enterprises	62,906	-	62,906
Other	39,602	-	39,602
Net assets released from restrictions	70,116	(70,116)	-
Total revenues	1,097,237	37,214	1,134,451
EXPENSES:			
Instruction and academic support	376,575	-	376,575
Affiliated hospital agreements/contracts	37,585	-	37,585
Organized research	167,547	-	167,547
Public service	35,235	-	35,235
Libraries	26,444	-	26,444
Student services	87,611	-	87,611
Institutional support	114,436	-	114,436
Scholarships and fellowships	18,265	-	18,265
Auxiliary enterprises	68,604	-	68,604
Medical group practice	125,457	-	125,457
Other	12,537	4,638	17,175
Total expenses	1,070,296	4,638	1,074,934
Change in net assets from operating activities	26,941		
OTHER CHANGES IN NET ASSETS:			
Net realized and unrealized gains	7,039	67,642	74,681
Net unrealized losses on interest rate swaps	(12,349)	-	(12,349)
Accumulated gains used for spending	(6,010)	(57,709)	(63,719)
Transfers between net asset groups	136	(136)	-
Total other changes in net assets	(11,184)	9,797	(1,387)
CHANGE IN NET ASSETS	15,757	42,373	58,130
BEGINNING NET ASSETS	271,926	1,464,638	1,736,564
ENDING NET ASSETS	$ 287,683	$1,507,011	$1,794,694

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUES:			
Tuition and fees	$ 603,072	$ -	$ 603,072
Less: Institutional scholarships and fellowships	(195,938)	-	(195,938)
Tuition and fees—net	407,134	-	407,134
Government grants and contracts	120,149	-	120,149
Private gifts and grants	57,333	41,063	98,396
Medical group practice, labs, and clinics	171,164	-	171,164
Affiliated hospital agreements/contracts	45,146	-	45,146
Endowment income	13,165	45,380	58,545
Investment income and gains—net	9,826	4,101	13,927
Recovery of indirect costs	35,752	-	35,752
Auxiliary enterprises	74,388	-	74,388
Other	39,162	-	39,162
Net assets released from restrictions	72,966	(72,966)	-
Total revenues	1,046,185	17,578	1,063,763
EXPENSES:			
Instruction and academic support	350,182	-	350,182
Affiliated hospital agreements/contracts	35,374	-	35,374
Organized research	158,366	-	158,366
Public service	30,451	-	30,451
Libraries	26,377	-	26,377
Student services	89,739	-	89,739
Institutional support	109,601	-	109,601
Scholarships and fellowships	18,628	-	18,628
Auxiliary enterprises	72,439	-	72,439
Medical group practice	121,362	-	121,362
Other	9,082	1,637	10,719
Total expenses	1,021,601	1,637	1,023,238
Change in net assets from operating activities	24,584		
OTHER CHANGES IN NET ASSETS:			
Net realized and unrealized gains	9,294	60,001	69,295
Net unrealized losses on interest rate swaps	(8,759)	-	(8,759)
Accumulated gains used for spending	(7,502)	(53,522)	(61,024)
Transfers between net asset groups	(3,173)	3,173	-
Total other changes in net assets	(10,140)	9,652	(488)
CHANGE IN NET ASSETS	14,444	25,593	40,037
BEGINNING NET ASSETS	257,482	1,439,045	1,696,527
ENDING NET ASSETS	$ 271,926	$1,464,638	$1,736,564

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(In thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 58,130	$ 40,037
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,918	52,584
Asset retirements	581	694
Net realized and unrealized investment gains	(74,681)	(69,295)
Net decrease in fair value of interest rate swap agreements	12,349	8,759
Contributions restricted for permanent investment	(24,332)	(25,644)
Contributions of property	(219)	(276)
Grant receipts used for capital purposes	-	(489)
Donations received for capital purposes	(15,228)	(15,139)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	(11,912)	4,164
Decrease in contributions receivable	3,480	4,733
(Increase) in prepaid expenses and other assets	(13,078)	(8,030)
Increase (decrease) in accounts payable and accrued liabilities	17,976	(2,412)
(Decrease) increase in deferred revenue and refundable deposits	(482)	15,394
Net cash provided by operating activities	4,502	5,080
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(255,941)	(327,186)
Proceeds from the sale of investments	301,593	366,210
Purchase of property, plant, and equipment	(84,962)	(83,627)
Decrease in deposits in trust	26,004	33,757
Student loans issued	(2,075)	(245)
Proceeds from collections of student loans	6,919	6,764
Grant receipts used for capital purposes	-	489
Donations received for capital purposes	15,228	15,139
Net cash provided by investing activities	6,766	11,301
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	28,145	29,937
Repayment of bonded debt	(18,220)	(19,950)
Repayment of notes payable	(555)	(28,888)
Proceeds from notes payable	12,500	40,843
Proceeds from lines of credit	50,000	-
(Decrease) increase in federal student loan funds	(14,299)	969
Annuities paid	(999)	(1,071)
Net cash provided by financing activities	56,572	21,840
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,840	38,221
CASH AND CASH EQUIVALENTS—Beginning of year	75,043	36,822
CASH AND CASH EQUIVALENTS—End of year	$ 142,883	$ 75,043
SUPPLEMENTAL DISCLOSURES—Interest paid	$ 29,913	$ 30,358

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019
(In thousands)

	2020						
	Salaries	Fringe Benefits	Supplies and Services	Depreciation	Interest	Other	Total
Instruction and Academic Support	$197,733	$43,740	$ 93,024	$14,808	$ 7,938	$ 19,332	$ 376,575
Affiliated Hospital Agreements/Contracts	33,550	14	3,993	-	-	28	37,585
Organized Research	60,467	11,732	31,965	6,744	2,009	54,630	167,547
Public Service	6,737	1,460	3,870	628	-	22,540	35,235
Libraries	7,708	1,606	4,606	11,757	243	524	26,444
Student Services	30,035	6,994	45,976	2,766	-	1,840	87,611
Institutional Support	61,106	13,631	28,406	1,876	5,922	3,495	114,436
Scholarships and Fellowships	1,107	157	719	-	-	16,282	18,265
Auxiliary Enterprises	14,246	2,426	13,156	14,631	12,705	11,440	68,604
Medical Group Practice	104,548	10,061	8,286	-	-	2,562	125,457
Other	2,169	409	2,083	-	-	12,514	17,175
Total	$519,406	$92,230	$236,084	$53,210	$28,817	$145,187	$1,074,934

	2019						
	Salaries	Fringe Benefits	Supplies and Services	Depreciation	Interest	Other	Total
Instruction and Academic Support	$179,435	$41,631	$ 87,443	$15,154	$ 7,608	$ 18,911	$ 350,182
Affiliated Hospital Agreements/Contracts	31,619	4	3,701	-	-	50	35,374
Organized Research	54,512	10,110	34,806	6,901	1,865	50,172	158,366
Public Service	6,329	1,476	3,884	643	-	18,119	30,451
Libraries	7,273	1,700	5,522	11,517	245	120	26,377
Student Services	30,263	7,323	45,508	2,831	-	3,814	89,739
Institutional Support	54,056	12,469	32,415	1,921	5,924	2,816	109,601
Scholarships and Fellowships	1,115	135	-	-	-	17,378	18,628
Auxiliary Enterprises	12,959	3,261	21,109	14,973	14,085	6,052	72,439
Medical Group Practice	98,328	10,150	8,778	-	-	4,106	121,362
Other	2,403	440	7,717	-	-	159	10,719
Total	$478,292	$88,699	$250,883	$53,940	$29,727	$121,697	$1,023,238

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies followed by Tulane University (the "University") is presented below and in other sections of these notes. The University is a private research university founded in 1834.

Basis of Presentation—The accompanying consolidated financial statements (the "financial statements") have been prepared using the accrual basis of accounting. The financial statements have been consolidated to include the accounts of the University, Tulane Murphy Foundation, Inc. (the "Foundation"), Tulane International, LLC, Howard Memorial Association, Riversphere One, Riversphere Two, Wick Cary, LLC's, Samuel Z. Stone CIPR Trust, Tulane Pharmacy, LLC, Tulane Living Well, LLC, Warwick Apartments, Inc., and all auxiliary activities.

As prescribed by Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, the University classifies it net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

The University's two net asset categories are described below.

Net assets without donor restrictions include the following:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the educational, research, and service missions of the University are included in this category. Additionally, this category includes the health care services associated with the School of Medicine Medical Group Practice and the professional services provided under affiliated hospital agreements.

- Net assets without donor restrictions, funds functioning as endowment include funds designated by the board of administrators for investment purposes. The earnings on such funds are distributed to support the University operations.

Net assets with donor restrictions include the following:

- Gifts for which donor-imposed restrictions have not been met, annuity and life income funds, contributions receivable (where the ultimate purpose of the proceeds is not permanently restricted), accumulated but undistributed gains and losses on donor-restricted endowment funds, and distributed but unspent earnings on donor-restricted endowment funds.

- Gifts, trusts and contributions receivable, which are required by donor-imposed restriction to be invested in perpetuity. Only the income from such investments is available for program operations in accordance with donor restrictions.

Net Assets Without Donor Restrictions Operating Results—Net assets without donor restrictions operating results include all transactions that change net assets without donor restrictions, except for endowment related investment transactions for net realized and unrealized gains, net unrealized gains associated with interest rate swaps, losses on early extinguishment of debt, accumulated gains used for spending, and transfer between net asset groups. Donor transactions for expendable gifts that are released from restrictions are included with net assets without donor restrictions operating results. Net assets without donor restrictions operating results exclude gifts for permanent investment and gifts received where the donor restrictions have not been met.

Endowment distributions reported as operating income consist of endowment return distributed to support current operating needs. Endowment distributions initially reported as net assets with donor restrictions are transferred to net assets without donor restriction status via the line entitled "Net Assets Released from Restrictions" on the basis of fulfilling the donors' restrictions through qualified expenditures.

Investment income and gains includes income from trusts that is immediately available to fund operations.

Deferred Revenue—Advance payments are recorded as deferred revenue within the category "Deferred Revenue and Refundable Deposits", which consists of the following amounts (in thousands):

	2020	**2019**
Grants and contracts—FEMA	$ 3,258	$ 6,258
Grants and contracts—other	38,823	38,334
Tuition and fees—net	19,643	14,906
Other	22,747	25,455
Total	$ 84,471	$ 84,953

Use of Estimates—The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Certain Expenses—The financial statements present expenses by functional classification in accordance with the overall mission of the University.

Certain natural expenses are allocated to the respective functional classifications based on certain criteria. Depreciation and retirement of assets as presented in the Statement of Functional Expenses, as well as plant operations and maintenance expense of $59,085 and $59,837 for 2020 and 2019, respectively, are allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the debt.

Cash Equivalents—Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents representing assets of endowment and similar funds and annuity and life income funds are included in the caption Investments.

Investments—Equity securities with readily determinable values, and most debt securities, are valued based on market quotations. Certain fixed-income securities are valued based on dealer supplied valuations. Where fair values are not determinable through market quotations estimates are supplied by external investment managers and a valuation review is conducted by management. Such review includes obtaining and reviewing audited and unaudited financial information from investment managers, holding discussions with external managers and general partners, and evaluating investment returns in light of current conditions. University held real estate, mortgages and royalty interests are valued at cost or original appraised value. The University's investment in University Healthcare System, L.L.C. (UHS) is accounted for using the equity method (see Note 18), but not below zero.

Depreciation is not recorded for endowment fund real estate investments. In the opinion of the University's management, the excess of realizable market value over the book value of such property would be sufficient to preclude the impairment of endowment net assets even if depreciation provisions were made. This excess is considered sufficient to permit the distribution of a portion of the rentals and royalties derived from these properties to current operations.

Endowment Spending Policy—The pooled endowment spending policy is based upon the average market value of the previous 12 quarters multiplied by a specified percentage. The percentage for the pooled endowment for the fiscal years ended June 30, 2020 and 2019 was 5%. Accumulated investment gains are used to fund the difference between payout and current earnings.

Annuity and Life Income Agreements—The University has agreements with donors that include irrevocable charitable remainder trusts, charitable gift annuities, and life income funds where the University serves as trustee. Assets held in trust are generally comprised of investments. Such values are reported as assets with donor restrictions net of the estimated future payments to be made to donors or other beneficiaries.

Other Financial Instruments—The University occasionally uses derivatives to manage the market risk associated with outstanding variable rate debt. Derivative financial instruments are reported at fair value with any resulting gain or loss reported in the other changes in net assets section of the statement of activities.

Property, Plant, and Equipment—Property, plant, and equipment are recorded at cost, or if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows: buildings, 20 to 60 years; improvements, 10 to 20 years; and equipment and library books, 4 to 20 years.

Certain works of art and historical treasures have been recognized at their estimated fair value based upon appraisals or similar valuations at the time of acquisition. Works of art and historical treasures are not depreciated.

Conditional asset retirement obligations related to legal requirements to perform certain future activities related to the retirement, disposal, or abandonment of assets are accrued utilizing physical site surveys to estimate the net present value of applicable future costs, such as asbestos abatement or removal.

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value. No impairment charges were recorded for the years ended June 30, 2020 and 2019.

Deferred Financing Costs—The University incurred financing costs in connection with the issuance of various bonds payable (see Note 12). Deferred financing costs as of June 30, 2020 and 2019 are as follows (in thousands):

	2020	**2019**
Total deferred financing costs	$ 12,309	$ 12,309
Less accumulated amortization	(4,982)	(4,639)
Deferred financing costs—net	$ 7,327	$ 7,670

Income Taxes—Tulane is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and generally is exempt from federal and state income taxes on activities considered to be inside its overall tax-exempt mission. Where Tulane activities vary beyond the tax-exempt missions, then Tulane pays income taxes on unrelated business income. Such taxes are included in the accompanying financial statements.

New Accounting Pronouncements—In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. On June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities,* which amends the effective dates of Topic 606 and Topic 842. As a result, Topic 842 is effective for the University for the year beginning July 1, 2020. Management has not yet determined the impact, if any, that implementation of Topic 842 will have on the University's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement,* to improve the effectiveness of the footnote disclosures. ASU No. 2018-13 is effective for the University for the year beginning July 1, 2020. The University does not believe the implementation of ASU No. 2018-13 will have a material impact on the University's financial statements and footnote disclosures thereto.

In September 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU No. 2020-07 is effective for the University beginning July 1, 2021, with early adoption permitted. Management has not yet determined the impact, if any, that implementation of ASU No. 2020-07 will have on the University's financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform, such as those that reference LIBOR or another reference rate expected to be discontinued. Modifications of contracts related to Topic *310, Receivables*, and Topic *470, Debt*, should be accounted for by prospectively adjusting the effective interest rate. Modifications of contracts related to Topic *840, Leases*, and Topic *842, Leases*, should be accounted for with no reassessment of the lease classification and the discount rate or remeasurement of lease payment. If elected to adopt, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions within the relevant Topic. The University has the option of adopting this update beginning January 1, 2020 through December 31, 2022. The University has not yet determined the effect, if any, that the implementation of ASU No. 2020-04 will have on the University's financial statements and footnote disclosures.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations. Because of the tentative and preliminary nature of such proposed standards, the University has not yet determined the effect, if any, that the implementation of such proposed standards would have on its financial statements.

2. DEPOSITS IN TRUST

Deposits in trust at June 30, 2020 and 2019 consist of investments at fair value of $11,326 and $37,330 (in thousands), respectively, set aside primarily for bond-funded construction costs and medical malpractice self-insurance.

3. ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable consist of the following at June 30, 2020 and 2019 (in thousands):

	2020	2019
Student receivables, net of allowance for doubtful accounts of $3,000 and $3,500 for 2020 and 2019, respectively.	$ 8,819	$ 4,724
US Government, state and other contract receivables, net of allowances for doubtful accounts of $244 and $719 for 2020 and 2019, respectively.	47,224	39,937
Patient and related receivables, net of allowances for discounts and doubtful accounts of $10,654 and $12,803, respectively.	15,310	14,839
Other receivables	9,815	9,756
Total	$81,168	$69,256

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the various components of the accounts receivable portfolio, including such factors as the differing economic risks associated with each category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent accounts, and the past history of the various borrowers and the University. Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the various receivables and a review of the default rate by receivables category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Considering the other factors already discussed herein, management considers the allowance for doubtful accounts losses to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any receivables category. Management believes that the allowances for doubtful accounts at June 30, 2020 and 2019 are adequate to absorb credit losses inherent in the portfolio as of those dates.

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions are recorded after discounting at 3.5% and 3.9% to the present value of the future cash flows for the years ending June 30, 2020 and 2019, respectively.

Management expects unconditional promises to be realized in the following periods (in thousands) at June 30, 2020 and 2019:

	2020	**2019**
In one year or less	$ 30,030	$ 29,702
Between one year and five years	27,115	34,923
More than five years	3,656	4,978
Contributions receivable prior to discounts and allowances	60,801	69,603
Less: discounts of $2,252 and $3,262 at June 30, 2020 and 2019, respectively, and allowances for uncollectible pledges of $5,352 and $5,851, at June 30, 2020 and 2019, respectively	(7,604)	(9,113)
Total	$ 53,197	$ 60,490

Management follows a similar approach as described in Note 3 for accounts receivable in evaluating the adequacy of the allowance for contributions receivable. Management considers the allowance for uncollectible pledges to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any contributions receivable category. Management believes that the allowances for uncollectible pledges at June 30, 2020 and 2019 are adequate to absorb any uncollectible pledges as of those dates.

Contributions receivable at June 30, 2020 and 2019 have restrictions applicable to the following (in thousands):

	2020	2019
Endowments for departmental programs and activities	$ 18,802	$ 22,615
Departmental programs and activities	16,515	14,445
Capital purposes	17,880	23,430
Total	$ 53,197	$ 60,490

Conditional promises to give, bequests, and intentions to give that are not recorded in the financial statements are $218,683 and $192,413 (in thousands) at June 30, 2020 and 2019, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2020 and 2019 (in thousands):

	2020	2019
Perkins student loan program	$ 27,457	$ 34,248
Primary care loan program	1,516	1,196
Other loan programs	799	647
Loans receivable prior to allowances	29,772	36,091
Less allowance for doubtful accounts	(1,000)	(2,475)
Total	$ 28,772	$ 33,616

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2020 and 2019, student loans represented 1.0% and 1.2%, respectively, of total assets.

The University participates in the Perkins federal loan program. New loans under the program were discontinued in October of 2017. Funds advanced by the federal government of $31,895 and $46,194 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of funds available for lending and decrease the liability to the government.

Management follows a similar approach as described in Note 3 for accounts receivable in evaluating the adequacy of the allowance for loans receivable. Allowances for doubtful loan accounts are established based on management's best estimate of the collectability of the receivables and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per loan terms. Amounts due under the Perkins loan program related to the government funded portion are guaranteed by the government and, therefore, no reserves are placed on any balances past due under that program.

Management considers the allowance for doubtful accounts to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loans receivable category. Management believes that the allowances for doubtful accounts at June 30, 2020 and 2019 are adequate to absorb any uncollectible loans as of those dates.

6. INVESTMENTS AND ACCOUNTING STANDARDS CODIFICATION (ASC) 820-10, FAIR VALUE MEASUREMENTS AND DISCLOSURES

ASC 820-10 adopts a hierarchy approach for ranking the quality and reliability of the information used to determine fair values in one of three categories to increase consistency and comparability in fair value measurements and disclosures. ASC 820 exempts assets measured using the Net Asset Value (NAV) expedient from this hierarchy. For all other assets measured at fair value, the highest priority (Tier 1) is given to quoted prices in active markets for identical assets. Tier 2 assets are valued based on inputs other than quoted prices that are "observable." For example, quoted prices for similar securities or quoted prices in inactive markets would both be observable. In Tier 3, the inputs used for valuation are not observable or transparent and assumptions have to be made about how market participants would price the underlying assets. The University does not have any Tier 3 assets. Investments are classified based on the lowest level of input that is significant to the fair value measurement.

Investments consisted of the following at June 30, 2020 (in thousands):

Investments	**Tier 1 (Quoted Prices in Active Markets)**	**Tier 2 (Significant Observable Inputs)**	**Total Investments at Measured Fair Value**	**Investments Measured at NAV**	**Total**
Short term money funds and cash [a]	$ 19,012	$ 1,308	$ 20,320	$ -	$ 20,320
Domestic equity [b]	126,830	-	126,830	161,246	288,076
International equity [b]	23,610	-	23,610	183,734	207,344
Hedge funds:					
Long/Short equity [c]	-	-	-	132,495	132,495
Absolute return [d]	-	-	-	76,926	76,926
Enhanced fixed income [e]	-	-	-	99,862	99,862
Fixed income [f]	128,692	15,273	143,965	-	143,965
Partnerships:					
Private equity [g]	-	-	-	386,125	386,125
Private and public real assets [h]	-	-	-	98,813	98,813
Total investments at fair value by tier	$298,144	$16,581	$314,725	$1,139,201	1,453,926
Real estate and royalty interests at original cost or appraised value					19,748
Investment receivables and other at cost or appraised value					17,124
Total investments valued at other than fair value					36,872
Total investments					$1,490,798
Deposits in trust:					
Short term money funds and cash [a]	$ -	$ 2,246	$ 2,246	$ -	$ 2,246
Domestic equities [b]	509		509	-	509
Fixed income [f]	-	8,571	8,571	-	8,571
Total deposits in trust at fair value by tier	$ 509	$10,817	$ 11,326	$ -	$ 11,326

See annotations on page 17 and 18.

Investments consisted of the following at June 30, 2019 (in thousands):

Investments	Tier 1 (Quoted Prices in Active Markets)	Tier 2 (Significant Observable Inputs)	Total Investments at Measured Fair Value	Investments Measured at NAV	Total
Short term money funds and cash [a]	$ 64,692	$ 2,122	$ 66,814	$ -	$ 66,814
Domestic equity [b]	128,395	-	128,395	151,619	280,014
International equity [b]	21,454	-	21,454	206,679	228,133
Hedge funds:					
Long/Short equity [c]	-	-	-	101,634	101,634
Absolute return [d]	-	-	-	113,698	113,698
Enhanced fixed income [e]	-	-	-	88,661	88,661
Fixed income [f]	103,568	22,281	125,849	10,124	135,973
Partnerships:					
Private equity [g]	-	-	-	276,566	276,566
Private and public real assets [h]	-	-	-	130,700	130,700
Total investments at fair value by tier	$318,109	$24,403	$342,512	$1,079,681	$1,422,193
Real estate and royalty interests at original cost or appraised value					19,827
Investment receivables and other at cost or appraised value					19,749
Total investments valued at other than fair value					39,576
Total investments					$1,461,769
Deposits in trust:					
Short term money funds and cash [a]	$ -	$18,865	$ 18,865	$ -	$ 18,865
Domestic equities [b]	504	-	504	-	504
Fixed income [f]	-	17,961	17,961	-	17,961
Total deposits in trust at fair value by tier	$ 504	$36,826	$ 37,330	$ -	$ 37,330

See annotations on page 18 and 19.

In accordance with ASC 820, fair values are determined by the use of calculated net asset value per ownership share. As of June 30, 2020, the University investments that feature net asset value per share are as follows:

	Fair Value (in Thousands)	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Domestic and international equities [b]	$ 344,980	$ -	Daily, Monthly, Quarterly, Yearly	1–120 days
Equity long/short hedge funds [c]	132,495	-	Quarterly	30–90 days
Absolute return hedge funds [d]	76,926	-	Monthly, Quarterly, Semi-annual	15–90 days
Enhanced fixed income hedge funds [e]	99,862	48,974	Quarterly	180 days
Fixed income [f]	-	-	N/A	N/A
Private equity [g]	386,125	293,371	N/A	N/A
Private and public real assets [h]	98,813	52,537	N/A	N/A
Total	$1,139,201	$394,882		

Annotations are applicable to page 15 in addition to above table.

[a] This category includes investments in money market accounts as well as cash and cash equivalents.

[b] This category includes direct ownership of equities, mutual funds, and investments in partnerships (valued at NAV) that invest primarily in common stocks across various sectors and market caps and across different geographic regions. 100% of these investments were valued using NAV. Of the NAV investments approximately 57% of the value of this category were liquid as of June 30, 2020. Most of these funds do not normally short or employ leverage.

[c] This category includes investments in hedge funds that invest primarily in equities, both long and short. Managers of these funds have the ability to shift investments by geography, sector, and exposure, both on a net and gross basis. Investments representing approximately 75% of the value of this category were liquid as of June 30, 2020. Generally, restriction periods range from three to twelve months as of June 30, 2020.

[d] This category includes investments in hedge funds that invest in event-related equity and credit, arbitrage, fixed income relative value, quantitative strategies, and other marketable assets and strategies. The category is comprised of approximately 40% equity and the remainder in debt and other investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed-income markets. Investments representing approximately 72% of the value of this category were liquid as of June 30, 2020. Generally, restriction periods range from one to thirty months as of June 30, 2020.

[e] This category includes investments in hedge funds and private capital funds where managers pursue opportunistic exposure to distressed, high-yield debt, and private and opportunistic credit. The managers may also hold positions in post-bankruptcy reorg equity and other derivative instruments. The goal is to provide an attractive risk-adjusted return while targeting outperformance over the broader high-yield markets. Investments representing approximately 11% of the value of this category were liquid as of June 30, 2020. The restriction period on the liquid investment within this category is three months as of June 30, 2020.

[f] This category includes direct ownership of domestic and international corporate and governmental bonds and notes, as well as mutual funds owning such investments. There were no investments within this category as of June 30, 2020.

[g] This category includes private equity partnerships, including buyout, growth, venture capital, and distressed investment firms. These investments cannot be redeemed but do receive distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 30% of private equity is in buyout strategies, 54% in growth strategies, 13% in venture capital, and 3% in distressed.

[h] This category includes several partnerships in natural resources and US real estate funds. These investments cannot be redeemed but do receive distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 62% of this category is in oil and gas and natural resources partnerships. The remaining 38% is in real estate funds.

In accordance with ASC 820, fair values are determined by the use of calculated net asset value per ownership share. As of June 30, 2019, the University investments that feature net asset value per share are as follows:

	Fair Value (in Thousands)	**Unfunded Commitments**	**Redemption Frequency if Currently Eligible**	**Redemption Notice Period**
Domestic and international equities [b]	$ 358,298	$ -	Daily, Monthly, Quarterly, Yearly	1–180 days
Equity long/short hedge funds [c]	101,634	-	Quarterly	30–60 days
Absolute return hedge funds [d]	113,698	-	Monthly, Quarterly, Semi-annual	15–90 days
Enhanced fixed income hedge funds [e]	88,661	61,158	Quarterly	90 days
Fixed income [f]	10,124	-	Daily, Quarterly	1-60 days
Private equity [g]	276,566	233,889	N/A	N/A
Private and public real assets [h]	130,700	53,319	N/A	N/A
Total	$1,079,681	$348,366		

Annotations are applicable to page 16 in addition to above table.

[a] This category includes investments in money market accounts as well as cash and cash equivalents.

[b] This category includes direct ownership of equities, mutual funds, and investments in partnerships (valued at NAV) that invest primarily in common stocks across various sectors and market caps and across different geographic regions. 100% of these investments were valued using NAV. Of the NAV investments approximately 70% of the value of this category were liquid as of June 30, 2019. Most of these funds do not normally short or employ leverage.

[c] This category includes investments in hedge funds that invest primarily in equities, both long and short. Managers of these funds have the ability to shift investments by geography, sector, and exposure, both on a net and gross basis. Investments representing approximately 57% of the value of this category were liquid as of June 30, 2019. Generally, restriction periods range from three to twelve months as of June 30, 2019.

[d] This category includes investments in hedge funds that invest in event-related equity and credit, arbitrage, fixed income relative value, quantitative strategies, and other marketable assets and strategies. The category is comprised of approximately 40% equity and the remainder in debt and other investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed-income markets. Investments representing approximately 71% of the value of this category were liquid as of June 30, 2019. Generally, restriction periods range from one to eighteen months as of June 30, 2019.

[e] This category includes investments in hedge funds and private capital funds where managers pursue opportunistic exposure to distressed, high-yield debt, and private and opportunistic credit. The managers may also hold positions in post-bankruptcy reorg equity and other derivative instruments. The goal is to provide an attractive risk-adjusted return while targeting outperformance over the broader high-yield markets. Investments representing approximately 7% of the value of this category were liquid as of June 30, 2019. The restriction period on the liquid investment within this category is three months as of June 30, 2019.

[f] This category includes direct ownership of domestic and international corporate and governmental bonds and notes, as well as mutual funds owning such investments. Investments representing approximately 96% of the value of this category were liquid as of June 30, 2019.

[g] This category includes private equity partnerships, including buyout, growth, venture capital, and distressed investment firms. These investments cannot be redeemed but are subject to liquidation distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 33% of private equity is in buyout strategies, 53% in growth strategies, 11% in venture capital, and 3% in distressed.

[h] This category includes several partnerships in oil and gas and US real estate funds. These investments cannot be redeemed but are subject to liquidation distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 62% of this category is in oil and gas and natural resources partnerships. The remaining 38% is in real estate funds.

Endowment dividend and interest income (loss), net of expenses, amounted to approximately $(3.3) and $(5.7) million, respectively, for the years ended June 30, 2020 and 2019. In accordance with the University's endowment spending policy, $63.7 and $61.0 million of accumulated gains were used to fund current operations for the years ended June 30, 2020 and 2019, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds and other amounts.

Net assets with restrictions at June 30, 2020 and 2019 include annuity, life income, and other investments at market value of approximately $35.2 and $36.3 million, respectively.

Net assets with restrictions at June 30, 2020 and 2019 include the investment assets at fair value of the Foundation that amounted to $80.3 and $85.0 million, respectively. The University is the sole beneficiary of the Foundation, and a majority of the Foundation's directors are members of the University's board of administrators. For the years ended June 30, 2020 and 2019, income from the Foundation, which is restricted to specific purposes, amounted to approximately $3.1 and $2.7 million, respectively.

Investment return, net of investment management fees of $21.3 and $19.3 million for 2020 and 2019, respectively, is composed of the following for the years ended June 30, 2020 and 2019 (in thousands):

	2020	2019
Operating:		
Endowment income	$ 62,777	$ 58,545
Investment income and gains—net	8,365	13,927
Total operating return	71,142	72,472
Non-operating:		
Net realized and unrealized gains	74,681	69,295
Accumulated gains used for spending	(63,719)	(61,024)
Total non-operating return	10,962	8,271
Total investment return	$ 82,104	$ 80,743

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2020 and 2019 (in thousands):

	2020	2019
Total assets, at year end	$ 2,839,325	$ 2,730,661
Less nonfinancial assets:		
Property, plant and equipment—net	(998,388)	(973,442)
Prepaid expenses and other assets	(32,793)	(19,715)
Financial assets, at year end	1,808,144	1,737,504
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	(1,507,011)	(1,464,638)
Deposits in trust restricted for specific purposes	(11,326)	(37,330)
Federal student loan funds contractually repayable	(31,895)	(46,194)
Financial assets available to meet cash needs for general expenditures within one year	$ 257,912	$ 189,342

In addition to these available financial assets, a significant portion of the University's annual expenditures are funded by current year operating revenues. The University has also adopted a Cash Management Investment Policy which outlines liquidity objectives surrounding the investment of excess cash until needed to meet cash flow requirements. As indicated in Note 11, the University maintains $200 million in lines of credit if needed for short term seasonal fluctuations.

8. NET ASSETS

Net assets with restrictions at June 30, 2020 and 2019 (in thousands) were as follows:

	2020	2019
Assets required to be held in perpetuity	$ 701,799	$ 678,415
Assets required to be held for a specific purpose	770,817	748,348
Assets subject to passage of time (contributions receivable)	34,395	37,875
Total	$ 1,507,011	$ 1,464,638

Net assets without restrictions at June 30, 2020 and 2019 (in thousands) were as follows:

	2020	2019
Undesignated	$ 154,485	$ 140,122
Funds functioning as endowment	133,198	131,804
Total	$ 287,683	$ 271,926

Net assets released from net assets with donor restrictions at June 30, 2020 and 2019 (in thousands) were as follows:

	2020	2019
Satisfaction of purpose restrictions—endowment spending	$ 41,511	$ 39,320
Satisfaction of purpose restrictions—operating and capital	14,980	20,190
Satisfaction of time restrictions—operating and capital	13,625	13,456
Total	$ 70,116	$ 72,966

9. ENDOWMENT FUNDS AND DISCLOSURES UNDER ASC 958-205

Management for the University, with the board of administrator's concurrence, has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as not expressly requiring the preservation of purchasing power (real value) for donor-restricted endowment funds absent donor stipulations to the contrary.

The University classifies as net assets with restriction the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, unrealized gains (losses) and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment funds, net asset composition as of June 30, 2020 and 2019 (in thousands):

	2020		
	Without Restriction	With Restriction	Total
Donor restricted endowment funds	$ -	$ 1,325,450	$ 1,325,450
Board designated endowment funds	133,198	-	133,198
Total endowment funds	$ 133,198	$ 1,325,450	$ 1,458,648

	2019		
	Without Restriction	With Restriction	Total
Donor restricted endowment funds	$ -	$ 1,291,501	$ 1,291,501
Board designated endowment funds	131,804	-	131,804
Total endowment funds	$ 131,804	$ 1,291,501	$ 1,423,305

Changes in endowment funds, net assets for the years ended June 30, 2020 and 2019 (in thousands):

	2020		
	Without Restriction	With Restriction	Total
Net assets, beginning of year	$ 131,804	$ 1,291,501	$ 1,423,305
Investment return:			
Net appreciation (realized and unrealized)	7,039	66,464	73,503
Total investment return	7,039	66,464	73,503
New gifts	364	24,332	24,696
Endowment assets used for expenditure	(6,009)	(57,710)	(63,719)
Other	-	863	863
Total noninvestment changes	(5,645)	(32,515)	(38,160)
Net assets, end of year	$ 133,198	$ 1,325,450	$ 1,458,648

	2019		
	Without Restriction	With Restriction	Total
Net assets, beginning of year	$ 128,369	$ 1,255,598	$ 1,383,967
Investment return:			
Net appreciation (realized and unrealized)	9,294	60,355	69,649
Total investment return	9,294	60,355	69,649
New gifts	1,641	25,644	27,285
Endowment assets used for expenditure	(7,502)	(53,522)	(61,024)
Other	2	3,426	3,428
Total noninvestment changes	(5,859)	(24,452)	(30,311)
Net assets, end of year	$ 131,804	$ 1,291,501	$ 1,423,305

Composition of Endowed Funds—The University's endowment fund assets are managed around asset components with different characteristics. These are pooled endowment funds, funds managed under the Louisiana Education Quality Support Fund (LEQSF), separately invested endowment funds, and University-owned real estate.

The approximate asset composition of these funds at June 30, 2020 and 2019 is as follows:

	2020		2019	
Pooled funds	$ 1,095,422	*	$ 1,052,730	*
LEQSF pooled funds	209,779		210,095	
Separately invested funds	118,935	**	119,239	**
Contributions receivable	18,802		22,615	
Investment income receivables and other	15,710		18,626	
Total endowment related net assets	$ 1,458,648		$ 1,423,305	

* This category includes $16.6 million in University-owned real estate that returned approximately $0.2 and $0.5 million in net rents and royalties for the years ended June 30, 2020 and 2019, respectively.

** This category includes an investment of approximately $9.2 and $16.4 million in Murphy Oil Corporation common stock at June 30, 2020 and 2019, respectively.

Return Objectives and Risk Parameters—The University has adopted endowment investment and spending policies relative to its pooled endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that purchasing power of the assets do not decline over time. The pooled endowment assets are invested long term in a manner intended to produce results that exceed the rate of inflation, plus the payout percentage.

The Board of Regents of Louisiana (BOR) provides investment guidelines for LEQSFs that are more restrictive in terms of investment choices that are available. Accordingly, these funds are managed with the expectation of lower volatility and with a bias toward preservation of capital. Even so, the long-term expectation is that these funds will generally return inflation, plus 5%.

Separately invested funds are managed to meet donor expectations.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies and Investment Objectives—The University has a policy with respect to its pooled endowment funds of appropriating for distribution each year approximately 5% of its pooled endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned.

This policy is consistent with the objective of maintaining the purchasing power of the endowment assets, as well as to provide additional real growth through investment return. In the years ended June 30, 2020 and 2019, the University used approximately $51.3 and $50.8 million, respectively, in pooled endowment assets for spending.

The BOR provide spending guidelines for those accounts that are matched by state funds through the LEQSF program. Those guidelines generally provide for preservation of capital and by averaging the fund values of the previous five years. Generally, values that fall below the CPI-adjusted balances will forgo a distribution in the subsequent year. In fiscal 2014, the BOR permanently suspended application of the CPI feature of its payout formula, thus allowing payouts when fund value is higher than original fund corpus. For the years ended June 30, 2020 and 2019, the University used approximately $9.1 and $8.7 million, respectively, in such assets for spending.

Separately invested funds generally produce dividends and interest that are then made available for spending. For the years ended June 30, 2020 and 2019, such items totaled approximately $5.6 and $4.6 million, respectively.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the University to maintain as a fund of perpetual duration. These deficiencies, if any, are monitored by management. No significant deficiencies exist as of June 30, 2020 or June 30, 2019; such deficiencies are considered to be temporary.

Endowment Assets used for Spending—The University made $63.7 and $61.0 million of endowment assets available for spending in the years ended June 30, 2020 and 2019, respectively.

10. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2020 and 2019 (in thousands):

	2020	2019
Land	$ 23,598	$ 23,598
Buildings and improvements	1,313,177	1,248,177
Equipment	249,342	228,750
Library books and materials	239,788	229,398
Construction in progress	30,483	59,923
Property, plant, and equipment, gross	1,856,388	1,789,846
Less accumulated depreciation	(858,000)	(816,404)
Property, plant, and equipment-net	$ 998,388	$ 973,442

The University capitalizes interest related to construction of major facilities. Capitalized interest is recorded as part of the related asset and is amortized over the asset's estimated useful life. Capitalized interest amounted to $0.9 and $1.9 million for the years ended June 30, 2020 and 2019, respectively.

Purchases of property, plant, and equipment included in accounts payable as of June 30, 2020 and 2019 total $4.7 and $11.7 million, respectively.

11. NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2020 and 2019 consist of the following (in thousands):

	2020	2019
Amounts drawn under five short term credit lines, as described below	$ 50,000	$ -
One secured note for $1,500 due in monthly installments of $8 through 2036 with interest fixed at 4 %.	1,058	1,105
Term note dated July 20, 2018. Principal amounts vary from $0.125 million quarterly in fiscal 2019, to $1.0745 million by fiscal 2030. A final payment of $5.0 million is due on April 1, 2033. Interest is borne at LIBOR plus 80 basis points (0.97% and 3.24% at June 30, 2020 and 2019, respectively).	27,468	27,968
Term delayed draw note dated July 20, 2018. Proceeds were made over 8 quarterly draws of $3.125 million. Principal payments commence on July 1, 2020 with a quarterly payment of $0.1575 million and conclude with a quarterly payment of $1.0825 million on April 1, 2033. Interest is borne at LIBOR plus 80 basis points (0.97% and 3.24% at June 30, 2020 and 2019, respectively).	25,000	12,500
Total notes payable	$103,526	$41,573

The University had $200 and $150 million in 5 lines of credit with four banks to meet short-term seasonal cash requirements, if needed, at June 30, 2020 and 2019, respectively. The lines expire as follows: $40 million on April 22, 2021, $40 million on April 23, 2021, $40 million on April 29, 2021, $50 million on December 11, 2020, and $30 million on April 7, 2021. Principal is payable upon demand. At June 30, 2020 and 2019, there was $50 and $0 million drawn on these lines, respectively. Interest rates applicable to these lines are based on several defined LIBOR indices.

On July 20, 2018, the University refinanced its term note payable with a balance of $28.468 million at June 30, 2018 with another bank. The new note reflects an improvement in the interest rate to LIBOR plus 80 basis points. Principal amounts vary from $0.125 million quarterly in fiscal 2019, increasing substantially to $1.0745 million by fiscal 2030. A final payment of $5.0 million is due on April 1, 2033.

Additionally, the University executed a $25 million delayed term note with the same bank on July 20, 2018 at the same interest rate (LIBOR plus 80 basis points). Proceeds were drawn over eight quarterly draws of $3.125 million. Principal payments commence on July 1, 2020 with a quarterly payment of $0.1575 million and conclude with a quarterly payment of $1.0825 million on April 1, 2033.

12. BONDS PAYABLE

Bonds payable consist of the following at June 30, 2020 and 2019 (in thousands):

	2020	2019
Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%.	$ 235	$ 330
Tax exempt Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007A-2 with annual principal payments of $1,220 to $2,970 from 2015 through 2036, bearing interest at 67% of Three Month LIBOR plus 70 basis points. The rates in effect at June 30, 2020 and 2019 were 0.96% and 2.39%, respectively.	35,245	36,750
The Administrators of the Tulane Educational Fund Series 2007C Taxable Refunding Revenue Bonds with annual principal payments ranging from $2,345 to $7,590 from 2016 through 2036, bearing interest at three month LIBOR plus 30 basis points. The rates in effect at June 30, 2020 and 2019 were 0.69% and 2.82%, respectively.	82,530	85,635
Tax exempt Louisiana Public Facilities Authority Revenue Bonds, Series Series 2009 (Dormitory) was delivered on December 9, 2009 and matures December 9, 2041. The face value of the issue is $30,000 with draws made to fund construction. Principal is due in annual installments ranging from $100 to $5,500 due from 2016 to 2042. These bonds can be called at any time and may be put by the bondholder in fiscal 2020 and every 5 years thereafter. The interest rate is fixed at 2.33%.	28,935	29,035

(Continued)

	2020	2019
Tax exempt Louisiana Public Facilities Authority Bonds, Series 2010 (Energy) were delivered on March 25, 2010 and mature on March 25, 2042. The face value of the issue is $30,000 with draws made to fund construction. Principal is scheduled in annual installments beginning in fiscal 2014 at $100 and ending in fiscal 2042 with $3,865. The bonds may be called at any time and may be put by the bondholder in fiscal 2020 and every 5 years thereafter. The interest rate is fixed at 2.33%.	$ 28,550	$ 28,650
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013A with annual maturities of $2,860 with a bullet payment of $12,705 due on January 1, 2023. The rate is fixed at 2.25%.	19,140	22,000
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013B with annual maturities of $11,965 to $14,255 from 2037 through 2041, fixed interest rates from 4% to 5%.	65,670	65,670
The Administrators of the Tulane Educational Fund Series 2013C Taxable Refunding Revenue Bonds with annual principal payments ranging from $1,380 to $6,700 from 2042 to 2048, fixed interest rate of 5.0%.	36,985	36,985
The Administrators of the Tulane Educational Fund Series 2013D Taxable Refunding Revenue Bonds with annual principal payments ranging from $4,850 to $6,225 from 2036 to 2037, and from $6,035 to $8,200 from 2042 to 2048, fixed interest rates from 5.25% to 5.434%.	60,575	60,575
Tax exempt Louisiana Public Facilities Authority Revenue and Refunding Bond Series 2016A with principal payments ranging from $1,305 to $13,760 from 2017 to 2046. Fixed interest rates with an average rate of 4.597%.	162,345	169,110
The Louisiana Public Facilities Authority Taxable Revenue and Refunding Bonds Series 2016B with principal payments ranging from of $4,170 to $11,474 from 2017 to 2041. Fixed interest rates with an average rate of 4.346%.	91,820	91,820
Tax Exempt Louisiana Public Facilities Authority 2017A Revenue and Refunding Bonds principal payments ranging from $605 to $2,660 from 2018 to 2050. Fixed interest rates with an average rate of 4.282%.	48,325	48,960
The Louisiana Public Facilities Authority 2017B Taxable Revenue Bonds with principal payments ranging from $2,865 to $4,225 from 2018 to 2027. Fixed interest rates with an average rate of 2.803%.	29,780	32,835
	690,135	708,355
Bond underwriters net premium and discount	27,474	28,536
Deferred financing costs	(7,327)	(7,670)
Bonds payable	$710,282	$729,221

(Concluded)

The 2007 Series A-2 series were used to redeem $61 million in previously issued taxable bonds. The 2007 Series B proceeds were used to escrow $31.820 million toward redemption of certain 1997 tax-exempt issues. The 2007 Series C proceeds were applied toward escrows established to defease portions of six previous tax-exempt issues and three previous taxable issues.

The University issued tax-exempt bonds in 2010 through the Louisiana Public Facilities Authority (LPFA) to support undergraduate campus dormitory construction and medical school campus infrastructure improvements. The Series 2010 bonds were fully drawn by December 31, 2010. The Series 2009 bonds have been fully drawn to match construction requirements that concluded in December 2012. In each case, the bond purchaser is a large commercial bank.

The University issued tax-exempt bonds in 2013 through the LPFA (2013A and B Series) to support stadium construction, undergraduate dormitory construction, and medical school and uptown campus infrastructure improvements. Taxable bonds Series 2013C provided financing for similar projects.

The University also issued taxable bonds (Series 2013D) to refund $42.27 million of 2007 Series A-1 bonds and $8.43 million of 2007 Series B bonds.

During the year ended June 30, 2017, the University issued tax-exempt and taxable bonds through the LPFA (2016A and B Series) to refinance outstanding 2007 Series A-1 bonds, support business school construction, purchase energy conservation equipment and improvements and other campus improvements. In connection with the issuance of the 2016A and 2016B Series bonds, unamortized debt issuance costs included in the loss on early extinguishment of debt totaled $2.7 million and reflects a noncash financing activity.

During the year ended June 30, 2018, the University issued tax-exempt and taxable bonds through the LPFA (2017A and B Series), to refinance outstanding 2007 Series B bonds, support dining and student commons construction, and various infrastructure projects.

The annual principal maturities for bonds payable at June 30, 2020 are as follows (in thousands).

Fiscal Year	
2021	$ 18,890
2022	19,030
2023	31,230
2024	20,565
2025 and thereafter	600,420
Total	$ 690,135

All of the above described outstanding bonds payable, excluding the mortgage bonds payable, are general obligations of the University. The University is required to comply with certain covenants that, if not met, limit the incurrence of additional certain long-term indebtedness and the sale of certain assets. Management believes the University was in compliance with its covenants at June 30, 2020 and 2019. The mortgage bonds are secured by first mortgages on the facilities financed and by investments in government bonds having a book value and a market value approximating $0.2 million at June 30, 2020 and 2019. In addition, annual net revenues from the residence halls and from student fees are pledged for debt service to the mortgage bonds.

13. REVENUE RECOGNITION

As presented in the Statement of Activities, the University has various sources of operating revenue. The following revenues are presented in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*:

Tuition and Fees—Net—Student tuition and fees are recorded as revenues during the year the related services are rendered. Advance payments are recorded as deferred revenue. Financial aid provided by the University is recorded as a reduction to tuition and fees.

Government Grants and Contracts—Government grants and contracts have been evaluated and determined to be exchange transactions, meaning revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

Medical Group Practice, Labs, and Clinics—The University's medical school faculty provide professional services to patients, the Tulane University Hospital and Clinic, other joint venture hospitals, and certain community hospitals. Under these agreements, professional revenues are distributed in accordance with specified formulas, generally in the year earned. Other revenues, such as those that relate to labs and clinics are also recorded in this caption. Expenses directly related to operation of the group practices such as physician compensation are recorded in the expense caption entitled "Medical Group Practice". Other supporting expenditures such as the operation of certain labs and treatment centers are recorded in the "Instruction and Academic Support" and "Public Service" captions.

The University's Medical Group Practice provides care to patients who meet certain criteria without charge or at amounts less than its established rates. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided. Because the University does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The University estimates its costs of care by identifying certain accounts in whole, or in part, as charity care during the year. The charges for services and supplies to those accounts are considered charity care. The University's gross charity care charges include only services provided to patients who are unable to pay and qualify under the University's charity care policy. During the years ended June 30, 2020 and 2019, the estimated costs incurred by the University to provide care to patients who met certain criteria under its charity care policy were approximately $5.7 and $4.7 million, respectively.

Auxiliary Enterprises—This category represents revenues mainly related to housing and dining, also known as room and board. Payments from students for these services are recorded as revenues during the year the related services are rendered.

Significant Judgments—Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the University applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The University reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio. For tuition and fees, as well as room and board, which is included within auxiliary enterprises revenues, the University has determined that students can be grouped into a single portfolio for each of these three performance obligations. Based on the University's experience, students at different campuses, or in different programs have similar characteristics concerning the University's approach to revenue recognition. Agreements concerning enrollment, student financial responsibility, housing, and dining plans each contain terms which clarify the performance obligations and eligibility for refunds or fee adjustments. These agreements are fundamentally the same regardless of the program of study. For contracts with customers not pertaining to tuition and fees, room, and board, the University generally applies the revenue recognition guidance on an individual contract basis.

Significant judgment is also required to assess collectability. See Note 3, Accounts and Other Receivables, and Note 4, Contributions Receivable, for additional information concerning these receivables and their collectability, including related allowances for doubtful accounts. Given the nature of the University's contracts with customers, there are no incremental costs of obtaining a contract and no significant financing components. During the fiscal year, there were no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

14. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all significant financial instrument amounts has been determined by the University using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Accounts and Contributions Receivable—The University considers the carrying amounts of these financial instruments to approximate fair value.

Loans Receivable—Loans receivable are amounts principally due from students under federally sponsored programs that are subject to significant restrictions. Accordingly, it is not practical to determine fair value.

Investments—Investments at fair value were approximately $1.454 and $1.422 billion at June 30, 2020 and 2019, respectively. Market values are used when available. Other investments totaling approximately $36.9 and $39.6 million at June 30, 2020 and 2019, respectively, are reported at carrying values because it was not practical to apply fair valuation techniques and application of such techniques was not expected to result in materially different values (see Note 6).

Bonds and Notes Payable—The fair value was approximately $809 and $800 million at June 30, 2020 and 2019, respectively. The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

Other—The University considers the carrying amounts of all other financial instruments to be a reasonable estimate of fair value.

15. RETIREMENT PLANS

Retirement benefits for substantially all employees are provided through the Teachers Insurance and Annuity Association, the College Retirement Equities Fund and Fidelity Investments. Under these defined contribution plans, contributions are applied, as directed by each participant, to annuities and/or to the purchase of shares or participation units in a variety of mutual funds. The amount of contributions made by the University is based upon the employee's salary. Plan contributions are funded as they accrue. For the years ended

June 30, 2020 and 2019, employer contributions to the plans were approximately $25.5 and $24.1 million, respectively.

16. PROFESSIONAL LIABILITY INSURANCE

The University maintains a self-insurance program for professional medical services rendered by its medical faculty, including residents and interns. The trust fund assets of $10.6 and $9.9 million and associated liabilities of $10.1 and $9.9 million at June 30, 2020 and 2019, respectively, are included in unrestricted net assets.

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been upheld by the Louisiana Supreme Court but is subject to its review at any time. The University participates in the State Insurance Fund, which provides up to $400,000 of coverage for settlement amounts in excess of $100,000 per claim. The University carries commercial liability insurance for claims that might exceed amounts funded by the self-insurance trust fund or the State Insurance Fund.

17. COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental agencies. Management believes that adjustments, if any, that might result from such audits would not have a significant impact upon the financial position of the University.

The University is a party to various litigation and other claims, the outcome of which cannot be presently determined. Management's opinion is that the outcome of such matters would not have a significant effect upon the University's financial position or statement of activities.

Operating Leases—Lessee

The University leases certain real property and equipment. These leases are classified as operating leases and have lease terms ranging up to 20 years. Total lease payments amounted to approximately $7.5 and $7.0 million, respectively, for the years ended June 30, 2020 and 2019. Future minimum rental payments on non-cancellable operating leases with lease terms in excess of one year as of June 30, 2020 are as follows (in thousands):

Fiscal Year	**Amount**
2021	$ 7,739
2022	10,506
2023	10,331
2024	10,096
2025 and thereafter	57,087
Total	$ 95,759

Operating Leases—Lessor

The University leases office and other rental space to other businesses. Lease terms range from one to 99 years, with options of renewal for additional periods. All such property leases provide for minimum annual rentals and all rental revenue has been recorded on a straight-line basis. Following is a schedule by years of future minimum rental payments under operating leases as of June 30, 2020 (in thousands):

Fiscal Year	Amount
2021	$ 2,914
2022	1,367
2023	1,136
2024	1,108
2025 and thereafter	86,221
Total	$ 92,746

The 99-year land lease dated March 1995 relates to the hospital/clinic as described in Note 18.

Interest Rate Collars and Swaps (in thousands)

The University has entered into interest rate swap agreements to fix variable interest rates when terms have been advantageous. The University is not required to post collateral under any of its outstanding swaps.

In January 2009, the University entered into a forward-starting swap of interest rates that became effective February 15, 2011 to hedge certain of the Series 2007C Bonds ("Swap A"). Under Swap A, which had an original notional amount of $103.1 million that amortizes with the Series 2007C Bonds, the University pays a fixed rate of 3.195% (as subsequently amended) and the swap provider pays a three-month US Dollar LIBOR rate. Swap A had an original termination date of February 2017.

In a second swap arrangement that hedges the Series 2007A-2 Bonds, the University pays a fixed interest rate of 2.334% (as subsequently amended) and receives 67% of three-month LIBOR on an original notional amount of $62.2 million that amortizes with the Series 2007A-2 Bonds ("Swap B"). Swap B had an original termination date of February 2017.

Swap A and Swap B were modified in July 2015 to extend their termination dates to February 15, 2036. In connection with these maturity date extensions, effective May 15, 2015, the fixed rate Swap A (current notional amount of $82,530), was amended to 3.1296%, and the fixed rate on the Swap B (current notional amount of $35,245) was amended to 2.1018%.

The combined values of the above agreements at June 30, 2020 and 2019 were approximately $23,512 and $11,163 in favor of the swap providers, as reflected in the line item accounts payable and accrued liabilities.

The fair value of the interest rate swap is based on the present value of the fixed and floating portions of the agreements and, therefore, is considered a Tier 3 input (see Note 6). A roll forward of the fair value measurements for the University's financial liability measured at estimated fair value on a recurring basis using significant unobservable (Tier 3) inputs for years ended June 30, 2020 and 2019 is as follows (in thousands):

Fair Value Measurements Using Significant Unobservable Inputs (Tier 3)
Total Realized/Unrealized Gains (Losses) included in:

	Balance, July 1, 2019	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2020
Interest rate swaps	$ (11,163)	$ -	$ (12,349)	$ -	$ -	$(23,512)

Fair Value Measurements Using Significant Unobservable Inputs (Tier 3)
Total Realized/Unrealized Gains (Losses) included in:

	Balance, July 1, 2018	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2019
Interest rate swaps	$(2,404)	$ -	$(8,759)	$ -	$ -	$(11,163)

18. HOSPITAL/CLINIC JOINT VENTURE

Effective March 31, 1995, the University entered into a joint venture agreement with Hospital Corporation of America (HCA), for the continued operation of the Tulane University Hospital and Clinic. Under the joint venture agreement, a new entity, UHS, a Louisiana limited liability corporation, was formed. Through June 30, 2005, the University retained a 20% interest in UHS. Effective July 1, 2005, the University accepted a dilution in interest to 17.25% when HCA contributed Lakeside Hospital to the partnership. Under the terms of the joint venture agreement, the University provides services to UHS under a shared services agreement, an academic affiliation agreement, and other related agreements. These services include a variety of overhead services, such as plant operations and security, as well as a variety of direct and indirect medical educational and related services. Additionally, the University leases to UHS the land upon which the hospital and clinic facilities are located, and leases office space to UHS and to HCA in a university-owned building.

Effective May 7, 2017, the UHS entered into an agreement with Epic Development, Inc., a subsidiary of HCA, to lease Lakeview Hospital, licensed as a 167-bed facility, in Covington, Louisiana for 15 years.

For the years ended June 30, 2020 and 2019, the University recorded revenue and cost recoveries of approximately $55.9 and $59.2 million, respectively, and as of June 30, 2020 and 2019, recorded approximately $7.1 and $6.1 million, respectively, as receivable from UHS, related to these agreements.

The University's share of the joint venture's equity at June 30, 2020 and 2019 was zero.

19. COVID-19

The coronavirus pandemic is a continuing event arising out of the global pandemic of coronavirus disease 2019 (COVID-19). In March 2020, a national emergency concerning COVID-19 was declared in the United States. In response to the COVID-19 pandemic, the University suspended in-person classes at Tulane campuses and moved the curriculum online, evacuated students with the closure of campus residence halls, and requested University faculty and staff to work remotely where possible.

The University's COVID-19 emergency response, planning, and decision making process, which began early in calendar year 2020, is on-going, continues to evolve, and remains focused on the University's top priorities of health and safety, education and academic continuity (teaching, research and learning), and student recruitment and retention.

As the COVID-19 pandemic is complex and rapidly evolving, the University cannot reasonably estimate the duration and severity of this pandemic, which could have an adverse impact on the University's results of operations, financial position and cash flows. The University is taking prudent financial measures to mitigate the impact of COVID-19 in order to realize assets and satisfy liabilities in the normal course of business. Some of these measures include salary and travel freezes and other targeted budget reductions in order to build significant budget reserves.

In April 2020, the University announced a comprehensive multi-phased plan for the return to campus of students and faculty for the fall semester. This plan was based on informed public health guidance and includes procedures for COVID-19 testing and contact tracing, cleaning/sanitization of workspaces, face coverings and social distancing, among other things. For example, employees and students underwent COVID-19 testing prior to return to campus and undergo frequent ongoing testing throughout the semester. Processes were implemented to temporarily house students that test positive for COVID-19, or are a close contact, provide them needed support while recovering and also permit them to continue their academic studies remotely. One method for achieving social distancing involves converting non classroom space such as auditoriums, meeting rooms and gyms into classrooms. Additionally, fourteen temporary buildings for dining and classrooms were erected on campus. The University has incurred significant losses, and will continue to incur losses, regarding the COVID-19 event.

20. SUBSEQUENT EVENTS

The University completed its subsequent events reviews through November 5, 2020.

On August 4, 2020, the University issued tax-exempt bonds for new construction as well as refinancing. The total issue was $187.4 million, with approximately $155 million in new money dedicated for capital projects, and the remaining for the refinancing of the Series 2009 and Series 2010 bonds.

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