

Tulane University

Financial Statements as of and for the
Years Ended June 30, 2021 and 2020, and
Independent Auditors' Report

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, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on July 1, 2020, the University has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

November 4, 2021

TULANE UNIVERSITY

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2021 AND 2020 (In thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 74,733	\$ 142,883
Deposits in trust	142,646	11,326
Accounts and other receivables—net	100,087	81,168
Contributions receivable—net	61,615	53,197
Loans receivable—net	23,769	28,772
Investments	2,032,304	1,490,798
Prepaid expenses and other assets	40,212	32,793
Right-of-use assets—operating leases	42,146	-
Property, plant, and equipment—net	<u>1,037,726</u>	<u>998,388</u>
TOTAL ASSETS	<u><u>\$ 3,555,238</u></u>	<u><u>\$ 2,839,325</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 132,038	\$ 114,457
Deferred revenue and refundable deposits	84,140	84,471
Lease liabilities—operating	42,146	-
Lines of credit	-	50,000
Notes payable	51,338	53,526
Bonds payable	858,025	710,282
Federal student loan funds	<u>23,745</u>	<u>31,895</u>
Total liabilities	<u>1,191,432</u>	<u>1,044,631</u>
NET ASSETS:		
Without donor restrictions	164,050	154,485
Without donor restrictions, funds functioning as endowment	<u>204,426</u>	<u>133,198</u>
Total without donor restrictions	368,476	287,683
With donor restrictions	<u>1,995,330</u>	<u>1,507,011</u>
Total net assets	<u>2,363,806</u>	<u>1,794,694</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,555,238</u></u>	<u><u>\$ 2,839,325</u></u>

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

TULANE UNIVERSITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021 (In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Tuition and fees	\$ 676,779	\$ -	\$ 676,779
Less: Institutional scholarships and fellowships	(202,144)	-	(202,144)
Tuition and fees—net	474,635	-	474,635
Government grants and contracts	160,462	-	160,462
Private gifts and grants	48,197	74,757	122,954
Medical group practice, labs, and clinics	218,185	-	218,185
Affiliated hospital agreements/contracts	47,799	-	47,799
Endowment income	13,460	54,425	67,885
Investment income and gains—net	3,672	2,000	5,672
Recovery of indirect costs	39,645	-	39,645
Auxiliary enterprises	67,244	-	67,244
Other	44,112	-	44,112
Net assets released from restrictions	58,941	(58,941)	-
Total revenues	1,176,352	72,241	1,248,593
EXPENSES:			
Instruction and academic support	384,856	-	384,856
Affiliated hospital agreements/contracts	39,542	-	39,542
Organized research	181,032	-	181,032
Public service	34,458	-	34,458
Libraries	26,915	-	26,915
Student services	109,187	-	109,187
Institutional support	134,861	-	134,861
Scholarships and fellowships	19,009	-	19,009
Auxiliary enterprises	75,451	-	75,451
Medical group practice	122,884	-	122,884
Other	20,777	3,598	24,375
Total expenses	1,148,972	3,598	1,152,570
Change in net assets from operating activities	27,380	-	-
OTHER CHANGES IN NET ASSETS:			
Net realized and unrealized gains	51,868	484,860	536,728
Net unrealized gains on interest rate swaps	9,013	-	9,013
Loss on early extinguishment of debt	(351)	-	(351)
Accumulated gains used for spending	(6,911)	(65,390)	(72,301)
Transfers between net asset groups	(206)	206	-
Total other changes in net assets	53,413	419,676	473,089
CHANGE IN NET ASSETS	80,793	488,319	569,112
BEGINNING NET ASSETS	287,683	1,507,011	1,794,694
ENDING NET ASSETS	\$ 368,476	\$ 1,995,330	\$ 2,363,806

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
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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (In thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 569,112	\$ 58,130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on early extinguishment of debt	351	-
Depreciation and amortization	52,656	51,918
Asset retirements	441	581
Amortization of right-of use assets—operating leases	8,396	-
Net realized and unrealized investment gains	(536,728)	(74,681)
Net (increase) decrease in fair value of interest rate swap agreements	(9,013)	12,349
Contributions restricted for permanent investment	(31,821)	(24,332)
Contributions of property	(8)	(219)
Grant receipts used for capital purposes	(6,122)	-
Donations received for capital purposes	(14,253)	(15,228)
Changes in operating assets and liabilities:		
Increase in accounts and other receivables	(18,919)	(11,912)
(Increase) decrease in contributions receivable	(8,019)	3,480
Increase in prepaid expenses and other assets	(7,419)	(13,078)
Increase in accounts payable and accrued liabilities	22,419	17,976
Decrease in lease liabilities—operating	(8,396)	-
Decrease in deferred revenue and refundable deposits	(331)	(482)
Net cash provided by operating activities	<u>12,346</u>	<u>4,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(340,848)	(255,941)
Proceeds from the sale of investments	336,071	301,593
Purchase of property, plant, and equipment	(89,750)	(84,962)
(Increase) decrease in deposits in trust	(131,320)	26,004
Student loans issued	(323)	(2,075)
Proceeds from collections of student loans	5,326	6,919
Grant receipts used for capital purposes	6,122	-
Donations received for capital purposes	<u>14,253</u>	<u>15,228</u>
Net cash (used in) provided by investing activities	<u>(200,469)</u>	<u>6,766</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	31,422	28,145
Repayment of bonded debt	(77,627)	(18,220)
Repayment of notes payable	(2,188)	(555)
Proceeds from bonded debt	227,406	-
Proceeds from notes payable	-	12,500
(Repayment) proceeds from lines of credit	(50,000)	50,000
Decrease in federal student loan funds	(8,150)	(14,299)
Annuities paid	<u>(890)</u>	<u>(999)</u>
Net cash provided by financing activities	<u>119,973</u>	<u>56,572</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,150)	67,840
CASH AND CASH EQUIVALENTS—Beginning of year	<u>142,883</u>	<u>75,043</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 74,733</u>	<u>\$ 142,883</u>
SUPPLEMENTAL DISCLOSURES—Interest paid	<u>\$ 32,902</u>	<u>\$ 29,913</u>

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

TULANE UNIVERSITY

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020
(In thousands)

	2021						Total
	Salaries	Fringe Benefits	Supplies and Services	Depreciation	Interest	Other	
Instruction and Academic Support	\$ 202,941	\$ 45,351	\$ 84,208	\$ 15,441	\$ 7,409	\$ 29,506	\$ 384,856
Affiliated Hospital Agreements/Contracts	35,250	14	4,223	-	-	55	39,542
Organized Research	66,016	12,818	42,406	7,032	1,875	50,885	181,032
Public Service	6,577	1,459	2,797	655	-	22,970	34,458
Libraries	7,624	1,649	4,477	12,265	227	673	26,915
Student Services	29,239	6,597	47,457	2,884	-	23,010	109,187
Institutional Support	63,204	17,752	35,225	1,957	5,528	11,195	134,861
Scholarships and Fellowships	1,418	164	526	-	-	16,901	19,009
Auxiliary Enterprises	15,926	3,678	9,155	15,257	11,857	19,578	75,451
Medical Group Practice	110,601	10,432	702	-	-	1,149	122,884
Other	5,577	1,217	10,118	-	-	7,463	24,375
Total	<u>\$ 544,373</u>	<u>\$ 101,131</u>	<u>\$ 241,294</u>	<u>\$ 55,491</u>	<u>\$ 26,896</u>	<u>\$ 183,385</u>	<u>\$ 1,152,570</u>

	2020						Total
	Salaries	Fringe Benefits	Supplies and Services	Depreciation	Interest	Other	
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	<u>\$ 519,406</u>	<u>\$ 92,230</u>	<u>\$ 236,084</u>	<u>\$ 53,210</u>	<u>\$ 28,817</u>	<u>\$ 145,187</u>	<u>\$ 1,074,934</u>

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

TULANE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 its 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):

	2021	2020
Grants and contracts—FEMA	\$ 890	\$ 3,258
Grants and contracts—other	45,252	38,823
Tuition and fees—net	13,587	19,643
Other	<u>24,411</u>	<u>22,747</u>
Total	<u>\$ 84,140</u>	<u>\$ 84,471</u>

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 \$71,000 and \$59,085 for 2021 and 2020, respectively, are allocated based on square footage occupancy. Interest expense of \$26,896 and \$28,817 for 2021 and 2020, respectively, 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, 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020 are as follows (in thousands):

	2021	2020
Total deferred financing costs	\$ 13,584	\$ 12,309
Less accumulated amortization	<u>(5,364)</u>	<u>(4,982)</u>
Deferred financing costs—net	<u>\$ 8,220</u>	<u>\$ 7,327</u>

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 Financial Accounting Standards Board (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. The accounting by lessors remains largely unchanged. 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. The University adopted ASU 2016-02, *Leases (Topic 842)*, (ASC 842) as of July 1, 2020, applying certain practical expedients to implement the standard. The adoption of this standard resulted in a recognition of a right-of-use asset under operating leases of \$50.5 million and a corresponding operating lease liability totaling \$50.5 million as July 1, 2020. See Note 17, *Commitments and Contingencies*, for further information regarding the University's lease-related disclosures.

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. The University adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures (ASC 820)*, for assets and liabilities measured at fair value on a recurring basis on as of July 1, 2020 and the adoption did not have a significant impact on the University's financial statements.

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, 2021 and 2020 consist of investments at fair value of \$142,646 and \$11,326 (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, 2021 and 2020 (in thousands):

	2021	2020
Student receivables, net of allowance for doubtful accounts of \$3,200 and \$3,000 for 2021 and 2020, respectively.	\$ 8,854	\$ 8,819
US Government, state and other contract receivables, net of allowances for doubtful accounts of \$244 for 2021 and 2020, respectively.	56,289	47,224
Patient and related receivables, net of allowances for discounts and doubtful accounts of \$15,670 and \$10,654 for 2021 and 2020, respectively.	15,055	15,310
Other receivables	<u>19,889</u>	<u>9,815</u>
Total	<u>\$ 100,087</u>	<u>\$ 81,168</u>

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, 2021 and 2020 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 3.7% and 3.5% to the present value of the future cash flows for the years ending June 30, 2021 and 2020, respectively.

Management expects unconditional promises to be realized in the following periods (in thousands) at June 30, 2021 and 2020:

	2021	2020
In one year or less	\$ 30,390	\$ 30,030
Between one year and five years	35,800	27,115
More than five years	<u>5,175</u>	<u>3,656</u>
Contributions receivable prior to discounts and allowances	71,365	60,801
Less: discounts of \$3,438 and \$2,252 at June 30, 2021 and 2020, respectively, and allowances for uncollectible pledges of \$6,312 and \$5,352, at June 30, 2021 and 2020, respectively	<u>(9,750)</u>	<u>(7,604)</u>
Total	<u>\$ 61,615</u>	<u>\$ 53,197</u>

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, 2021 and 2020 are adequate to absorb any uncollectible pledges as of those dates.

Contributions receivable at June 30, 2021 and 2020 have restrictions applicable to the following (in thousands):

	2021	2020
Endowments for departmental programs and activities	\$ 19,202	\$ 18,802
Departmental programs and activities	22,253	16,515
Capital purposes	<u>20,160</u>	<u>17,880</u>
Total	<u>\$ 61,615</u>	<u>\$ 53,197</u>

Conditional promises to give, bequests, and intentions to give that are not recorded in the financial statements are \$215,325 and \$218,683 (in thousands) at June 30, 2021 and 2020, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2021 and 2020 (in thousands):

	2021	2020
Perkins student loan program	\$ 22,398	\$ 27,457
Primary care loan program	1,579	1,516
Other loan programs	<u>792</u>	<u>799</u>
Loans receivable prior to allowances	24,769	29,772
Less allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Total	<u>\$ 23,769</u>	<u>\$ 28,772</u>

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, 2021 and 2020, student loans represented 0.7% and 1.0%, 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 \$23,745 and \$31,895 at June 30, 2021 and 2020, 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, 2021 and 2020 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. ASC 820 establishes a common definition for fair value to be applied in accordance with U.S. GAAP, which requires the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. 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.

The University analyzes all financial instruments with features of both liabilities and equity under the FASB accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investments consisted of the following at June 30, 2021 (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)	\$ 2,844	\$ 65,705	\$ 68,549	\$ -	\$ 68,549
Domestic equity ^(b)	160,589	-	160,589	186,357	346,946
International equity ^(b)	35,833	-	35,833	233,832	269,665
Hedge funds:					
Long/Short equity ^(c)	-	-	-	150,110	150,110
Absolute return ^(d)	-	-	-	94,315	94,315
Enhanced fixed income ^(e)	-	-	-	101,988	101,988
Fixed income ^(f)	128,897	27,899	156,796	-	156,796
Partnerships:					
Private equity ^(g)	-	-	-	677,914	677,914
Private and public real assets ^(h)	-	-	-	129,044	129,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments at fair value by tier	<u>\$ 328,163</u>	<u>\$ 93,604</u>	<u>\$ 421,767</u>	<u>\$ 1,573,560</u>	<u>1,995,327</u>
Real estate and royalty interests at original cost or appraised value					18,993
Investment receivables and other at cost or appraised value					<u>17,984</u>
Total investments valued at other than fair value					<u>36,977</u>
Total investments					<u>\$ 2,032,304</u>
Deposits in trust:					
Short term money funds and cash ^(a)	\$ -	\$ 22,756	\$ 22,756	\$ -	\$ 22,756
Domestic equities ^(b)	694	-	694	-	694
Fixed income ^(f)	-	119,196	119,196	-	119,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deposits in trust at fair value by tier	<u>\$ 694</u>	<u>\$ 141,952</u>	<u>\$ 142,646</u>	<u>\$ -</u>	<u>\$ 142,646</u>

See annotations on page 17 and 18.

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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments at fair value by tier	<u>\$ 298,144</u>	<u>\$ 16,581</u>	<u>\$ 314,725</u>	<u>\$ 1,139,201</u>	<u>1,453,926</u>
Real estate and royalty interests at original cost or appraised value					19,748
Investment receivables and other at cost or appraised value					<u>17,124</u>
					<u>36,872</u>
Total investments valued at other than fair value					<u>36,872</u>
Total investments					<u>\$ 1,490,798</u>
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deposits in trust at fair value by tier	<u>\$ 509</u>	<u>\$ 10,817</u>	<u>\$ 11,326</u>	<u>\$ -</u>	<u>\$ 11,326</u>

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, 2021, 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)	\$ 420,189	\$ -	Daily, Monthly, Quarterly, Yearly	28–120 days
Equity long/short hedge funds ^(c)	150,110	-	Quarterly	45–90 days
Absolute return hedge funds ^(d)	94,315	-	Monthly, Quarterly, Semi-annual	15–90 days
Enhanced fixed income hedge funds ^(e)	101,988	40,358	Quarterly	180 days
Fixed income ^(f)	-	-	N/A	N/A
Private equity ^(g)	677,914	275,679	N/A	N/A
Private and public real assets ^(h)	<u>129,044</u>	<u>40,736</u>	N/A	N/A
Total	<u>\$ 1,573,560</u>	<u>\$ 356,773</u>		

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 56% of the value of this category were liquid as of June 30, 2021. 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 86% of the value of this category were liquid as of June 30, 2021. Generally, restriction periods range from three to twelve months as of June 30, 2021.

^(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 37% 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 32% of the value of this category were liquid as of June 30, 2021. Generally, restriction periods range from one to thirty months as of June 30, 2021.

^(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 12% of the value of this category were liquid as of June 30, 2021. The restriction period on the liquid investment within this category is three months as of June 30, 2021.

^(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, 2021.

- (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 27% of private equity is in buyout strategies, 53% in growth strategies, 16% in venture capital, and 4% 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 76% of this category is in oil and gas and natural resources partnerships. The remaining 24% 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, 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)	<u>98,813</u>	<u>52,537</u>	N/A	N/A
Total	<u>\$ 1,139,201</u>	<u>\$ 394,882</u>		

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 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.

Endowment dividend and interest income (loss), net of expenses, amounted to approximately \$(7.4) and \$(3.3) million, respectively, for the years ended June 30, 2021 and 2020. In accordance with the University's endowment spending policy, \$72.3 and \$63.7 million of accumulated gains were used to fund current operations for the years ended June 30, 2021 and 2020, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds and other amounts.

Net assets with restrictions at June 30, 2021 and 2020 include annuity, life income, and other investments at market value of approximately \$42.1 and \$35.2 million, respectively.

Net assets with restrictions at June 30, 2021 and 2020 include the investment assets at fair value of the Foundation that amounted to \$104.0 and \$80.3 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, 2021 and 2020, income from the Foundation, which is restricted to specific purposes, amounted to approximately \$2.7 and \$3.1 million, respectively.

Investment return, net of investment management fees of \$24.2 and \$21.3 million for 2021 and 2020, respectively, is composed of the following for the years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Operating:		
Endowment income	\$ 67,885	\$ 62,777
Investment income and gains—net	<u>5,672</u>	<u>8,365</u>
Total operating return	<u>73,557</u>	<u>71,142</u>
Non-operating:		
Net realized and unrealized gains	536,728	74,681
Accumulated gains used for spending	<u>(72,301)</u>	<u>(63,719)</u>
Total non-operating return	<u>464,427</u>	<u>10,962</u>
Total investment return	<u>\$ 537,984</u>	<u>\$ 82,104</u>

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, 2021 and 2020 (in thousands):

	2021	2020
Total assets, at year end	\$ 3,555,238	\$ 2,839,325
Less nonfinancial assets:		
Property, plant and equipment—net	(1,037,726)	(998,388)
Right of use assets—operating leases	(42,146)	-
Prepaid expenses and other assets	<u>(40,212)</u>	<u>(32,793)</u>
Financial assets, at year end	2,435,154	1,808,144
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	(1,995,330)	(1,507,011)
Deposits in trust restricted for specific purposes	(142,646)	(11,326)
Federal student loan funds contractually repayable	<u>(23,745)</u>	<u>(31,895)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 273,433</u>	<u>\$ 257,912</u>

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 \$170 million in lines of credit if needed for short term seasonal fluctuations.

8. NET ASSETS

Net assets with restrictions at June 30, 2021 and 2020 (in thousands) were as follows:

	2021	2020
Assets required to be held in perpetuity	\$ 736,447	\$ 701,799
Assets required to be held for a specific purpose	1,216,470	770,817
Assets subject to passage of time (contributions receivable)	<u>42,413</u>	<u>34,395</u>
Total	<u>\$ 1,995,330</u>	<u>\$ 1,507,011</u>

Net assets without restrictions at June 30, 2021 and 2020 (in thousands) were as follows:

	2021	2020
Undesignated	\$ 164,050	\$ 154,485
Funds functioning as endowment	<u>204,426</u>	<u>133,198</u>
Total	<u>\$ 368,476</u>	<u>\$ 287,683</u>

Net assets released from net assets with donor restrictions at June 30, 2021 and 2020 (in thousands) were as follows:

	2021	2020
Satisfaction of purpose restrictions—endowment spending	\$ 40,850	\$ 41,511
Satisfaction of purpose restrictions—operating and capital	7,236	14,980
Satisfaction of time restrictions—operating and capital	<u>10,855</u>	<u>13,625</u>
Total	<u>\$ 58,941</u>	<u>\$ 70,116</u>

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, 2021 and 2020 (in thousands):

	2021		
	Without Restriction	With Restriction	Total
Donor restricted endowment funds	\$ -	\$ 1,768,401	\$ 1,768,401
Board designated endowment funds	<u>204,426</u>	<u>-</u>	<u>204,426</u>
Total endowment funds	<u>\$ 204,426</u>	<u>\$ 1,768,401</u>	<u>\$ 1,972,827</u>
	2020		
	Without Restriction	With Restriction	Total
Donor restricted endowment funds	\$ -	\$ 1,325,450	\$ 1,325,450
Board designated endowment funds	<u>133,198</u>	<u>-</u>	<u>133,198</u>
Total endowment funds	<u>\$ 133,198</u>	<u>\$ 1,325,450</u>	<u>\$ 1,458,648</u>

Changes in endowment funds, net assets for the years ended June 30, 2021 and 2020 (in thousands):

	2021		
	Without Restriction	With Restriction	Total
Net assets, beginning of year	\$ 133,198	\$ 1,325,450	\$ 1,458,648
Investment return:			
Net appreciation (realized and unrealized)	51,868	476,520	528,388
Total investment return	51,868	476,520	528,388
New gifts	26,271	31,821	58,092
Endowment assets used for expenditure	(6,911)	(65,390)	(72,301)
Total noninvestment changes	19,360	(33,569)	(14,209)
Net assets, end of year	<u>\$ 204,426</u>	<u>\$ 1,768,401</u>	<u>\$ 1,972,827</u>
	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	<u>\$ 133,198</u>	<u>\$ 1,325,450</u>	<u>\$ 1,458,648</u>

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, 2021 and 2020 is as follows:

	2021		2020
Pooled funds	\$ 1,518,451	*	\$ 1,095,422
LEQSF pooled funds	263,051		209,779
Separately invested funds	155,145	**	118,935
Contributions receivable	19,202		18,802
Investment income receivables and other	<u>16,978</u>		<u>15,710</u>
Total endowment related net assets	<u>\$ 1,972,827</u>		<u>\$ 1,458,648</u>

* This category includes \$16.6 million in University-owned real estate that returned approximately \$0.2 million in net rents and royalties for the years ended June 30, 2021 and 2020.

** This category includes an investment of approximately \$15.5 and \$9.2 million in Murphy Oil Corporation common stock at June 30, 2021 and 2020, 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, 2021 and 2020, the University used approximately \$58.7 and \$51.3 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, 2021 and 2020, the University used approximately \$10.0 and \$9.1 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, 2021 and 2020, such items totaled approximately \$6.3 and \$5.6 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, 2021 or June 30, 2020; such deficiencies are temporary.

Endowment Assets used for Spending—The University made \$72.3 and \$63.7 million of endowment assets available for spending in the years ended June 30, 2021 and 2020, respectively.

10. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2021 and 2020 (in thousands):

	2021	2020
Land	\$ 23,598	\$ 23,598
Buildings and improvements	1,342,689	1,313,177
Equipment	269,806	249,342
Library books and materials	251,431	239,788
Construction in progress	<u>59,242</u>	<u>30,483</u>
Property, plant, and equipment, gross	1,946,766	1,856,388
Less accumulated depreciation	<u>(909,040)</u>	<u>(858,000)</u>
Property, plant, and equipment-net	<u>\$ 1,037,726</u>	<u>\$ 998,388</u>

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 \$6.0 and \$0.9 million for the years ended June 30, 2021 and 2020, respectively.

Purchases of property, plant, and equipment included in accounts payable as of June 30, 2021 and 2020 total \$9.7 and \$4.7 million, respectively.

11. NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2021 and 2020 consist of the following (in thousands):

	2021	2020
Amounts drawn under four and five short term credit lines, respectively, 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
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 (0.89% and 0.97% at June 30, 2021 and 2020, respectively).	26,968	27,468
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 (0.89% and 0.97% at June 30, 2021 and 2020, respectively).	<u>24,370</u>	<u>25,000</u>
Total notes payable	<u>\$ 51,338</u>	<u>\$ 103,526</u>

The University had \$170 and \$200 million in 4 lines of credit with four banks to meet short-term seasonal cash requirements, if needed, at June 30, 2021 and 2020, respectively. The lines expire as follows: \$40 million on March 15, 2022, \$40 million on April 21, 2022, \$40 million on January 28, 2022, and \$50 million on December 10, 2021. Principal is payable upon demand. At June 30, 2021 and 2020, there was \$0 million and \$50 million, respectively, drawn on these lines. Interest rates applicable to these lines are based on several defined LIBOR indices. Additionally, the \$40 million line of credit expiring January 28, 2022 contains an accordion provision which would make \$30 million available upon request.

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, 2021 and 2020 (in thousands):

	2021	2020
Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%.	\$ 140	\$ 235
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, 2021 and 2020 were 0.80% and 0.96%, respectively.	33,675	35,245
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, 2021 and 2020 were 0.46% and 0.69%, respectively.	79,235	82,530
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

(Continued)

	2021	2020
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
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%.	16,280	19,140
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%.	156,685	162,345
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%.	46,440	48,325
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%.	26,255	29,780
Tax Exempt Louisiana Public Facilities Authority Revenue and Refunding Bond Series 2020A with principal payments ranging from \$2,570 to \$15,145 from 2020 to 2050. Fixed interest rates with an average rate of 4.63%.	<u>187,375</u>	<u>-</u>
	801,135	690,135
Bond underwriters net premium and discount	65,110	27,474
Deferred financing costs	<u>(8,220)</u>	<u>(7,327)</u>
Bonds payable	<u>\$ 858,025</u>	<u>\$ 710,282</u>

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.

On August 4, 2020, the University issued tax-exempt bonds (2020A Series) dedicated for capital projects, including the construction of a new housing facility, a new science and research facility and the renovation of various academic buildings, with the remaining proceeds used for the refinancing of the Series 2009 and Series 2010 bonds.

The annual principal maturities for bonds payable at June 30, 2021 are as follows (in thousands):

Fiscal Year	
2022	\$ 19,030
2023	31,230
2024	20,565
2025	23,405
2026	24,270
Thereafter	<u>682,635</u>
Total	<u>\$ 801,135</u>

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, 2021 and 2020. 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, 2021 and 2020. 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, 2021 and 2020, the estimated costs incurred by the University to provide care to patients who met certain criteria under its charity care policy were approximately \$4.1 and \$5.7 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 \$1.995 and \$1.454 billion at June 30, 2021 and 2020, respectively. Market values are used when available. Other investments totaling approximately \$37.0 and \$36.9 million at June 30, 2021 and 2020, 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 \$958 and \$809 million at June 30, 2021 and 2020, 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, 2021 and 2020, employer contributions to the plans were approximately \$26.7 and \$25.5 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 million and associated liabilities of \$10.5 and \$10.1 million at June 30, 2021 and 2020, 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.

Lessee Disclosures

As a lessee, the University analyzes each lease agreement to determine whether it should be classified as an operating or finance lease. In addition, the University evaluates service contracts that involve the use of an identified asset (such as property, plant, or equipment) to determine if the contract contains a lease. As of June 30, 2021 and 2020, the University has no finance leases. For operating leases, the University recognizes in the consolidated statement of financial position a right-of-use-asset and a corresponding lease liability, initially measured at the present value of the lease payments. Payments made on the lease liability, as well as the amortization of the right-of-use asset are recognized on the financial statement line of the lessee department over the term of the lease on a straight-line basis in the consolidated statement of activities. Variable lease costs such as various supply and sundry costs and other operating costs are expensed as incurred. Cash payments for operating leases are classified within the operating activities in the consolidated statement of cash flows. As the University's leases do not provide an implicit rate, the University has used an estimated incremental borrowing rate based on the information available at our adoption date in determining the present value of lease payments. For all lease agreements, the University combines lease and non-lease components. The University has elected the short-term lease exemption and materiality expedient and therefore does not recognize a right-of-use asset and related lease liability for lease arrangements with an original term of 12 months or less or total lease payments less than \$0.1 million.

The University leases certain real property and equipment. These leases are classified as operating leases and have lease terms ranging up to 20 years. As of June 30, 2021, the University has right-of-use assets and corresponding lease liabilities of \$42.1 million for the future obligations of the leases discounted by the University's estimated incremental borrowing rate of 3.956% as of July 1, 2020.

The table below summarizes the undiscounted cash flows for future lease liability payments for the years ended June 30 (in thousands):

Fiscal Year	Amount
2022	\$ 7,911
2023	7,743
2024	7,660
2025	7,406
2026	7,075
Thereafter	<u>10,888</u>
Total minimum lease payments	48,683
Less: amounts representing interest	<u>(6,537)</u>
Total lease liabilities—operating	<u>\$ 42,146</u>

Future minimum rental payments on all other non-cancellable operating leases with lease terms in excess of one year as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Amount
2022	\$ 4,228
2023	3,811
2024	3,546
2025	3,504
2026	3,504
Thereafter	<u>39,189</u>
Total	<u>\$ 57,782</u>

Total lease payments amounted to approximately \$9.1 and \$7.5 million, respectively, for the years ended June 30, 2021 and 2020.

Included in the totals above are future minimal rental payments related to a property lease entered into in February 2020 but not effective until August 2021. Payments related to such lease are as follows (in thousands):

Fiscal Year	Amount
2022	\$ 3,459
2023	3,459
2024	3,459
2025	3,459
2026	3,459
Thereafter	<u>39,044</u>
Total	<u>\$ 56,339</u>

Lessor Disclosures

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, 2021 (in thousands):

Fiscal Year	Amount
2022	\$ 1,512
2023	1,232
2024	1,178
2025	1,200
2026	1,215
Thereafter	<u>83,185</u>
Total	<u>\$ 89,522</u>

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 \$79,235), was amended to 3.1296%, and the fixed rate on the Swap B (current notional amount of \$33,675) was amended to 2.1018%.

The combined values of the above agreements at June 30, 2021 and 2020 were approximately \$14,499 and \$23,512 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, 2021 and 2020 is as follows (in thousands):

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

	Balance, July 1, 2020	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2021
Interest rate swaps	\$ (23,512)	\$ -	\$ 9,013	\$ -	\$ -	\$ (14,499)

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)

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, 2021 and 2020, the University recorded revenue and cost recoveries of approximately \$58.3 and \$55.9 million, respectively, and as of June 30, 2021 and 2020, recorded approximately \$9.4 and \$7.1 million, respectively, as receivable from UHS, related to these agreements.

The University's share of the joint venture's equity at June 30, 2021 and 2020 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, enabled the University to resume on campus classes and student residential operations in August of 2020.

As the COVID-19 pandemic has proven 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 continues to take 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 response to the COVID-19 national emergency, the federal government established a Higher Education Emergency Relief Fund (HEERF) as well as a Provider Relief Fund (PRF). These funds were used to provide emergency financial aid to students, to defray expenses associated with the transition to online instruction, and to fund required investments in testing and health and safety protocols. The University continues to evaluate additional external available funding resources to support expenses related to the pandemic, including reimbursements from the Federal Emergency Management Agency (FEMA).

20. SUBSEQUENT EVENTS

The University completed its subsequent events reviews through November 4, 2021.

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