

Tulane University

Financial Statements as of and for the
Years Ended June 30, 2022 and 2021, and
Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Administrators of Tulane University:

Opinion

We have audited the consolidated financial statements of Tulane University and subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

November 1, 2022

TULANE UNIVERSITY

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2022 AND 2021 (In thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 62,257	\$ 74,733
Deposits in trust	83,166	142,646
Accounts and other receivables—net	100,400	100,087
Contributions receivable—net	61,296	61,615
Loans receivable—net	19,852	23,769
Investments	2,130,224	2,032,304
Prepaid expenses and other assets	52,963	40,212
Right of use assets—operating leases	83,651	42,146
Property, plant, and equipment—net	<u>1,115,843</u>	<u>1,037,726</u>
TOTAL ASSETS	<u>\$ 3,709,652</u>	<u>\$ 3,555,238</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 124,824	\$ 132,038
Deferred revenue and refundable deposits	118,561	84,140
Lease liabilities—operating	83,019	42,146
Lines of credit	-	-
Notes payable	50,168	51,338
Bonds payable	813,697	858,025
Federal student loan funds	<u>18,149</u>	<u>23,745</u>
Total liabilities	<u>1,208,418</u>	<u>1,191,432</u>
NET ASSETS:		
Without donor restrictions	253,329	164,050
Without donor restrictions, funds functioning as endowment	<u>299,032</u>	<u>204,426</u>
Total without donor restrictions	552,361	368,476
With donor restrictions	<u>1,948,873</u>	<u>1,995,330</u>
Total net assets	<u>2,501,234</u>	<u>2,363,806</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,709,652</u>	<u>\$ 3,555,238</u>

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

TULANE UNIVERSITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022 (In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Tuition and fees	\$ 700,297	\$ -	\$ 700,297
Less: Institutional scholarships and fellowships	(195,133)	-	(195,133)
Tuition and fees—net	505,164	-	505,164
Government grants and contracts	166,213	-	166,213
Private gifts and grants	50,295	74,123	124,418
Medical group practice, labs, and clinics	242,571	-	242,571
Affiliated hospital agreements/contracts	52,871	-	52,871
Endowment income	18,947	53,299	72,246
Investment income and gains—net	2,570	1,086	3,656
Recovery of indirect costs	43,520	-	43,520
Auxiliary enterprises	74,954	-	74,954
Other	85,741	-	85,741
Net assets released from restrictions	62,116	(62,116)	-
Total revenues	<u>1,304,962</u>	<u>66,392</u>	<u>1,371,354</u>
EXPENSES:			
Instruction and academic support	425,793	-	425,793
Affiliated hospital agreements/contracts	42,984	-	42,984
Organized research	185,690	-	185,690
Public service	43,810	-	43,810
Libraries	33,046	-	33,046
Student services	99,214	-	99,214
Institutional support	149,788	-	149,788
Scholarships and fellowships	20,583	-	20,583
Auxiliary enterprises	93,548	-	93,548
Medical group practice	139,819	-	139,819
Other	35,319	4,687	40,006
Total expenses	<u>1,269,594</u>	<u>4,687</u>	<u>1,274,281</u>
Change in net assets from operating activities	<u>35,368</u>	<u>-</u>	<u>-</u>
OTHER CHANGES IN NET ASSETS:			
Net realized and unrealized gains	148,117	(51,822)	96,295
Net unrealized gains on interest rate swaps	13,659	-	13,659
Loss on early extinguishment of debt	953	-	953
Accumulated gains used for spending	(8,846)	(61,706)	(70,552)
Transfers between net asset groups	(5,366)	5,366	-
Total other changes in net assets	<u>148,517</u>	<u>(108,162)</u>	<u>40,355</u>
CHANGE IN NET ASSETS	183,885	(46,457)	137,428
BEGINNING NET ASSETS	<u>368,476</u>	<u>1,995,330</u>	<u>2,363,806</u>
ENDING NET ASSETS	<u>\$ 552,361</u>	<u>\$ 1,948,873</u>	<u>\$ 2,501,234</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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (In thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 137,428	\$ 569,112
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on early extinguishment of debt	(953)	351
Depreciation and amortization	53,357	52,656
Asset retirements	1,439	441
Amortization of right-of use assets—operating leases	(40,905)	8,396
Net realized and unrealized gains	(96,295)	(536,728)
Net increase (decrease) in fair value of interest rate swap agreements	13,659	(9,013)
Contributions restricted for permanent investment	(39,417)	(31,821)
Contributions of property	(418)	(8)
Grant receipts used for capital purposes	(1,934)	(6,122)
Donations received for capital purposes	(13,369)	(14,253)
Changes in operating assets and liabilities:		
Increase in accounts and other receivables	(313)	(18,919)
Decrease (increase) in contributions receivable	1,288	(8,019)
Increase in prepaid expenses and other assets	(12,751)	(7,419)
(Decrease) increase in accounts payable and accrued liabilities	(26,533)	22,419
Increase (decrease) in lease liabilities—operating	40,905	(8,396)
Increase (decrease) in deferred revenue and refundable deposits	3,585	(331)
Net cash provided by operating activities	<u>18,773</u>	<u>12,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(478,724)	(340,848)
Proceeds from the sale of investments	307,084	336,071
Proceeds from energy concession agreements	198,993	-
Investment in lease	(632)	-
Purchase of property, plant, and equipment	(128,069)	(89,750)
Decrease (increase) in deposits in trust	59,480	(131,320)
Student loans issued	(771)	(323)
Proceeds from collections of student loans	4,688	5,326
Grant receipts used for capital purposes	1,934	6,122
Donations received for capital purposes	13,369	14,253
Net cash used in by investing activities	<u>(22,648)</u>	<u>(200,469)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	38,448	31,422
Repayment of bonded debt	(39,385)	(77,627)
Repayment of notes payable	(1,170)	(2,188)
Proceeds from bonded debt	-	227,406
Repayment of lines of credit	-	(50,000)
Decrease in federal student loan funds	(5,596)	(8,150)
Annuities paid	(898)	(890)
Net cash (used in) provided by financing activities	<u>(8,601)</u>	<u>119,973</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,476)	(68,150)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>74,733</u>	<u>142,883</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 62,257</u>	<u>\$ 74,733</u>
SUPPLEMENTAL DISCLOSURES—Interest paid	<u>\$ 34,371</u>	<u>\$ 32,902</u>

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

TULANE UNIVERSITY

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022 AND 2021 (In thousands)

	2022						Total
	Salaries	Fringe Benefits	Supplies and Services	Depreciation	Interest	Other	
Instruction and Academic Support	\$ 214,297	\$ 49,204	\$ 112,563	\$ 15,839	\$ 7,096	\$ 26,794	\$ 425,793
Affiliated Hospital Agreements/Contracts	36,399	73	5,052	-	-	1,460	42,984
Organized Research	72,257	13,296	37,095	7,213	1,796	54,033	185,690
Public Service	6,505	1,409	4,197	672	-	31,027	43,810
Libraries	7,596	1,640	9,080	12,587	217	1,926	33,046
Student Services	30,345	6,895	49,895	2,959	-	9,120	99,214
Institutional Support	67,294	23,348	43,322	2,007	5,295	8,522	149,788
Scholarships and Fellowships	1,471	187	690	-	-	18,235	20,583
Auxiliary Enterprises	16,778	3,876	490	15,649	11,358	45,397	93,548
Medical Group Practice	115,410	11,270	8,393	-	-	4,746	139,819
Other	6,130	1,280	18,211	-	-	14,385	40,006
Total	\$ 574,482	\$ 112,478	\$ 288,988	\$ 56,926	\$ 25,762	\$ 215,645	\$ 1,274,281

	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	\$ 544,373	\$ 101,131	\$ 241,294	\$ 55,491	\$ 26,896	\$ 183,385	\$ 1,152,570

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, 2022 AND 2021

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., Olive and Blue Insurance Company (a captive insurance company created May 5, 2022), 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:

- 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.
- 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):

	2022	2021
Grants and contracts—FEMA	\$ 890	\$ 890
Grants and contracts—other	48,306	45,252
Tuition and fees—net	15,560	13,587
Other	<u>53,805</u>	<u>24,411</u>
Total	<u>\$ 118,561</u>	<u>\$ 84,140</u>

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the US (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 \$97,052 and \$71,000 for 2022 and 2021, respectively, are allocated based on square footage occupancy. Interest expense of \$25,762 and \$26,896 for 2022 and 2021, 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, 2022 and 2021 was 5% for both years. 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, 2022 and 2021.

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, 2022 and 2021 are as follows (in thousands):

	2022	2021
Total deferred financing costs	\$ 13,406	\$ 13,584
Less accumulated amortization	<u>(5,743)</u>	<u>(5,364)</u>
Deferred financing costs—net	<u>\$ 7,663</u>	<u>\$ 8,220</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 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 was adopted for the University beginning July 1, 2021. The adoption of ASU No. 2020-07 did not have a material impact 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, 2022 and 2021 consist of investments at fair value of \$83,166 and \$142,646 (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, 2022 and 2021 (in thousands):

	2022	2021
Student receivables, net of allowance for doubtful accounts of \$3,000 and \$3,200 for 2022 and 2021, respectively.	\$ 10,124	\$ 8,854
US Government, state and other contract receivables, net of allowances for doubtful accounts of \$244 for both 2022 and 2021.	62,080	56,289
Patient and related receivables, net of allowances for discounts and doubtful accounts of \$14,329 and \$15,670 for 2022 and 2021, respectively.	16,229	15,055
Other receivables	<u>11,967</u>	<u>19,889</u>
Total	<u>\$ 100,400</u>	<u>\$ 100,087</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, 2022 and 2021 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 3.9% and 3.7% to the present value of the future cash flows for the years ending June 30, 2022 and 2021, respectively.

Management expects unconditional promises to be realized in the following periods (in thousands) at June 30, 2022 and 2021:

	2022	2021
In one year or less	\$ 34,143	\$ 30,390
Between one year and five years	32,467	35,800
More than five years	<u>3,980</u>	<u>5,175</u>
Contributions receivable prior to discounts and allowances	70,590	71,365
Less: discounts of \$2,876 and \$3,438 at June 30, 2022 and 2021, respectively, and allowances for uncollectible pledges of \$6,418 and \$6,312, at June 30, 2022 and 2021, respectively.	<u>(9,294)</u>	<u>(9,750)</u>
Total	<u>\$ 61,296</u>	<u>\$ 61,615</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, 2022 and 2021 are adequate to absorb any uncollectible pledges as of those dates.

Contributions receivable at June 30, 2022 and 2021 have restrictions applicable to the following (in thousands):

	2022	2021
Endowments for departmental programs and activities	\$ 20,170	\$ 19,202
Departmental programs and activities	23,728	22,253
Capital purposes	<u>17,398</u>	<u>20,160</u>
Total	<u>\$ 61,296</u>	<u>\$ 61,615</u>

Conditional promises to give, bequests, and intentions to give that are not recorded in the financial statements are \$223,937 and \$215,325 (in thousands) at June 30, 2022 and 2021, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2022 and 2021 (in thousands):

	2022	2021
Perkins student loan program	\$ 18,373	\$ 22,398
Primary care loan program	1,382	1,579
Other loan programs	<u>1,097</u>	<u>792</u>
Loans receivable prior to allowances	20,852	24,769
Less allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Total	<u>\$ 19,852</u>	<u>\$ 23,769</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, 2022 and 2021, student loans represented 0.5% and 0.7%, 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 \$18,149 and \$23,745 at June 30, 2022 and 2021, 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, 2022 and 2021 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, 2022 (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)	\$ 767	\$ 194,177	\$ 194,944	\$ -	\$ 194,944
Domestic equity ^(b)	164,969	-	164,969	177,591	342,560
International equity ^(b)	20,054	-	20,054	223,641	243,695
Hedge funds:					
Long/Short equity ^(c)	-	-	-	139,113	139,113
Absolute return ^(d)	-	-	-	134,101	134,101
Enhanced fixed income ^(e)	-	-	-	87,827	87,827
Fixed income ^(f)	71,668	16,138	87,806		87,806
Partnerships:					
Private equity ^(g)	-	-	-	750,363	750,363
Private and public real assets ^(h)	-	-	-	124,831	124,831
Total investments at fair value by tier	<u>\$ 257,458</u>	<u>\$ 210,315</u>	<u>\$ 467,773</u>	<u>\$ 1,637,467</u>	<u>2,105,240</u>
Real estate and royalty interests at original cost or appraised value					19,182
Investment receivables and other at cost or appraised value					<u>5,802</u>
Total investments valued at other than fair value					<u>24,984</u>
Total investments					<u>\$ 2,130,224</u>
Deposits in trust:					
Short term money funds and cash ^(a)	\$ -	\$ 54,291	\$ 54,291	\$ -	\$ 54,291
Domestic equities ^(b)	587	-	587	-	587
Fixed income ^(f)	-	28,288	28,288	-	28,288
Total deposits in trust at fair value by tier	<u>\$ 587</u>	<u>\$ 82,579</u>	<u>\$ 83,166</u>	<u>\$ -</u>	<u>\$ 83,166</u>

See annotations on page 18 and 19.

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>\$ 328,163</u>	<u>\$ 93,604</u>	<u>\$ 421,767</u>	<u>\$ 1,573,560</u>	<u>1,995,327</u>
Total investments at fair value by tier					
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
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 19 and 20.

In accordance with ASC 820, fair values are determined by the use of calculated net asset value per ownership share. As of June 30, 2022, 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)	\$ 401,231	\$ -	Daily, Monthly, Quarterly, Yearly	28–120 days
Equity long/short hedge funds ^(c)	139,113	-	Quarterly	45–90 days
Absolute return hedge funds ^(d)	134,101	-	Monthly, Quarterly, Semi-annual	15–90 days
Enhanced fixed income hedge funds ^(e)	87,828	42,634	Quarterly	180 days
Fixed income ^(f)	-	-	N/A	N/A
Private equity ^(g)	750,363	373,934	N/A	N/A
Private and public real assets ^(h)	<u>124,831</u>	<u>34,435</u>	N/A	N/A
Total	<u>\$ 1,637,467</u>	<u>\$ 451,003</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 63% of the value of this category were liquid as of June 30, 2022. 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 85% of the value of this category were liquid as of June 30, 2022. Generally, restriction periods range from three to twelve months as of June 30, 2022.
- (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 28% in credit investments, 29 % in relative value investments, and 43 % in equity investments, and provides a consistent return, with low volatility and limited correlation to equity and fixed-income markets. Investments representing approximately 36% of the value of this category were liquid as of June 30, 2022. Generally, restriction periods range from one to thirty months as of June 30, 2022.
- (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. No investments of this category were liquid as of June 30, 2022.
- (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, 2022.

- (g) This category includes private equity partnerships, including buyout, growth equity, 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 28% of private equity is in buyout strategies, 46% in growth strategies, 21% in venture capital, and 5% 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 78% of this category is in natural resources partnerships, primarily consisting of oil, gas and mining investments. The remaining 22% 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, 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 17 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.

Endowment dividend and interest income (loss), net of expenses, amounted to approximately \$0.5 million and \$(7.4), respectively, for the years ended June 30, 2022 and 2021. In accordance with the University's endowment spending policy, \$70.5 million and \$72.3 million of accumulated gains were used to fund current operations for the years ended June 30, 2022 and 2021, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds and other amounts.

Net assets with restrictions at June 30, 2022 and 2021 include annuity, life income, and other investments at market value of approximately \$36.1 million and \$42.1, respectively.

Net assets with restrictions at June 30, 2022 and 2021 include the investment assets at fair value of the Foundation that amounted to \$101.3 million and \$104.0 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, 2022 and 2021, income from the Foundation, which is restricted to specific purposes, amounted to approximately \$2.6 million and \$2.7 million, respectively.

Investment return, net of investment management fees of \$27.2 million and \$24.2 million for 2022 and 2021, respectively, is composed of the following for the years ended June 30, 2022 and 2021 (in thousands):

	2022	2021
Operating:		
Endowment income	\$ 72,246	\$ 67,885
Investment income and gains—net	<u>3,656</u>	<u>5,672</u>
Total operating return	<u>75,902</u>	<u>73,557</u>
Non-operating:		
Net realized and unrealized gains	96,295	536,728
Accumulated gains used for spending	<u>(70,552)</u>	<u>(72,301)</u>
Total non-operating return	<u>25,743</u>	<u>464,427</u>
Total investment return	<u>\$ 101,645</u>	<u>\$ 537,984</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, 2022 and 2021 (in thousands):

	2022	2021
Total assets, at year end	\$ 3,709,652	\$ 3,555,238
Less nonfinancial assets:		
Property, plant and equipment—net	(1,115,843)	(1,037,726)
Right of use assets—operating leases	(83,651)	(42,146)
Prepaid expenses and other assets	<u>(52,963)</u>	<u>(40,212)</u>
Financial assets, at year end	2,457,195	2,435,154
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	(1,948,873)	(1,995,330)
Deposits in trust restricted for specific purposes	(83,166)	(142,646)
Federal student loan funds contractually repayable	<u>(18,149)</u>	<u>(23,745)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 407,007</u>	<u>\$ 273,433</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, 2022 and 2021 (in thousands) were as follows:

	2022	2021
Assets required to be held in perpetuity	\$ 777,378	\$ 736,447
Assets required to be held for a specific purpose	1,130,369	1,216,470
Assets subject to passage of time (contributions receivable)	<u>41,126</u>	<u>42,413</u>
Total	<u>\$ 1,948,873</u>	<u>\$ 1,995,330</u>

Net assets without restrictions at June 30, 2022 and 2021 (in thousands) were as follows:

	2022	2021
Undesignated	\$ 253,329	\$ 164,050
Funds functioning as endowment	<u>299,032</u>	<u>204,426</u>
Total	<u>\$ 552,361</u>	<u>\$ 368,476</u>

Net assets released from net assets with donor restrictions at June 30, 2022 and 2021 (in thousands) were as follows:

	2022	2021
Satisfaction of purpose restrictions—endowment spending	\$ 40,122	\$ 40,850
Satisfaction of purpose restrictions—operating and capital	10,490	7,236
Satisfaction of time restrictions—operating and capital	<u>11,504</u>	<u>10,855</u>
Total	<u>\$ 62,116</u>	<u>\$ 58,941</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, 2022 and 2021 (in thousands):

	2022		
	Without Restriction	With Restriction	Total
Donor restricted endowment funds	\$ -	\$ 1,702,080	\$ 1,702,080
Board designated endowment funds	<u>299,032</u>	<u>-</u>	<u>299,032</u>
Total endowment funds	<u>\$ 299,032</u>	<u>\$ 1,702,080</u>	<u>\$ 2,001,112</u>
	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>

Changes in endowment funds, net assets for the years ended June 30, 2022 and 2021 (in thousands):

	2022		
	Without Restriction	With Restriction	Total
Net assets, beginning of year	<u>\$ 204,426</u>	<u>\$ 1,768,401</u>	<u>\$ 1,972,827</u>
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	<u>(2,172)</u>	<u>(44,032)</u>	<u>(46,204)</u>
Total investment return	<u>(2,172)</u>	<u>(44,032)</u>	<u>(46,204)</u>
New gifts	105,624	39,417	145,041
Endowment assets used for expenditure	<u>(8,846)</u>	<u>(61,706)</u>	<u>(70,552)</u>
Total noninvestment changes	<u>96,778</u>	<u>(22,289)</u>	<u>74,489</u>
Net assets, end of year	<u>\$ 299,032</u>	<u>\$ 1,702,080</u>	<u>\$ 2,001,112</u>

	2021		
	Without Restriction	With Restriction	Total
Net assets, beginning of year	<u>\$ 133,198</u>	<u>\$ 1,325,450</u>	<u>\$ 1,458,648</u>
Investment return:			
Net appreciation (realized and unrealized)	<u>51,868</u>	<u>476,520</u>	<u>528,388</u>
Total investment return	<u>51,868</u>	<u>476,520</u>	<u>528,388</u>
New gifts	26,271	31,821	58,092
Endowment assets used for expenditure	<u>(6,911)</u>	<u>(65,390)</u>	<u>(72,301)</u>
Total noninvestment changes	<u>19,360</u>	<u>(33,569)</u>	<u>(14,209)</u>
Net assets, end of year	<u>\$ 204,426</u>	<u>\$ 1,768,401</u>	<u>\$ 1,972,827</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, 2022 and 2021 is as follows:

	2022		2021	
Pooled funds	\$ 1,590,757	*	\$ 1,518,451	*
LEQSF pooled funds	230,144		263,051	
Separately invested funds	156,039	**	155,145	**
Contributions receivable	20,170		19,202	
Investment income receivables and other	<u>4,002</u>		<u>16,978</u>	
Total endowment related net assets	<u>\$ 2,001,112</u>		<u>\$ 1,972,827</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, 2022 and 2021.

** This category includes an investment of approximately \$3.6 million and \$15.5 million in Murphy Oil Corporation common stock at June 30, 2022 and 2021, 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, 2022 and 2021, the University used approximately \$56.6 million and \$58.7 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, 2022 and 2021, the University used approximately \$10.2 million and \$10.0 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, 2022 and 2021, such items totaled approximately \$3.7 million and \$6.3 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, 2022 or June 30, 2021; such deficiencies are temporary.

Endowment Assets used for Spending—The University made \$70.5 million and \$72.3 million of endowment assets available for spending in the years ended June 30, 2022 and 2021, respectively.

10. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2022 and 2021 (in thousands):

	2022	2021
Land	\$ 26,979	\$ 23,598
Buildings and improvements	1,338,770	1,342,689
Equipment	280,337	269,806
Library books and materials	260,513	251,431
Construction in progress	<u>146,608</u>	<u>59,242</u>
Property, plant, and equipment, gross	2,053,207	1,946,766
Less accumulated depreciation	<u>(937,364)</u>	<u>(909,040)</u>
Property, plant, and equipment-net	<u>\$ 1,115,843</u>	<u>\$ 1,037,726</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 \$6.5 million and \$6.0 million for the years ended June 30, 2022 and 2021, respectively.

In January of 2022, the University entered into a 30 year concession agreement with 6823 Energy Partners, LLC (whose sole member is Bernhard Energy, LLC, "Bernhard"), relating to the modernization and operation of its campus energy system. This agreement resulted in the sale of certain Energy related assets to Bernhard that resulted in the retirement of property, plant and equipment with a net book value of \$ 17.9 million and a recognition of a gain on the sale of \$150 million, which is reflected in the without restriction column of the net realized and unrealized gains line.

Purchases of property, plant, and equipment included in accounts payable as of June 30, 2022 and 2021 total \$16.4 million and \$9.7 million, respectively.

11. NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2022 and 2021 consist of the following (in thousands):

	2022	2021
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 (1.86% and 0.89% at June 30, 2022 and 2021, respectively).	\$ 26,468	\$ 26,968
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 (1.86% and 0.89% at June 30, 2022 and 2021, respectively).	<u>23,700</u>	<u>24,370</u>
Total notes payable	<u>\$ 50,168</u>	<u>\$ 51,338</u>

The University had \$170 million in 5 lines of credit with four banks to meet short-term seasonal cash requirements, if needed, at June 30, 2022 and 2021. The lines expire as follows: \$40 million on March 14, 2023, \$40 million on April 20, 2023, \$40 million on January 27, 2023, and \$50 million on December 9, 2022. Principal is payable upon demand. At June 30, 2022 and 2021, there was \$0 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 27, 2023 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, 2022 and 2021 (in thousands):

	2022	2021
Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%.	\$ 40	\$ 140
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, 2022 and 2021 were 1.65% and 0.80%, respectively.	32,035	33,675
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, 2022 and 2021 were 1.71% and 0.46%, respectively.	75,765	79,235
Tax exempt Louisiana Public Facilities Authority Revenue Bond Series 2013A with annual maturities of \$2,860 with a balloon payment of \$12,705 due on January 1, 2023. The rate is fixed at 2.25%.	13,420	16,280
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%.	63,200	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%.	142,955	156,685
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

(Continued)

	2022	2021
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%.	43,385	46,440
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%.	22,500	26,255
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>179,070</u>	<u>187,375</u>
	761,750	801,135
Bond underwriters net premium and discount	59,610	65,110
Deferred financing costs	<u>(7,663)</u>	<u>(8,220)</u>
Bonds payable	<u>\$813,697</u>	<u>\$858,025</u>

(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 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.

In March 2022, the University defeased \$20.3 million of tax exempt bonds, including \$2.4 million of the LPFA 2013B Series, \$8.5 million of the LPFA 2016A Series, \$1.1 million of the LPFA 2017A Series and \$8.3 million of the LPFA 2020A Series. In connection with this defeasance, unamortized debt issuance costs

and premium amounts were included in the gain on early extinguishment of debt of approximately \$1.0 million and reflects a noncash financing activity.

The annual principal maturities for bonds payable at June 30, 2022 are as follows (in thousands):

Fiscal Year	
2023	\$ 28,260
2024	20,565
2025	20,835
2026	23,505
2027	25,230
Thereafter	<u>643,355</u>
 Total	 <u>\$ 761,750</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, 2022 and 2021. 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 \$.2 million at June 30, 2022 and 2021. 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, 2022 and 2021, the estimated costs incurred by the University to provide care to patients who met certain criteria under its charity care policy were approximately \$4.8 million and \$4.1 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 \$2.105 billion and \$1.995 billion at June 30, 2022 and 2021, respectively. Market values are used when available. Other investments totaling approximately \$25.0 million and \$37.0 million at June 30, 2022 and 2021, 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 \$822 million and \$958 million at June 30, 2022 and 2021, 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, 2022 and 2021, employer contributions to the plans were approximately \$28.8 million and \$26.7 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 \$10.4 million and \$10.6 million and associated liabilities of \$10.4 million and \$10.5 million at June 30, 2022 and 2021, respectively, are included in unrestricted net assets.

During 1976, the State of Louisiana enacted the Louisiana Medical Malpractice Act which created a statutory limit of \$500,000 for each medical professional liability claim brought against a private healthcare provider who is qualified with the Louisiana Patient's Compensation Fund. Under the Act, each qualified provider's limitation of liability is \$100,000 with the Louisiana Patient's Compensation being liable for the remaining \$400,000 under the statutory limit. 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 Louisiana Patient's Compensation Fund with all of its healthcare providers qualified and entitled to the statutory limitation of liability. Therefore, for any claim filed against a University provider, liability is \$100,000 with additional coverage up to \$400,000 per claim provided by the Louisiana Patient's Compensation Fund. 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, 2022 and 2021, 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, 2022 and June 30, 2021, the University has right-of-use assets of \$83.6 million and \$42.1 million, and corresponding lease liabilities of \$83.0 million and \$42.1 million for the future obligations of the leases discounted by the University’s estimated incremental borrowing rate of 3.956%.

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

Fiscal Year	Amount
2023	\$ 12,432
2024	12,234
2025	12,070
2026	11,330
2027	11,398
Thereafter	<u>44,007</u>
Total minimum lease payments	103,471
Less: amounts representing interest	<u>(20,452)</u>
Total lease liabilities—operating	<u><u>\$ 83,019</u></u>

Future minimum rental payments on all other non-cancellable operating leases with lease terms in excess of one year as of June 30, 2022, are as follows (in thousands):

Fiscal Year	Amount
2023	\$ 801
2024	235
2025	180
2026	180
2027	66
Thereafter	<u>108</u>
Total	<u>\$ 1,570</u>

Total lease payments amounted to approximately \$11.3 million and \$9.1 million, respectively, for the years ended June 30, 2022 and 2021.

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, 2022 (in thousands):

Fiscal Year	Amount
2023	\$ 3,297
2024	2,539
2025	1,896
2026	1,932
2027	1,775
Thereafter	<u>91,567</u>
Total	<u>\$ 103,006</u>

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

Energy Asset Commitments

In January 2022, Tulane University executed certain agreements with Bernhard MCC, LLC, together with its special purpose entity, 6823 Energy Partners, LLC (“Bernhard”), with detailed unconditional purchase obligations to Bernhard for energy optimization and design/build improvements and also for thermal service charges comprised of capacity charges and both energy and non-energy asset operations and maintenance charges. The terms of the agreement are 30 years and expire in December 2051.

In consideration for entering into these agreements, Bernhard paid Tulane \$198 million in January of 2022. Additionally, Tulane will pay \$84 million to Bernhard within the next 2 years for energy optimization services.

As part of its 30 year commitment to purchase thermal services and non-energy operations and maintenance charges, the total of fixed and determinable payments to be paid to Bernhard are as follows:

Fiscal Year	Amount
2023	\$ 16,921
2024	17,184
2025	17,452
2026	17,724
2027	18,002
Thereafter	<u>542,022</u>
Total	<u>\$ 629,305</u>

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 \$75,765), was amended to 3.1296%, and the fixed rate on the Swap B (current notional amount of \$32,035) was amended to 2.1018%.

The combined values of the above agreements at June 30, 2022 and 2021 were approximately \$840 and \$14,499 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, 2022 and 2021 is as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Tier 3)					
	Total Realized/Unrealized Gains (Losses) included in:					
	Balance, July 1, 2021	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases, Sales, Issuances and Settlements	Transfer In and/or Out of Level 3	Balance, June 30, 2022
Interest rate swaps	<u>\$ (14,499)</u>	<u>\$ -</u>	<u>\$ 13,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (840)</u>

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	<u>\$ (23,512)</u>	<u>\$ -</u>	<u>\$ 9,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,499)</u>

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, 2022 and 2021, the University recorded revenue and cost recoveries of approximately \$62.8 million and \$58.3 million, respectively, and as of June 30, 2022 and 2021, recorded approximately \$11.9 million and \$9.4 million, respectively, as receivable from UHS, related to these agreements.

The University's share of the joint venture's equity at June 30, 2022 and 2021 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 1, 2022.

On October 10, 2022, the Board of Administrators of Tulane University (“Board”) authorized a substantial realignment of the University’s healthcare related operations.

Specifically, the Board authorized the purchase by the University of all the interests held by affiliates of HCA in UHS (Note 18). UHS was formed by HCA and the University in 1995 and has operated Tulane University Medical Center (TUMC) in downtown New Orleans since that time. UHS also operates Lakeview Regional Medical Center in Covington, LA (“Lakeview”) and Tulane Lakeside Hospital in Metairie, LA (“Lakeside”).

The University will then own 100% of UHS. Simultaneously with the University’s acquisition of HCA’s interest in UHS, the University will convey all its interests to Louisiana Children’s Medical Center (LCMC). LCMC operates several hospitals in the New Orleans area, including East Jefferson General Hospital (“East Jeff”). LCMC will then be the sole owner of UHS.

In addition to the transfer of the University’s ownership interests in UHS to LCMC, the Board authorized the University to enter into an Academic Affiliation Agreement (AAA) with LCMC. Under the AAA, the School of Medicine will become the primary medical school affiliate of LCMC at East Jeff, TUMC, Lakeside and Lakeview.

Additionally, the School of Medicine will relocate from TUMC in downtown New Orleans to East Jeff, as well as to certain other LCMC clinical facilities and the School of Medicine’s teaching, research, and clinical programs. After this relocation is complete, TUMC in downtown New Orleans will be repurposed for other strategic initiatives consistent with the AAA. The University owns the land on which the downtown hospital is located and leases the land to UHS. At the closing of the transaction, this ground lease will be amended to reflect HCA’s departure. Additionally, this ground lease will be terminated, and the buildings will revert to the University when the relocation of the School of Medicine’s clinical and teaching programs to East Jeff is complete.

This transaction is subject to regulatory approval with an expected transaction closing at or around December 31, 2022.

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