FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

FAIRLEIGH DICKINSON UNIVERSITY

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KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Fairleigh Dickinson University:

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson University (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairleigh Dickinson University at June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 22, 2021

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(In thousands of dollars)

Assets		**2021**	**2020**
Cash and cash equivalents	$	95,780	71,684
Restricted cash and cash equivalents		24,649	9,419
Student accounts receivable, net of allowance for doubtful accounts of $13,690 and $14,540 in 2021 and 2020, respectively		4,702	5,320
Accounts receivable and other current assets		4,578	4,474
Contributions receivable, net		2,560	3,624
Student loans receivable, net of allowance for doubtful accounts of $2,124 and $2,770 in 2021 and 2020, respectively		3,900	4,712
Investments, at fair value		139,526	139,317
Property, plant and equipment, net		188,799	189,688
Total assets	$	464,494	428,238
Liabilities			
Accounts payable and accrued liabilities	$	10,614	11,945
Accrued salaries and liabilities for compensated absences		15,513	10,044
Deferred tuition revenues		7,034	5,991
Other liabilities		9,545	7,870
U.S. government grants refundable		6,354	7,766
Long-term debt, net		64,809	55,270
Post-retirement benefits liability		19,653	24,891
Asset retirement obligations		16,267	15,695
Total liabilities		149,789	139,472
Net Assets			
Without donor restrictions		230,653	218,919
With donor restrictions		84,052	69,847
Total net assets		314,705	288,766
Total liabilities and net assets	$	464,494	428,238

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(In thousands of dollars)

	2021			2020		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Operating revenues, gains and other support:						
Tuition and fees, net of scholarships, tuition grants and aid of $118,866 and $115,933 in 2021 and 2020, respectively	$ 147,723	—	147,723	161,142	—	161,142
Contributions	2,016	2,603	4,619	4,168	1,325	5,493
New Jersey State aid	744	—	744	294	—	294
Contracts and grants	15,978	—	15,978	8,972	—	8,972
Investment return-endowment spending rate and other	4,670	941	5,611	5,284	824	6,108
Other sources	2,770	40	2,810	3,223	144	3,367
Auxiliary enterprises, net of scholarships, tuition grants and aid of $365 and $876 in 2021 and 2020, respectively	10,089	—	10,089	24,835	—	24,835
Total revenues, gains and other support	183,990	3,584	187,574	207,918	2,293	210,211
Net assets released from restrictions	1,000	(1,000)	—	895	(895)	—
Total operating revenues, gains and other support	184,990	2,584	187,574	208,813	1,398	210,211
Expenses:						
Educational and general:						
Instruction	73,525	—	73,525	78,027	—	78,027
Academic support	30,148	—	30,148	34,637	—	34,637
Student services	35,967	—	35,967	40,335	—	40,335
Institutional support	30,032	—	30,032	32,776	—	32,776
Scholarships and fellowships	3,328	—	3,328	2,886	—	2,886
Research and other	80	—	80	711	—	711
Total educational and general expenses	173,080	—	173,080	189,372	—	189,372
Auxiliary enterprises	15,900	—	15,900	20,546	—	20,546
Total expenses and losses	188,980	—	188,980	209,918	—	209,918
(Decrease) increase in net assets from operating activities	(3,990)	2,584	(1,406)	(1,105)	1,398	293
Nonoperating:						
Contributions	507	613	1,120	541	5,808	6,349
Change in fair value of interests in split interest agreements	—	264	264	—	(20)	(20)
Investment return in excess of (less than) endowment spending rate	10,254	12,386	22,640	(1,148)	(2,251)	(3,399)
Post-retirement medical plan changes other than service cost	5,210	—	5,210	(3,365)	—	(3,365)
State bond grant revenue	—	—	—	443	—	443
Write-off of construction costs	—	—	—	(1,049)	—	(1,049)
Multi-employer pension plan charge	(51)	—	(51)	(164)	—	(164)
Early retirement of long-term debt	(442)	—	(442)	—	—	—
Faculty retirement incentive program	(1,396)	—	(1,396)	—	—	—
Net assets released from restrictions – for capital	1,642	(1,642)	—	160	(160)	—
Increase (decrease) in net assets from nonoperating activities	15,724	11,621	27,345	(4,582)	3,377	(1,205)
Increase (decrease) in net assets	11,734	14,205	25,939	(5,687)	4,775	(912)
Net assets:						
Beginning of year, as previously reported (in 2020)	218,919	69,847	288,766	227,893	65,072	292,965
Cumulative effect of change in accounting principle	—	—	—	(3,287)	—	(3,287)
Beginning of year, as restated (in 2020)	218,919	69,847	288,766	224,606	65,072	289,678
End of year	$ 230,653	84,052	314,705	218,919	69,847	288,766

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands of dollars)

		2021	2020
Cash flows from operating activities:			
Increase (decrease) in net assets	$	25,939	(912)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation and amortization		13,892	13,196
Accretion of asset retirement obligations		572	686
Bond amortization		39	53
Early retirement of long-term debt		442	—
Provision for doubtful student accounts receivable		846	2,275
Change in allowance for doubtful student loans receivable		(646)	(157)
Gifts, donations and grants restricted for capital improvements and endowment		(1,120)	(6,792)
Loss on disposal of property, plant and equipment		100	20
Write-off of construction costs		—	1,049
Net realized and unrealized (gains) losses on investments		(24,872)	1,018
Post-retirement medical plan changes other than net periodic cost		(5,029)	3,332
Cumulative effect of change in accounting principle		—	(3,287)
Changes in operating assets and liabilities:			
Student accounts receivable		(228)	(2,566)
Accounts receivable and other current assets		(104)	952
Contributions receivable		76	1,152
Accounts payable and accrued liabilities		623	(4,334)
Accrued salaries and liabilities for compensated absences		5,469	2,989
Deferred tuition revenues		1,043	1,734
Post-retirement benefits liability		(209)	(60)
Other liabilities		1,675	1,091
Net cash provided by operating activities		18,508	11,439
Cash flows from investing activities:			
Proceeds from student loans collections		1,703	1,367
Student loans issued		(245)	(163)
Proceeds from sale of investments		70,646	45,839
Purchases of investments		(45,983)	(40,005)
Purchases of property, plant and equipment		(13,103)	(15,303)
Decrease in accounts payable for property, plant and equipment		(1,954)	—
Net cash provided by (used in) investing activities		11,064	(8,265)
Cash flows from financing activities:			
Gifts, donations and grants restricted for capital improvements		2,108	7,847
Proceeds from issuance of debt		63,785	—
Principal payments of debt		(4,379)	(5,876)
Refunding payments of debt		(49,818)	—
Decrease in U.S. government grants refundable		(1,412)	(1,993)
Deferred financing costs		(530)	—
Net cash provided by (used in) financing activities		9,754	(22)
Net increase in cash, cash equivalents and restricted cash and cash equivalents		39,326	3,152
Cash, cash equivalents and restricted cash and cash equivalents:			
Beginning of year		81,103	77,951
End of year	$	120,429	81,103
Supplemental information:			
Interest paid	$	1,837	2,135
Noncash gifts-in-kind		260	226
Increase in accounts payable for property, plant, and equipment		—	701

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the University), New Jersey's largest private university, is a nonsectarian, coeducational institution offering programs on the undergraduate, graduate and professional levels. The University educates approximately 12,000 students per year. Founded in 1942, the University now maintains two major campuses in northern New Jersey, the Metropolitan Campus and the Florham Campus, and campuses in Wroxton, England, and Vancouver, British Columbia, Canada. The University provides instruction at additional locations throughout New Jersey, and learning opportunities at select locations throughout the United States and study-abroad in a variety of locations overseas.

The University offers a wide range of programs, delivered in-person and online, including degree, certificate and continuing-education programs; undergraduate, graduate and doctoral degree programs; and professional-level programs, as well as nondiploma, nondegree and certificate programs. Degrees awarded range from the associate to the Ph.D. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, pharmacy, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

Commencing March 16, 2020, undergraduate and graduate course instruction was conducted virtually and most students vacated the campus. The University granted refunds of approximately $6.5 million in fiscal year 2020 for housing and dining services not provided. Students continued to meet their academic requirements for the remainder of the 2019-2020 academic year. In addition, the start of the 2020-2021 academic year remained a mostly virtual learning environment. While some faculty and staff were working on-campus to ensure continuity of essential operations, most faculty and staff transitioned to remote work. Starting in the 2021-2022 academic year, the campus fully reopened for in-person classes and activities.

The University received $5.8 million of Higher Education Emergency Relief Funds (HEERF) from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in fiscal 2020, of which half was distributed to students as emergency aid and half was used by the University to offset the refunds noted above. The University received an additional $442 thousand from the CARES Act that was distributed to students as emergency aid in fiscal 2021. The University received $10.7 million of HEERF II from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in fiscal 2021, of which $2.9 million was distributed to students as emergency aid, $7.1 million was used by the University to offset lost revenue and $669 thousand was used to offset expense. The University also received $18.9 million of HEERF III from the American Rescue Plan Act in fiscal 2021, which is expected to be expended in fiscal 2022.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University's wholly owned subsidiary, Harbinger Corporation, currently inactive, is subject to income tax.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded.

(b) Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation (the University's Vancouver Campus), a wholly owned subsidiary, which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

(c) Net Assets

In the accompanying consolidated financial statements, the University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- **With Donor Restrictions** – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

  Also included in this category are net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets for either a specific purpose or the general use of the University. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in note 10.

(In thousands of dollars)

Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed stipulations that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as net assets released from restrictions. Revenues with donor restrictions received and expended during the same fiscal year are recorded as revenues and expenses without donor restrictions in the consolidated statements of activities.

(d) Agency Transactions

Agency transactions such as externally provided tuition aid grants, federal direct loans, federal supplemental educational opportunity grants, the federal pell grant program and others received by government agencies and provided to students are not included in the consolidated financial statements. Agency receipts and disbursements were $83,538 and $83,544, respectively, in 2021 and $91,160 and $91,070, respectively, in 2020.

(e) Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased, except for those held for long-term investment.

Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use. These funds are primarily cash and U.S. treasuries and are considered Level 1 in the fair value hierarchy (see note 1(u) below).

A reconciliation of cash, cash equivalents and restricted cash and cash equivalents to the total in the statement of cash flows is as follows:

		2021	2020
Cash and cash equivalents	$	95,780	71,684
Restricted cash and cash equivalents		24,649	9,419
Cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	$	120,429	81,103

(f) Investments

The fair value of marketable investments, which consists of debt and equity securities, is based upon quoted market prices at year-end. Investments in mutual and commingled funds are stated at estimated fair value based on the published net asset value (NAV) of funds. For funds that do not have a readily determinable fair value, these funds' reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein. The NAV is provided by the investment managers, and evaluated for reasonableness by the University.

The consolidated statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are calculated using the average cost method to determine the cost of securities.

(g) Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when earned or when payment becomes unconditional. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

(h) Property, Plant and Equipment

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, generally, 15 to 60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Contributions restricted by donors for the acquisition and/or construction of land, buildings and equipment are reported as revenues with donor restrictions in nonoperating activities. These contributions are reclassified to net assets without donor restrictions upon acquisition of the assets or when the constructed assets have been placed in service.

(i) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program were loaned to qualified students and were reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying consolidated statements of financial position as a liability.

(j) Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized within the fiscal year in which educational services are provided. Amounts received in advance for tuition and fees that are not earned in the current year are included in deferred tuition revenues and are recognized as revenue in the subsequent year.

(k) Auxiliary Enterprises

Included in auxiliary enterprises are revenues from residence halls and dining. Revenue from auxiliary enterprises are recognized on the accrual basis within the fiscal year in which the services are provided.

(l) Scholarships, Tuition Grants and Aid

The policy of the University has been to award internal scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid reduce the published price of tuition for students receiving such aid.

(m) Contributions and Grants

Unconditional contributions are recognized in the appropriate category of net assets, with donor restrictions or without donor restrictions, in the fiscal year received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. See note 3 for additional information on the recognition of contributions.

Revenue from government and private grants is recognized when qualifying expenditures are incurred and conditions under the agreement are met.

(n) Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value based on estimated undiscounted future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2021 and 2020.

(o) Endowment Spending Rate

The University’s endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. The revenues from applying this endowment spending rate policy are recorded in the operating revenues section in the consolidated statements of activities based on the existence or absence of donor-imposed restrictions. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

(Continued)

(p) Operating Measure

The operating activities of the University include all revenues, gains and other support and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the 4.5% – 5.0% spending rate (amounting to $4,412 and $4,288 for the years ended June 30, 2021 and 2020, respectively, which represents a rate of 5% for both years) while nonoperating activities include endowment returns in excess of (less than) the spending rate. Nonoperating activities include contributions and grants for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. Nonoperating activities also include the change in fair value of interests in split interest agreements, post-retirement medical plan changes other than service costs, state bond grant revenue, other nonroutine charges, and net assets released from restrictions for capital.

(q) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Advertising

All advertising costs are expensed in the year they are incurred. The amount totaled $1,144 and $1,802 in fiscal years 2021 and 2020, respectively.

(s) Allocation of Expenses

Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of $33,466 and $31,111 in fiscal years 2021 and 2020, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $1,876 and $2,188 in fiscal years 2021 and 2020, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $27,208 and $31,081 in fiscal years 2021 and 2020, respectively, were allocated functionally based on salary expenses.

(t) Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The University used a discount rate of 4% and an inflation rate of 3% in 2021 and 2020. The liability recorded at June 30, 2021 and 2020 was $16,267 and $15,695, respectively.

(Continued)

(u) Fair Value Accounting

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices or published net asset values in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same terms of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

(v) New Accounting Pronouncements

The University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement* (Topic 820), in 2021. The ASU modifies disclosure requirements for fair value measurement. This standard did not have a material impact on the University’s consolidated financial statements.

FASB issued ASU No. 2016-02, *Leases*, which will require lessees to recognize most leases on the consolidated statement of financial position, increasing their reported assets and liabilities. This ASU was developed to provide financial statement users with more information about an entity’s leasing activities. ASU No. 2016-02 is effective for the University beginning in fiscal year 2023 and the University is currently determining the impact to the consolidated financial statements.

(Continued)

(In thousands of dollars)

(2) Liquidity and Availability of Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a revolving credit facility. See note 7 for more information about the University's revolving credit facility.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used to make new loans.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identify the sources and uses of the University's cash and shows positive net cash generated by operations for fiscal years 2021 and 2020.

As of June 30, 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	95,780	71,684
Student accounts receivable, net		4,702	5,320
Accounts receivable and other current assets		4,578	4,474
Contributions receivable, net		2,560	3,624
Investments		139,526	139,317
Endowment appropriation for spending in subsequent year		4,510	4,321
Total financial assets at June 30, 2021		251,656	228,740
Less amounts not available to meet general expenditures within one year:			
Prepaid expenses		(1,654)	(1,825)
Contributions receivable expected after one year		(1,650)	(2,033)

(In thousands of dollars)

		2021	2020
Investments restricted for debt service, renewal, and replacement	$	—	(6,906)
Endowment return restricted for scholarships and other		(30,072)	(17,901)
Board-designated endowed scholarships		(14,400)	(11,380)
Board-designated general endowment		(38,366)	(30,346)
Donor-restricted for future capital projects		(8,302)	(8,882)
Donor-restricted perpetually for endowment		(29,487)	(28,677)
Financial assets available to meet general expenditures within one year	$	127,725	120,790

As described in note 1(o), the spending of endowment return is limited to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. Under this policy, the expected distribution available during fiscal 2022 is $4,510. The University also has a $20,000 aggregate revolving credit facility which it could draw upon in the event of an anticipated liquidity need. See note 7 for additional details about the revolving credit facility. The University also has $52,766 in board-designated endowments, which are available for general expenditure with Board approval, if necessary.

(3) Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. If there are donor-imposed conditions, such as a barrier, and a right of return or release of obligation, the contribution would be conditional. Conditional promises are recorded as contributions when donor stipulations are met.

Interests in split interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of $554 and $335 at June 30, 2021 and 2020, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $194 and $150 at June 30, 2021 and 2020, with a liability for future payments to other beneficiaries included at an estimated amount of $3 at June 30, 2021 and 2020.

(Continued)

(In thousands of dollars)

The components of contributions receivable at June 30 are as follows:

		2021	2020
Unconditional promises to give	$	2,060	3,602
Interests in split interest agreements		748	485
		2,808	4,087
Less discount to present value		(221)	(436)
		2,587	3,651
Less allowance for uncollectibles		(27)	(27)
Net contributions receivable	$	2,560	3,624

Discount rates ranged as follows at June 30:

	2021	2020
Split interest agreements	3.75%–8.4%	3.75%–8.4%
Unconditional promises to give	5.2%–6.7%	5.2%–6.7%

Unconditional promises to give and interests in split interest agreements at June 30 are expected to be realized in the following periods:

		2021	2020
Within one year	$	807	1,306
Between one to five years		962	1,775
More than five years		791	543
	$	2,560	3,624

At June 30, 2021 and 2020, approximately 81% and 69% of the gross contributions receivable was due from 4 donors. In 2020, approximately 60% of the contributions revenue was received from 2 donors.

Expenses related to fundraising activities are $2,764 and $2,862 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

(In thousands of dollars)

(4) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs.

The following is an analysis of student loans receivable aging as of June 30:

		2021	2020
Past due:			
1–89 days	$	359	434
Greater than 90 days		39	59
Collections and Litigation		2,350	3,052
Total past due		2,748	3,545
Current		3,276	3,937
Total gross student loans receivable		6,024	7,482
Less allowance for doubtful receivables		2,124	2,770
Total net student loans receivable	$	3,900	4,712

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's receivable includes the amounts due from current and former students. Loans disbursed under the federal government loan programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

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 student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's annual analysis.

(Continued)

(In thousands of dollars)

(5) Investments

The following table presents the financial instruments carried at fair value as of June 30, 2021, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Total fair value	Level 1	Level 2	Level 3
Investments:				
U.S. government securities	$ 13,096	—	13,096	—
Equities – nonmarketable	30	—	—	30
Corporate stock funds:				
International equity mutual funds	23,983	23,983	—	—
Domestic equity mutual funds	46,289	46,289	—	—
Fixed income mutual funds	15,200	15,200	—	—
Other Investments:				
Certificates of deposit	13,790	—	13,790	—
Multi-asset mutual fund	5,873	5,873	—	—
Real asset mutual / commingled funds	8,078	8,078	—	—
Total	126,339	$ 99,423	26,886	30
Investments reported at NAV or its equivalent:				
Hedge funds (a)	7,682			
Multi-asset fund (b)	5,505			
Total investments	$ 139,526			
Cash and cash equivalents:				
Short term investments, primarily U.S. government obligations	$ 16	—	16	—
Contributions receivable:				
Interest in split interest agreements	748	—	—	748
	$ 764	—	16	748

(In thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2020, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

		Total fair value		Level 1	Level 2	Level 3
Investments:						
U.S. government securities	$	28,837		—	28,837	—
Equities – nonmarketable		30		—	—	30
Corporate stock funds:						
International equity mutual funds		16,907		16,907	—	—
Domestic equity mutual funds		16,421		16,421	—	—
Fixed income mutual funds		12,878		12,878	—	—
Other Investments:						
Certificates of deposit		22,362		—	22,362	—
Multi-asset mutual fund		4,571		4,571	—	—
Real asset mutual funds		5,734		5,734	—	—
Total		107,740	$	56,511	51,199	30
Investments reported at NAV or its equivalent:						
Multi-strategy equity fund (c)		17,533				
Hedge funds (a)		6,631				
Multi-asset fund (b)		4,212				
Small cap commingled fund (d)		3,201				
Total investments	$	139,317				
Cash and cash equivalents:						
Short term investments, primarily U.S. government obligations	$	1,501		—	1,501	—
Contributions receivable:						
Interest in split interest agreements		485		—	—	485
	$	1,986		—	1,501	485

Included in U.S. government securities at June 30, 2020 is $6,747 restricted for debt service and renewal and replacement. At June 30, 2020, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $159.

(In thousands of dollars)

The following are investment objectives for investments valued at net asset value:

(a) The three hedge funds seek to generate strong absolute returns by diversifying risk and maintaining a low correlation to broad asset classes across a market cycle. They allocate across geographies and hedge fund strategies. Redemption frequency is quarterly with a ninety day notice period.

(b) The multi-asset fund seeks to provide concentrated exposure to the best asset allocation ideas in the equity and fixed income markets. Redemption frequency is monthly with a notice period of thirty days.

(c) The investment objective of the Multi-Strategy Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index. Redemption frequency is monthly with a notice period at end of month.

(d) The small cap commingled fund focuses on high quality companies with a proven record of above average rates of profitability that sell at a discount relative to the overall small cap market. The fund believes that a company with a history of above average profitability is likely to have a strong and sustainable position within a market niche. These types of companies typically generate strong cash flows that can be used to build the value of the business, or in some other way benefit the shareholder. Redemption frequency is monthly with a notice period of seven days.

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

	Other	Interest in split interest agreements
Fair values at June 30, 2019	$ 30	507
Total losses (realized/unrealized)	—	(22)
Fair values at June 30, 2020	30	485
Total losses (realized/unrealized)	—	263
Fair values at June 30, 2021	$ 30	748

Realized and unrealized losses in the table above are included in investment return in excess of the endowment spending amount in the consolidated statements of activities.

(Continued)

(In thousands of dollars)

(6) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

		2021	2020
Land and land improvements	$	43,403	31,095
Buildings and building improvements		288,070	284,887
Furniture and equipment		53,585	49,530
Construction in progress		2,117	8,900
		387,175	374,412
Less accumulated depreciation:			
Buildings and building improvements		(157,606)	(148,144)
Furniture and equipment		(40,770)	(36,580)
		(198,376)	(184,724)
Property, plant and equipment, net	$	188,799	189,688

Depreciation of property, plant, and equipment for the years ended June 30, 2021 and 2020 amounted to $13,892 and $13,196, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2021 and 2020 was $838 and $951, respectively.

The University had no unfulfilled commitments for the years ended June 30, 2021 and 2020.

(7) Revolving Credit Facility

At June 30, 2021, the University had a $20,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2022. The interest rate is 125 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn (0.25% at June 30, 2021). At June 30, 2020, the University had a $5,000 aggregate revolving credit facility with a bank, which was replaced by the Credit Agreement. The interest rate was 200 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn (0.67% at June 30, 2020). The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under these agreements in fiscal years 2021 and 2020.

The Credit Agreement contains certain covenants that, among other things, place limitations on the University. For the year ended June 30, 2021, the most restrictive of these provisions required that the University maintain a minimum Unrestricted Liquidity Level (sum of cash and cash equivalents, restricted cash and cash equivalents, and investments, at fair value, less the donor restricted portion of the endowment) tested annually of not less than $100,000 for the fiscal year ended June 30, 2021 and $90,000 for the fiscal years ending June 30, 2022 and June 30, 2023. Thereafter, the University’s change in net assets from operating activities plus depreciation and amortization plus interest on long-term debt for the fiscal year ending June 30, 2023 must equal or exceed aggregate annual debt service on long-term debt by 1.20 times. For the year ended June 30, 2020, the most restrictive of these provisions required that the

(In thousands of dollars)

University's change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2020 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to $0 for a period of at least 30 consecutive days at any one time prior to the expiration of the Credit Agreement. For the years ended June 30, 2021 and 2020, the University was in compliance with these covenants.

(8) Long-Term Debt, Net

Long-term debt at June 30 consists of:

	2021	2020
Mortgages payable, privately held:		
Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement	$ —	8,030
Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement	—	493
Higher Education Facilities Revenue Refunding Bonds of 2014, Series B due serially through 2032, interest of 3.65% through 2029, adjusted thereafter based on terms stated in the loan agreement	—	37,775
Higher Education Facilities Revenue Refunding Bonds of 2015, Series B due serially through 2023, interest from 2.41% subject to adjustment per terms of loan agreement	—	7,565
Higher Education Facilities Revenue Refunding Bonds of 2021, Series A due serially through 2050, interest from 2.40% subject to adjustment per terms of loan agreement (a)	63,785	—
Other debt:		
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%	—	268

(In thousands of dollars)

		2021	2020
NJEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5% (b)	$	210	221
NJEFA Capital Improvement Fund, 2016 Series B, due serially through 2036, interest from 3% to 5.5% (c)		1,224	1,274
Other, payable in semi-annual installments of $17 including interest through 2021, interest at 3%		—	6
		65,219	55,632
Add unamortized bond premium		37	39
Less deferred bond issuance costs		(447)	(401)
Net long-term debt	$	64,809	55,270

	Issue date	Maturity date	Term	Nature of capitalized amounts		Amount capitalized
(a)	2021	2050	29 years	Building & Equipment	$	3,651
(b)	2014	2034	20 years	Building		271
(c)	2016	2036	20 years	Building & Equipment		1,395

The debt listed in the table above exceeds 12 months and was used to fund capitalized assets.

In February 2021, the University issued debt in the amount of $63,785. A portion of these funds was used to refund 2006 Series G, 2006 Series H, 2014 Series B and 2015 Series B. Approximately $20,000 of this issuance represents new funds that will be used for construction and the acquisition of property, plant and equipment. The University recorded a loss on early retirement of long-term debt as a result of this transaction in the amount of $442.

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (note 5) with the trustee, having an aggregate fair value of $18,045 and $9,383 at June 30, 2021 and 2020, respectively, as debt service reserves, renewal and replacement reserves and a construction fund. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of gross revenues without donor restrictions. The University was in compliance with these restrictive covenants for the years ended June 30, 2021 and 2020.

Interest expense was $1,876 and $2,188 in fiscal years 2021 and 2020, respectively.

(In thousands of dollars)

As of June 30, 2021, the total principal payments due over the next five fiscal years and thereafter are:

2022	$	1,439
2023		2,482
2024		3,931
2025		4,149
2026		4,252
Thereafter		48,966
	$	65,219

(9) Postretirement Benefits

(a) Retirement Plan

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions.

All faculty, nonunion and clerical employees make contributions to the plan in addition to the contributions made by the University. The University's contributions to the plan for the years ended June 30, 2021 and 2020 were $3,342 and $6,609, respectively.

(b) Medical Plan

The University sponsors a defined benefit postretirement medical plan (the Plan) that covers all of its full-time tenured faculty (or those on the tenured track) and certain administrators. The employees eligible to receive benefits are those who have attained age 62 with 10 years of continuous tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

The University recognized the difference between the benefit obligations and any plan assets of the University's defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to net assets without donor restrictions and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

On September 1, 2017, the University adopted an amendment to the Plan with an effective date of January 1, 2018. Medicare-eligible retirees receiving coverage through AARP Plan F and a prescription drug plan provided through United Healthcare are now to be covered through a United Healthcare Medicare Advantage Group PPO Plan. The amendment resulted in a decrease to the accumulated postretirement benefit obligation of approximately $8,784 relating to prior service cost, which will be amortized over the average years of service until full eligibility of plan participants.

(In thousands of dollars)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended June 30, 2021 and 2020 and statements of the funded status both years.

		2021	2020
Change in accumulated postretirement benefit obligation (APBO):			
APBO at July 1	$	24,891	21,619
Service cost		681	663
Interest cost		547	762
Retiree contributions		354	398
Amendments/curtailments/special termination		—	—
Benefits paid		(1,062)	(1,154)
Actuarial (gain)/loss		(5,758)	2,603
APBO at June 30	$	19,653	24,891
Change in plan assets:			
University's contribution	$	708	756
Retiree contributions		354	398
Benefits paid		(1,062)	(1,154)
Net change in plan assets	$	—	—

		2021	2020
Funded status of the plan:			
APBO in excess of plan assets	$	19,653	24,891
Accrued liabilities	$	19,653	24,891
Periodic costs recognized in expense:			
Service cost	$	681	663
Interest cost		547	762
Amortization of prior service credit		(729)	(729)
Amortization of net actuarial loss		—	—
Net postretirement expense	$	499	696

(In thousands of dollars)

The amount recorded from net assets without donor restrictions into net periodic benefit cost in 2021 was net actuarial gain of $5,029.

		2021	2020
Weighted average assumptions used to determine benefit obligations at end of year:			
Discount rate		2.88 %	2.82 %
Rate of compensation increase		N/A	N/A
Healthcare cost trend:			
Increase from current to next fiscal year:			
Pre-65 medical		8.00	8.00
Post-65 medical		4.40	4.40
Prescription drug		6.75	6.75
Ultimate rate of decline		3.784	3.784
Year that the ultimate rate is attained		2075	2075
Amounts recognized in accumulated net assets without donor restrictions:			
Net actuarial gain	$	(7,199)	(2,170)

Estimated amount that will be amortized from accumulated net assets without donor restrictions into net periodic benefit cost in 2022 relates to an actuarial gain of $729.

	2021	2020
Weighted average assumptions used to determine the net periodic benefit cost at beginning of year:		
Discount rate	2.82 %	3.58 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend:		
Increase from current to next fiscal year:		
Pre-65 medical	8.00	8.25
Post-65 medical	4.40	4.75
Prescription drug	6.75	9.00
Ultimate rate of decline	3.784	3.784
Year that the ultimate rate is attained	2075	2075

(Continued)

(In thousands of dollars)

(i) Expected Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

		Postretirement benefits
Fiscal year:		
2022	$	646
2023		671
2024		694
2025		716
2026		696
Years 2027–2031		3,710

Expected benefit payments is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2022 are the same as expected benefit payments.

(10) Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of 153 individual funds established for a variety of purposes at June 30, 2021. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA.

(In thousands of dollars)

In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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 objective within prudent risk constraints.

The University has a policy of appropriating for distribution each year 4.5% – 5.0% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2021, the endowment net asset composition by type of fund consisted of the following:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$	—	59,559	59,559
Board-designated funds		52,766	—	52,766
Total funds	$	52,766	59,559	112,325

(Continued)

(In thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2021, consisted of the following:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets at beginning of year	$	41,726	46,578	88,304
Investment return:				
Investment income		1,082	1,207	2,289
Net appreciation (realized and unrealized)		12,046	13,471	25,517
Total investment gain		13,128	14,678	27,806
Contributions		—	480	480
Appropriation of endowment assets for expenditure		(2,088)	(2,324)	(4,412)
Other transfers		—	147	147
Endowment net assets at end of year June 30, 2021	$	52,766	59,559	112,325

At June 30, 2020, the endowment net asset composition by type of fund consisted of the following:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$	—	46,719	46,719
Board-designated funds		41,726	—	41,726
Underwater endowments		—	(141)	(141)
Total funds	$	41,726	46,578	88,304

(In thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2020, consisted of the following:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets at beginning of year	$ 43,782	47,843	91,625
Investment return:			
Investment income	917	984	1,901
Net depreciation (realized and unrealized)	(908)	(1,035)	(1,943)
Total investment gain (loss)	9	(51)	(42)
Contributions	—	609	609
Appropriation of endowment assets for expenditure	(2,065)	(2,223)	(4,288)
Other transfers	—	400	400
Endowment net assets at end of year June 30, 2020	$ 41,726	46,578	88,304

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. The University has a policy that permits spending from underwater funds. There were no deficiencies of this nature as of June 30, 2021. As of June 30, 2020, funds with an original gift value of $2,970, were underwater by $141.

(11) Composition of Net Assets

(a) Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	2021	2020
Board-designated endowed scholarships	$ 14,400	11,380
Board-designated general endowment	38,366	30,346
Net investment in plant	107,723	118,723
Undesignated	70,164	58,470
	$ 230,653	218,919

(Continued)

(In thousands of dollars)

(b) Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

		2021	2020
Restricted by time or purpose:			
Split interest agreements	$	745	481
Endowment return restricted for scholarships and other		30,072	17,901
Scholarships		5,305	3,740
Buildings and equipment		8,302	8,882
University programs and other		10,141	10,166
		54,565	41,170
Perpetual restriction:			
Pledges-endowed scholarships		158	766
Endowments-scholarships		25,910	24,501
Endowments-endowed chairs and other		3,360	3,355
Other-scholarships		59	55
		29,487	28,677
Total net assets with donor restrictions	$	84,052	69,847

(12) Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

		2021		
		Without donor restrictions	With donor restrictions	Total
Net interest and dividend income	$	2,438	941	3,379
Net realized and unrealized gains		12,486	12,386	24,872
Total return on investments		14,924	13,327	28,251
Less investment return designated for current operations:				
Endowment return-spending rate		3,471	941	4,412
Other investment return		1,199	—	1,199
Investment return in excess of endowment spending amount	$	10,254	12,386	22,640

(In thousands of dollars)

		2020		
		Without donor restrictions	With donor restrictions	Total
Net interest and dividend income	$	2,903	824	3,727
Net realized and unrealized gains (losses)		1,233	(2,251)	(1,018)
Total return on investments		4,136	(1,427)	2,709
Less investment return designated for current operations:				
Endowment return-spending rate		3,464	824	4,288
Other investment return		1,820	—	1,820
Investment return less than endowment spending amount	$	(1,148)	(2,251)	(3,399)

(13) Expenses by natural and functional classification

Expenses consisted of the following at June 30:

		2021						
		Programs					Support	
		Instruction	Academic support	Student services	Research and other*	Auxiliary enterprises	Institutional support	2021 Total expenses
Salaries	$	48,911	13,574	15,056	130	1,279	12,822	91,772
Benefits		12,851	4,592	5,225	18	203	4,319	27,208
Occupancy		5,164	3,240	4,688	(36)	5,374	2,596	21,026
Contract services		883	2,100	3,674	41	2,936	7,272	16,906
Depreciation and amortization		3,877	2,871	3,143	3	3,467	1,103	14,464
Supplies, telephone, shipping		957	3,007	2,007	18	444	1,658	8,091
Interest		148	66	373	—	1,254	35	1,876
Other		734	698	1,801	3,234	943	227	7,637
Total expenses	$	73,525	30,148	35,967	3,408	15,900	30,032	188,980

* There are scholarships and fellowships of $3,328 included in other expenses resulting from the Higher Education Emergency Relief Funds provided through the CRRSAA.

(In thousands of dollars)

	2020						
	Programs					Support	
	Instruction	Academic support	Student services	Research and other*	Auxiliary enterprises	Institutional support	2020 Total expenses
Salaries	$ 50,630	16,009	16,850	187	2,250	13,763	99,689
Benefits	14,168	5,584	5,900	36	299	5,094	31,081
Occupancy	4,790	2,876	4,181	(23)	5,670	2,534	20,028
Contract services	811	1,621	3,894	185	5,370	6,442	18,323
Depreciation and amortization	3,680	2,842	2,986	1	3,351	1,022	13,882
Supplies, telephone, shipping	965	3,305	2,206	2	344	1,633	8,455
Interest	109	66	409	—	1,581	23	2,188
Other	2,874	2,334	3,909	3,209	1,681	2,265	16,272
Total expenses	$ 78,027	34,637	40,335	3,597	20,546	32,776	209,918

* There are scholarships and fellowships of $2,886 included in other expenses resulting from the Higher Education Emergency Relief Funds provided through the CARES Act.

(14) Commitments and Contingencies

At June 30, 2021, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating $19,879. These obligations are payable for the following fiscal years ending:

2022	$ 4,296
2023	3,928
2024	3,906
2025	2,554
2026	1,950
2027 and thereafter	3,245
	$ 19,879

Equipment, software, and space rental expenses for the years ended June 30, 2021 and 2020 were $4,396 and $5,475, respectively.

The University is involved in various legal proceedings, which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures that would be absorbed by the University, in management’s opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

(15) Concentration of Credit Risk

Financial instruments that potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, restricted cash, student accounts receivable and investments. The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits of $250 at June 30, 2021 and 2020, which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that their financial institutions are viable entities, and therefore, risk of loss is minimized. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University’s student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments and believes that credit risk is limited.

(16) Subsequent Events

The University has performed an evaluation of subsequent events through October 22, 2021, the date the consolidated financial statements were available to be issued and has determined that there are no subsequent events.