MARYMOUNT UNIVERSITY

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2022

BROWNEDWARDS
certified public accountants

MARYMOUNT UNIVERSITY

CONSOLIDATED FINANCIAL REPORT

June 30, 2022

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Marymount University
Arlington, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Marymount University (the "University") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated 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 consolidated 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 within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
November 25, 2022

MARYMOUNT UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents		
Cash and cash equivalents, other	$ 6,364,629	$ 10,458,444
Comprehensive campaign, restricted	-	162
Restricted by debt agreement (Note 7)	9,541,820	9,501,187
Total cash and cash equivalents	15,906,449	19,959,793
Receivables and other assets (Note 3)	16,037,415	13,299,774
Notes receivable, University and government student loans, net of allowance for doubtful accounts; 2022 and 2021, $6,188	479,077	479,077
Contributions receivable (Note 4)	3,848,301	6,214,252
Deferred lease incentive, net of accumulated amortization (Note 16)	1,872,143	2,291,314
Investments and funds held in trust by others (Note 5)	49,286,112	58,475,107
Land, buildings, and equipment, net of accumulated depreciation (Notes 6 and 7)	171,894,632	171,694,791
Total assets	$ 259,324,129	$ 272,414,108
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accruals, and other liabilities	$ 3,580,541	$ 1,530,871
Accrued interest payable	1,682,159	3,152,345
Accrued salaries and payroll taxes	5,806,092	5,230,343
Deposits and deferred revenue	4,712,751	5,367,181
U.S. government grants refundable	764,499	818,782
Debt (Note 7)	137,960,057	140,906,430
Total liabilities	154,506,099	157,005,952
NET ASSETS (Note 8)		
Without donor restrictions	62,893,260	68,121,990
With donor restrictions	41,924,770	47,286,166
Total net assets	104,818,030	115,408,156
Total liabilities and net assets	$ 259,324,129	$ 272,414,108

The Notes to Consolidated Financial Statements are an integral part of these statements.

MARYMOUNT UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
REVENUES			
Tuition and fees	$ 93,570,805	$ -	$ 93,570,805
Less financial aid	(27,792,505)	-	(27,792,505)
Net tuition and fees (Note 9)	65,778,300	-	65,778,300
Contributions and grants	705,876	4,284,644	4,990,520
Grants – COVID-19 relief (Note 18)	-	7,249,990	7,249,990
Endowment income, available to support current operations (Note 5)	818,428	1,424,651	2,243,079
Investment income, other	230,995	-	230,995
Auxiliary services (Note 9)	15,958,533	-	15,958,533
Other and miscellaneous fees (Note 9)	1,692,468	-	1,692,468
Net assets released from restrictions and reclassifications (Note 10)	10,703,469	(10,703,469)	-
Total revenues	95,888,069	2,255,816	98,143,885
EXPENSES			
Educational and general:			
Instruction	34,612,465	-	34,612,465
Academic support	12,163,854	-	12,163,854
Student services	13,918,357	-	13,918,357
Institutional support	16,317,867	-	16,317,867
Research	3,605,102	-	3,605,102
Auxiliary services	16,393,505	-	16,393,505
Total expenses (Note 11)	97,011,150	-	97,011,150
Change in net assets, operating	(1,123,081)	2,255,816	1,132,735
NON-OPERATING			
Investment return, net of amount available to support current operations (Note 5)	(4,105,649)	(5,388,969)	(9,494,618)
Loss from write-off of contribution receivable	-	(2,228,243)	(2,228,243)
Change in net assets	(5,228,730)	(5,361,396)	(10,590,126)
NET ASSETS			
Beginning	68,121,990	47,286,166	115,408,156
Ending	$ 62,893,260	$ 41,924,770	$ 104,818,030

The Notes to Consolidated Financial Statements are an integral part of these statements.

MARYMOUNT UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
REVENUES			
Tuition and fees	$ 91,774,368	$ -	$ 91,774,368
Less financial aid	(25,158,759)	-	(25,158,759)
Net tuition and fees (Note 9)	66,615,609	-	66,615,609
Contributions and grants	333,398	750,509	1,083,907
Grants – COVID-19 relief (Note 18)	-	4,218,245	4,218,245
Endowment income, available to support current operations (Note 5)	796,912	1,293,440	2,090,352
Investment income, other	183,733	-	183,733
Auxiliary services (Note 9)	12,753,109	-	12,753,109
Other and miscellaneous fees (Note 9)	3,072,570	-	3,072,570
Net assets released from restrictions and reclassifications (Note 10)	5,937,430	(5,937,430)	-
Total revenues	89,692,761	324,764	90,017,525
EXPENSES			
Educational and general:			
Instruction	32,022,800	-	32,022,800
Academic support	8,414,619	-	8,414,619
Student services	16,227,535	-	16,227,535
Institutional support	15,936,329	-	15,936,329
Research	1,535,243	-	1,535,243
Auxiliary services	13,657,631	-	13,657,631
Total expenses (Note 11)	87,794,157	-	87,794,157
Change in net assets, operating	1,898,604	324,764	2,223,368
NON-OPERATING			
Investment return, net of amount available to support current operations (Note 5)	4,036,157	6,330,374	10,366,531
Loss from write-off of contribution receivable	-	(458,756)	(458,756)
Change in net assets	5,934,761	6,196,382	12,131,143
NET ASSETS			
Beginning	62,187,229	41,089,784	103,277,013
Ending	$ 68,121,990	$ 47,286,166	$ 115,408,156

The Notes to Consolidated Financial Statements are an integral part of these statements.

MARYMOUNT UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ (10,590,126)	$ 12,131,143
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and noncash items:		
Contributions and investment income restricted for plant expansion and endowment	(948,401)	(1,362,335)
Net realized and unrealized (gains) losses on investments	8,231,800	(11,870,900)
Deferred loan costs amortization and writeoff	86,251	86,249
Bond premium amortization	(152,504)	(152,504)
Depreciation and amortization	7,219,847	7,162,873
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	(2,737,641)	(2,252,205)
Contributions receivable	2,365,951	1,064,764
Deferred lease incentive	419,171	462,817
Increase (decrease) in:		
Accounts payable, accruals, and other liabilities	(278,509)	577,463
Deposits and deferred revenue	(654,430)	(877,449)
Net cash provided by operating activities	2,961,409	4,969,916
INVESTING ACTIVITIES		
Change in notes receivable, net	-	69,928
Change in U.S. government grants refundable	(54,283)	(84,204)
Purchases of land, buildings, and equipment, net of debt and accounts payable incurred	(5,985,946)	(4,838,778)
Change in investments, net of proceeds from sales	957,195	1,280,671
Net cash used in investing activities	(5,083,034)	(3,572,383)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	948,401	1,362,335
Payments of debt	(2,880,120)	(2,907,298)
Net cash used in financing activities	(1,931,719)	(1,544,963)
Decrease in cash and cash equivalents	(4,053,344)	(147,430)
CASH AND CASH EQUIVALENTS, including cash restricted by debt agreement		
Beginning	19,959,793	20,107,223
Ending	$ 15,906,449	$ 19,959,793
SUPPLEMENTAL DISCLOSURES INFORMATION		
Cash payments for interest	$ 8,305,521	$ 7,079,760
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchases of land, buildings, and equipment included in accounts payable	$ 1,433,742	$ -

The Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1. Reporting Entity and Significant Accounting Policies

Reporting entity

Marymount University (the "University"), an independent, comprehensive Catholic university, combines the liberal arts tradition with career preparation. The University was founded in 1950 and is associated with the Religious of the Sacred Heart of Mary. The University is located in Arlington, Virginia, minutes from Washington, D.C., and serves approximately 3,900 students through its main campus, its Ballston campus, and through outreach activities in Northern Virginia. The University's charter allows up to a 35-member Board of Trustees (the "Board"), who are appointed for three-year terms. The University offers a wide range of graduate and undergraduate degree programs.

In 2015, the University formed Marymount NBG Ground Lessor LLC (the "LLC"), a limited liability company. The LLC was formed for the purpose of holding the residential parcel of the Ballston property that was subject to a ground lease and all the activities related to the ground lease. The ground lease is further discussed in Note 16. The University owns 100% membership interest in the LLC. As a result of this ownership interest, financial accounting standards require the LLC to be consolidated by the University for financial reporting purposes. All transactions between the University and the LLC were eliminated upon consolidation.

The significant accounting policies followed by the University are described below:

Basis of financial consolidated statement presentation and accounting

The consolidated financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of consolidated financial statements in conformity with 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying consolidated financial statements present information regarding the University's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled by action of the University pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

(Continued)

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Recent accounting pronouncement

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in September 2020. This ASU requires contributed nonfinancial assets to be presented separately from contributed financial assets on the statement of activities. ASU 2020-07 also requires the disclosure of contributed nonfinancial assets by type; whether contributed nonfinancial assets were utilized during the reporting period; the valuation techniques used, donor-imposed restrictions on, and the University's policy for monetizing contributed nonfinancial assets, as applicable. The University adopted this guidance effective June 1, 2021 on the retrospective basis. The adoption of ASU 2020-07 did not result in any significant changes to the accounting for the University's contributed nonfinancial assets.

Cash and cash equivalents

The University considers all highly liquid investments with an original maturity of three months or fewer when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is included with endowment assets or classified as funds held for investment in land, buildings, and equipment or funds held in reserves.

The University follows the common cash management practice of consolidating certain operating cash and cash equivalent accounts, which includes various designated and restricted current operating and plant accounts. As a result of this practice, cash and cash equivalents specifically associated with the original gift of certain designated and restricted monies can be spent from the consolidated account. When this occurs, the activity is accounted for by maintaining receivables and payables between the net asset classes. The University has sufficient funds without donor restrictions to cover the receivables and payables, as applicable, of the designated or restricted net assets.

Student, grant, and other receivables

Student receivables are stated at the amount the University expects to collect from outstanding balances. The University provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its experience and other circumstances, which may affect the ability of students to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The University considers student receivable balances in excess of 90 days past due accounts. The University does not charge interest on past due balances. At June 30, 2022 and 2021, the University had balances in excess of 90 days of approximately $7.2 million and $6.7 million, respectively.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values. The fair values of investments in equities, bonds, U.S. government securities, exchange traded mutual funds, and short-term assets is determined by reference to quoted market prices and other relevant information generated by market transactions. Net unrealized and realized gains or losses are reflected on the consolidated statements of activities.

Gifts of investments are recorded at their fair values (based upon quotations or appraisals) at the date of the gift. Purchases and sales of investments are recorded on the trade date.

Income and realized and unrealized net gains on investments of endowment and similar net asset classes are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of an endowment fund to be held in perpetuity or if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;
- As increases in net assets without donor restrictions in all other cases.

Land, buildings, and equipment

Land, buildings, and equipment are stated at cost at the date of acquisition or at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets.

Equipment is removed from the records and any gain or loss is recognized at the time of disposal. Expenditures for new construction, major renewals, replacements, and equipment exceeding $5,000 are capitalized.

Collections are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for, and preserved.

The University recognizes costs related to planned major maintenance activities as costs are incurred.

Asset retirement obligations (AROs)

An ARO is a legal liability to the University for the cost of retiring a tangible long-lived asset (e.g., a building containing asbestos) that results from the acquisition, construction, or development and/or normal operation of the long-lived asset. A conditional ARO is a legal obligation in which the timing and/or method of retirement are conditional on a future event that may or may not be within the control of the University. To reasonably estimate these liabilities, the University must be able to determine (1) the settlement date – the estimated date or range of dates that disposal is anticipated or legally required and (2) the settlement method – how the disposal will take place. The University follows the policy of recording the fair values of such liabilities when they can be reasonably estimated.

(Continued)

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Accrued compensation

The University accrues for salaries and all other compensation earned but not paid.

Student and other deposits

Deposits and student fees applicable to academic sessions subsequent to the current year are deferred and recognized as revenues in subsequent periods.

Notes receivable, government student loans, and U.S. government grants refundable

The University participates in the Federal Perkins Loan and the Nursing Student Loan programs sponsored by the U. S. government. Under these programs, funds are loaned to qualified students and may be re-loaned after collection. The authority to make new Perkins loans ended on September 30, 2017. Student loan receivables related to these programs are recorded as notes receivable. The portion of those funds contributed by the U.S. government (i.e., exclusive of the University's match funds) is ultimately refundable to the government.

Split-interest agreements

The University participates in various split-interest agreements that are unconditional and irrevocable. These arrangements are established when a donor makes a gift to the University or a trust in which the University shares benefits with other beneficiaries. Generally, the University accounts for these agreements by recording its share of the related assets at fair-market value (which approximates the present value of the estimated future cash receipts). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities.

If the University holds the assets or is the trustee, the assets are included on the consolidated statements of financial position as investments, and the related liabilities are included in accounts payable, accruals, and other liabilities. If a third party is the trustee until the termination of the trust and then the remaining assets are transferred to the beneficiaries, the assets less related liabilities are included in contributions receivable. The fair value of funds held in trust by others is determined by the present value of estimated future cash flows.

Net asset classifications of institutional funds

The University holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). "Endowment" is a commonly used term to refer to the resources, including trusts and annuities, that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the University's activities. The University's endowment consists of approximately 100 individual funds established for a variety of purposes. As titled, UPMIFA provides guidance and applicable regulations relative to the management of applicable funds.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

<u>Net asset classifications of institutional funds</u> (Continued)

In response to UPMIFA, the University adopted the provisions of accounting guidance for the net asset classification of donor-restricted endowment funds for an organization that is subject to UPMIFA including the required related financial statement disclosures.

Interpretation of UPMIFA

The Board has interpreted UPMIFA 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. Accordingly, the University classifies as net assets with donor restrictions the historical value of donor-restricted "true" endowment funds, which includes (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable, at the time the accumulation is added to the fund.

Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted "true" endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the University and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the investment policies of the University.

Return Objectives and Risk Parameters

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 the purchasing power of the endowment assets. Endowment assets include those of donor-restricted funds that organizations must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark in excess of the consumer price index (CPI) plus 4.5% while assuming a moderate level of investment risk. The University expects its endowment funds to provide an average annual rate of return of approximately 4.5% plus inflation (measured by the CPI). Actual returns in any given year may vary from this amount.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Net asset classifications of institutional funds (Continued)

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 on its endowment investments that places emphasis on global equities, global fixed income securities, real assets, and diversifying assets in the following ranges to achieve its long-term return objectives within prudent risk constraints.

	Minimum	Target	Maximum
Equity	50 %	65 %	75 %
Fixed income	5	25	45
Alternative investments	-	8	10
Cash and cash equivalents	-	2	5

Spending Policy and How the Investment Objectives Relate to Spending Policy

On University-held investments, the University employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and to increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. For the years ended June 30, 2022 and 2021, the Board-approved spending formula for the endowment provided for an annual spending rate of not more than 4.5% and 4.0%, respectively, of the average of the prior three years' June 30 endowment market values, except on those funds that were "underwater." If cash yield (interest and dividends) is less than the spending rate, realized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment. The spending rate on funds held in trust by others is determined by the respective trust document or trust administrator.

Funds with Deficiencies ("Underwater" Funds)

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 the University to retain as a fund of perpetual duration, due to market fluctuations or other draws on the endowment. There were no such deficiencies as of June 30, 2022 and 2021.

Revenue recognition

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. Unconditional promises to give without donor restrictions are recognized as operating revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Contributions (Continued)

Conditional promises to give are not recognized until they become unconditional, i.e., when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed in service, or when the contribution is received, if the asset has already been placed in service.

Tuition and auxiliary revenue

The University's primary source of revenue is tuition and fees generated by providing undergraduate and graduate academic programs to approximately 3,900 students. Tuition and fees revenues are recognized over the term of the semester in which the academic instruction is provided in an amount the University expects to receive in exchange for the services.

The University receives auxiliary services revenue by providing housing and dining services to students. The revenue for these services is recognized over the term of the semester in which the housing and dining services are provided in an amount the University expects to receive in exchange for the services.

Enrollment in the University constitutes a contract binding the students for the stated charges for the semester. The University bills students for tuition and fees and housing and dining services prior to the start of the semester. Payments must be received by the published financial clearance deadline prior to the start of each semester. The University offers a payment plan for qualifying students that allows payment on a monthly basis as an alternative to traditional lump sum payments. Students who withdraw completely by the end of the first week of the semester receive a 100% refund of tuition and fees. A 75% refund of tuition only is made to students withdrawing by the end of the second week. A 50% refund of tuition only is made to students withdrawing by the end of the third week, and no refund is made to students withdrawing after the third week. The amount of revenue recognized is reduced by refunds issued.

The University receives payment for conferences and camps prior to the date of the activity which is recorded as deferred revenue. Revenue is recognized over the period the conference or camp occurs.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Operations

Operating activities on the consolidated statements of activities illustrate a measure of how the University is maintaining the resources available for its "current operations." Operations reflect all transactions increasing or decreasing net assets without donor restrictions. Net assets with donor restrictions that are released from restrictions that satisfy an operating purpose and transfers from Board-designated and other non-operating funds to support current operating activities are also classified as operating.

In accordance with the University's total return policy, only the portion of total investment return available under this policy to meet operating needs is included in operating revenues on the consolidated statements of activities. Additionally, the portion of total investment return available to support current operations under the University's total return policy excludes cash flows from operating activities; only the actual cash yield is included in cash flows from operating activities.

Costs related to the operation and maintenance of the physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic inventories of facilities. Interest expense on external debt is allocated to the activities that have most directly benefited from the proceeds of the external debt.

Advertising costs

The University follows the policy of charging advertising costs to expense as incurred.

Fair value measurements

The University carries various assets and liabilities at fair value, defined 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. In determining fair value, a market-based approach is used which establishes that fair value is based on the "highest and best use." Additionally, in accordance with the accounting guidance, the University categorizes its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

(Continued)

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Fair value measurements (Continued)

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value. It was not considered practical to determine the fair value of notes receivable from students under U.S. government loan programs and related government advances because the notes receivable are non-marketable and can only be assigned to the U.S. government or its designees. These installment notes are due over terms of 10 years, with interest at 5% per annum, and are carried at face value. Based upon current borrowing rates available to the University for similar borrowings, the carrying value of long-term debt approximates fair value.

Credit risk concentrations

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, short-term investments, marketable securities, student accounts receivable, and loans receivable. The University places its short-term investments with high-credit, quality financial institutions. A portion of the University's bank deposits are in excess of federally insured limits. Concentration of credit risk for marketable securities is limited by the University's policy of diversification of investments. Concentration of credit risk for student accounts receivable and loans receivable are limited due to a large base and geographic dispersion.

Income taxes

The University is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*.

Reclassifications

Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation.

Subsequent events

Subsequent events were considered through November 25, 2022, the date the consolidated financial statements were available to be issued.

Note 2. Financial Assets and Liquidity Resources

As part of the University's liquidity management, it invests cash in excess of amounts required for operations in money markets, mutual funds, bonds, and equity securities in accordance with the University's investment policy. To help manage liquidity needs, the University has a quasi-endowment. Although the University does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget and appropriation, amounts from its quasi-endowment could be made available by action of the Board, if necessary. Accordingly, the quasi-endowed portion of the University's investments is included within the portion of investments without donor restrictions in the following schedule to arrive at the total financial assets available to meet cash needs for general expenditure within one year of the consolidated statements of financial position date.

As of June 30, financial assets available within one year of the consolidated statements of financial position date for general expenditure were as follows:

	2022	2021
Cash and cash equivalents, other	$ 6,364,629	$ 10,458,444
Student receivables, net of allowance for doubtful accounts and defaulted accounts	7,179,918	5,749,230
Contributions receivable, net due within one year without donor restrictions on the use of funds	94,354	1,033,500
Portion of investments without donor restrictions	17,990,470	22,114,115
	$ 31,629,371	$ 39,355,289

To help manage unanticipated liquidity needs, the University has a revolving line of credit in the amount of $2.5 million which it could draw upon. This line has a 12-month term subject to annual renewal.

Note 3. Receivables and Other Assets

Receivables and other assets consisted of the following as of June 30:

	2022	2021
Student receivables	$ 11,115,211	$ 11,980,960
Less allowance for doubtful accounts	(3,186,691)	(2,450,134)
	7,928,520	9,530,826
Prepaid expenses	2,374,275	1,693,304
Amounts due from various government agencies	1,520,417	833,096
Conference center receivable	-	(4,683)
Miscellaneous receivables	1,725,589	163,959
Rent receivable	773,767	797,360
Cash value of life insurance	361,847	274,912
Timeshare	11,000	11,000
Rixey refundable advance	1,342,000	-
	$ 16,037,415	$ 13,299,774

(Continued)

Note 4. Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	2022	2021
Unconditional promises to give cash	$ 3,333,256	$ 5,699,207
Charitable remainder trusts held by others	515,045	515,045
Total	$ 3,848,301	$ 6,214,252
Expected to be collected in:		
Less than one year	$ 1,011,839	$ 2,754,869
One to five years	1,193,933	2,235,000
More than five years	2,390,046	2,105,045
	4,595,818	7,094,914
Less:		
Discount to net present value at 1.2% – 2.3%	(647,517)	(780,662)
Allowance for uncollectible contributions	(100,000)	(100,000)
	$ 3,848,301	$ 6,214,252

All contributions are classified in the net assets with donor restrictions class for time and/or purpose restrictions.

Contributions received from two donors comprised 33% and 62% of total contributions for the years ended June 30, 2022 and 2021, respectively, as reported on the consolidated statements of activities. Additionally, gross contributions receivable from five donors and four donors accounted for 72% and 68% of total gross contributions receivable as of June 30, 2022 and 2021, respectively.

Note 5. Investments and Funds Held in Trust by Others

Investments and funds held in trust by others were comprised of the following as of June 30:

	2022		2021	
Equity securities:				
Mutual funds:				
U.S. small to large cap	$ 13,862,127	34.8%	$ 18,032,767	36.6%
International – developed and emerging markets	7,498,543	18.8	10,338,543	21.0
Total equity securities	21,360,670	53.6	28,371,310	57.6
Fixed income securities:				
High yield	1,672,955	4.2	1,904,278	3.9
Multi-asset class	13,992,442	35.1	16,149,770	32.8
Mutual funds	672,819	1.7	690,591	1.4
Total fixed income securities	16,338,216	41.0	18,744,639	38.1
Other:				
Cash and cash equivalents	2,166,905	5.4	2,148,367	4.3
Total other	2,166,905	5.4	2,148,367	4.3
	39,865,791	100.0%	49,264,316	100.0%
Clare Boothe Luce Fund – funds held in trust by others	9,420,321		9,210,791	
	$ 49,286,112		$ 58,475,107	

The ownership of investments and funds held in trust by others for each class of net assets as of June 30 were as follows:

	2022	2021
Without donor restrictions	$ 17,990,470	$ 22,114,115
With donor restrictions	31,295,642	36,360,992
	$ 49,286,112	$ 58,475,107

Note 5. Investments and Funds Held in Trust by Others (Continued)

The market values of investment asset classifications were as follows as of June 30:

	2022	2021
Endowment	$ 49,237,543	$ 58,426,313
Operating and plant	48,569	48,794
	$ 49,286,112	$ 58,475,107

The University has various investment vehicles with carrying values that fluctuate with the financial markets. As a result, the value of such investments may have declined from year end values and that decline could be material.

The activity in investments and funds held in trust by others for the years ended June 30 is reflected in the table below:

	2022	2021
Investments and funds held in trust by others, beginning	$ 58,475,107	$ 47,884,878
Gifts available for investment and investment income reinvestment	414,750	355,870
	58,889,857	48,240,748
Investment returns		
Dividends and interest	980,261	588,969
Investment return, net of amount available to support current operations per consolidated statements of activities	(9,494,618)	10,366,531
Less cash yield in excess of spending	1,262,818	1,504,369
Net realized and unrealized gains (losses)	(8,231,800)	11,870,900
Total return on investments	(7,251,539)	12,459,869
Amounts appropriated for operations, net transfers to operational accounts and other activity	(2,352,206)	(2,225,510)
Investments and funds held in trust by others, ending	$ 49,286,112	$ 58,475,107

Note 5. Investments and Funds Held in Trust by Others (Continued)

Investment returns for the years ended June 30, 2022 and 2021 are net of related management and custodial expenses of $145,773 and $177,508, respectively.

The following summarizes long-term investment return and its classification on the consolidated statements of activities for the years ended June 30:

	2022	2021
Endowment investment income, net of expenses	$ 980,261	$ 588,879
Net realized and unrealized gains (losses) on investments	(8,231,800)	11,868,004
Endowment total return	(7,251,539)	12,456,883
Other investment income, net of expenses	-	90
Other net realized and unrealized gains (losses) on investments	-	2,896
Total return on investments	$ (7,251,539)	$ 12,459,869
Amount available to support current operations in accordance with the University's and the Henry Luce Foundation, Inc.'s spending policies	$ 2,243,079	$ 2,090,352
Other amounts available to support current operations included in investment income, other	-	2,986
Investment return, net of amount available to support current operations	(9,494,618)	10,366,531
	$ (7,251,539)	$ 12,459,869

Clare Boothe Luce Fund

The University is the beneficiary of an original endowment bequest of a $3 million share of the Clare Boothe Luce Fund. The share remains in a trust administered by the Henry Luce Foundation, Inc. (the "Foundation") and is subject to normal prudent investment standards. Accordingly, the original share of the bequest and unrealized gains and income thereon are included in net assets with donor restrictions. Under the endowment terms, the income distribution is to be used to encourage women to enter, study, graduate, and teach in certain scientific and technological fields in which they have been historically underrepresented.

Note 5. Investments and Funds Held in Trust by Others (Continued)

Clare Boothe Luce Fund (Continued)

According to the will, each designated participant of 14 institutions, including the University, is to receive the income due to it in each calendar year. When the income distribution is received, it is placed in an interest-bearing escrow account by the University. Transactions in the escrow account included in investments as cash and cash equivalents during the years ended June 30 are summarized below:

	2022	2021
Opening balance, beginning	$ 5,472	$ 364,474
Investment earnings on escrow account	(192)	(2)
Cash received	414,750	331,000
Approved expenditures	(323,616)	(690,000)
Other	(91,133)	-
Closing balance, ending	$ 5,281	$ 5,472

Note 6. Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at June 30:

	Estimated Useful Life	2022	2021
Land improvements	10 – 20 years	$ 5,053,237	$ 4,580,266
Buildings and improvements	10 – 50 years	212,908,226	209,660,538
Furniture and equipment	4 – 10 years	35,706,254	32,049,288
Library collection	10 years	17,793,511	17,751,170
Donated assets	4 – 10 years	61,396	61,396
Collections	50 years	248,090	248,090
Leased equipment	1 – 5 years	2,806,509	2,806,509
		274,577,223	267,157,257
Accumulated depreciation and amortization		(113,103,667)	(105,883,542)
		161,473,556	161,273,715
Land		10,421,076	10,421,076
		$ 171,894,632	$ 171,694,791

Note 7. Debt

The University's debt consisted of the following as of June 30:

	2022	2021
The University borrowed funds by issuing tax-exempt bonds through the Virginia College Building Authority Educational Facilities Revenue and Refunding Bonds (the "Authority"), Series 2015A. Interest is payable semi-annually with rates ranging from 4% to 5% over the term of the bonds (5% at June 30, 2022 and 2021). Principal maturities range from \$1.1 million to \$3.865 million through July 2045. The University has a promissory note with the Authority in the principal amount of the bonds. Secured by a deed of trust on certain real property.	\$ 56,225,000	\$ 57,625,000
The University borrowed funds by issuing tax-exempt bonds through the Authority; Series 2015B, Green Bonds. Interest is payable semi-annually with rates ranging from 5.00% to 5.25% over the term of the bonds (5.00% to 5.25% at June 30, 2022 and 2021). Principal maturities range from \$1.030 million to \$35.915 million beginning July 2019 through July 2045. The University has a promissory note with the Authority in the principal amount of the bonds. Secured by a deed of trust on certain real property.	63,560,000	64,700,000
Note payable with a bank to refinance debt of the LLC, payable with monthly payments of principal and interest of \$85,641 through June 2025, at which time the balance is due in full. Interest is at a fixed rate of 5.2% per annum. The note is secured by a deed of trust on certain property.	14,717,268	14,960,673

(Continued)

Note 7. Debt (Continued)

The University's debt consisted of the following as of June 30: (Continued)

	2022	2021
Note payable with a bank, payable with monthly payments of $10,517 including interest of 4.75% through June 2044, at which time the balance is due in full. The note is secured by a deed of trust on a house.	1,904,170	1,904,170
Capital lease obligations, due in monthly and quarterly installments, with total annual payments of approximately $169,007 including interest at rates ranging up to 5.6%, maturing through January 2023, collateralized by equipment with a net book value of $52,595 and $161,220 at June 30, 2022 and 2021, respectively.	74,474	171,189
	136,480,912	139,361,032
Original issue premium on Authority debt	3,508,912	3,661,416
Unamortized deferred loan costs	(2,029,767)	(2,116,018)
	$ 137,960,057	$ 140,906,430

Debt matures as follows:

	Debt	Amortization of Premium	Amortization of Deferred Loan Costs	Total
Years ending June 30:				
2023	$ 2,994,998	$ 152,504	$ (86,251)	$ 3,061,251
2024	3,070,661	152,504	(86,251)	3,136,914
2025	17,166,668	152,504	(86,251)	17,232,921
2026	3,126,860	152,504	(86,251)	3,193,113
2027	3,278,189	152,504	(86,251)	3,344,442
2028 and thereafter	106,843,536	2,746,392	(1,598,512)	107,991,416
	$ 136,480,912	$ 3,508,912	$ (2,029,767)	$ 137,960,057

Amortization of the deferred loan costs is reported as interest expense on the consolidated statements of activities. Amortization is calculated on the straight-line basis over the term of the related financing agreement.

The Authority's debt, along with the note payable to the bank obtained to refinance the LLC's debt, includes various covenants comprised of certain financial ratios and benchmarks. As of June 30, 2022, the University is not aware of any violations of the covenants.

Note 7. Debt (Continued)

Under the terms of the Series 2015A and Series 2015B bond agreements, the University is required to set aside funds for principal and interest payments. The total amounts set aside at June 30, 2022 and 2021 for the Series 2015A bonds were $4,573,839 and $4,554,337, respectively. The total amounts set aside at June 30, 2022 and 2021 for the Series 2015B bonds were $4,967,981 and $4,946,850, respectively. These amounts are included in cash and cash equivalents.

Interest expense for the years ended June 30 was as follows:

	2022	2021
Expensed	$ 6,835,335	$ 7,018,253
Capitalized, excluding interest income netted	-	-
	$ 6,835,335	$ 7,018,253

The University has a $2.5 million unsecured revolving line of credit with United Bank. This line of credit bears interest at a taxable floating interest rate equal to 1-month Term SOFR plus 2.70%, adjustable monthly and subject to a floor of 2.75%. There were no borrowings against this line at June 30, 2022. The line has a 12-month term subject to annual renewal.

Note 8. Net Assets

Net assets as of June 30 consisted of the following:

	2022	2021
Without donor restrictions:		
Funds functioning as endowment – Board-designated	$ 17,941,901	$ 22,065,321
Investment in land, buildings, and equipment, net of debt	34,862,153	35,613,169
Amounts to be used for future operations	10,089,206	10,443,500
Total net assets without donor restrictions	62,893,260	68,121,990
With donor restrictions:		
Subject to expenditure for specific purposes and time:		
Available for the following purposes or periods:		
Financial aid, general operations, and maintenance or investment in land, buildings, and equipment	10,537,995	10,925,174
Term endowments	17,545,509	21,708,419
Accumulated endowment investment return, net of amounts spent – restricted for financial aid and operations	2,181,330	3,202,167
	30,264,834	35,835,760
Restricted in perpetuity, the income from which is expendable to support the following:		
Financial aid	2,239,615	2,239,615
Programs and operations	9,420,321	9,210,791
	11,659,936	11,450,406
Total net assets with donor restrictions	41,924,770	47,286,166
Total net assets	$ 104,818,030	$ 115,408,156

(Continued)

Note 9. Revenues

The following table shows the University's revenues disaggregated by service type:

	2022	2021
Tuition and fees, net	$ 65,778,300	$ 66,615,609
Auxiliary services:		
Housing services	$ 9,470,888	$ 8,861,171
Dining services	2,582,203	1,527,549
Camp income	460,253	115,642
Conference center income	319,874	-
Rental income	2,291,211	2,111,456
Other income	834,104	137,291
	$ 15,958,533	$ 12,753,109
Other and miscellaneous fees:		
Student fees and deposits	$ 1,464,824	$ 2,571,704
Other income	227,644	500,866
	$ 1,692,468	$ 3,072,570

Tuition and fees includes regular session tuition for the University's undergraduate and graduate regular and summer sessions, as well as miscellaneous fees such as lab fees and instructional materials. Fees directly related to instruction for the years ended June 30 were as follows:

	2022		2021	
Tuition and fees, undergraduate	$ 65,587,793	100.0%	$ 65,824,973	100.0%
Less scholarship allowances:				
Non-funded	(26,591,518)	(40.5)	(23,924,998)	(36.3)
Funded	(852,483)	(1.3)	(917,106)	(1.4)
	(27,444,001)	(41.8)	(24,842,104)	(37.7)
Tuition and fees, undergraduate, net	38,143,792	58.2%	40,982,869	62.3%
Tuition and fees, graduate	27,983,012		25,949,395	
Less scholarship allowances, non-funded	(348,504)		(316,655)	
Tuition and fees, graduate, net	27,634,508		25,632,740	
Total tuition and fees, net	$ 65,778,300		$ 66,615,609	

Note 9. Revenues (Continued)

	2022		2021	
Tuition and fees:				
Undergraduate	$ 65,587,793	70.1%	$ 65,824,973	71.7%
Graduate	27,983,012	29.9	25,949,395	28.3%
Total tuition and fees	$ 93,570,805	100.0%	$ 91,774,368	100.0%
Scholarship allowances:				
Undergraduate	$ (27,444,001)		$ (24,842,104)	
Graduate	(348,504)		(316,655)	
Total scholarship allowances	$ (27,792,505)		$ (25,158,759)	

Financial aid is awarded to students based upon need and merit and is applied to billed tuition and fees. Financial aid does not include payments made to students for services rendered to the University. However, the University does participate in work-study programs; these expenses, which totaled $196,664 and $160,956 for the years ended June 30, 2022 and 2021, respectively, are included in the appropriate functional expense categories on the consolidated statements of activities. Of these amounts, the federal government contributed $196,664 and $160,956 for the years ended June 30, 2022 and 2021, respectively.

The University's contract assets and liabilities consisted of the following at June 30:

	2022	2021	2020
Accounts receivable – students	$ 8,655,558	$ 9,530,826	$ 9,066,441
Notes receivable – students	479,077	479,077	549,005
Deferred revenue and fees	(2,552,382)	(3,036,855)	(4,357,237)

The increases and decreases in accounts receivable and deferred revenue were primarily due to normal timing differences between the University's performance and the students' payments.

Notes receivable are due over 10 years. Students begin making payments after the University has fulfilled its performance obligation.

For the years ended June 30, 2022 and 2021, the University recognized revenue of $3.0 million and $4.4 million, respectively, from amounts that were included in deferred revenue and fees at the beginning of each year.

Note 10. Net Assets Released from Restrictions and Reclassifications

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30:

	2022	2021
Operating:		
Financial aid and scholarships (funded)	$ 852,483	$ 917,106
General operations and maintenance	1,678,273	686,819
COVID-19 relief qualifying expenses	7,249,990	4,218,245
Buildings and equipment	33,023	59,146
Expiration of time restrictions	889,700	56,114
	$ 10,703,469	$ 5,937,430

Note 11. Expenses

The table below presents expenses by both their nature and function for the year ended June 30, 2022:

	Program Services							
	Instruction	Academic Support	Student Services	Research	Auxiliary Enterprises	Total	Institutional Support	Total
Salaries and wages	$ 17,177,451	$ 5,263,927	$ 3,564,067	$ 2,783,318	$ 2,332,675	$ 31,121,438	$ 5,563,025	$ 36,684,463
Employee benefits, including payroll taxes	2,977,971	1,038,717	637,520	557,681	364,759	5,576,648	822,862	6,399,510
Depreciation and amortization	2,769,138	670,194	1,511,841	-	1,602,764	6,553,937	665,910	7,219,847
Interest	3,553,228	146,486	2,164,368	-	820,731	6,684,813	150,522	6,835,335
Dining	-	-	-	-	2,049,165	2,049,165	-	2,049,165
Maintenance and repairs	491,824	1,235,629	477,720	9,418	1,800,851	4,015,442	1,214,978	5,230,420
Utilities	340,649	156,644	536,359	-	14,203	1,047,855	172,191	1,220,046
Housekeeping	29,296	9,791	33,071	-	89,946	162,104	10,520	172,624
Supplies	439,720	84,251	231,279	9,910	109,459	874,619	40,755	915,374
Postage and printing	64,049	72,503	28,059	2,733	7,882	175,226	123,424	298,650
Rent	1,611,002	29,552	19,302	-	5,681,306	7,341,162	52,855	7,394,017
Dues, subscriptions, and books	242,497	990,589	93,305	4,639	16,942	1,347,972	370,699	1,718,671
Insurance	104,048	26,515	45,945	-	92,737	269,245	1,254,152	1,523,397
Advertising	4,219	106,174	2,991	1,973	1,362	116,719	298,518	415,237
Travel	665,724	85,242	285,763	2,837	171,156	1,210,722	250,825	1,461,547
Student aid	112,490	51,272	3,086,158	-	411,029	3,660,949	-	3,660,949
Other	4,029,159	2,196,368	1,200,609	232,593	826,538	8,485,267	5,326,631	13,811,898
Total	$ 34,612,465	$ 12,163,854	$ 13,918,357	$ 3,605,102	$ 16,393,505	$ 80,693,283	$ 16,317,867	$ 97,011,150

Note 11. Expenses (Continued)

The table below presents expenses by both their nature and function for the year ended June 30, 2021:

	Program Services							
	Instruction	Academic Support	Student Services	Research	Auxiliary Enterprises	Total	Institutional Support	Total
Salaries and wages	$ 18,040,675	$ 3,722,213	$ 4,839,129	$ 1,534,837	$ 1,241,235	$ 29,378,089	$ 6,102,179	$ 35,480,268
Employee benefits, including payroll taxes	3,915,227	738,817	976,662	-	179,838	5,810,544	987,470	6,798,014
Depreciation and amortization	2,805,818	708,331	1,469,563	-	1,553,214	6,536,926	625,947	7,162,873
Interest	3,585,575	148,661	2,201,347	-	857,487	6,793,070	225,183	7,018,253
Dining	8,675	28	52,274	406	2,165,034	2,226,417	28,745	2,255,162
Maintenance and repairs	823,877	322,981	1,547,706	-	195,763	2,890,327	1,499,495	4,389,822
Utilities	297,567	140,832	478,767	-	-	917,166	149,291	1,066,457
Housekeeping	276,437	127,889	639,025	-	57,872	1,101,223	128,853	1,230,076
Supplies	213,056	43,785	245,717	-	69,355	571,913	75,322	647,235
Postage and printing	44,456	4,499	59,421	-	20,284	128,660	113,453	242,113
Rent	1,278,357	-	121,495	-	5,369,029	6,768,881	12,186	6,781,067
Dues, subscriptions, and books	390,382	507,771	57,591	-	79,252	1,034,996	224,049	1,259,045
Insurance	11,729	5,433	52,921	-	(75,566)	(5,483)	643,255	637,772
Advertising	15,283		9,555	-	-	24,838	-	24,838
Travel	110,124	3,078	187,456	-	311	300,969	8,743	309,712
Student aid	-	-	1,026,018	-	-	1,026,018	-	1,026,018
Other	205,562	1,940,301	2,262,888	-	1,944,523	6,353,274	5,112,158	11,465,432
Total	$ 32,022,800	$ 8,414,619	$ 16,227,535	$ 1,535,243	$ 13,657,631	$ 71,857,828	$ 15,936,329	$ 87,794,157

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and operations and maintenance of physical plant, which are all allocated based on management's estimates of usage. Costs related to the operation and maintenance of the physical plant, including depreciation and interest expense, are allocated to operating programs and supporting activities as of June 30 as follows:

	2022			2021		
	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses
Instruction	$ 26,986,313	$ 7,626,152	$ 34,612,465	$ 24,418,776	$ 7,604,024	$ 32,022,800
Academic support	10,801,531	1,362,323	12,163,854	6,802,501	1,612,118	8,414,619
Student services	8,261,167	5,657,190	13,918,357	10,438,143	5,789,392	16,227,535
Institutional support	14,939,152	1,378,715	16,317,867	14,484,448	1,451,881	15,936,329
Research	3,605,102	-	3,605,102	1,535,243	-	1,535,243
Auxiliary services	13,970,012	2,423,493	16,393,505	11,246,930	2,410,701	13,657,631
Operations and maintenance of physical plant	4,392,691	(4,392,691)	-	4,686,990	(4,686,990)	-
Depreciation and amortization	7,219,847	(7,219,847)	-	7,162,873	(7,162,873)	-
Interest expense	6,835,335	(6,835,335)	-	7,018,253	(7,018,253)	-
	$ 97,011,150	$ -	$ 97,011,150	$ 87,794,157	$ -	$ 87,794,157

Note 11. Expenses (Continued)

Allocation of costs related to the operation and maintenance of the physical plant, including depreciation and interest expense, to functional expense categories for the years ended June 30 approximated:

	2022	2021
Instruction	41.3%	40.3%
Academic support	7.4	8.5
Student services	30.7	30.7
Institutional support	7.5	7.7
Research	-	-
Auxiliary services	13.1	12.8
	100.0%	100.0%

Fundraising costs totaled $1,274,591 and $696,940 for the years ended June 30, 2022 and 2021, respectively.

Note 12. Employee Benefits

Employees of the University are eligible to participate in the contributory pension and retirement plans administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Under these defined contribution plans, contributions are fully vested, and there are no unfunded past service costs. Participating employees under 50 may voluntarily contribute up to a maximum of $19,500 of their base salary. Participating employees over 49 may voluntarily contribute up to a maximum of $26,000 of their base salary. Eligible employees may also voluntarily contribute certain catch-up contributions. The University contributed 8% of the participant's base salary for most of the year ended June 30, 2020, but elected to temporarily suspend contributions beginning in June 2020. During the year ended June 30, 2022, the University resumed their contributions. The University's contributions to the plans were $1,967,180 and $1,742,451 for the years ended June 30, 2022 and 2021, respectively. The University does not provide any other postretirement benefits to its employees.

Social Security and Medicare taxes expensed by the University were $2,473,905 and $2,341,073 for the years ended June 30, 2022 and 2021, respectively.

The University established an unfunded and unsecured, nonelective, nonqualified deferred compensation plan for a key employee. In order to defer compensation, the employee is required to perform three years of continuous service for the University extending through June 30, 2022. The deferral amount is the greater of $34,200 or an annually deferred amount based on a percentage of the key employee's salary. For the years ended June 30, 2022 and 2021, $41,412 and $40,600, respectively, was deferred under this plan.

Note 13. Commitments and Contingencies

Operating leases

The University leases office and classroom space on Fairfax Drive in Arlington, Virginia, under a lease that expires June 30, 2027. The total amount expensed for this lease was $1,597,384 and $1,540,918 for the years ended June 30, 2022 and 2021, respectively. As described in Note 16, during 2018 the University entered into a sublease with an unrelated third party for a portion of this space.

The University also has agreements for office equipment, computer and equipment maintenance, month to month leases for off-campus apartments, and automobiles. Total expense related to these agreements was $1,632,856 and $374,777 for the years ended June 30, 2022 and 2021, respectively.

The University entered into a lease agreement with a local high school for the redevelopment and use of a baseball stadium. Under this agreement, the University made two upfront lease installments of $200,000 each. These payments have been recorded as an asset and are amortized over the 15-year lease term which began during the year ended June 30, 2013.

The total future minimum rental payments under operating leases as of June 30, 2022 are as follows:

Years ending June 30:	
2023	$ 1,626,587
2024	1,671,468
2025	1,717,493
2026	1,764,630
2027	1,813,263
	$ 8,593,441

Service agreements

Effective July 1, 2016, the University entered into a management agreement with its food service provider expiring June 30, 2026. Under this agreement, the University received investments for renovations totaling approximately $2.6 million. The investments are to be recognized as revenue through amortization on a straight-line basis through June 30, 2026, with the University required to repay any unamortized amounts if the agreement is terminated. As of December 31, 2021, the University terminated the agreement and is obligated to repay $1,290,056 of these investments to the food service provider in monthly payments of $23,890 through July 1, 2026 at no interest. The University's obligations related to these transactions as of June 30, 2022 and 2021 were $1,146,716 and $1,572,828, respectively, and are included in deposits and deferred revenue on the consolidated statements of financial position.

Also included in the management agreement with the food service provider was a termination clause that stated that if the agreement is terminated for any reason prior to June 30, 2026, the University would be required to pay the food service provider a fee of $17,000 for each month remaining in the term through June 30, 2026 as of the effective date of the termination. The University's obligation to pay the termination fee was waived by the food service provider upon the termination of the agreement.

Note 13. Commitments and Contingencies (Continued)

Service agreements (Continued)

In January 2021, the University and the food service provider entered into a temporary agreement modifying the financial terms of the original agreement to address the overall impact of COVID-19, converting the Service from a profit and loss financial model to a management fee arrangement. Under this temporary agreement, the service provider will collect all gross sales from the dining services, cover all related operating costs, and a commission of 5% of net sales will be paid to Marymount. The University will pay a general support management fee of $45,000 per year.

The University entered into a contract through June 30, 2023 to operate and provide services for the University bookstore. In the event of the cancellation of the contract, the University or its successor contractor will be required to purchase the rental inventory outstanding at the time of the transition at 50% of the retail price. On an annual basis, the University will receive the applicable percentage of gross sales, as provided in the contract agreement, for bookstore services.

The University entered into a property management agreement with a third party to maintain the Ballston Campus effective July 1, 2017. The initial term was for two years and renews automatically from year to year unless terminated by either party upon written notice. Under this agreement, the University will pay the property manager an annual management fee determined by various percentages of revenue and rent received, but the amount will be no less than $75,000 and no more than $125,000. In addition to this management fee, the University is required to reimburse the property manager for all expenses related to the maintenance of the Ballston Campus including electricity; water; elevator maintenance; housekeeping; heating, ventilation, and air conditioning (HVAC) services; and other miscellaneous expenses. The total expenses paid to the property manager for the years ended June 30, 2022 and 2021 totaled $1,313,099 and $1,106,162, respectively, and have been included in operating expenses on the consolidated statements of activities.

In February of 2021, the University entered into an agreement with an enterprise cloud consulting firm for the planning, testing, deployment and support of the implementation of Workday as the University's master software. The services are scheduled to end on September 1, 2024. The total obligation for the Services at year end was $3,713,298 and $4,200,000, as of June 30, 2022 and 2021, respectively, to be billed semiannually as work is performed. Estimated payments for the services are as follows:

Years ending June 30:		
2023	$	1,400,000
2024		1,000,000
2025		856,802
2026		456,496
	$	3,713,298

Note 13. Commitments and Contingencies (Continued)

Long Bridge Park agreement

In 2010, the University entered into an agreement with Arlington County (the "County") that allows the University the use of an athletic field for the purpose of conducting games and practices for its intercollegiate teams in exchange for capital and operating contributions. This agreement has a term of 15 years. The University has made capital contributions to the County totaling $2 million in compliance with the initial agreement. In 2019, an updated agreement was entered into by the University and the County regarding the University's portion of replacement costs of the field and extension of the agreement through July 30, 2034. The University paid $200,000 towards their obligation for the 2019 replacement during the year ended June 30, 2022 and 2021 with the remaining obligation to be paid as follows:

Years ending June 30:	
2023	$ 100,000

These obligations are due by the University even in the event that the agreement is terminated prior to the due date of the last payment.

In addition, the agreement provides for the University's portion of future estimated replacement costs expected to occur in 2027 and 2035. The University's expected portion of the 2027 replacement costs is $630,000 due in equal installments of $105,000 from July 2021 to July 2026. The University's expected portion of the 2035 replacement costs is $630,000 due in equal installments of $78,750 from July 2027 to July 2034.

Other commitments and contingencies

The University has a self-insurance plan for losses related to employee health benefits. The University is obligated for claims and payments; however, a portion of the cost is recovered from participating employees. Stop loss provisions cover individual claims in excess of $175,000 and aggregate claims in excess of 125% of expected claims. Expenses related to this self-insurance plan were approximately $1,283,013 and $1,446,790 in claims, reinsurance charges, and related fees for 2022 and 2021, respectively. At June 30, 2022 and 2021, the University accrued approximately $256,000 and $217,000, respectively, for estimated incurred but not reported claims.

The University is unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to encapsulated asbestos that is not subject to abatement unless the buildings containing them are demolished and non-encapsulated asbestos that the University would remediate only if it performed major renovations on the applicable buildings. Because these conditional obligations have indeterminate settlement dates, the University could not develop a reasonable estimate of their fair values. The University will continue to assess its ability to estimate fair values at each future reporting date. The related liability, if any, will be recognized once sufficient additional information becomes available.

Note 13. Commitments and Contingencies (Continued)

Other commitments and contingencies (Continued)

From time to time, the University is named as a party in litigation arising in the normal course of business. Management believes that the outcome of any such litigation will not result in a material impact on the financial position or a change in the net assets of the University.

The University's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the University's programs and activities.

Final expenditure reports of grants and contracts submitted to certain granting agencies in current and prior years are subject to audit by such agencies. As a result, the reimbursed expenditures are subject to adjustment. The effect of such adjustments, if any, is not determinable at this time. Management is of the opinion that the liability, if any, would not have a material effect on the University's financial position.

Note 14. Endowment

A summary of assets, liabilities, and net assets of the endowment is as follows as of June 30:

	2022	2021
Assets:		
Investments	$ 39,817,222	$ 49,215,522
Funds held in trust by others	9,420,321	9,210,791
Due from other funds	91,133	-
Total assets	$ 49,328,676	$ 58,426,313
Net assets:		
Without donor restrictions:		
Quasi-endowment	$ 17,941,901	$ 22,065,321
With donor restrictions:		
Term endowments	17,545,509	21,708,419
Accumulated endowment investment return, net of amounts spent restricted for financial aid and operations	2,181,330	3,202,167
Endowment – college held	2,239,615	2,239,615
Funds held in trust by others	9,420,321	9,210,791
	31,386,775	36,360,992
Total net assets	$ 49,328,676	$ 58,426,313

Note 14. Endowment (Continued)

The University's endowment consisted of the following net assets as of June 30:

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:						
Original donor-restricted gift amount and amounts to be maintained in perpetuity	$ -	$ 2,239,615	$ 2,239,615	$ -	$ 2,239,615	$ 2,239,615
Accumulated investment return	-	19,726,839	19,726,839	-	24,910,586	24,910,586
Funds held in trust by others	-	9,420,321	9,420,321	-	9,210,791	9,210,791
Board-designated endowment funds	17,941,901	-	17,941,901	22,065,321	-	22,065,321
Total endowment net assets	$ 17,941,901	$ 31,386,775	$ 49,328,676	$ 22,065,321	$ 36,360,992	$ 58,426,313

Changes in the University's endowment as of June 30 were as follows:

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, Beginning	$ 22,065,321	$ 36,360,992	$ 58,426,313	$ 18,395,100	$ 29,305,914	$ 47,701,014
Investment return:						
Investment income	432,167	548,094	980,261	271,067	317,812	588,879
Realized and unrealized gains (losses)	(3,719,388)	(4,512,412)	(8,231,800)	4,562,002	7,306,002	11,868,004
Total investment return	(3,287,221)	(3,964,318)	(7,251,539)	4,833,069	7,623,814	12,456,883
Contributions	-	414,750	414,750	-	355,870	355,870
Appropriation for expenditure	(818,428)	(1,424,651)	(2,243,079)	(796,912)	(1,293,440)	(2,090,352)
Reclassifications and other	(17,771)	2	(17,769)	(365,936)	368,834	2,898
Endowment net assets, ending	$ 17,941,901	$ 31,386,775	$ 49,328,676	$ 22,065,321	$ 36,360,992	$ 58,426,313

(Continued)

Note 15. Fair Value Measurements

The following is a summary of the inputs used to determine the fair values of financial assets measured on a recurring basis as of the years ended June 30:

	2022				2021			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Financial assets:								
Investments:								
Equity securities	$ 21,360,670	$ 21,360,670	$ -	$ -	$ 28,371,310	$ 28,371,310	$ -	$ -
Fixed income	16,338,216	16,338,216	-	-	18,744,639	18,744,639	-	-
Cash and cash equivalents	2,166,905	2,166,905	-	-	2,148,367	2,148,367	-	-
Funds held in trust by others	9,420,321	-	-	9,420,321	9,210,791	-	-	9,210,791
Total financial assets	$ 49,286,112	$ 39,865,791	$ -	$ 9,420,321	$ 58,475,107	$ 49,264,316	$ -	$ 9,210,791

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value for the years ended June 30:

	2022	2021
Balance, beginning	$ 9,210,791	$ 7,165,220
Change in unrealized appreciation	209,530	2,045,571
Balance, ending	$ 9,420,321	$ 9,210,791

The fair values of investments in cash and cash equivalents and publicly traded investments in equities, fixed income securities, and alternatives are determined based upon quoted market prices. The fair value of funds held in trust by others is determined by the University's percentage of the estimated market value of the assets held in trust by others.

Note 16. Lessor Transactions

During 2018, the University entered into an agreement to lease space in the Ballston Center to an unrelated third party. The initial lease term was for 10 years beginning approximately August 2017, with the tenant having the option to extend the agreement for two consecutive five-year periods. The base annual rent for this lease for the first five years is $107,702, increasing to $118,472 for the remaining five years.

Also during 2018, the University entered into a sublease agreement with an unrelated third party for space at the Fairfax Drive location in Arlington, Virginia (see Note 13). The sublease was effective December 1, 2017 and expires on July 1, 2024. The base annual rent for this sublease is $266,016 with annual rental escalations of 2.75% each July 1 of the sublease term.

Note 16. Lessor Transactions (Continued)

During 2019, the University entered into an agreement with another unrelated third party to lease space on the 9th floor of the Ballston Center. This lease was effective August 1, 2018 and expires on April 30, 2029. The base annual rent for this lease is $859,905 with annual rental escalations of 2.5% effective the first day of each lease year. In addition, for lease years one, two, three, and seven, rent is abated for the first three months of each of these lease years with no rent being due.

This lease was expanded to include space on the 8th floor in the Ballston Center for a period of seven years, commencing upon the earlier of January 1, 2019 or the date of substantial completion of the improvements to the premises. The base annual rent for this expansion space is $849,870 with annual rental escalations of 2.5% effective the first day of each lease year. As part of this lease amendment, the University provided the tenant with a leasehold improvement allowance of $3,419,471 during the year ended June 30, 2019. This amount is amortized against rental income over the term of the lease and has been reported as a deferred lease incentive on the consolidated statements of financial position net of accumulated amortization of $1,547,328 and $1,128,157 for the years ended June 30, 2022 and 2021, respectively.

Subsequent to year end, the lease was amended to include the 7th floor in the Ballston Center in addition to the 8th and 9th floors previously discussed (collectively called the "Revised Premises"). The lease term on the Revised Premises is effective July 1, 2022 and expires on June 30, 2032. The base annual rent on the Revised Premises is $2,238,505 with annual rental escalations of 2.5% effective the first day of each lease year. In addition, for lease years three, four, five, and six, rent is abated for up to three months of each of these lease years with no rent being due. Also as part of the amendment, the University shall provide the tenant with an allowance for property and equipment in an amount equal to $2,455,180. No amounts have been paid as of June 30, 2022.

Future minimum lease receipts under these leases are as follows:

Years ending June 30:	
2023	$ 2,740,430
2024	2,804,912
2025	2,544,143
2026	2,407,196
2027	2,383,470
2028 and thereafter	13,218,919
	$ 26,099,070

Total rental income received from these leases for the years ended June 30, 2022 and 2021, and included in auxiliary services income on the consolidated statement of activities, was $1,819,424 and $1,928,115, respectively.

Note 17. The Rixey

In February 2019, Marymount NBG Ground Lessor LLC, a Virginia limited liability company whose sole member is the University, purchased The Rixey, a 278-unit apartment building adjacent to the University's Ballston Academic Building. The limited liability company previously ground leased The Rixey to its prior owner. Simultaneously with the purchase, the University entered into a long-term concession agreement (the "Concession") with Provident Group-Ballston Properties LLC (Provident) to operate The Rixey as student housing for University students, faculty, and staff and the students, faculty, and staff of other area universities. ACC SC Management LLC (ACC) will manage The Rixey for Provident. Provident financed the purchase of the Concession from the University with the proceeds of a conduit revenue bond financing issued by the Virginia Small Business Financing Authority (the "Provident Debt"). The University used the proceeds received from Provident from the sale of the Concession to purchase The Rixey, but neither the University nor its limited liability company has any obligation to repay the Provident Debt. The Provident Debt is payable solely from revenues generated by The Rixey to Provident pursuant to the Concession. Under the Concession, the University and its limited liability company have certain contractual obligations with respect to The Rixey, and under certain limited circumstances the breach of Concession obligations may result in the limited liability company reverting to the ground lessor of The Rixey, rather than the owner of both the ground and the improvements. However, the University's and the limited liability company's Concession obligations are primarily obligations unrelated to the payment of any money, and none of the Concession obligations or any other arrangements related to The Rixey are debt obligations of the University or its limited liability company. The Rixey is not included as an asset in these consolidated financial statements.

In June 2020, The Michaels Organization (TMO) replaced ACC as the manager of the Rixey. In July 2021, the University formed Marymount Management Corp. LLC, a Virginia limited liability company whose sole member is the University. The corporation replaced TMO as the manager of the Rixey. The University made payments in the amount of $5,679,031 and $5,030,116 for the years ended June 30, 2022 and 2021, respectively.

In July 2021, the University entered into a support agreement with Provident Resource Group (PRG) that requires the University to periodically transfer funds for the benefit of the Rixey, for the purpose of meeting debt service requirements through June 30, 2024. The University transfers will be reimbursed in installments, beginning July 2025.

Note 18. COVID-19 Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings of higher education institutions. While the closings were temporary, there has been a change in the environment in how courses are delivered along with the implementation of various safety protocols.

(Continued)

Note 18. COVID-19 Outbreak (Continued)

Higher Education Emergency Relief Fund

In order to help alleviate some of the financial burden on institutions, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") through the Higher Education Emergency Relief Fund (HEERF) provides certain funding to institutions. The HEERF is an allotment of funding for higher education institutions for budgetary relief. Each institution receives one grant comprised of two parts – student aid and institutional aid. No less than 50% of the grant must be used for direct emergency aid to students including grants for food, housing, course materials, technology, healthcare, and childcare. The remaining portion up to 50% of the grant can be used as institutional aid to cover costs related to significant changes in the delivery of instruction due to the COVID-19 outbreak. The University has been allotted $2,074,937 in HEERF funds with the student and institutional portions totaling $1,037,469 each. The University accounted for these funds as conditional contributions, recording revenue as qualifying expenses are incurred. As a result, for the years ended June 30, 2022 and 2021, the University has made drawdowns from the U.S Department of Education for those portions of funds where the conditions have been met which equaled $-0- and $934,653, respectively. These funds are recorded in revenue as grants – COVID-19 relief with donor restrictions with a corresponding release from restrictions to revenue without donor restrictions on the consolidated statements of activities.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act authorized the Higher Education Emergency Relief Fund II (HEERF II) which provided a second allotment of funding for higher education institutions for budgetary relief. Each institution receives one grant comprised of two parts: student and institutional aid. The portion for student aid must be no less than the student aid allotment provided under the previous HEERF and may be used for any component of the student's cost of attendance or for emergency costs related to COVID-19 including tuition, food, housing, health care, or child care. The remaining institutional aid may be used to defray expenses associated with COVID-19 including lost revenue, technology costs associated with the transition to distance education, faculty and staff trainings, and payroll or in providing student support activities that address needs related to COVID-19 as authorized by the Higher Education Act of 1965. The University's allocation of HEERF II funds is $3,297,419, with the student and institutional portions totaling $1,037,469 and $2,259,950, respectively. The University is accounting for HEERF II funds as conditional contributions, recording revenue as qualifying expenses are incurred. For the years ended June 30, 2022 and 2021, the University recognized $1,015,938 and $2,281,481, respectively, of HEERF II funds in revenue as grants – COVID-19 relief with donor restrictions with a corresponding release from restrictions to revenue without donor restrictions on the consolidated statement of activities.

Note 18. COVID-19 Outbreak (Continued)

Higher Education Emergency Relief Fund (Continued)

In May 2021, the American Rescue Plan Act of 2021 authorized the Higher Education Emergency Relief Fund III (HEERF III) which provided a third allotment of funding for higher education institutions for budgetary relief. Each institution receives one grant comprised of two parts: student and institutional aid. The portion for student aid must be used for any component of the student's cost of attendance or for emergency costs related to COVID-19 including tuition, food, housing, health care, or childcare. The remaining institutional aid may be used to defray expenses associated with COVID-19 including lost revenue, technology costs associated with the transition to distance education, faculty and staff trainings, and payroll or in providing student support activities that address needs related to COVID-19 as authorized by the Higher Education Act of 1965. The University's allocation of HEERF III funds is $5,853,948, with the student and institutional portions totaling $2,928,270 and $2,925,678, respectively. The University is accounting for HEERF III funds as conditional contributions, recording revenue as qualifying expenses are incurred. For the years ending June 30, 2022 and 2021, the University recognized $5,664,509 and $-0-, respectively, of HEERF III funds in revenue as grants – COVID-19 relief with donor restrictions with a corresponding release from restrictions to revenue without donor restrictions on the consolidated statements of activities.

Other COVID-19 Relief Funds

In addition, the University received an allocation from the Commonwealth of Virginia's Coronavirus Relief Fund during fiscal year 2021 in the amount of $974,931. This amount is a reimbursement of COVID-19 related expenses incurred between July 1, 2020 and November 1, 2020 for teleworking/distance education, personal protective equipment, cleaning/sanitizing and testing associated with staff and students. For the year ended June 30, 2022, the University recognized $974,931 in revenue as grants – COVID-19 relief with donor restrictions with a corresponding release from restrictions to revenue without donor restrictions on the consolidated statement of activities.

The University is participating in the Employer Tax Deferral Program under the CARES Act that allows employers to defer the deposit and payment of the employer's share of social security tax during the deferral period ended December 31, 2020. Deferred deposits of 50% of the eligible deferred amount are due on December 31, 2021 with the remaining amount due on December 31, 2022.

As noted in the above analysis, the University still has outstanding funds available to apply to 2023; however, the University is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for 2023 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.

Note 19. Pending Pronouncements

Lease accounting

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires that lessees recognize all leases (other than leases with a term of 12 months or fewer) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU No. 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. The amendments in ASU No. 2016-02 will be effective for the University on July 1, 2022 and will require modified retrospective application as of the beginning of the earliest period presented on the consolidated financial statements. Early application is permitted.