Xavier University

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

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Xavier University
Cincinnati, Ohio

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020 and 2019, 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.

Deloitte + Touche LLP

September 17, 2020

XAVIER UNIVERSITY

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

	2020	2019
ASSETS		
CASH	$ 31,600	$ 30,291
SHORT-TERM INVESTMENTS	33,236	6,808
ACCOUNTS AND LOANS RECEIVABLE:		
Student accounts receivable	3,601	3,267
Student loans receivable—less allowance for doubtful loans of $777 and $698 in 2020 and 2019, respectively	1,637	2,068
ACCRUED INCOME RECEIVABLE	2,104	463
CONTRIBUTIONS RECEIVABLE—Net (Note 6)	42,265	42,244
PREPAID EXPENSES, DEFERRED CHARGES—Other assets	5,920	7,291
INVESTMENTS (Note 7)	296,350	343,311
CONSTRUCTION IN PROGRESS	9,900	45,152
INVESTMENT IN PLANT—Net of accumulated depreciation (Note 10)	333,443	278,343
TOTAL	$ 760,056	$ 759,238
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 10,842	$ 16,202
Advance payments and deposits	8,299	7,477
Accrued compensation costs	8,952	7,467
Accrued postretirement benefit costs (Note 13)	2,340	1,793
Deferred revenue	12,079	9,855
Interest rate swap	27,708	18,035
Indebtedness (Note 11)	190,082	196,682
Refundable advances (Note 2)	1,126	1,997
Total liabilities	261,428	259,508
NET ASSETS:		
Without donor restrictions (Note 4)	257,198	262,547
With donor restrictions (Note 5)	241,430	237,183
Total net assets	498,628	499,730
TOTAL	$ 760,056	$ 759,238

See notes to financial statements.

XAVIER UNIVERSITY

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

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$224,008	$ -	$224,008
Less student aid	(91,373)	-	(91,373)
Net tuition	132,635	-	132,635
Sales and services of auxiliary enterprises	43,882	-	43,882
Less student aid	(3,461)	-	(3,461)
Net auxiliary enterprises	40,421	-	40,421
Government grants and contracts	3,513	-	3,513
Private gifts, grants and contracts	7,965	7,150	15,115
Endowment income used in operations	90	6,461	6,551
Investment return—operating	2,706	-	2,706
Other sources	3,617	-	3,617
	190,947	13,611	204,558
Net assets released from restriction	11,490	(11,490)	-
Total operating revenues	202,437	2,121	204,558
OPERATING EXPENSES:			
Instruction	76,539	-	76,539
Public service	1,137	-	1,137
Academic support	11,449	-	11,449
Student services	20,977	-	20,977
Institutional support	30,594	-	30,594
Operation and maintenance of plant	15,360	-	15,360
Auxiliary enterprises	43,160	-	43,160
Total operating expenses	199,216	-	199,216
INCREASE IN NET ASSETS FROM OPERATIONS	3,221	2,121	5,342
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	5,947	5,947
Contributions and change in contributions receivable to endowment funds	-	3,791	3,791
Investment return—net of amounts used in operations	(138)	(7,720)	(7,858)
Actuarial change in annuity liability	-	108	108
Actuarial change in post-retirement health care benefits	(547)	-	(547)
Change in fair value of interest rate swap agreements	(9,673)	-	(9,673)
Contributed capital from affiliated entity	1,788	-	1,788
(Decrease) increase in net assets from nonoperating activities	(8,570)	2,126	(6,444)
(DECREASE) INCREASE IN NET ASSETS	(5,349)	4,247	(1,102)
NET ASSETS—Beginning of year	262,547	237,183	499,730
NET ASSETS—End of year	$257,198	$241,430	$498,628

See notes to financial statements.

XAVIER UNIVERSITY

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

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$214,824	$ -	$214,824
Less student aid	(88,496)	-	(88,496)
Net tuition	126,328	-	126,328
Sales and services of auxiliary enterprises	51,724	-	51,724
Less student aid	(3,949)	-	(3,949)
Net auxiliary enterprises	47,775	-	47,775
Government grants and contracts	2,916	-	2,916
Private gifts, grants and contracts	11,406	9,309	20,715
Endowment income used in operations	87	5,738	5,825
Investment return—operating	3,001	-	3,001
Other sources	4,564	-	4,564
	196,077	15,047	211,124
Net assets released from restriction	10,837	(10,837)	-
Total operating revenues	206,914	4,210	211,124
OPERATING EXPENSES:			
Instruction	73,164	-	73,164
Public service	1,611	-	1,611
Academic support	11,302	-	11,302
Student services	20,730	-	20,730
Institutional support	29,055	-	29,055
Operation and maintenance of plant	14,206	-	14,206
Auxiliary enterprises	45,068	-	45,068
Total operating expenses	195,136	-	195,136
INCREASE IN NET ASSETS FROM OPERATIONS	11,778	4,210	15,988
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	(1,568)	(1,568)
Contributions and change in contributions receivable to endowment funds	-	12,261	12,261
Investment return—net of amounts used in operations	4,761	8,727	13,488
Actuarial change in annuity liability	-	(54)	(54)
Actuarial change in post-retirement health care benefits	1,406	-	1,406
Gain on disposal of property and other	704	-	704
Change in fair value of interest rate swap agreements	(5,170)	-	(5,170)
Contributed capital from affiliated entity	13,340	-	13,340
Increase in net assets from nonoperating activities	15,041	19,366	34,407
INCREASE IN NET ASSETS	26,819	23,576	50,395
NET ASSETS—Beginning of year	235,728	213,607	449,335
NET ASSETS—End of year	$262,547	$237,183	$499,730

See notes to financial statements.

XAVIER UNIVERSITY

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,102)	$ 50,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,003	15,794
Amortization of bond premium and discount	(485)	(567)
Gain on disposal of property and equipment	-	(9)
Provision for losses on student loans	79	76
Provision for losses on contributions receivable	(42)	(86)
(Increase) decrease in accounts receivable	(334)	44
Decrease in contributions receivable	21	847
(Increase) decrease in accrued income receivable	(1,641)	881
Decrease (increase) in prepaid expenses, deferred charges, and other assets	1,371	(256)
Decrease in accounts payable and other accrued liabilities	(8,971)	(708)
Increase in deferred revenue	2,224	480
Contributions to endowment and similar funds	(7,422)	(9,887)
Increase in fair value of interest rate swap agreements	9,673	5,170
Change in net realized and unrealized losses (gains) on investments	3,934	(16,801)
Net cash provided by operating activities	15,308	45,373
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	383,812	278,943
Purchases of investments	(367,213)	(284,919)
Purchases of property and equipment	(31,386)	(35,855)
Student loans issued	(193)	(244)
Student loans repaid	545	708
Net cash used in investing activities	(14,435)	(41,367)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to endowment and similar funds	7,422	9,887
Payments of bonds and notes payable	(6,115)	(5,855)
Grants advanced	(871)	37
Net cash provided by financing activities	436	4,069
NET CHANGE IN CASH	1,309	8,075
CASH—Beginning of year	30,291	22,216
CASH—End of year	$ 31,600	$ 30,291
SUPPLEMENTAL DISCLOSURES:		
Property and equipment in accounts payable and accrued expenses	$ 2,746	$ 9,211
Interest paid	$ 8,513	$ 8,743

See notes to financial statements.

1. ORGANIZATION

Xavier University (the “University”) is a not-for-profit co-educational institution founded and sponsored by the Society of Jesus (“the Jesuits”) located on a 190-acre campus in Cincinnati, Ohio. The University was founded in 1831 and currently enrolls approximately 7,000 students in undergraduate and graduate programs. The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”).

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic’s ultimate length, severity, or impacts on the economy or the University’s finances, the University could experience material adverse effects posed by the risks, or the University’s stakeholders’ perceptions of the risks, related to COVID-19. As a response, in March 2020, the University transitioned to remote learning for all courses for the remainder of the Spring term. Employees were instructed to work from home until further notice unless their work required them to remain on campus. This change resulted in foregone revenues, the most significant of which resulted from the refunding of a portion of room and dining services revenues, as described in Note 2. Classes for the Summer 2020 terms were offered entirely online, and all summer study abroad programs were cancelled. For the Fall 2020 term, the University fully reopened its campus, following guidelines from the Centers for Disease Control and Prevention (“CDC”) and the state of Ohio, using smaller in person classes with screening, physical distancing and masking requirements, while continuing to offer courses in a virtual setting in order to accommodate physical distancing requirements.

The pandemic could continue to materially affect the University’s ability to conduct its operations, the cost of its operations, and the generation of certain revenue, including from enrollment and other auxiliary services, as well as from fluctuations in financial markets and fundraising, and such effects could be consequential to the University. The full extent of the impact of COVID-19 on the University will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The financial statements of the University are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The financial statements of the University include the consolidated financial information of several entities that it controls which hold title to various parcels of land, primarily on which the University resides. The University fully funds these entities and any related property acquisitions, improvements, and expenses. The University is the sole controlling entity. The University also has a controlling interest in its affiliation with a local healthcare organization for the not-for-profit entity Xavier University

Student Health and Wellness Center Corporation ("Center Corp") (see Note 18). Center Corp's financial activity is consolidated into the University's financial statements.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or the University, or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. These also include net assets that are to be maintained permanently by the University. Generally, all or part of the income earned on investments with these restrictions may be used by the University for general or specific purposes consistent with the donor-imposed stipulations.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction on the statements of activities. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The Ohio Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows the Board to appropriate a percentage of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, market price trends, and general economic conditions, unless directed by the donor's intent. The endowment spending policy is based on a spending rate established by the Board. This rate represents the expected long-term return on endowment investments less an allowance for the preservation and growth of principal.

Contributions, including unconditional promises to give ("contributions receivable"), are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the time period over which payments are to be made. Collectability is reviewed periodically and appropriate reserves are maintained. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Revenue—Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the University expects to receive in exchange for those goods or services. Revenues from contracts with customers is derived primarily from tuition, student program fees and auxiliary activities.

The University disaggregates revenue based on revenue stream and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows.

Tuition and fees are generally collected in advance and are initially recorded as deferred revenue. The University does not recognize revenue until after the add/drop date due to uncertainty related to those events. Generally, the University offers refunds for classes to students who decide to withdraw from a course prior to the add/drop date. After the add/drop date, no refund is granted. Historically, the University has not had material refunds after the add/drop date.

Tuition scholarships awarded by the University represent a reduction of the tuition transaction price. The University awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year, and are applied to the students' account during each academic term. Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The University's academic terms consist of a Fall, Spring, and Summer terms. Academic terms are determined by start dates, which vary by program and are generally 8-16 weeks in length. Except for certain programs in the Summer term, the academic terms generally have start and end dates that fall within the University's fiscal year.

Auxiliary services revenue consists primarily of fees for room and dining services ("board"), athletics, non-credit programs and facilities rentals. The University considers each type of auxiliary services revenue as separate performance obligations. Students were refunded a prorated amount of room and board charges for the Spring 2020 term; these refunds totaled approximately $6,400.

Room fees are charged at different rates depending on the residence facility and room accommodations. Room fees are billed in advance of each academic term, and recognized as revenue during the period over which the housing is provided. While the University believes the residential experience is an integral part of a student's education and experience, the University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first- and second-year students are expected to live on campus, exemptions are possible, primarily for students living with family or married students.

Dining service fees are charged at different rates depending on the level of access to dining services during the term of the agreement. Dining services are generally billed in advance of each academic term, and are recognized as revenue over the period during which the dining services are offered.

Some scholarships may be applied against room and board and therefore represent a reduction of the transaction price. Such awards are generally granted for the academic year, and are applied to the student's account during each academic term. Room and board scholarships of $3,461 and $3,949 were included as a reduction in auxiliary services revenue for the years ended June 30, 2020 and 2019, respectively.

Revenue earned from athletic ticket sales, athletic conference distributions, and sponsorships and for various conference services offered by the University are recognized as services are performed or once the performance obligations are complete.

Other operating revenue consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University including summer rentals, the University's Montessori school and related childcare program and other supplemental income. Revenue from these activities is generally recognized as services are performed or when the performance obligation is satisfied.

The majority of the University's revenues from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The University records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue for revenue from contracts are classified as liabilities on the statements of financial position and as of June 30, 2020 and 2019, were $12,079 and $9,855, respectively.

Use of Estimates—University management has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of assets and liabilities to prepare these financial statements in conformity with US GAAP. Actual results could differ from those estimates.

Cash and Short-Term Investments—Cash consists principally of amounts held in checking and savings accounts in various financial institutions with an original maturity of three months or less. Short-term investments consist of commercial paper, certificates of deposit, short-term fixed income securities, cash equivalents held in managed accounts and US treasuries. All short-term investments are recorded at fair value.

Financial instruments that potentially subject the University to significant concentrations of credit risk consist principally of cash deposits. The University maintains cash balances at financial institutions with a credit rating of A with Fitch Ratings. Generally, amounts invested with financial institutions are in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts and Loans Receivable—Accounts receivable consist of amounts due from students for tuition, fees and room and board. Loans receivable consist primarily of loans made to students under US government loan programs. Accounts and loans receivable are recorded at estimated net realizable value. The allowances for doubtful accounts and loans are based on expected collections on these accounts and loans.

Income Taxes—The University is a qualifying organization under Section 501(c)(3) of the Code and is, therefore, exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University is subject to routine audits by taxing jurisdictions and there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for years prior to 2016. As of June 30, 2020, the University has no uncertain tax positions.

Investments—The University's investments are reported at fair value and have been categorized based on the fair value hierarchy in accordance with the Accounting Standards Codification 820 (ASC 820), *Fair Value Measurements and Disclosures* (see Notes 7 and 16). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Other investments including real estate are recorded at cost or, if acquired by gift, at fair value at the date of gift. Fair values for certain private equity, real estate and hedge fund investments held through limited partnerships or commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable and are considered by the University as nonmarketable alternative investments. These valuations require the use of assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results. The fair value of nonmarketable alternative investments may be based on historical cost, obtainable prices for similar assets, or other estimates. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are less liquid than the University's other investments.

Investment in Plant—Fixed assets are recorded at cost at the date of acquisition or fair value at the date of donation. The estimated useful lives are as follows:

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Leasehold improvements	20 years or life of lease (whichever is shorter)
Equipment	5–20 years
Library collection	20 years

Collections—The University's collections of art, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. There were no changes in the University's collections of art as of June 30, 2020 or 2019.

Refundable Advances—Funds provided by the US government under the Federal Perkins Loan Program are loaned to qualified students. The Federal Perkins Loan Program ended on September 30, 2017 and no new disbursements were made after June 30, 2018. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements. The amount of government refundable advances at June 30, 2020 and 2019 was $1,126 and $1,997, respectively.

Operations—The Statement of Activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activities of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of gifts restricted for the acquisition of capital assets and gifts restricted to endowment funds. All revenue from contributions receivable that is considered to be restricted due to a time restriction or a purpose restriction is included in nonoperating activities until the time such restriction has passed, at which time, the amounts are deducted from contributions and change in contributions receivable for nonoperating purposes and are included in private gifts, grants, and contracts operating revenues in the Statement of Activities. Nonoperating activities also include realized and unrealized gains or losses on investments, endowment income in excess of the established spending policy, and significant items of an unusual or nonrecurring nature.

Liquidity—Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the notes to the University's financial statements.

Insurance Reserves—The University is self-insured for certain losses relating to employee medical benefit claims and has purchased stop-loss insurance coverage to limit financial exposure to such claims. Medical benefit liabilities are estimated based on actual claims filed and estimates of claims incurred but not reported and by considering known trends and projections of future claims. The amounts actually incurred may vary from these estimates.

Financial Instruments—As of June 30, 2020 and 2019, certain financial instruments held by the University were subject to enforceable master netting arrangements by various counterparties. In general, the terms of these agreements provide that, in the event of an early termination, the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. The University's accounting policy is to offset these positions in the Statements of Financial Position. If certain financial conditions are met, the counterparties to certain financial instruments held by the University may require the University to post collateral to secure the University's contract position. There was no collateral required to secure the University's contract position as of June 30, 2020 and 2019.

Split Interest Agreements—The University has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the University, as trustee, makes payments to designated beneficiaries in accordance with the applicable donor's trust or annuity agreement. The University is also the beneficiary of charitable trusts held by third-party trustees that are accounted for as unconditional promises to give.

At the date of contribution, the University records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques, considering historical and projected cash flow and net income, collectability, and default rates.

The University's liability under these agreements represents the present value of estimated payments. This fair value estimate may not be indicative of the actual net realizable value or reflective of future fair values. The University believes its valuation methods are appropriate and consistent with other market participants, and the use of different methodologies or assumptions to determine the fair value of similar liabilities could result in a different fair value measurement at the reporting date (see Note 8).

Recent Accounting Pronouncements—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842*), which represents a substantial change to lease accounting. The standard introduces a lessee model that brings most leases on the balance sheet as well as aligning certain underlying principles of the new lessor model with those in ASC 606, *Revenue from Contracts with Customers*. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. This standard was expected to be implemented in the current fiscal year until FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) *and Leases* (Topic 842): *Effective Dates for certain Entities*. This update deferred the effective date for one year for public not-for-profit entities that have not yet issued their financial statements. Lessees and lessors are required to use a modified retrospective transition method for existing leases or the transition method provided by ASU 2018-11, *"Leases (Topic 842): Targeted Improvements*". Management is in the process of evaluating the impact of this guidance on the financial statements and will adopt such guidance in 2021.

In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*. The amendments in this update: (1) align the new guidance with existing guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842, *Leases*; (2) requires lessors within the scope of Topic 942, *Financial Services—Depository and Lending*, to present "all principal payments received under leases" within investing activities; and (3) exempts lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new lease accounting standard. The effective date of these amendments is for fiscal years beginning after December 15, 2019. Management is in the process of evaluating the impact of this guidance on the financial statements and will adopt ASU No. 2019-01 in 2021.

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective beginning on March 12, 2020, and the University may elect to apply the amendments prospectively through the year ending June 30, 2023. The University is currently evaluating the impact this guidance may have on its financial statements.

During 2020, the University adopted the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in US GAAP on the classification and measurement of financial instruments. The amended guidance requires entities to carry all investments in equity securities at fair value through net income unless the entity has elected the practicability exception to fair value measurement. The adoption of ASU No. 2016-01 did not have an impact on the financial statements.

During 2020, the University adopted the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Payments*. It addressed eight specific cash flow issues to clarify the presentation and classification of cash receipts and cash payments in the statement of cash flows where diversity in practice exists. The adoption of ASU No. 2016-15 did not have an impact on the statement of cash flows for either 2020 or 2019.

During 2020, the University adopted the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Contributions Made*. This standard intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update are intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU No. 2018-08 did not have an impact on the financial statements.

During 2020, the University adopted the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update improve the effectiveness of fair value measurement disclosures and modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: *Notes to Financial Statements*, including the consideration of costs and benefits. Early adoption is permitted. The adoption of ASU No. 2016-01 did not have an impact on the financial statements or the financial statement disclosures.

During 2020, the University adopted the FASB issued ASU No. 2019-03, *Not-for-Profit-Entities (Topic 958): Updating the Definition of Collections*. The amendments in this update modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). There was no impact to the financial statements upon adoption.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets due within one year of the balance sheet date for general expenditures as of June 30, 2020 and 2019 are as follows:

	2020	2019
Total assets at year-end	$ 760,056	$ 759,238
Less financial assets not available for general expenditures within one year and non-financial assets:		
Assets with purpose restrictions	1,124	4,904
Student loans receivable—net	1,637	2,068
Accrued income receivable	246	463
Contributions receivable with time or purpose restrictions	39,336	38,541
Prepaid expenses, deferred charges—other assets	5,920	7,291
Donor-restricted endowment funds	161,395	161,609
Board or University designated endowment funds	37,218	37,666
Other investments with purpose restrictions	5,737	6,644
Construction in progress	9,900	45,152
Investment in plant—net	333,443	278,343
Financial assets available at year-end for general expenditures	$ 164,100	$ 176,557

The University invests cash in excess of operating requirements in a combination of short, medium and long-term operating investments in accordance with policies approved by its Board. The University also maintains a $10,000 line of credit with a bank that can be used to fund short-term liquidity needs. Additionally, amounts from its Board or University designated endowment funds can be made available to fund liquidity requirements upon approval of the Board, if necessary; however, the University does not intend to draw from its Board or University designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation. Both designated endowment funds and donor-restricted endowments are held in a unitized pool of investments, and certain of those investments contain lock-up provisions that would reduce the total amount of investments that could be made available to fund liquidity requirements.

The University’s endowment funds consist of donor-restricted and Board or University designated endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and some for general University expenditures. See Note 9 for disclosures about endowment funds.

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Plant operations	$ 122,053	$ 132,150
University operations	77,781	74,230
Board or University designated endowments (see Note 9)	37,218	37,666
Contributed capital from affiliated entity	20,000	18,212
Loans	146	289
Total net assets without donor restrictions	$ 257,198	$ 262,547

Net assets released from net assets with donor restrictions are as follows:

	2020	2019
Satisfaction of purpose and time restrictions	$ 11,490	$ 10,837

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Specific purpose:		
Student loan funds	$ 1,261	$ 1,185
Awards for students and faculty	1,782	1,831
Capital and capital improvements	23,874	15,474
General endowments and operations	73,357	75,691
Professors and chairs	18,413	18,777
Scholarships	101,672	103,370
Charitable trusts	3,031	1,862
Passage of time:		
General endowments and operations	18,040	18,993
Total net assets with donor restrictions	$ 241,430	$ 237,183

The above includes net assets with time or purpose restrictions of $119,986 and $119,630 as of June 30, 2020 and 2019, respectively; and net assets restricted in perpetuity of $121,444 and $117,553 as of June 30, 2020 and 2019, respectively.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 consist of the following:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 10,683	$ 12,306
One year to five years	21,419	21,602
Five years and thereafter	12,673	11,697
Total	44,775	45,605
Less allowance for uncollectible contributions	(2,239)	(2,281)
Discount for present value	(271)	(1,080)
Total	$ 42,265	$ 42,244

Contributions receivable were discounted at rates ranging from 0.16% to 1.92% as of June 30, 2020 and 1.75% to 2.00% as of June 30, 2019, respectively.

7. INVESTMENTS

Investments at June 30, 2020 and 2019 are composed of the following:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Long-term investments:				
US government and agency obligations	$ 32,870	$ 33,492	$ 21,745	$ 22,148
Corporate stocks and stock funds	114,090	136,865	108,937	140,501
Corporate bonds and bond funds	85,007	87,546	137,962	137,137
Mortgage and asset-backed securities	1,225	1,309	15,650	15,720
Real assets	1,225	1,057	9,780	9,881
Alternative investments	34,921	34,291	14,423	16,134
Real estate	1,790	1,790	1,790	1,790
Total long-term investments	$ 271,128	$ 296,350	$ 310,287	$ 343,311
Short-term investments	$ 33,236	$ 33,236	$ 6,808	$ 6,808

Real assets are invested in mutual funds, commingled trusts, and/or partnership structures whose underlying investments include commodities, equities, inflation-indexed fixed income securities, master limited partnerships, and real estate.

Investment activity for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Dividend, interest, and other investment income	$ 6,026	$ 6,201
Net change in realized and unrealized losses and gains	(3,934)	16,801
Outside investment management fees	(582)	(588)
Other investment-related expenses	(111)	(100)
Total investment income, including net gains (losses)—net of fees and expenses	1,399	22,314
Less endowment income used in operations	6,551	5,825
Less investment return—operating	2,706	3,001
Investment return—net of amounts used in operations	$ (7,858)	$ 13,488

Endowment income used in operations is composed of endowment appropriations for donor-designated or Board or University designated operating purposes such as student scholarships and instructional expenses. Investment income used in operations includes investment income earned on excess operating funds and funds without donor or designated restrictions. Investment income included in nonoperating activities primarily includes accumulated but not yet appropriated endowment earnings or losses and investment income earned on unused funds set aside or restricted by donors for capital purposes.

8. SPLIT INTEREST AGREEMENTS

The University received $1,421 and $1,242 in contributions related to split interest agreements for the years ended June 30, 2020 and 2019, respectively. The present value of these agreements is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 1.41% to 2.00%. A summary of assets held and obligations related to split interest agreements as of June 30, 2020 and 2019 follows:

Charitable remainder trusts	$ 2,630	$ 1,169
Charitable gift annuities and trusts	2,068	2,305
Total	$ 4,698	$ 3,474
Liabilities—split interest agreement obligations	$ (1,598)	$ (1,888)
Net split interest agreement asset	$ 3,100	$ 1,586

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the University. The University maintains reserves of an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts.

9. ENDOWMENT FUNDS

The University's endowment consists of approximately 600 individual funds established for a variety of purposes, such as scholarships, endowed chairs, departmental and operating priorities, and other institutional support. The endowment includes both donor-restricted endowment funds and funds designated by the Board or University to function as endowments. Funds designated by the Board and the University to function as endowments are treated as net assets without donor restrictions.

The University classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with directions of the applicable donor instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 161,395	$ 161,395
Board or University designated	37,218	-	37,218
Total funds	$ 37,218	$ 161,395	$ 198,613
Changes in Endowment Net Assets for the Year Ended June 30, 2020			
Endowment net assets—July 1, 2019	$ 37,666	$ 161,609	$ 199,275
Contributions and other additions	-	7,422	7,422
Total investment return—net	(358)	(1,175)	(1,533)
Amounts appropriated for expenditure	(90)	(6,461)	(6,551)
Endowment net assets—June 30, 2020	$ 37,218	$ 161,395	$ 198,613

Endowment Net Asset Composition by Type of Fund as of June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 161,609	$ 161,609
Board or University designated	37,666	-	37,666
Total funds	$ 37,666	$ 161,609	$ 199,275
Changes in Endowment Net Assets for the Year Ended June 30, 2019			
Endowment net assets—July 1, 2018	$ 34,098	$ 145,479	$ 179,577
Contributions and other additions	-	9,887	9,887
Total investment return—net	3,655	11,981	15,636
Amounts appropriated for expenditure	(87)	(5,738)	(5,825)
Endowment net assets—June 30, 2019	$ 37,666	$ 161,609	$ 199,275

Net assets with donor restrictions reflect the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.

The University has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over time. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as Board or University designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to provide for the preservation of capital with an emphasis on long-term growth without significant risk exposure. Over time, the University expects its endowment funds, to provide an average total return that exceeds the Consumer Price Index by at least 4.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University utilizes a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The University has adopted a spending policy which appropriates for distribution each year 4.25% of the average fair value of each endowment fund over the rolling prior 12 quarters. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate exceeding the Consumer Price Index.

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 be retained as a fund of perpetual duration. The fair value of certain donor-restricted endowment funds of $9,004 and $0 as of June 30, 2020 and 2019, respectively, is less than the historical value of such funds of $9,243 and $0 as of June 30, 2020 and 2019, respectively, resulting in deficiencies of $239 and $0 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of donor-restricted contributions and are included in net assets with donor restrictions.

10. INVESTMENT IN PLANT

The components of the University's investment in plant at June 30, 2020 and 2019 are as follows:

	2020	2019
Land	$ 34,059	$ 31,854
Land improvements	47,257	46,721
Buildings and building improvements	431,958	365,758
Leasehold improvements	162	162
Equipment	34,395	30,233
Library collection	816	816
	548,647	475,544
Less accumulated depreciation	(215,204)	(197,201)
Investment in plant—net	$ 333,443	$ 278,343

Depreciation expense was $18,003 and $15,794 for the years ended June 30, 2020 and 2019, respectively.

11. INDEBTEDNESS

Indebtedness at June 30, 2020 and 2019 consists of the following:

	2020	2019
State of Ohio Higher Educational Facility Revenue Bonds:		
2013 Series—principal due annually beginning November 2016 through November 2030, interest rate, 2.95%	$ 15,610	$ 16,725
2015 Series C—principal due annually beginning May 2016 through May 2038, interest rate ranges from 3.00% to 5.00% (original issue premium of $5,232)	44,895	47,115
2010 Series—principal due annually beginning May 2013 through May 2040, interest rate ranges from 2.50% to 5.00% (original issue discount of $447)	40,910	42,120
2015 Series B—principal due annually beginning May 2016 through May 2042, variable interest rate, resets monthly, 0.83% at June 30, 2020	42,375	43,510
2016 Series—principal due annually beginning May 2017 through May 2042, interest rate ranges from 3.00% to 5.00% (original issue premium of $189)	23,355	23,790
2015 Series A—principal due annually beginning May 2032 through May 2042, variable interest rate, resets monthly, 0.83% at June 30, 2020	22,575	22,575
	189,720	195,835
Net unamortized premium	1,863	2,428
Unamortized indebtedness issuance costs	(1,501)	(1,581)
Total indebtedness	$ 190,082	$ 196,682

The annual maturities of indebtedness for the years ending June 30 are as follows:

2021	$ 6,400
2022	6,685
2023	6,990
2024	7,315
2025	7,650
Thereafter	154,680
	189,720
Net unamortized premium	1,863
Unamortized indebtedness issuance costs	(1,501)
Total indebtedness	$ 190,082

The outstanding State of Ohio Higher Educational Facility Revenue Bonds ("Bonds") are secured by a pledge of University revenues. The Pledge Agreement ("Agreement") secures substantially all the University's indebtedness and the University's obligations to any credit or liquidity facility providers or counterparties to derivative agreements relating to the Bonds. All of these obligations are secured on a parity basis and the Agreement also provides a mechanism for the University to secure future indebtedness on a parity basis. The Bonds include certain financial covenants; as of June 30, 2020, the University believes it was in compliance with these financial covenants.

Interest expense was approximately $8,054 and $8,187 for the years ended June 30, 2020 and 2019, respectively. The University did not capitalize any interest for the years ended June 30, 2020 and 2019.

In 2008, the University entered into interest rate swap agreements with Barclays Capital and Deutsche Bank AG. These swap agreements were amended in 2015 and have the effect of fixing the rate of interest on certain series of the Bonds, as follows:

Bonds	**Notional Amount**	**University Pays**	**University Receives**	**Effective Date**	**Maturity Date**
Series 2015A	$ 22,575	3.316 %	67% of 1 month LIBOR	October 2008	May 2042
Series 2015B	42,375	3.658	67% of 1 month LIBOR	May 2016	May 2042

The University's estimated liability to terminate the swap agreements was $27,708 and $18,035 as of June 30, 2020 and 2019, respectively. These amounts are reflected separately in liabilities in the Statements of Financial Position. The change in the fair value of the interest rate swap agreements of $(9,673) and $(5,170) for the years ended June 30, 2020 and 2019, respectively, is included in non-operating activities in the statements of activities.

The University has a $10,000 line of credit with a bank. The line of credit is unsecured. Balances outstanding are payable on the expiration date with interest due monthly at the 1-month LIBOR rate plus 1.0%. There were no balances outstanding on the line of credit as of June 30, 2020 or 2019. The line of credit expires on February 26, 2021.

On July 30, 2020, the University issued $47,185 in State of Ohio Higher Educational Facility Revenue Bonds (2020 Series Revenue Bonds) at par value with a premium of $11,020, interest rates of 4% and 5% and final maturity on May 1, 2040. With the issuance of the 2020 Series Revenue Bonds, the

University defeased the callable portions of the 2010 Series Revenue Bonds and the 2013 Series Revenue Bonds totaling $56,520 of par value. This transaction resulted in a loss on defeasance of $1,953.

12. RETIREMENT PLAN

The University has a 403(b) contributory retirement plan (the Plan) through Teachers Insurance and Annuity Association (TIAA) that covers substantially all full-time employees immediately upon employment by the University. University contributions to the plan range from 8.50% to 10.00% of eligible compensation. Plan participants are also required to make contributions to the plan ranging from 2.00% to 5.00% of their compensation.

The University made contributions of approximately $5,234 and $6,300 for the years ended June 30, 2020 and 2019, respectively. All contributions are immediately fully vested.

In response to the COVID-19 global pandemic and the related financial impact, the University suspended its contributions to the retirement plan in April 2020 and also suspended the requirement for mandatory employee contributions.

The Plan is currently under IRS audit. The University believes that the Plan is designed and operated in compliance with the applicable requirements of the Internal Revenue Code.

13. POSTRETIREMENT HEALTH CARE BENEFITS

The University sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is noncontributory for non-faculty employees who retired prior to December 31, 1994, and faculty who retired as of May 13, 1995.

For employees who met certain age and service requirements as of January 1, 1995, the plan has been amended to require employee contributions and establish a maximum monthly benefit to be provided by the University.

Postretirement benefit expense includes the following components as of June 30, 2020 and 2019:

	2020	2019
Service cost of benefits earned	$ -	$ -
Interest cost on liability	51	119
Amortization of net actuarial (gain)/loss	(93)	-
Net periodic postretirement benefit cost	$ (42)	$ 119

The following table summarizes the amounts reflected on the Statements of Financial Position, as well as the change in fair value of plan assets, and the funded status of the postretirement benefit plan as of June 30, 2020 and 2019:

	2020	2019
Changes in projected benefit obligations:		
Benefit obligation—beginning of year	$ (1,793)	$ (3,199)
Interest cost	(51)	(119)
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Actuarial gain (loss)	(653)	1,323
Benefits paid	157	202
Benefit obligation—end of year	$ (2,340)	$ (1,793)
Change in fair value of plan assets:		
Fair value of plan assets—beginning of year	$ -	$ -
Employer contributions	157	202
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Benefits paid	(157)	(202)
Fair value of plan assets—end of year	$ -	$ -
Reconciliation of funded status:		
Projected benefit obligation in excess of fair value of plan assets	$ (2,340)	$ (1,793)
Unrecognized transition obligation	-	-
Unrecognized actuarial loss	-	-
Net statement of financial position liability	$ (2,340)	$ (1,793)

The following weighted-average assumptions were made in determining the postretirement benefit obligation and the postretirement benefit cost as of June 30, 2020 and 2019:

	2020	2019
Weighted-average discount rate used to determine the projected benefit obligation	2.04 %	3.01 %
Weighted-average discount rate assumption used to determine the net periodic benefit cost	3.01	3.89

The health care cost trend rate assumption has a significant effect on the amounts reported in the financial statements. The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30, 2020 and 2019:

	2020	2019
Health care cost trend rate assumed for the current year	5.25 %	5.00 %
Ultimate health care cost trend rate	3.00 %	3.50 %
Year that rate reaches the ultimate trend rate	2023	2022

A one-percentage point change in the assumed health care cost trend rate would have the following effect on the postretirement benefit obligation and the net periodic benefit cost:

	1% Increase	1% Decrease
Effect on postretirement benefit obligation	$ 136	$ (117)
Effect on net periodic benefit cost	3	(3)

The following benefit payments, net of participants' contributions, and Medicare Part D reimbursements, which reflect expected future service, are expected to be paid:

Years Ending June 30	Benefit
2021	$ 244
2022	228
2023	210
2024	194
2025	180
2026–2030	662

14. FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall mission of the University. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The University applies various methods to allocate costs among the program and support functions, the most significant of which is by time and effort.

Operating expenses by functional and natural classification for the years ended June 30, 2020 and 2019 were as follows:

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprise	Total 2020
Salaries	$42,127	$ 580	$ 5,325	$ 8,741	$15,183	$ 3,193	$ 9,550	$ 84,699
Benefits	11,537	145	1,473	2,536	5,198	1,040	2,408	24,337
Depreciation, amortization and interest	6,636	140	1,136	2,941	1,647	1,037	12,535	26,072
Office expenses	2,291	127	625	2,461	670	1,269	2,770	10,213
Travel, conference and meetings	1,062	64	545	969	748	56	3,856	7,300
Cost of sales	-	-	-	-	-	-	7,761	7,761
Repairs and maintenance	-	-	-	67	3,332	5,457	548	9,404
Professional services	991	67	453	207	2,252	13	1,436	5,419
Other	11,895	14	1,892	3,055	1,564	3,295	2,296	24,011
Total	$76,539	$1,137	$11,449	$20,977	$30,594	$15,360	$43,160	$199,216

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprise	Total 2019
Salaries	$40,527	$ 809	$ 5,025	$ 8,296	$14,447	$ 2,975	$ 9,184	$ 81,263
Benefits	11,784	224	1,479	2,520	5,866	1,101	2,471	25,445
Depreciation, amortization and interest	6,104	130	1,056	2,721	1,551	1,024	11,475	24,061
Office expenses	2,448	151	722	2,120	1,048	406	2,583	9,478
Travel, conference and meetings	1,895	131	881	1,429	1,118	52	5,098	10,604
Cost of sales	-	-	-	-	-	-	9,935	9,935
Repairs and maintenance	60	-	9	52	2,140	5,329	835	8,425
Professional services	1,353	51	278	394	1,484	7	1,779	5,346
Other	8,993	115	1,852	3,198	1,401	3,312	1,708	20,579
Total	$73,164	$1,611	$11,302	$20,730	$29,055	$14,206	$45,068	$195,136

15. RELATED-PARTY TRANSACTIONS

The Jesuit Community at Xavier University (the "Community"), an Ohio not-for-profit corporation, is an entity separate from the University. Members of the Community serve on the University's faculty and administration and their salaries are paid, in total, to the Community. In the opinion of the University's administration, such salaries are comparable to those of other employees. Members of the Community do not participate in either the University's retirement plan or the federal Social Security program. However, the University pays the Community an amount comparable to such benefits for each Community member employed by the University. Total amounts paid to the Community are not material to the financial statements.

The financial statements include gifts of $2,140 and contributions receivable of $6,473 from members of the Board and employees, including management, for the year ended June 30, 2020. The financial statements include gifts of $463 and contributions receivable of $1,885 from members of the Board and employees, including management, for the year ended June 30, 2019.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The University uses various valuation approaches to determine fair value. ASC 820-10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The carrying amount of cash, short-term investments, accounts receivable, accrued interest receivable, accrued compensation costs, and deferred revenue approximate fair value because of the short-term nature of these assets and liabilities.

The carrying value of investments, which is the fair value, is determined by management using inputs provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the student loans receivable under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the US government or its designees.

The carrying amount of contributions receivable approximates fair value as these donations are recorded at the net present value of amount pledged.

The fair value of indebtedness, which consists primarily of bonds payable, was approximately $198,285 and $200,412 as of June 30, 2020 and 2019, respectively. The methodology for determining fair value of bonds payable consists of a discounted cash flow analysis using a discount rate for each existing bond series. The carrying value was $190,082 and $196,682 as of June 30, 2020 and 2019, respectively.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical instruments.

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2020 and 2019, the University's assets and liabilities measured at fair value on a recurring basis are summarized in the following table by the type of inputs applicable to the fair value measurement.

Description	**June 30, 2020**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 33,236	$ 33,236	$ -	$ -
US government and agency obligations	33,492	33,492	-	-
Corporate stocks and stock funds	136,865	136,865	-	-
Corporate bonds and bond funds	87,546	28,153	59,393	-
Mortgage and asset-backed securities	1,309	-	1,309	-
Real assets	1,057	-	1,057	-
Alternative investments	34,291	-	-	34,291
Liabilities—interest rate swap agreements	(27,708)	-	(27,708)	-

Description	**June 30, 2019**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 6,808	$ 6,808	$ -	$ -
US government and agency obligations	22,148	22,148	-	-
Corporate stocks and stock funds	140,501	140,501	-	-
Corporate bonds and bond funds	137,137	14,937	122,200	-
Mortgage and asset-backed securities	15,720	-	15,720	-
Real assets	9,881	-	9,881	-
Alternative investments	16,134	-	-	16,134
Liabilities—interest rate swap agreements	(18,035)	-	(18,035)	-

Alternative investments consist of private equity and hedge funds that invest across various asset classes, including leveraged buyouts, distressed debt, venture capital, secondary partnership interests, hedged equity, distressed securities, and merger arbitrage. These investment vehicles are primarily limited partnerships or other investment structures which do not have readily available market valuation information and which may have restrictive redemption provisions. The estimated fair values of investments of these partnerships are determined by the general partner or sponsor of the respective partnerships and may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. These investments in partnerships are classified in Level 3 of the fair value hierarchy. Identified in the table below is a summary of changes in fair value of Level 3 investments for the years ended June 30, 2020 and 2019.

	Private Equity	Hedge Funds	Other	Total
Beginning net asset value—July 1, 2019	$ 7,659	$ 5,924	$ 2,551	$ 16,134
Capital additions or purchases	7,442	13,000	602	21,044
Capital disbursements or sales	(653)	-	-	(653)
Depreciation of investments	(611)	(1,415)	(208)	(2,234)
Ending net asset value—June 30, 2020	$ 13,837	$ 17,509	$ 2,945	$ 34,291

	Private Equity	Hedge Funds	Other	Total
Beginning net asset value—July 1, 2018	$ 6,515	$ 5,862	$ 1,850	$ 14,227
Capital additions or purchases	2,077	-	914	2,991
Capital disbursements or sales	(1,755)	(65)	(477)	(2,297)
Appreciation of investments	822	127	264	1,213
Ending net asset value—June 30, 2019	$ 7,659	$ 5,924	$ 2,551	$ 16,134

Identified in the table below is a summary of fair value, unfunded commitments, and redemption provisions:

	Fair Value	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Private equity	$ 13,837	$ 16,766	n/a	n/a	n/a
Hedge funds	17,509	-	Quarterly	n/a	90–95 days
Other	2,945	1,113	n/a	n/a	n/a

Private equity funds are invested in a fund-of-funds structure in which the underlying managers invest primarily in leveraged buyouts, distressed debt, venture capital, and secondary partnership interests.

Hedge funds are invested primarily in a fund-of-funds structure in which the underlying managers invest primarily in hedged equity, distressed securities, and merger arbitrage strategies.

Other includes investments in credit opportunities and real estate funds.

17. LEASE COMMITMENTS

The University leases office space for off-site classrooms, technology equipment, and vehicles under non-cancelable operating arrangements that have original terms greater than one year. Leases expire at varying dates through September 30, 2029, and there are various renewal options. Total lease expense was $595 and $575 for the years ended June 30, 2020 and 2019, respectively. The following table shows the aggregate payments required with these leases in the periods indicated.

Years Ending June 30	
2021	$ 459
2022	421
2023	306
2024	227
2025	237
Thereafter	1,029
	$ 2,679

In June 2013, the University executed an agreement to lease approximately 14 acres of land immediately adjacent to its main campus to a development company. The lease period is for 50 years with five additional nine-year renewals at the developer's option, and the lease gives the development company rights to construct a multi-use development including housing, office, and retail space on this property. The University receives periodic lease payments from the developer. The University is neither an investor in the development nor a guarantor for any obligations of the development company or the development. The University leases a portion of the retail space for its own use at market rates; this commitment is included in the amounts disclosed above.

18. COMMITMENTS AND CONTINGENCIES

The University is involved in various legal actions arising in the ordinary course of its activities. Management believes that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the University.

The University receives grants and contracts from certain federal, state, and local agencies to fund student aid and other activities. Both direct and indirect costs that have been charged to the grants or contracts are subject to examination and approval by the granting agency. Management believes that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University has agreements with general contractors for the design and renovation of facilities with a current guaranteed maximum price of $54,156 of which approximately $53,878 has been paid or accrued as of June 30, 2020.

In December 2016, the University entered into an exclusive 10-year agreement with a local healthcare organization to jointly develop academic programs and to support campus health and wellness. This agreement included the creation of a new legal entity which would construct and own a new health and recreation center located on the University's campus. The new entity, Center Corp, is a qualifying organization under Section 509(a)(3) of the Code; the University owns 51% of this entity. As of June 30, 2020, Center Corp incurred $55,700 in costs associated with the planning, design and construction of the new facility. The financial activity of Center Corp is fully consolidated into the University's financial statements. The University has contributed capital of $35,700 and the healthcare affiliate has contributed capital of $20,000 as of June 30, 2020. The University completed construction and started operations in the health and recreation center in 2020.

19. SUBSEQUENT EVENTS

Other than the issuance of the 2020 Series Revenue Bonds on July 30, 2020 (see Note 11), no other events have occurred after June 30, 2020, but before September 17, 2020, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

20. INFORMATION USED IN THE DETERMINATION OF THE DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and non-profit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in the University's financial statements and the values as they are included in the determination of the ratios used by ED to gauge the University's financial responsibility:

	2020
Investment in plant—net, including construction in progress:	
Net book value of assets existing as of June 30, 2019 (Pre-implementation):	
Land	$ 31,854
Land improvements	18,148
Buildings and building improvements	205,371
Leasehold improvements	97
Equipment	7,089
Library collection	282
Total	262,841
Net book value of assets in service after June 30, 2019 (Post-implementation):	
Land	2,205
Land improvements	510
Buildings and building improvements	64,240
Leasehold improvements	-
Equipment	3,647
Library collection	-
Total	70,602
Construction in progress	9,900
Investment in plant—net, including construction in progress	$ 343,343
Indebtedness:	
Pre-implementation, for long term purposes	$ 190,082
Post-implementation, for long term purposes	-
Post-implementation for construction in progress	-
Post-implementationn, not for the purchase of investment in plant	-
Total	$ 190,082

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