



LOYOLA UNIVERSITY MARYLAND, INC.

Financial Statements

May 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

LOYOLA UNIVERSITY MARYLAND, INC.

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Trustees
Loyola University Maryland, Inc.:

We have audited the accompanying financial statements of Loyola University Maryland, Inc. (the University), which comprise the balance sheets as of May 31, 2020 and 2019, 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 U.S. generally accepted accounting principles; 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Loyola University Maryland, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1 to the financial statements, in the year ended May 31, 2020, the University adopted Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

KPMG LLP

Baltimore, Maryland
October 13, 2020

LOYOLA UNIVERSITY MARYLAND, INC.

Balance Sheets

May 31, 2020 and 2019

(Dollars in thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 28,401	32,730
Student tuition receivables (net of allowance for doubtful accounts of \$374 in 2020 and \$430 in 2019)	3,606	3,663
Contributions receivable, net	9,137	11,187
Prepaid expenses and other assets	3,708	3,424
Deposits with bond trustees	23,236	3
Investments	305,301	297,312
Student loan receivables, net	2,281	2,833
Land, buildings, and equipment, net	311,139	309,654
Interest in perpetual trust	13,473	13,683
Total assets	\$ 700,282	674,489
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 21,405	28,878
Deferred tuition and credits on student accounts	14,162	6,461
Bonds payable, net	151,791	128,527
Other liabilities	3,376	5,443
U.S. government grants refundable	2,247	2,623
Total liabilities	192,981	171,932
Net assets:		
Without donor restrictions	353,940	350,262
With donor restrictions	153,361	152,295
Total net assets	507,301	502,557
Total liabilities and net assets	\$ 700,282	674,489

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Activities

Year ended May 31, 2020
(with comparative totals for 2019)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Totals	
			2020	2019
Operating revenues:				
Tuition and fees (net of tuition discounts of \$95,835 in 2020 and \$87,020 in 2019)	\$ 121,676	—	121,676	125,282
Auxiliary services	42,688	—	42,688	55,622
Contributions	3,121	608	3,729	4,179
Government grants and contracts	10,328	—	10,328	9,830
Other sources	3,806	—	3,806	3,802
Investment income	3,165	—	3,165	2,758
Endowment income designated for current operations	6,299	4,679	10,978	10,597
Net assets released from restrictions	4,666	(4,666)	—	—
Total revenues	<u>195,749</u>	<u>621</u>	<u>196,370</u>	<u>212,070</u>
Operating expenses:				
Instruction and research	64,812	—	64,812	72,147
Student services and public service	36,088	—	36,088	37,070
Academic support and library	17,173	—	17,173	17,893
Institutional support and fundraising	35,994	—	35,994	36,543
Auxiliary enterprises	34,207	—	34,207	39,232
Total expenses	<u>188,274</u>	<u>—</u>	<u>188,274</u>	<u>202,885</u>
Change in net assets from operating activities	<u>7,475</u>	<u>621</u>	<u>8,096</u>	<u>9,185</u>
Nonoperating activities:				
Contributions	250	5,487	5,737	8,100
Investment return, net of endowment spending	(4,168)	(4,885)	(9,053)	(7,474)
Change in value of split interest agreements	(25)	(157)	(182)	(479)
Change in fair value of swap	73	—	73	(243)
Gain on extinguishment of debt	73	—	73	—
Voluntary faculty retirement incentive program	—	—	—	(8,430)
Change in net assets from nonoperating activities	<u>(3,797)</u>	<u>445</u>	<u>(3,352)</u>	<u>(8,526)</u>
Change in net assets	3,678	1,066	4,744	659
Net assets at beginning of year	<u>350,262</u>	<u>152,295</u>	<u>502,557</u>	<u>501,898</u>
Net assets at end of year	<u>\$ 353,940</u>	<u>153,361</u>	<u>507,301</u>	<u>502,557</u>

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statement of Activities

Year ended May 31, 2019

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Tuition and fees (net of tuition discounts of \$87,020 in 2019)	\$ 125,282	—	125,282
Auxiliary services	55,622	—	55,622
Contributions	3,614	565	4,179
Government grants and contracts	9,830	—	9,830
Other sources	3,802	—	3,802
Investment income	2,758	—	2,758
Endowment income designated for current operations	6,124	4,473	10,597
Net assets released from restrictions	5,014	(5,014)	—
Total revenues	<u>212,046</u>	<u>24</u>	<u>212,070</u>
Operating expenses:			
Instruction and research	72,147	—	72,147
Student services and public service	37,070	—	37,070
Academic support and library	17,893	—	17,893
Institutional support and fundraising	36,543	—	36,543
Auxiliary enterprises	39,232	—	39,232
Total expenses	<u>202,885</u>	<u>—</u>	<u>202,885</u>
Change in net assets from operating activities	<u>9,161</u>	<u>24</u>	<u>9,185</u>
Nonoperating activities:			
Contributions	—	8,100	8,100
Investment return, net of endowment spending	(3,724)	(3,750)	(7,474)
Change in value of split interest agreements	(17)	(462)	(479)
Change in fair value of swap	(243)	—	(243)
Voluntary faculty retirement incentive program	(8,430)	—	(8,430)
Net assets released from restrictions	2,234	(2,234)	—
Change in net assets from nonoperating activities	<u>(10,180)</u>	<u>1,654</u>	<u>(8,526)</u>
Change in net assets	(1,019)	1,678	659
Net assets at beginning of year	<u>351,281</u>	<u>150,617</u>	<u>501,898</u>
Net assets at end of year	<u>\$ 350,262</u>	<u>152,295</u>	<u>502,557</u>

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Cash Flows

Years ended May 31, 2020 and 2019

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 4,744	659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,987	10,846
Gift of property	—	(1,700)
Loss on disposal of assets	—	18
Gain on extinguishment of debt	(73)	—
Contributions restricted for long-term investment	(6,510)	(4,230)
Net realized and unrealized gains on investments	(2,441)	(537)
Change in fair value of interest rate swap	(73)	243
Termination of interest rate swap	(2,043)	—
Change in assets and liabilities:		
Student tuition receivables, net	57	(791)
Contributions receivable, net	2,050	(575)
Prepaid expenses and other assets	(285)	1,712
Interest in perpetual trust	210	510
Accounts payable and accrued liabilities	(7,473)	11,300
Deferred tuition and credits on student accounts	7,702	179
Other liabilities	355	(687)
U.S. government grants refundable	(376)	26
Net cash provided by operating activities	6,831	16,973
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(12,789)	(6,537)
Sales of investments	95,284	63,374
Purchases of investments	(100,833)	(74,103)
Issuance of student loans	(193)	(221)
Proceeds from payments on student loans receivable	745	864
Net cash used in investing activities	(17,786)	(16,623)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	6,510	4,230
Proceeds from bond issuance	86,130	—
Bond issuance costs	(680)	—
Payments on bonds payable	(3,700)	(3,540)
Extinguishment/defeasance of debt	(58,403)	—
Proceeds from annuities	31	—
Payments under annuities	(29)	(31)
Net cash provided by financing activities	29,859	659
Net increase in cash, cash equivalents and restricted cash	18,904	1,009
Cash, cash equivalents and restricted cash at beginning of year	32,733	31,724
Cash, cash equivalents and restricted cash at end of year	\$ 51,637	32,733
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 5,418	5,504
Noncash gift of property	—	1,700

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Notes to Financial Statements

May 31, 2020 and 2019

(Dollars in thousands)

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

Loyola University Maryland, Inc. (the University or Loyola) is a private, nonprofit higher education institution located in Baltimore, Maryland (Baltimore). The University provides education and training services to approximately 3,900 undergraduate and 1,500 graduate students. The students are from approximately 40 states and 23 countries; 81% of undergraduate students live on campus during the academic year.

(b) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

The net assets of the University are classified into two classes based on the existence of donor-imposed restriction, if any, as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets that are subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited due to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed into service.

Assets and liabilities are presented in the order of liquidity on the balance sheets except that investments may include short-term securities that are available for operations.

(c) Cash and Cash Equivalents

The University considers all highly liquid investments with maturities of three months or less to be cash equivalents, except those held in the investment portfolio. Amounts held within the investment portfolio are for long term purposes and not considered cash equivalents for the purposes of the statements of cash flows.

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(Dollars in thousands)

(d) Deposits with Trustees

Deposits with bond trustees consist of a portion of the proceeds from the Series 2019 bond issuance, which have been invested in short-term, highly liquid securities as of May 31, 2020. These funds will be used for certain construction projects.

(e) Investments

Investments are stated at their estimated fair values, which are generally determined based on quoted market prices. The carrying value of certain alternative equity and fixed income investments held through limited partnerships and hedge funds are recorded at net asset value (NAV) as provided by the fund managers or the general partners as a practical expedient to fair value, unless the University plans to sell an investment in the near term at a value other than NAV. These estimated values, which are evaluated for reasonableness by the University, may differ from the values that would have been used had a ready market existed and the differences could be significant. As of May 31, 2020 and 2019, the University had no plans or intentions to sell such investments.

Dividend income is recognized on the ex-dividend date. Noncash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of management fees on an accrual basis.

(f) Student Loan Receivables

Student loan receivables consist of loans to students, which are made from the University's loan funds and the Federal Perkins Loan Program. The loans are reported at their estimated net realizable value. The allowance for uncollectible loans was \$411 at May 31, 2020 and 2019.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, or at estimated fair value at date of gift, if donated. Generally, the costs of maintenance and repairs are charged to expense when incurred, while major acquisitions, additions, renewals, and betterments are capitalized. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

(h) Valuation of Long-Lived Assets

Certain buildings and land improvements held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. None of the University's long-lived assets were considered to be impaired as of May 31, 2020 and 2019.

(i) Interest in Perpetual Trust and Split Interest Agreements

Interest in perpetual trust represents resources neither in the possession nor under the control of the University, but held and administered by an outside fiscal agent, with the University deriving income from such funds as beneficiary. The amount recorded on the balance sheets represents 21% of the fair value of the portfolio of underlying assets of the trust, which is the University's proportionate interest, and approximates the estimated cash flows of the trust.

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(Dollars in thousands)

The University's split-interest agreements are primarily annuity arrangements. Beneficiaries designated by the donor receive distributions from the University over their lives in accordance with the respective agreements. Liabilities under the split-interest agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Gains and losses associated with changes in the estimates of future distributions to beneficiaries are included in the statements of activities.

The University has \$359 and \$372 of future annuity payments included in other liabilities at May 31, 2020 and 2019, respectively. In accordance with Maryland State law, the University has \$596 and \$598 of assets separately reserved for the annuity payments at May 31, 2020 and 2019, respectively. This amount is included in investments on the balance sheets.

(j) U.S. Government Grants Refundable

Funds provided by the United States (U.S.) government under the Federal Perkins Loan Program are loaned to qualified students. Such funds are ultimately refundable to the U.S. government.

(k) Revenue Recognition – Contracts with Customers and Accounts Receivable

Revenue from student education, and residence and dining services (auxiliary services) is reflected net of reductions from student aid (tuition discounts) and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees, if any, is reflected as a reduction of auxiliary services revenues. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as deferred tuition to the extent services will be rendered in the following fiscal year. Student aid does not include payments made to students for services rendered to the University.

The composition of student tuition and fees revenue was as follows for the years ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undergraduate	\$ 193,659	185,904
Graduate and other	23,852	26,398
Tuition discounts	<u>(95,835)</u>	<u>(87,020)</u>
	<u>\$ 121,676</u>	<u>125,282</u>

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Notes to Financial Statements

May 31, 2020 and 2019

(Dollars in thousands)

Auxiliary services revenue consisted of the following for the years ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Residence and dining services, net of student aid	\$ 40,190	52,745
Athletics	1,221	1,416
Other	<u>1,277</u>	<u>1,461</u>
	<u>\$ 42,688</u>	<u>55,622</u>

Due to the closure of the campus in March 2020 as a result of the COVID-19 pandemic, the University credited or refunded students' accounts \$12,177, net of student aid of \$684, resulting in a reduction in residence and dining services revenue for the year.

Other sources revenue includes revenues from parking, student events, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to customers.

All consideration from contracts with customers is included in the transaction price. A student may be eligible for a refund upon withdrawal based on the last date of attendance. The period for refunds for academic programs does not span fiscal periods, as such, refunds are recorded against revenue when they are made.

Student tuition receivables are invoiced based upon contractual terms with students. The University maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known troubled accounts, historical experience, and other currently available evidence.

Student income received in advance of services rendered, inclusive of credits on student accounts as a result of COVID-19 are recorded as deferred tuition and credits on student accounts which totaled \$13,821 and \$5,879, respectively, for years ended May 31, 2020 and 2019, which are primarily recognized in the subsequent fiscal year.

(I) Revenue Recognition – Contributions, including Government Grants and Contracts

Contributions, including unconditional promises to give, are recognized as revenues based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. 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 the gift. Contributions to be received after one year are discounted using an appropriate rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for estimated uncollectible contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

State grant revenue is provided by the State of Maryland to support the general operations of the University. Funds are to be used in accordance with applicable law and revenue is recognized ratably over the fiscal year as qualifying expenses are incurred.

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(Dollars in thousands)

The University conducts sponsored program activity with various sponsors, including agencies and departments of the federal government, local government entities, and foundations. Such grants and contracts revenue are recognized as the related qualifying expenses are incurred.

(m) Income Tax Status

The University is qualified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, the University is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for fiscal years 2020 or 2019.

Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(n) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including: contributions restricted for acquisitions of facilities and equipment; endowment contributions; endowment return in excess of, or less than, the University's spending policy; changes in the value of split-interest agreements, including perpetual trusts held by others; and, transactions of an infrequent nature. During the year ended May 31, 2019, the University entered into agreements with several faculty members under a voluntary faculty retirement incentive program; the associated costs are included in nonoperating activities.

(o) Concentration of Credit Risk

Financial instruments, which potentially subject the University to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, pledges receivable and certain revenue sources. The University has several bank accounts at May 31, 2020 containing balances which exceed FDIC limits. Investments are held at creditworthy financial institutions. By policy, these investments are kept within authorized limits designed to prevent risks caused by concentration. Credit risk with respect to pledges receivable is generally limited; however, the University receives support from a large number of donors and has maintained long-term relationships with these donors. Approximately 56% and 57% of net pledges receivable were from three major donors at May 31, 2020 and 2019, respectively.

(p) Derivative Financial Instruments

Derivative financial instruments (interest rate swap) are measured at fair value and recognized as assets or liabilities, with the change in fair value included in the statements of activities. The fair value of the swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data, adjusted for credit risk as appropriate.

LOYOLA UNIVERSITY MARYLAND, INC.

Notes to Financial Statements

May 31, 2020 and 2019

(Dollars in thousands)

(q) New Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash* that requires the statements of cash flows to explain changes during the period for the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Restricted cash and cash equivalents for the University is included within the balance sheet line item – deposits with bond trustees. The University adopted ASU 2016-18 in fiscal year 2020 and applied the changes retrospectively. Accordingly, amounts on the 2019 statement of cash flows have been restated.

The following table summarizes cash, cash equivalents, and restricted cash reported on the statement of cash flows as of May 31, 2020 and 2019, in thousands of dollars:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 28,401	32,730
Deposits with bond trustees	<u>23,236</u>	<u>3</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 51,637</u>	<u>32,733</u>

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU is effective for fiscal years and interim periods beginning after December 15, 2021 and will require lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting will remain substantially unchanged. The ASU requires a modified retrospective transition approach for existing leases, whereby the new rules will be applied to the earliest year presented. The University is currently working on the implementation of this ASU (see Note 13a for the disclosure of lease commitments).

(r) Current Environment

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

Commencing March 18, 2020, undergraduate and graduate course instruction was conducted virtually and most students vacated the campus. The University granted refunds of \$12,811 in fiscal year 2020 for housing and dining services not provided after March 18, 2020. Students continued to meet their academic requirements for the remainder of the 2019 – 20 academic year. In addition, the start of 2020-21 academic year will remain a virtual learning environment. While some faculty and staff are working on-campus to ensure continuity of essential operations, most faculty and staff have transitioned to remote work. Given the uncertainty over the progression of the virus and governmental

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emergency directives, there is no timetable for when instruction and campus operations will return to normal.

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

(2) Contributions Receivable

Contributions receivable, net, are summarized as follows as of May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 4,324	3,815
One to five years	6,334	7,972
More than five years	<u>100</u>	<u>1,385</u>
	10,758	13,172
Less:		
Discount (interest rates ranging from 1.2% to 4.7%)	(622)	(986)
Allowance for doubtful accounts	<u>(999)</u>	<u>(999)</u>
	<u>\$ 9,137</u>	<u>11,187</u>

As of May 31, 2020, the University had bequest intentions and conditional promises to give aggregating \$29,631, which have not been recognized as assets or revenues. If received, these gifts will generally be restricted for financial aid, general operations, buildings and equipment, instruction and research as stipulated by the donors.

(3) Fair Value Measurements

The fair value of the University's financial instruments is determined based on the amount 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 assuming the transaction occurs in the University's principal (or most advantageous) market. Those fair value measurements maximize the use of observable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted or published prices in active markets for identical assets or liabilities.

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- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments: The fair value of fixed income securities, common stock and equity, mutual and other funds are determined using quoted market prices at the reporting date multiplied by the quantity on hand. The carrying amount of money market funds approximates the fair value because of the short maturity of these investments.

Interest in perpetual trust: The fair value is determined as the University's percentage interest in the year-end fair value of the underlying investment securities of the trust, which approximates the estimated cash flows of the trust to the University.

Interest rate swap: The fair value of the interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value is adjusted to reflect nonperformance risk of either the counterparty or the University.

Deposits with bond trustees: The fair value is determined using quoted market prices at the reporting date.

The following tables present assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2020 and 2019. Certain investments that are measured at fair value using NAV as a practical

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Notes to Financial Statements

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(Dollars in thousands)

expedient have not been categorized in the fair value hierarchy and are included to permit reconciliation to the balance sheets.

	2020				
	NAV or equivalent	Level 1	Level 2	Level 3	Total
Financial assets:					
Investments:					
Money market funds	\$ —	80,802	—	—	80,802
Fixed income funds:					
Core bond total return	—	6,412	—	—	6,412
Floating rate high income	—	4,922	—	—	4,922
Other fixed income fund	—	367	—	—	367
Total fixed income funds	—	11,701	—	—	11,701
Equity funds:					
Domestic	—	39,286	—	—	39,286
International developed	34,116	17,062	—	—	51,178
Emerging markets	8,437	5,679	—	—	14,116
Total equity funds	42,553	62,027	—	—	104,580
Public global real estate securities	—	—	—	—	—
Hedge funds:					
Multi-strategy	21,886	—	—	—	21,886
Nonagency residential mortgage-backed securities	7,902	—	—	—	7,902
Long/short	28,650	—	—	—	28,650
Total hedge funds	58,438	—	—	—	58,438
Private equity:					
Multi-strategy fund of funds	699	—	—	—	699
Direct private debt and equity	20,459	—	—	5,418	25,877
Real estate	4,927	—	—	—	4,927
Venture capital fund of funds	16,913	—	—	—	16,913
Total private equity	42,998	—	—	5,418	48,416
Real estate	—	—	—	576	576
Other	—	—	—	788	788
Total investments	143,989	154,530	—	6,782	305,301

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(Dollars in thousands)

		2020				
		NAV or equivalent	Level 1	Level 2	Level 3	Total
Other financial assets:						
Deposits with bond trustees	\$	—	23,236	—	—	23,236
Interest in perpetual trust		—	—	—	13,473	13,473
Total financial assets	\$	143,989	177,766	—	20,255	342,010

		2019				
		NAV or equivalent	Level 1	Level 2	Level 3	Total
Financial assets:						
Investments:						
Money market funds	\$	—	73,054	—	—	73,054
Fixed income funds:						
Core bond total return		—	11,461	—	—	11,461
Floating rate high income		—	6,751	—	—	6,751
Other fixed income fund		—	345	—	—	345
Total fixed income funds		—	18,557	—	—	18,557
Equity funds:						
Domestic		—	36,951	—	—	36,951
International developed		28,345	22,180	—	—	50,525
Emerging markets		9,170	5,844	—	—	15,014
Total equity funds		37,515	64,975	—	—	102,490
Public global real estate securities		7,303	—	—	—	7,303
Hedge funds:						
Multi-strategy		11,217	—	—	—	11,217
Nonagency residential mortgage-backed securities		9,322	—	—	—	9,322
Long/short		29,689	—	—	—	29,689
Total hedge funds		50,228	—	—	—	50,228
Private equity:						
Multi-strategy fund of funds		1,159	—	—	—	1,159
Direct private debt and equity		16,519	—	—	5,481	22,000
Real estate		4,370	—	—	—	4,370
Venture capital fund of funds		14,523	—	—	—	14,523
Total private equity		36,571	—	—	5,481	42,052

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		2019				
		<u>NAV or equivalent</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Real estate	\$	—	—	—	2,855	2,855
Other		—	—	—	773	773
Total investments		131,617	156,586	—	9,109	297,312
Other financial assets:						
Deposits with bond trustees		—	3	—	—	3
Interest in perpetual trust		—	—	—	13,683	13,683
Total financial assets	\$	<u>131,617</u>	<u>156,589</u>	<u>—</u>	<u>22,792</u>	<u>310,998</u>
Financial liabilities:						
Interest rate swap	\$	—	—	2,116	—	2,116

The following table presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2020 and 2019:

		<u>Private equity</u>	<u>Other</u>	<u>Interest in perpetual trust</u>	<u>Total</u>
Ending balance, May 31, 2018	\$	5,761	1,892	14,193	21,846
Net realized and unrealized gains (losses)		2	36	(510)	(472)
Contribution		—	1,700	—	1,700
Sales and settlements		(282)	—	—	(282)
Ending balance, May 31, 2019		5,481	3,628	13,683	22,792
Net realized and unrealized gains (losses)		172	(746)	(210)	(784)
Sales and settlements		(235)	(1,518)	—	(1,753)
Ending balance, May 31, 2020	\$	<u>5,418</u>	<u>1,364</u>	<u>13,473</u>	<u>20,255</u>

(4) Investments

Investments are professionally managed by outside investment organizations subject to direction and oversight by a committee of the Board of Trustees. The Board of Trustees has established investment policies and guidelines, which cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed income and short-term investments, and various other matters.

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Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying financial statements.

Investment return is summarized as follows for the years ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Income from interest and dividends	\$ 4,128	6,723
Net realized and unrealized gains on investments	2,441	537
Investment fees	<u>(1,479)</u>	<u>(1,379)</u>
Total investment return	<u>\$ 5,090</u>	<u>5,881</u>

Investment return is included in the statements of activities as follows for the years ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating	\$ 14,143	13,355
Nonoperating	<u>(9,053)</u>	<u>(7,474)</u>
	<u>\$ 5,090</u>	<u>5,881</u>

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The table below summarizes investments for which NAV as a practical expedient has been used to estimate fair value as of May 31, 2020 and 2019:

Investment	Fair value		Remaining average life of the funds	Unfunded commitments as of May 31, 2020	Unfunded commitments as of May 31, 2019	Redemption frequency (if currently eligible)	Redemption notice period
	2020	2019					
Equity funds:							
International developed (a)	\$ 34,116	28,345	N/A	\$ —	—	Various	3–30 days
Emerging markets (b)	8,437	9,170	N/A	—	—	Monthly	6 days
Public global real estate securities (c)	—	7,303	N/A	—	—	Monthly	15 days
Hedge funds:							
Multi-strategy (d)	21,886	11,217	N/A	—	—	Various	30–180 days
Nonagency residential mortgage-backed securities (e)	7,902	9,322	N/A	—	—	Quarterly	60 days
Long/short (f)	28,650	29,689	N/A	—	—	Various	30–105 days
Private equity diversified (g)	42,998	36,571	0 to 15 years	30,381	32,585	N/A	N/A
	<u>\$ 143,989</u>	<u>131,617</u>		<u>\$ 30,381</u>	<u>32,585</u>		

- (a) Investments in international developed equity funds that invest in diversified portfolios of mid and smaller capitalization equity securities and equity securities listed on major international exchanges. The frequency of redemptions varies from semi-monthly to monthly.
- (b) Investments in equity and equity equivalent instruments outside the United States and specifically in emerging markets.
- (c) Investments of a portfolio of publicly traded equity securities issued by real estate investment trusts and other publicly held real estate companies primarily in North America, Europe, Australia, and Asia.
- (d) Investments in a variety of multi-strategy funds that invest in activities, such as: event-driven funds with an emphasis on merger arbitrage, distressed debt, and capital structure arbitrage; master limited partnerships that mostly pertain to the use of natural resources; and, a customizable commingled fund which operates as a collective investment trust that pools assets of various entities to create a larger, diversified portfolio of assets managed collectively in accordance with a common investment strategy. The frequency of redemption varies from daily to annually.
- (e) Investments in hedge funds that invest across the corporate capital structure and nonagency residential mortgage-backed securities. The investments include bank loans, high yield bonds, distressed securities, direct investments in private companies, domestic equities and convertible arbitrage.

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- (f) Investments in hedge funds and other funds of funds that invest in a variety of long and short funds where the underlying investments are primarily marketable securities. The frequency of redemption varies from monthly to multiyear lock-up, with a maximum of three years.
- (g) Investments in private equity funds that invest in diversified growth companies through various industries that mainly operate within the U.S., with the average remaining life of the funds varying from receiving redemptions as funds are available to 7 years as of May 31, 2020. Capital is distributed to investors as the funds' investments are liquidated over that time period.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment, net, as of May 31, 2020 and 2019 consist of the following:

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Land and land improvements	0-10 years	\$ 27,068	26,989
Buildings	50 years	433,355	428,668
Equipment, furniture, software, and other	5-7 years	41,592	40,195
Investment in Loyola/Notre Dame Library	50 years	12,106	12,106
Construction in progress	n/a	<u>8,599</u>	<u>2,051</u>
		522,720	510,009
Less accumulated depreciation		<u>(211,581)</u>	<u>(200,355)</u>
		<u>\$ 311,139</u>	<u>309,654</u>

Depreciation expense totaled \$11,284 and \$11,088 for the years ended May 31, 2020 and 2019, respectively.

The Loyola/Notre Dame Library, Inc. (the Library), a separate legal corporation, was formed in February 1968 for the mutual benefit of the University and Notre Dame of Maryland University (Notre Dame). The Library building is situated on six acres of land between the two campuses. The land and the building, including improvements, were contributed in equal shares by Loyola and Notre Dame and are the property of the Library. The Library has its own Board of Trustees consisting of twelve members: three from the University, three from Notre Dame, and six other members. The University and Notre Dame are required to financially support the Library's annual operations through payments of joint and use costs. Joint costs are equally shared and use costs are based on each institution's proportionate share of adjusted semester hours. The University incurred approximately \$3,804 and \$4,041 in joint and use costs for the Library during the years ended May 31, 2020 and 2019, respectively.

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(6) Bonds Payable and Other Debt Matters

Bonds payable, net as of May 31, 2020 and 2019 consist of the following:

	2020	2019
Maryland Health and Higher Education Facility Authority (MHHEFA) revenue bonds:		
Series 2012A:		
3.00% serial due October 2024, principal beginning October 2012	\$ 3,395	17,190
4.00–5.00% term due October 2039, principal beginning October 2033, defeased December 2019	—	19,225
	3,395	36,415
Series 2012B variable rate:		
Due annually through October 2026 (2.75% as of May 31, 2019), redeemed December 2019	—	26,170
Series 2014:		
3.25–5.00% serial due October 2034, principal beginning October 2027	13,065	13,065
4.00–5.00% term due October 2045, principal beginning October 2035	47,300	47,300
	60,365	60,365
Series 2019A:		
5.00% serial due October 2026, principal beginning October 2020	23,010	—
5.00% term due October 2049, principal beginning October 2045	20,630	—
	43,640	—
Series 2019B:		
2.31–3.35% serial due October 2034, principal beginning October 2022	20,255	—
3.65% term due October 2039, principal beginning October 2035	14,520	—
	34,775	—
	142,175	122,950
Unamortized bond premium	10,770	6,469
Unamortized debt issuance costs	(1,154)	(892)
	\$ 151,791	128,527

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On December 19, 2019, Maryland Health and Higher Education Financing Authority (MHHEFA) issued a tax-exempt bond with a par value of \$43,640 (Series 2019A bonds) on behalf of the University. Proceeds from the 2019A Bonds were used to; a) refinance the Series 2012B bonds; b) pay costs of issuance, c) partially finance construction of the Center for Innovation and Collaborative Learning, an addition to and renovation of an existing academic building on the University's campus; and d) fund various other capital projects. On the same date, MHHEFA issued a taxable bond with a par value of \$34,775 (Series 2019B bonds) on behalf of the University, to advance refund a portion of the University's Series 2012A bonds maturing after October 1, 2023 and to pay costs of issuance.

The refinancing of the Series 2012A and 2012B bonds resulted in an accounting net gain of \$73, which includes the write-off of associated unamortized premium and bond issue costs, and is reflected as a nonoperating gain in the statement of activities for the year ended May 31, 2020. Certain of the proceeds of the series 2019 bonds were used to fund an escrow account that was irrevocably placed with a trustee to meet the principal and interest payments of the Series 2012A bonds until their redemption. Therefore, neither the escrow account nor the refunded bonds are included on the balance sheet as of May 31, 2020. The portion of the Series 2012A bonds that were legally defeased and the entire Series 2012B bonds that were redeemed are no longer obligations of the University. The remaining series 2012A and the serial 2014, 2019A and 2019B outstanding bonds are subject to redemption prior to maturity at the principal amount thereof plus accrued interest to the redemption date. The University is required to make sinking fund payments on October 1 of each year.

The covenants on the Series 2012A, 2014, 2019A and 2019B bonds restrict the sale of assets and include other requirements as defined in the agreement. The University was in compliance with its covenants as of May 31, 2020 and 2019.

Interest expense and net amortization of bond premium and debt issuance costs were \$4,872 and \$5,235 in 2020 and 2019, respectively. Interest expense was \$5,117 and \$5,478 in 2020 and 2019, respectively. Interest expense of \$497 was capitalized in 2020.

(a) Interest Rate Swap Arrangement

The University had an interest rate swap agreement with a major financial institution to fix the interest rate on the Series 2012B bonds. The agreement effectively fixed the interest rate of the bond issue at 3.25% through October 1, 2026. The initial notional amount outstanding under the swap agreement was \$32,690.

The fair value of the interest rate swap was a liability of \$2,116 as of May 31, 2019 and is included in other liabilities on the balance sheet. The interest rate swap liability was paid off and the agreement was terminated with the defeasance of the 2012B bonds.

(b) Line of Credit

The University entered into an agreement with a financial institution to provide a general use line of credit with a maximum available commitment totaling \$12,000 as of May 31, 2020 and 2019. This line of credit will be used, if necessary, for working capital and will remain open until January 31, 2021, unless extended. No portion of the line was utilized during fiscal years 2020 or 2019 and there were no outstanding amounts as of May 31, 2020 and 2019.

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(c) Principal Repayment Schedule

Aggregate annual principal payments on the bonds (not including unamortized bond premium and debt issuance costs) over the next five fiscal years and thereafter are: \$3,700 in 2021, \$3,855 in 2022, \$4,285 in 2023, \$4,440 in 2024, \$3,695 in 2025, and \$122,200 thereafter.

(7) Interest in Perpetual Trust

In June 1996, the University received an interest in the Marion I. and Henry J. Knott Scholarship Fund, Inc., an irrevocable perpetual trust. Under the terms of the agreement, as amended, the University receives 21% of investment income earned on the trust into perpetuity. Underlying investment securities in the trust include cash and cash equivalents, fixed income mutual funds, equity securities, and alternative investments. The University is to use the income distributed from the trust for scholarships for students in undergraduate studies.

The University received distributions from the scholarship trust of approximately \$427 and \$418 in 2020 and 2019, respectively. The change in value of the University's interest in the perpetual trust is recorded as change in value of split interest agreements on the statements of activities and was \$(210) and \$(510) in 2020 and 2019, respectively.

(8) Net Assets

Net assets are comprised of the following as of May 31, 2020 and 2019:

	2020	2019
Without donor restrictions:		
Board designated endowments	\$ 118,195	112,427
Other funds	235,745	237,835
Total without donor restrictions	353,940	350,262
With donor restrictions:		
Donor restricted endowments:		
Financial aid	62,357	58,818
Instruction and research	51,924	53,302
General operations	80	83
Financial aid restricted	13,473	13,683
General operations	19,414	19,648
Buildings and equipment	3,843	3,465
Other, passage of time	2,270	3,296
Total with donor restrictions	153,361	152,295
Total	\$ 507,301	502,557

Releases from restriction were for financial aid and general operations of the University.

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(9) Endowment

The University's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The University does not include pledges receivable, its interest in the perpetual trust, and charitable gift annuities as part of its endowment.

(a) Interpretation of Relevant Law

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that donor-restricted endowment funds be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The University classifies as donor restricted endowment net assets (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 to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund includes the net endowment return on investments that have not been appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the endowment fund, general economic conditions, possible effect of inflation and deflation, expected total return from investments, other resources of the University, and investment policies.

Endowment net assets consist of the following as of May 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original gifts	\$ —	89,288	89,288
Accumulated gains	—	25,073	25,073
Board-designated endowment funds	118,195	—	118,195
	\$ 118,195	114,361	232,556

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Endowment net assets consist of the following as of May 31, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original gifts	\$ —	82,778	82,778
Accumulated gains	—	29,425	29,425
Board-designated endowment funds	<u>112,427</u>	<u>—</u>	<u>112,427</u>
	<u>\$ 112,427</u>	<u>112,203</u>	<u>224,630</u>

Changes in endowment net assets for the years ended May 31, 2020 and 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, May 31, 2018	\$ 116,429	111,722	228,151
Investment return	1,406	1,440	2,846
Contributions collected	—	4,230	4,230
Appropriation for expenditure	<u>(5,408)</u>	<u>(5,189)</u>	<u>(10,597)</u>
Endowment net assets, May 31, 2019	112,427	112,203	224,630
Investment return	1,329	1,065	2,394
Contributions collected	—	6,510	6,510
Board designated contribution	10,000	—	10,000
Appropriation for expenditure	<u>(5,561)</u>	<u>(5,417)</u>	<u>(10,978)</u>
Endowment net assets, May 31, 2020	<u>\$ 118,195</u>	<u>114,361</u>	<u>232,556</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature were \$199 and \$68 as of May 31, 2020 and 2019, respectively.

(c) 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. Under the investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of S&P 500 and Barclays Capital Aggregate Bond indexes while assuming a moderate level of investment risk. The University expects its endowment funds, over three to five years, to provide an average annual real rate of return of at least 5%. Actual returns in any given year may vary from this amount.

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(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, bonds, and absolute return strategies in a ratio to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for a maximum distribution each year of up to 5% of its endowment funds' average fair value using the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing these policies, the University considered the expected return on its endowment.

(10) Expenses

The natural and functional classification of operating expenses for the year ended May 31, 2020 and 2019 are as follows:

	2020						
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	Total
Instruction and research	\$ 48,123	6,404	3,197	3,800	2,271	1,017	64,812
Student services and public service	19,395	3,385	2,950	2,754	5,194	2,410	36,088
Academic support and library	8,744	724	4,228	1,705	1,449	323	17,173
Institutional support and fundraising	19,318	3,155	6,284	4,068	930	2,239	35,994
Auxiliary enterprises	8,255	813	13,671	3,097	6,558	1,813	34,207
Total expenses	\$ 103,835	14,481	30,330	15,424	16,402	7,802	188,274

	2019						
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	Total
Instruction and research	\$ 53,163	7,334	3,429	4,448	2,295	1,478	72,147
Student services and public service	19,469	3,647	3,166	3,311	5,401	2,076	37,070
Academic support and library	8,050	1,114	4,910	2,057	1,477	285	17,893
Institutional support and fundraising	19,997	3,335	5,124	4,428	927	2,732	36,543
Auxiliary enterprises	8,840	643	17,009	4,608	6,548	1,584	39,232
Total expenses	\$ 109,519	16,073	33,638	18,852	16,648	8,155	202,885

In fiscal year 2019, the expense associated with the voluntary faculty retirement incentive program was \$8,430 and is considered instruction and research function and is included in non-operating activities on the statement of activities. There was no expense in fiscal year 2020 associated with the voluntary faculty retirement incentive program.

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest on related debt, are allocated to program and supporting activities based upon use of facilities.

Direct fundraising expenses for the years ended May 31, 2020 and 2019 were \$4,105 and \$5,287, respectively.

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(11) Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by the Board of Trustees. As further described in Note 6, the University may draw upon a revolving line of credit to manage cash flows.

As of May 31, 2020, and 2019, existing financial assets and liquidity resources available within one year were as follows:

	2020	2019
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 28,401	32,730
Operating investments	79,860	71,851
Liquidity resources:		
Revolving line of credit	12,000	12,000
Total	\$ 120,261	116,581

Additionally, the University has \$118,195 in board-designated endowment, of which approximately \$95,000 can be liquidated within one year, however, no liquidation is anticipated. The fiscal year 2021 spending from the endowment is estimated to be \$10,975.

(12) Retirement Benefit Plan

Retirement benefits are provided to eligible employees (participants), through direct payments to the defined contribution retirement plan. The University contributed an amount equal to 9% of the participant's eligible compensation for the years ended May 31, 2020 and 2019. Contributions under the plan are fully vested and retirement payments are limited to the amount of the participant's account. The University's contributions were approximately \$6,403 and \$6,326 in 2020 and 2019, respectively.

Effective June 1, 2020, the University modified the employer contribution on participant's eligible compensation from 9% to 2%.

(13) Commitments and Contingencies

(a) Leases

The University leases classroom facilities, office space, student housing, parking spaces, and printing equipment. Certain leases contain cost escalation clauses providing for increases in rentals due to increased tax or operating costs over defined base period amounts. Rent expense for the years ended May 31, 2020 and 2019 was approximately \$2,599 and \$3,037, respectively.

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The aggregate annual minimum lease payments to be paid through the expiration of the initial terms of these leases as of May 31, 2020 are as follows: \$2,198 in 2021, \$1,249 in 2022, \$930 in 2023, and \$129 in 2024.

(b) Other

The University is subject to various claims, litigation, and other assessments in the normal course of its operations, and liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Management of the University does not expect the ultimate resolution of these actions to have a material adverse effect on the University's financial position.

As of May 31, 2020, the University has outstanding construction commitments of \$26,915 related to a major capital project, which are expected to be paid in 2021 and 2022, primarily from deposits with bond trustees.

(14) Related Party Activity

Several members of the Board of Trustees are employed by organizations that provide services to the University, primarily banking and insurance services. Fees to companies that employ related parties totaled \$1,514 and \$1,581 in fiscal years 2020 and 2019, respectively. All related party activity is conducted in accordance with the University's normal policies and procedures.

(15) Subsequent Events

The University has evaluated subsequent events from the balance sheet date through October 13, 2020, and determined that there are no adjustments or disclosures required.