KPMG

LOYOLA UNIVERSITY MARYLAND, INC.

Financial Statements

May 31, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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.

KPMG LLP

Baltimore, Maryland
October 18, 2021

LOYOLA UNIVERSITY MARYLAND, INC.

Balance Sheets

May 31, 2021 and 2020

(Dollars in thousands)

Assets		**2021**	**2020**
Cash and cash equivalents	$	31,713	28,401
Student tuition receivables (net of allowance for doubtful accounts of $495 in 2021 and $374 in 2020)		5,010	3,606
Contributions receivable, net		5,915	9,137
Prepaid expenses and other assets		2,918	3,708
Deposits with bond trustees		1,205	23,236
Investments		370,309	305,301
Student loan receivables, net		1,652	2,281
Land, buildings, and equipment, net		330,609	311,139
Operating lease right-of-use assets		3,521	—
Interest in perpetual trust		16,932	13,473
Total assets	$	769,784	700,282
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	19,990	21,405
Deferred tuition and credits on student accounts		5,869	14,162
Bonds payable, net		147,701	151,791
Operating lease liabilities		3,089	—
Other liabilities		3,399	3,376
U.S. government grants refundable		1,866	2,247
Total liabilities		181,914	192,981
Net assets:			
Without donor restrictions		388,744	353,940
With donor restrictions		199,126	153,361
Total net assets		587,870	507,301
Total liabilities and net assets	$	769,784	700,282

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Activities

Year ended May 31, 2021
(with comparative totals for 2020)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Totals 2021	Totals 2020
Operating revenues:				
Tuition and fees (net of tuition discounts of $101,654 in 2021 and $95,835 in 2020)	$ 111,270	—	111,270	121,676
Auxiliary services	17,716	—	17,716	42,688
Contributions	3,666	902	4,568	3,729
Government grants and contracts	18,089	165	18,254	10,328
Other sources	1,294	—	1,294	3,806
Investment income	1,200	—	1,200	3,165
Endowment income designated for current operations	6,487	4,488	10,975	10,978
Net assets released from restrictions	4,765	(4,765)	—	—
Total revenues	164,487	790	165,277	196,370
Operating expenses:				
Instruction and research	51,045	—	51,045	64,812
Student services and public service	32,266	—	32,266	36,088
Academic support and library	15,328	—	15,328	17,173
Institutional support and fundraising	38,883	—	38,883	35,994
Auxiliary enterprises	28,014	—	28,014	34,207
Total expenses	165,536	—	165,536	188,274
Change in net assets from operating activities	(1,049)	790	(259)	8,096
Nonoperating activities:				
Contributions	267	5,976	6,243	5,737
Investment return, net of endowment spending	35,555	35,496	71,051	(9,053)
Change in value of split interest agreements	31	3,503	3,534	(182)
Change in fair value of swap	—	—	—	73
Gain on extinguishment of debt	—	—	—	73
Change in net assets from nonoperating activities	35,853	44,975	80,828	(3,352)
Change in net assets	34,804	45,765	80,569	4,744
Net assets at beginning of year	353,940	153,361	507,301	502,557
Net assets at end of year	$ 388,744	199,126	587,870	507,301

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statement of Activities

Year ended May 31, 2020

(Dollars in thousands)

		Without donor restrictions	With donor restrictions	Totals
Operating revenues:				
Tuition and fees (net of tuition discounts of $95,835 in 2020)	$	121,676	—	121,676
Auxiliary services		42,688	—	42,688
Contributions		3,121	608	3,729
Government grants and contracts		10,328	—	10,328
Other sources		3,806	—	3,806
Investment income		3,165	—	3,165
Endowment income designated for current operations		6,299	4,679	10,978
Net assets released from restrictions		4,666	(4,666)	—
Total revenues		195,749	621	196,370
Operating expenses:				
Instruction and research		64,812	—	64,812
Student services and public service		36,088	—	36,088
Academic support and library		17,173	—	17,173
Institutional support and fundraising		35,994	—	35,994
Auxiliary enterprises		34,207	—	34,207
Total expenses		188,274	—	188,274
Change in net assets from operating activities		7,475	621	8,096
Nonoperating activities:				
Contributions		250	5,487	5,737
Investment return, net of endowment spending		(4,168)	(4,885)	(9,053)
Change in value of split interest agreements		(25)	(157)	(182)
Change in fair value of swap		73	—	73
Gain on extinguishment of debt		73	—	73
Change in net assets from nonoperating activities		(3,797)	445	(3,352)
Change in net assets		3,678	1,066	4,744
Net assets at beginning of year		350,262	152,295	502,557
Net assets at end of year	$	353,940	153,361	507,301

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Cash Flows

Years ended May 31, 2021 and 2020

(Dollars in thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	80,569	4,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		10,965	10,987
Loss on disposal of assets		262	—
Gain on extinguishment of debt		—	(73)
Contributions restricted for long-term investment		(4,282)	(6,510)
Net realized and unrealized gains on investments		(74,996)	(2,441)
Change in fair value of interest rate swap		—	(73)
Termination of interest rate swap		—	(2,043)
Change in assets and liabilities:			
Student tuition receivables, net		(1,404)	57
Contributions receivable, net		3,222	2,050
Prepaid expenses and other assets		792	(285)
Operating lease right-of-use assets, net of operating lease liabilities		(432)	—
Interest in perpetual trust		(3,459)	210
Accounts payable and accrued liabilities		(1,415)	(7,473)
Deferred tuition and credits on student accounts		(8,293)	7,702
Other liabilities		22	355
U.S. government grants refundable		(381)	(376)
Net cash provided by operating activities		1,170	6,831
Cash flows from investing activities:			
Purchases of land, buildings, and equipment		(31,087)	(12,789)
Sales of investments		62,689	95,284
Purchases of investments		(52,641)	(100,833)
Issuance of student loans		(10)	(193)
Proceeds from payments on student loans receivable		640	745
Net cash used in investing activities		(20,409)	(17,786)
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term investment		4,282	6,510
Proceeds from bond issuance		—	86,130
Bond issuance costs		—	(680)
Payments on bonds payable		(3,700)	(3,700)
Extinguishment/defeasance of debt		—	(58,403)
Proceeds from annuities		31	31
Payments under annuities		(93)	(29)
Net cash provided by financing activities		520	29,859
Net (decrease) increase in cash, cash equivalents and restricted cash		(18,719)	18,904
Cash, cash equivalents and restricted cash at beginning of year		51,637	32,733
Cash, cash equivalents and restricted cash at end of year	$	32,918	51,637
Supplemental cash flow information:			
Cash paid during the year for interest	$	4,953	5,418

See accompanying notes to financial statements.

(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 3,800 undergraduate and 1,500 graduate students. The students are from approximately 41 states and 23 countries; generally approximately 80% of undergraduate students live on campus during the academic year. In Fall 2021, 1% of students were on campus due to the COVID-19 pandemic and the implemented campus closures and virtual instruction.

(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 not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets 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. Money market funds held within the investment portfolio are for long term purposes and not considered cash equivalents for the purposes of the statements of cash flows.

The following table summarizes cash, cash equivalents, and restricted cash reported on the statements of cash flows as of May 31, 2021 and 2020, in thousands of dollars:

		2021	2020
Cash and cash equivalents	$	31,713	28,401
Deposits with bond trustees		1,205	23,236
Total cash, cash equivalents, and restricted cash	$	32,918	51,637

(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, 2021 and 2020. These funds are 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, 2021 and 2020, 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, 2021 and 2020.

(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.

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(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, 2021 and 2020.

(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 estimated 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.

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 $345 and $359 of future annuity payments included in other liabilities at May 31, 2021 and 2020, respectively. In accordance with Maryland State law, the University has $658 and $596 of assets separately reserved for the annuity payments at May 31, 2021 and 2020, respectively, which are 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.

(Dollars in thousands)

The composition of student tuition and fees revenue was as follows for the years ended May 31, 2021 and 2020:

		2021	2020
Undergraduate	$	189,025	193,659
Graduate and other		23,899	23,852
Tuition discounts		(101,654)	(95,835)
	$	111,270	121,676

Auxiliary services revenue consisted of the following for the years ended May 31, 2021 and 2020:

		2021	2020
Residence and dining services, net of student aid	$	17,004	40,190
Athletics		495	1,221
Other		217	1,277
	$	17,716	42,688

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 during the year ended May 31, 2020. Loyola's campus remained closed or with reduced capacity in fiscal year 2021, negatively impacting residence and dining services further.

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 $5,052 and $13,821, respectively, for years ended May 31, 2021 and 2020, which are primarily recognized in the subsequent fiscal year.

(l) 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.

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 2021 or 2020.

Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2021 and 2020, 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.

(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, 2021 and 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

(Continued)

from a large number of donors and has maintained long-term relationships with these donors. Approximately 70% and 60% of net pledges receivable were from two major donors at May 31, 2021 and 2020, respectively.

(p) Derivative Financial Instruments

Interest rate swap agreements 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.

(q) Leases

The University conducts certain operations in third-party facilities and determines if an arrangement contains a lease at the inception of a contract. Identified leases are measured, classified, and recognized at lease commencement.

Right-of-use assets represents the University's right to use an underlying asset for the lease term, if the term is greater than 12 months, and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating right-of-use assets and related lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The University has elected to use a risk-free rate over a term similar to that of the lease. Options to extend leases are reflected to the extent it is reasonably certain management will exercise the option.

Lease expense is recognized on a straight-line basis over the lease term. The University recognizes short-term lease payments as an expense on a straight-line basis over the lease term. Certain leases require payment for taxes, insurance, and maintenance. These variable lease payments are not included in the right-of-use assets or liabilities.

(r) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) established Topic 842, *Leases*, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize an asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The University adopted ASU 2016-02, as amended on June 1, 2020 using a modified retrospective transition approach as of the effective date. As a result, the University was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The University has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized.

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As a result of adopting ASU 2016-02, the University recognized operating lease liabilities of $5,497 with corresponding operating lease right-of-use assets of the same amount as of June 1, 2020. The University's lease-related disclosures are included in Note 13a.

(s) Current Environment

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic negatively affected national, state, and local economies and global financial markets, as well as the higher education landscape in general. 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. To protect the health of its students, faculty and staff, the University also implemented a series of public health and safety measures, including the suspension of an on-campus in-person experience for the fall 2020 semester, resulting in a significant shortfall in the University's fiscal year 2021 revenues. The University resumed reduced in-person learning in the spring of 2021.

To address the shortfall in earned revenues and additional costs resulting from COVID-19 for online education, surveillance COVID testing and other health and safety protocols, the University implemented a series of cost cutting measures. These actions included salary reductions, employee furloughs, operating budget reductions, and the reduction of retirement contributions to 2% for fiscal year ended May 31, 2021.

The Coronavirus Aid, Relief, and Economics Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan (ARP) provided budgetary relief to higher education institutions through the Higher Education Emergency Relief Fund (HEERF). Under the legislation, a portion of the grants are to be used for direct emergency aid to students. The remaining portion of the full grants are to be used by institutions to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and make additional emergency financial grants to students. Loyola was awarded $10,590 and $2,612 of HEERF funding during the years ended May 31, 2021 and 2020, respectively. For the year ended May 31, 2021, $6,413 was recorded as government grants revenue and the remaining $6,789 is expected to be recorded in the year ending May 31, 2022.

The University has implemented a COVID vaccination mandate for students, faculty and staff beginning with the fall 2021 semester, and instituted various health and safety measures on campus. The University is reopening for in-person classes, on-campus work, and residential life at full capacity for the Fall 2021 semester. There can be no assurance that the University will continue to operate at full capacity or that its operations will not be impacted by the pandemic.

(Dollars in thousands)

(2) Contributions Receivable

Contributions receivable, net, are summarized as follows as of May 31, 2021 and 2020:

		2021	2020
Due within one year	$	3,252	4,324
One to five years		3,446	6,334
More than five years		50	100
		6,748	10,758
Less:			
Discount (interest rates ranging from 1.2% to 4.7%)		(248)	(622)
Allowance for doubtful accounts		(585)	(999)
	$	5,915	9,137

As of May 31, 2021, the University had bequest intentions and conditional promises to give aggregating $37,161, 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.

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.

(Dollars in thousands)

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.

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, 2021 and 2020. Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy and are included to permit reconciliation to the balance sheets.

	2021				
	NAV or equivalent	Level 1	Level 2	Level 3	Total
Financial assets:					
Investments:					
Money market funds	$ —	74,111	—	—	74,111
Fixed income funds:					
Core bond total return	—	12,703	—	—	12,703
Floating rate high income	—	7,874	—	—	7,874
Other fixed income fund	—	347	—	—	347
Total fixed income funds	—	20,924	—	—	20,924
Equity funds:					
Domestic	—	55,072	—	—	55,072
International developed	47,513	23,412	—	—	70,925
Emerging markets	13,765	5,778	—	—	19,543
Total equity funds	61,278	84,262	—	—	145,540
Hedge funds:					
Multi-strategy	21,795	—	—	—	21,795
Nonagency residential mortgage-backed securities	10,048	—	—	—	10,048
Long/short	27,307	—	—	—	27,307
Total hedge funds	59,150	—	—	—	59,150

(Dollars in thousands)

	2021				
	NAV or equivalent	Level 1	Level 2	Level 3	Total
Private equity:					
Multi-strategy fund of funds	$ 626	—	—	—	626
Direct private debt and equity	33,498	—	—	1,428	34,926
Real estate	6,638	—	—	—	6,638
Venture capital fund of funds	27,605	—	—	—	27,605
Total private equity	68,367	—	—	1,428	69,795
Other	—	—	—	789	789
Total investments	188,795	179,297	—	2,217	370,309
Other financial assets:					
Deposits with bond trustees	—	1,205	—	—	1,205
Interest in perpetual trust	—	—	—	16,932	16,932
Total financial assets	$ 188,795	180,502	—	19,149	388,446

	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
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

(Dollars in thousands)

	2020				
	NAV or equivalent	**Level 1**	**Level 2**	**Level 3**	**Total**
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 and other	—	—	—	1,364	1,364
Total investments	143,989	154,530	—	6,782	305,301
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

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, 2021 and 2020:

	Private equity	**Real estate and other**	**Interest in perpetual trust**	**Total**
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	5,418	1,364	13,473	20,255
Net realized and unrealized gains	22	—	3,459	3,481
Sales and settlements	(4,012)	(575)	—	(4,587)
Ending balance, May 31, 2021	$ 1,428	789	16,932	19,149

There were no transfers into or out of Level III in 2021 and 2020.

(Dollars in thousands)

(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.

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, 2021 and 2020:

		2021	2020
Income from interest and dividends	$	11,651	4,128
Net realized and unrealized gains on investments		74,996	2,441
Investment fees		(3,421)	(1,479)
Total investment return	$	83,226	5,090

Investment return is included in the statements of activities as follows for the years ended May 31, 2021 and 2020:

		2021	2020
Operating	$	12,175	14,143
Nonoperating		71,051	(9,053)
	$	83,226	5,090

(Continued)

(Dollars in thousands)

The table below summarizes investments for which NAV as a practical expedient has been used to estimate fair value as of May 31, 2021 and 2020:

Investment	Fair value 2021	Fair value 2020	Remaining average life of the funds	Unfunded commitments as of May 31, 2021	Unfunded commitments as of May 31, 2020	Redemption frequency (if currently eligible)	Redemption notice period
Equity funds:							
International developed (a)	$ 47,513	34,116	N/A	$ —	—	Various	10–60 days
Emerging markets (b)	13,765	8,437	N/A	—	—	Monthly	7 days
Hedge funds:							
Multi-strategy (c)	21,795	21,886	N/A	—	—	Various	30–180 days
Nonagency residential mortgage-backed securities (d)	10,048	7,902	N/A	—	—	Quarterly	90 days
Long/short (e)	27,307	28,650	N/A	—	—	Various	60–105 days
Private equity diversified (f)	68,367	42,998	0 to 15 years	30,416	30,381	N/A	N/A
	$ 188,795	143,989		$ 30,416	30,381		

(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 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.

(d) 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.

(e) 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.

(Dollars in thousands)

(f) 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, 2021. 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, 2021 and 2020 consist of the following:

	Useful lives	2021	2020
Land and land improvements	0–10 years	$ 27,075	27,068
Buildings	50 years	434,862	433,355
Equipment, furniture, software, and other	5–7 years	42,444	41,592
Investment in Loyola/Notre Dame Library	50 years	12,106	12,106
Construction in progress	n/a	36,913	8,599
		553,400	522,720
Less accumulated depreciation		(222,791)	(211,581)
		$ 330,609	311,139

Depreciation expense totaled $11,295 and $11,284 for the years ended May 31, 2021 and 2020, 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 $3,531 and $3,804 in joint and use costs for the Library during the years ended May 31, 2021 and 2020, respectively.

(Dollars in thousands)

(6) Bonds Payable and Other Debt Matters

Bonds payable, net as of May 31, 2021 and 2020 consist of the following:

	2021	2020
Maryland Health and Higher Education Facility Authority (MHHEFA) revenue bonds:		
Series 2012A:		
3.00% serial due October 2024, principal beginning October 2012	$ 2,590	3,395
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	20,115	23,010
5.00% term due October 2049, principal beginning October 2045	20,630	20,630
	40,745	43,640
Series 2019B:		
2.31–3.35% serial due October 2034, principal beginning October 2022	20,255	20,255
3.65% term due October 2039, principal beginning October 2035	14,520	14,520
	34,775	34,775
	138,475	142,175
Unamortized bond premium	10,332	10,770
Unamortized debt issuance costs	(1,106)	(1,154)
	$ 147,701	151,791

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, 2021. 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 sheets as of May 31, 2021 and 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, 2021 and 2020.

Interest expense and net amortization of bond premium and debt issuance costs were $4,528 and $4,872 in 2021 and 2020, respectively. Interest expense was $4,847 and $5,117 in 2021 and 2020, respectively. Interest expense of $1,099 was capitalized in 2021.

(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, 2021 and 2020. This line of credit will be used, if necessary, for working capital and will remain open until December 31, 2021, unless extended. No portion of the line was utilized during fiscal years 2021 or 2020 and there were no outstanding amounts as of May 31, 2021 and 2020.

(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: $3,855 in 2022, $4,285 in 2023, $4,440 in 2024, $3,695 in 2025, $3,845 in 2026, and $118,355 thereafter.

(Continued)

(Dollars in thousands)

(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 $449 and $427 in 2021 and 2020, 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 $3,459 and $(210) in 2021 and 2020, respectively.

(8) Net Assets

Net assets are comprised of the following as of May 31, 2021 and 2020:

		2021	2020
Without donor restrictions:			
Board designated endowments	$	153,661	118,195
Other funds		235,083	235,745
Total without donor restrictions		388,744	353,940
With donor restrictions:			
Donor restricted endowments:			
Financial aid		85,385	62,357
Instruction and research		68,648	51,924
General operations		104	80
Financial aid restricted		16,932	13,473
General operations		17,845	19,414
Buildings and equipment		8,962	3,843
Other, passage of time		1,250	2,270
Total with donor restrictions		199,126	153,361
Total	$	587,870	507,301

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

(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.

(Dollars in thousands)

(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, 2021:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original gifts	$ —	93,570	93,570
Accumulated gains	—	60,567	60,567
Board-designated endowment funds	153,661	—	153,661
	$ 153,661	154,137	307,798

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

(Dollars in thousands)

Changes in endowment net assets for the years ended May 31, 2021 and 2020 are as follows:

		Without donor restrictions	With donor restrictions	Total
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		(5,561)	(5,417)	(10,978)
Endowment net assets, May 31, 2020		118,195	114,361	232,556
Investment return		41,264	40,666	81,930
Contributions collected		5	4,282	4,287
Appropriation for expenditure		(5,803)	(5,172)	(10,975)
Endowment net assets, May 31, 2021	$	153,661	154,137	307,798

(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 $447 and $199 as of May 31, 2021 and 2020, 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.

(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.

(Continued)

(Dollars in thousands)

(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.

Effective with fiscal year ending May 31, 2022, the University changed its policy to calculate the distribution based on the average fair value using the prior three years through the fiscal year-end 2 years prior to the fiscal year end in which the distribution is planned. This change is to assist in more timely forecasting of distributions available for spending in the current year particularly with regards to the awarding of endowed scholarships.

(10) Expenses

The natural and functional classification of operating expenses for the year ended May 31, 2021 and 2020 are as follows:

	2021						
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	Total
Instruction and research	$ 42,153	765	2,205	3,165	2,255	502	51,045
Student services and public service	17,300	1,111	2,204	2,879	5,083	3,689	32,266
Academic support and library	7,704	638	3,940	1,554	1,330	162	15,328
Institutional support and fundraising	18,196	2,283	6,938	4,846	957	5,663	38,883
Auxiliary enterprises	7,715	712	7,770	3,738	6,793	1,286	28,014
Total expenses	$ 93,068	5,509	23,057	16,182	16,418	11,302	165,536

	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

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. The natural class of operation and maintenance of physical plant includes rent, utilities, repairs and maintenance, and other related expenses.

(Dollars in thousands)

Direct fundraising expenses for the years ended May 31, 2021 and 2020 were $3,148 and $4,105, respectively.

(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, 2021, and 2020, existing financial assets and liquidity resources available within one year were as follows:

		2021	2020
Financial assets available for general expenditure within one year:			
Cash and cash equivalents	$	31,713	28,401
Operating investments		73,188	79,860
Liquidity resources:			
Revolving line of credit		12,000	12,000
Total	$	116,901	120,261

Additionally, the University has $153,661 in board-designated endowment, of which approximately $123,000 can be liquidated within one year, however, no liquidation is anticipated. The fiscal year 2022 spending from the endowment is estimated to be $11,422.

(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 2% and 9% of the participant's eligible compensation for the years ended May 31, 2021 and 2020, respectively. 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 $1,299 and $6,403 in 2021 and 2020, respectively.

Effective June 1, 2020, the University modified the employer contribution on participant's eligible compensation from 9% to 2%. The University reinstated the 9% match effective June 1, 2021.

(Dollars in thousands)

(13) Commitments and Contingencies

(a) Leases

The University leases classroom facilities, office space, student housing, vehicles, parking spaces and printing equipment under long term operating leases. The University holds no finance leases as of May 31, 2021. Payments due under the lease contracts include fixed payments plus, for many of the University's leases, variable payments, including for property taxes, insurance, and common area maintenance.

For the year ended May 31, 2021, the components of the lease expense are as follows:

Operating least cost	$	2,105
Variable lease cost		140
Short-term lease cost		1,660
Total lease cost	$	3,905

Other information related to leases after the adoption date of June 1, 2020 for the year ended May 31, 2021 was as follows:

Supplemental cash flow information:		
Operating cash flow from operating leases	$	1,068
ROU assets obtained in exchange for lease obligations		1,977
Reductions to ROU assets resulting from reductions to lease obligations		807
Weighted average remaining lease term		1.2 years
Weighted average discount rate		0.16 %

(Dollars in thousands)

Maturities of lease liabilities under noncancellable leases as of May 31, 2021 are as follows:

		Operating leases
2022	$	1,856
2023		1,075
2024		144
2025		9
2026		7
Thereafter		4
Total undiscounted lease payments		3,095
Less imputed interest		(6)
Total operating lease liabilities	$	3,089

As reflected in the 2020 financial statements, the aggregate minimum lease payments to be paid through the expiration of the initial terms of the leases were as follows: $2,198 in 2021, $1,249 in 2022, $930 in 2023, and $129 in 2024.

Rental expense for the long-term operating leases was $2,599 in fiscal year 2020.

(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, 2021, the University has outstanding construction commitments of $6,862 related to a major capital project, which are expected to be paid in 2022.

(14) Related Party Transactions

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 $2,267 and $1,514 in fiscal years 2021 and 2020, 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 18, 2021, and determined that there are no adjustments or disclosures required.