THE GEORGE WASHINGTON UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The George Washington University

We have audited the accompanying consolidated financial statements of The George Washington University and subsidiaries (the "University"), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

GrantThornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The George Washington University and subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Balance Sheet as of June 30, 2021 and Consolidating Statement of Activities for the year ended June 30, 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts
September 28, 2021

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Consolidated Balance Sheets
As of June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 280,147	$ 696,529
Accounts receivable, net	140,756	129,026
Contributions receivable, net	31,382	29,349
Investments	2,920,432	2,329,157
Loans and notes receivable, net	16,440	20,983
Property, plant, and equipment, net	1,753,568	1,771,307
Other assets	114,397	123,907
Total assets	$ 5,257,122	$ 5,100,258
LIABILITIES		
Accounts payable and accrued expenses	$ 440,352	$ 395,258
Deferred revenue	116,426	140,254
Long-term debt, net	2,116,017	2,244,657
Funds advanced for student loans	19,996	25,030
Total liabilities	2,692,791	2,805,199
NET ASSETS		
Without donor restrictions	1,693,529	1,609,161
With donor restrictions	870,802	685,898
Total net assets	2,564,331	2,295,059
Total liabilities and net assets	$ 5,257,122	$ 5,100,258

The accompanying notes are an integral part of these consolidated financial statements.

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Consolidated Statement of Activities
Year Ended June 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Student tuition and fees, net of $323,230 University funded scholarships	$ 722,702	$ -	$ 722,702
Patient care, net	287,771	-	287,771
Grants and contracts including indirect cost recoveries	228,755	-	228,755
Auxiliary enterprises, net	15,911	-	15,911
Endowment income distributed for operations	90,813	-	90,813
Medical education agreements	62,150	-	62,150
Contributions	18,631	-	18,631
Investment income used in operations	14,760	-	14,760
Net assets released from restrictions	7,977	-	7,977
Other	125,074	-	125,074
Total operating revenue	1,574,544	-	1,574,544
OPERATING EXPENSES			
Salaries and benefits	954,845	-	954,845
Purchased services	270,831	-	270,831
Depreciation	90,900	-	90,900
Interest	76,954	-	76,954
Scholarships and fellowships	22,509	-	22,509
Other	199,964	-	199,964
Total operating expenses	1,616,003	-	1,616,003
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(41,459)	-	(41,459)
NON-OPERATING ACTIVITIES			
Investment income, net	187,523	185,077	372,600
Net assets released from restriction	26,740	(34,717)	(7,977)
Contributions, net	-	30,619	30,619
Endowment income distributed for operations	(94,930)	4,117	(90,813)
Other	6,494	(192)	6,302
Total non-operating activities	125,827	184,904	310,731
INCREASE IN NET ASSETS	84,368	184,904	269,272
NET ASSETS AT THE BEGINNING OF THE YEAR	1,609,161	685,898	2,295,059
NET ASSETS AT THE END OF THE YEAR	$ 1,693,529	$ 870,802	$ 2,564,331

The accompanying notes are an integral part of these consolidated financial statements.

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Consolidated Statement of Activities
Year Ended June 30, 2020
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Student tuition and fees, net of $340,440 University funded scholarships	$ 784,524	$ -	$ 784,524
Patient care, net	278,212	-	278,212
Grants and contracts including indirect cost recoveries	209,133	-	209,133
Auxiliary enterprises, net	90,387	-	90,387
Endowment income distributed for operations	86,581	-	86,581
Medical education agreements	61,472	-	61,472
Contributions	27,248	-	27,248
Investment income used in operations	18,321	-	18,321
Net assets released from restrictions	12,200	-	12,200
Other	117,026	-	117,026
Total operating revenue	1,685,104	-	1,685,104
OPERATING EXPENSES			
Salaries and benefits	1,042,738	-	1,042,738
Purchased services	266,940	-	266,940
Depreciation	93,808	-	93,808
Interest	73,953	-	73,953
Scholarships and fellowships	26,471	-	26,471
Other	240,401	-	240,401
Total operating expenses	1,744,311	-	1,744,311
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(59,207)	-	(59,207)
NON-OPERATING ACTIVITIES			
Investment income, net	55,749	(5,998)	49,751
Net assets released from restriction	35,077	(47,277)	(12,200)
Contributions, net	-	48,270	48,270
Endowment income distributed for operations	(87,775)	1,194	(86,581)
Other	(2,841)	2,221	(620)
Total non-operating activities	210	(1,590)	(1,380)
DECREASE IN NET ASSETS	(58,997)	(1,590)	(60,587)
NET ASSETS AT THE BEGINNING OF THE YEAR	1,668,158	687,488	2,355,646
NET ASSETS AT THE END OF THE YEAR	$ 1,609,161	$ 685,898	$ 2,295,059

The accompanying notes are an integral part of these consolidated financial statements.

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 269,272	$ (60,587)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term investment	(5,839)	(4,068)
Donated assets	(73)	(140)
Depreciation, amortization and accretion expenses	90,865	93,961
Net realized/unrealized gain on investments	(349,392)	(34,795)
Realized gain on sale of real property	(1,009)	-
Fire loss	(11,900)	-
Other non-cash items	4,636	3,852
Changes in operating assets and liabilities:		
Accounts receivable	(15,549)	8,043
Contributions receivable	(2,033)	7,328
Other assets	9,510	(98,902)
Accounts payable and accrued expenses	24,337	96,240
Deferred revenue	(23,828)	28,186
Net cash (used in) provided by operating activities	(11,003)	39,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,083,345)	(463,972)
Sales and maturity of investments	855,975	748,210
Purchases of property, plant, and equipment	(69,671)	(87,855)
Net proceeds from sale of real property	2,790	-
Insurance proceeds from fire loss	11,900	-
Change in other loans and notes receivable	4,533	5,411
Net cash (used in) provided by investing activities	(277,818)	201,794
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	5,839	4,068
Payments of long-term debt	(4,377)	(2,211)
Proceeds from borrowings	30,000	125,000
Net (payments of) proceeds from borrowings on lines of credit	(147,566)	174,091
Payments of debt issuance costs	(735)	(30)
Payments of finance lease obligations	(5,688)	(3,295)
Change in refundable government student loan funds	(5,034)	(4,582)
Net cash (used in) provided by financing activities	(127,561)	293,041
NET CHANGE IN CASH AND CASH EQUIVALENTS	(416,382)	533,953
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	696,529	162,576
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 280,147	$ 696,529
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Net interest paid	$ 90,379	$ 85,609
Income tax payments	-	2,668

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

The University

The George Washington University (the University or GWU) is a private, not-for-profit institution of higher education based in Washington, D.C. The University provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the U.S. Government. The University's revenues are predominantly derived from student tuition, housing, fees, and patient service revenue. The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and reporting practices prescribed for not-for-profit entities. The consolidated financial statements include the accounts of the George Washington University and its wholly owned subsidiaries which includes the Medical Faculty Associates, Inc. (MFA). All material intercompany transactions and balances have been eliminated.

Medical Faculty Associates, Inc.

MFA is a 501(c)(3) corporation formed in February 2000 to operate exclusively for the benefit of the University in providing clinical, teaching, and research services. Clinical services include professional physician and related health care services to patients in the greater Washington, D.C. community. MFA Physicians Insurance Company (MFA-PIC) is a wholly owned subsidiary of MFA and provides professional liability insurance for MFA and its employed physicians and providers. MFA maintains its accounts and prepares stand-alone financial statements in conformity with GAAP applicable to not-for-profit health care entities. MFA-PIC is a foreign nonprofit corporation controlled by MFA and exempt from taxation by the Government of the Cayman Islands until July 20, 2024. It is a separate entity for federal, state, and local income tax purposes.

Cash and Cash Equivalents

Highly liquid financial instruments with original maturities at dates of purchase of three months or less are classified as cash equivalents and include U.S. Treasury securities and other short-term, highly liquid investments carried at fair value. Cash and cash equivalents held in the endowment fund and by investment managers are included in Investments. Purchases and sales of investment cash equivalents are netted for reporting on the Consolidated Statements of Cash Flows.

Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount guaranteed by federal agencies and therefore bear risk. The University has not experienced any loss due to this risk.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as revenue with or without donor restrictions based on the terms of gift agreements. 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. Promises to give with payments to be received after one year from the date of the financial statements are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing. Allowance is made for uncollectible contributions based upon management's judgment after analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments and Investment Income

Investments include both endowment and non-endowment investments owned by the University and are further detailed in Note 5. Investment income (loss) is included in net asset categories based on the existence or absence of donor restrictions.

Investments known as split-interest agreements are unique to not-for-profit organizations. These are agreements where donors enter into trust or other arrangements under which the University receives benefits shared with other beneficiaries. The associated liabilities to beneficiaries in these arrangements are calculated based on various actuarial assumptions and are recorded in Accounts payable and accrued expenses (Note 10). The University manages the following types of arrangements:

- Gift annuities consist of non-trust assets donated to the University in exchange for a fixed payment for the life of the beneficiary(s).

- Pooled life income funds are donated funds received by the University in which the donor receives or assigns a life income. The funds are pooled by the University and are assigned a specific number of units in the pool. The beneficiary(s) is paid the amount of income earned on the donor's assigned units.

- Charitable remainder trusts consist of trust assets donated to the University in exchange for a percentage of fair value-based payment for the life of the beneficiary(s).

The University is a beneficiary of trusts held by third parties which include:

- Perpetual trusts where the University has an irrevocable right to income on trust assets in perpetuity, but never receives the assets held in trust. These beneficial interests are shown at fair value of the underlying assets, which approximates the discounted present value of the anticipated cash flows.

- Charitable remainder trusts similar to those described above, except that the University does not hold the assets as trustee. These beneficial interests are shown at present value which is calculated using the fair value of the trust assets at the measurement date, discounted based on various actuarial assumptions impacting the timing of cash flows to the University.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off against the allowance for doubtful accounts when determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. Patient receivables are recorded at net realizable value based on certain assumptions determined by each payor. The initial estimate of the balance is established by reducing the standard rate by any explicit and implicit price concessions. The University does not accrue interest on these accounts.

Loans Receivable and Refundable Advances

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts of $0.4 million at June 30, 2021 and 2020. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 7%. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students. Health Profession funds may be loaned again after collection. The Perkins Loan program was not reauthorized by the federal government in September 2017, and therefore, collected funds will be returned to the U.S. Government and the University proportionate to their original funding. These federal loan programs have cash restricted as to their use of $6.4 million and $7.3 million as of June 30, 2021 and 2020, respectively.

Property, Plant, and Equipment

Land, buildings, furniture, and equipment are stated at cost or fair value at the date of donation. Buildings, furniture, and equipment are depreciated on a straight-line basis over the estimated useful lives ranging from 3 to 40 years. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Property acquired on federally funded awards that meets the University's capitalization criteria is recorded as an asset of the University and depreciated in accordance with the University's depreciation policy. These assets are disposed of as prescribed by relevant federal requirements at the conclusion of the award.

Leases

The University determines if an arrangement is a lease at inception. All leases are recorded on the Consolidated Balance Sheets except for leases with an initial term less than 12 months for which the University made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets are included in Other assets and the related liabilities are included in Accounts payable and accrued expenses in the Consolidated Balance Sheets. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the University's incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term as Occupancy expense within Other operating expenses in the Consolidated Statement of Activities. Lease agreements with lease and non-lease components are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Finance lease ROU assets are included in Property, plant, and equipment, net, and the related liabilities are included in Long-term debt in the Consolidated Balance Sheets.

Net Asset Classes

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are available for operations or have been designated as quasi-endowment funds.

With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations and may be restricted by time or purpose, or may be restricted in perpetuity. Those restricted by time or purpose contain stipulations that may be or will be met either by actions of the University and/or by the passage of time. Those restricted in perpetuity are subject to stipulations that the asset be maintained permanently by the University. Generally, the donors permit the University to use all or part of the income earned on related investments for general or specific purposes.

All revenues, gains, and expenses not restricted by donors are included in net assets without donor restrictions and are generally available for operations. Contributions are reported as increases in the appropriate category of net assets, except contributions with restrictions that are met in the same fiscal year they are received are included in revenues without donor restrictions. 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. Restrictions on gifts to acquire or construct long-lived assets are considered met in the period in which the assets are placed in service.

Non-operating Activities

Non-operating items include net investment returns that are available for future use, contributions with donor restrictions, net assets released from restrictions or for use in current year operations, changes in postretirement benefit obligations other than service costs, and significant non-recurring transactions not directly related to operations.

Tuition, Fees, and Scholarships

The University recognizes revenues from student tuition and fees within the fiscal year in which educational services are provided. Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, are reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Cash payments to students, excluding compensation, are reported as Scholarships and fellowships expense in the Consolidated Statements of Activities.

Deferred Revenue

Summer term tuition revenue and cash deposits received for summer housing contracts which span across the fiscal year-end are recognized to the extent the University has met the performance obligations as of the end of the fiscal year and the remainder is deferred to the following fiscal year.

As of June 30, 2021, $41.5 million of remaining performance obligations under open service contracts is reported as Deferred revenue on the Consolidated Balance Sheet. The University expects to recognize this entire amount in operating revenues during the fiscal year ending June 30, 2022. As of June 30, 2020, the University reported $41.1 million of remaining performance obligations under open service contracts as Deferred revenue, which was recognized as operating revenues during the fiscal year ending June 30, 2021.

Auxiliary Enterprises

Auxiliary enterprises revenue is primarily composed of housing revenue. Revenue from housing is recognized as housing services are provided. Financial aid awarded specifically for housing is recorded as a reduction of auxiliary revenues and totaled $1.7 million and $2.3 million for the fiscal years ending June 30, 2021 and 2020, respectively.

Grants and Contracts

The University recognizes government and private sponsored agreements, grants and contracts as either contributions or exchange transactions. These grants and contracts are for various activities performed by the University, including but not limited to research and education programs. Most of the University's sponsored agreements are conditional contributions.

Typically, grant and contract agreements contain a right of return or right of release from obligation provision on the part of the grantor and the University has limited discretion over how funds transferred should be spent. As such, the University recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

For grants and contracts treated as exchange transactions, the University recognizes revenue when the University has a right to consideration from the sponsoring organization, which is typically based on costs incurred or milestones reached.

Any funding received in advance of revenue recognition is recorded in Deferred revenue on the Consolidated Balance Sheets.

Patient Service Revenue

The University recognizes patient service revenue associated with services provided by MFA to patients who have third party payor coverage on the basis of contractual rates for services rendered. MFA has agreements with third party payors including Medicare, Medicaid, and Blue Shield, as well as other commercial and managed care insurance carriers. Contracts for payment for clinical services are negotiated with each of the carriers at an amount less than the established billing rate. For uninsured patients who do not qualify for charity care, MFA recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy), reduced by estimated implicit price concessions for patients who are unable or unwilling to pay based on historical experience with each class of patients/payors. Patient service revenue is reported as estimated net realizable amounts from patients, third-party payors, government programs and others and is recognized in the period in which services are rendered.

Tax Status

The University is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not required to pay federal income tax on income related to its exempt purposes. The University is subject to tax on unrelated business income. The University has concluded that there are no material uncertain tax positions as of June 30, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from these estimates.

Reclassifications of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 2 – Liquidity and Availability of Resources

The University regularly monitors liquidity required to meet its operating needs and commitments while striving to maximize the investment of available funds. In addition to financial assets available to meet general expenditures over the next twelve months, the University has liquidity resources in the form of available lines of credit.

As of June 30, 2021 and 2020, the following assets could readily be made available within one year to meet general expenses:

	As of June 30, 2021		
(in thousands)	Financial Assets	Unavailable Within One Year	Available for General Expenditure within One Year
Cash and cash equivalents	$ 280,147	$ 6,396	$ 273,751
Accounts receivable, net	140,756	16,719	124,037
Contributions receivable, net	31,382	30,958	424
Investments - pooled endowment	1,275,772	727,059	548,713
Investments - endowment real estate	1,125,500	1,125,500	-
Investments - other	519,160	249,364	269,796
Loans and notes receivable, net	16,440	16,440	-
	$ 3,389,157	$ 2,172,436	$ 1,216,721
Liquidity resources - available lines of credit			176,332
Financial assets available for general expenditure within one year			$ 1,393,053

	As of June 30, 2020		
(in thousands)	Financial Assets	Unavailable Within One Year	Available for General Expenditure within One Year
Cash and cash equivalents	$ 696,529	$ 7,341	$ 689,188
Accounts receivable, net	129,026	15,545	113,481
Contributions receivable, net	29,349	28,928	421
Investments - pooled endowment	1,006,803	560,283	446,520
Investments - endowment real estate	1,092,300	1,092,300	-
Investments - other	230,054	230,054	-
Loans and notes receivable, net	20,983	20,983	-
	$ 3,205,044	$ 1,955,434	$ 1,249,610
Liquidity resources - available lines of credit			13,766
Financial assets available for general expenditure within one year			$ 1,263,376

Note 3 – Accounts Receivable

(in thousands)	June 30 2021	June 30 2020
Grants and contracts	$ 31,386	$ 29,246
Patient care	36,887	38,838
Student tuition and fee accounts	34,647	34,844
Due from affiliation agreements	2,576	3,301
Due from hospital limited partnership	16,495	12,221
Reinsurance	15,397	14,438
Other	17,527	15,389
	154,915	148,277
Patient care allowance for doubtful accounts	(9,805)	(16,432)
Other allowances for doubtful accounts	(4,354)	(2,819)
Total	$ 140,756	$ 129,026

Note 4 – Contributions Receivable

(in thousands)	June 30 2021	June 30 2020
Unconditional promises expected to be collected in:		
Less than one year	$ 19,996	$ 20,552
One year to five years	14,294	12,934
Over five years	401	599
Subtotal	34,691	34,085
Allowance for uncollectible pledges	(1,620)	(2,960)
Unamortized discount to present value	(1,689)	(1,776)
Total	$ 31,382	$ 29,349

Contributions receivable expected to be fulfilled more than one year from the date of the financial statements are recorded at fair value at the date of the gift, discounted at 3.95% - 4.36% with the discount amortized over the life of the receivable.

At June 30, 2021 and 2020, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $243 million and $209 million, respectively. These intentions and conditional promises are not recognized as assets and, if received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

In addition, at June 30, 2021 and 2020, the University had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of $199 million and $202 million, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Note 5 – Investments

(in thousands)	June 30 2021	June 30 2020
Annuities	$ 19,493	$ 18,710
Balanced funds	21,594	16,764
Cash and cash equivalents	139,379	39,261
Fixed income:		
Asset-backed securities	61,518	23,989
Corporate debt securities	116,367	51,061
Government debt securities	180,359	104,203
Other	49,856	32,571
Global equity	690,683	542,997
Hedge funds	230,873	178,509
Private equity	130,236	88,916
Real estate	1,150,533	1,116,368
Split-interest agreements - Trusts held by others	47,557	42,146
Unrealized gain (loss) on open futures contracts and swaps	(625)	1,606
Other	46,747	50,243
Net pending trades	35,862	21,813
Total	$ 2,920,432	$ 2,329,157

The University enters into derivative transactions for market risk management purposes only. The University has not and will not enter into any derivative transaction for speculative or profit generating purposes. As of June 30, 2021 and 2020, the fair value of the derivatives was not material.

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $24.5 million and $23.5 million as of June 30, 2021 and 2020, respectively. The University also holds a 20% interest in District Hospital Partners, L.P., accounted for under the equity method, which is included in Other investments, valued at $34.8 million and $38.0 million as of June 30, 2021 and 2020, respectively.

Note 6 - Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The fair value accounting standard provides a framework for measuring fair value and to categorize the inputs used in valuation techniques. The three levels of fair value established by the standard are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable.
- Level 3 - Prices or valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The determination of fair value for these financial instruments requires one or more inputs subject to significant management judgment or estimation.

Assets Measured at Fair Value on a Recurring Basis

(in thousands)	2021		
	Reported at fair value	Not subject to fair value reporting	Total
Cash and cash equivalents	$ 40,626	$ 239,521	$ 280,147
Investments	2,813,367	107,065	2,920,432
Total	$ 2,853,993	$ 346,586	$ 3,200,579

(in thousands)	2020		
	Reported at fair value	Not subject to fair value reporting	Total
Cash and cash equivalents	$ 350,117	$ 346,412	$ 696,529
Investments	2,233,584	95,573	2,329,157
Total	$ 2,583,701	$ 441,985	$ 3,025,686

Assets not subject to fair value reporting include cash deposits, two limited partnership investments where the University's interest exceeds 20% accounted for under the equity method of accounting, pending trades, fund units receivable, and intangible assets.

For assets reported at fair value, the following table summarizes the valuation of financial instruments by pricing observability levels. Investments that use net asset value (NAV) as a practical expedient to estimate fair value are excluded from the fair value hierarchy.

		Classified in Fair Value Hierarchy			Total
As of June 30, 2021 ***(in thousands)***	**NAV**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Cash equivalents at fair value	$ -	$ 40,626	$ -	$ -	$ 40,626
Investments:					
Annuities	-	-	11,060	8,433	19,493
Balanced funds	-	21,594	-	-	21,594
Cash and cash equivalents	-	139,379	-	-	139,379
Fixed income:					
Asset-backed securities	27,614	-	33,904	-	61,518
Corporate debt securities	26,818	-	89,549	-	116,367
Government debt securities	26,586	153,773	-	-	180,359
Other	28,788	14,980	6,088	-	49,856
Global equity	533,479	156,604	600	-	690,683
Hedge funds	230,873	-	-	-	230,873
Private equity	130,236	-	-	-	130,236
Real estate	-	140	-	1,125,937	1,126,077
Split-interest agreements - Trusts held by others	-	-	-	47,557	47,557
Unrealized gain (loss) - open futures contracts and swaps	-	887	(1,512)	-	(625)
Total investments at fair value	1,004,394	487,357	139,689	1,181,927	2,813,367
Total assets at fair value	$ 1,004,394	$ 527,983	$ 139,689	$ 1,181,927	$ 2,853,993

		Classified in Fair Value Hierarchy			Total
As of June 30, 2020 ***(in thousands)***	**NAV**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Cash equivalents at fair value	$ -	$ 339,510	$ 10,607	$ -	$ 350,117
Investments:					
Annuities	-	-	10,383	8,327	18,710
Balanced funds	-	16,764	-	-	16,764
Cash and cash equivalents	-	39,261	-	-	39,261
Fixed income:					
Asset-backed securities	23,989	-	-	-	23,989
Corporate debt securities	20,020	-	31,041	-	51,061
Government debt securities	31,433	72,770	-	-	104,203
Other	12,942	13,568	6,061	-	32,571
Global equity	376,961	166,036	-	-	542,997
Hedge funds	178,509	-	-	-	178,509
Private equity	88,916	-	-	-	88,916
Real estate	-	103	-	1,092,748	1,092,851
Split-interest agreements - Trusts held by others	-	-	-	42,146	42,146
Unrealized gain - open futures contracts	-	1,606	-	-	1,606
Total investments at fair value	732,770	310,108	47,485	1,143,221	2,233,584
Total assets at fair value	$ 732,770	$ 649,618	$ 58,092	$ 1,143,221	$ 2,583,701

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above.

Cash and cash equivalents – These investments include cash deposits in investment funds and short-term U.S. Treasury securities, money market accounts, and other short-term, highly liquid investments. They are priced using independent market prices in the primary trading market and are classified as Level 1. Cash equivalents at June 30, 2020 included bank repurchase agreements valued at $10.6 million that were classified as Level 2. There are no bank purchase agreements as of June 30, 2021.

Annuities – These investments, associated with the University's deferred compensation plan, include both variable- and fixed-rate annuities. Level 2 assets are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets are guaranteed fixed-annuity contracts issued by an insurance company.

Balanced Funds – These investments, associated with the University's deferred compensation plan, are mutual funds which hold a mix of equity and fixed income investments. These publicly-traded funds are categorized as Level 1.

Fixed income – These investments generally include asset-backed securities, convertible bonds, corporate debt, investment funds with fixed income portfolios, federal and municipal bonds, and U.S. Treasury notes. These assets are primarily valued using market prices, such as broker quotes, for the same or similar instruments. Securities in this category that trade in less active markets and are redeemable in the near term are typically categorized as Level 2. The fair value of fixed income investment funds not publicly traded has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from fair value leveling.

Global equity – These investments generally include separately held accounts, shares in commingled funds, and global equity holdings. Securities traded on an active exchange are priced using unadjusted market quotes for identical assets and are classified as Level 1. The fair value of commingled funds has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from fair value leveling.

Hedge funds – These investments generally include funds that invest in long and short positions, pursuing a diverse range of investment strategies. These investments are typically funds structured in a fund of funds vehicle. The objective of the funds is to generate long-term capital appreciation. The fair value of these investments has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from fair value leveling.

Private equity – These investments generally include limited partnerships that are not publicly traded and cannot be redeemed because the investments include restrictions that do not allow redemption through maturity. The fair values of these investments have been estimated using the NAV of the funds, which are calculated by the investment manager and are excluded from fair value leveling. The valuation policies adopted by the manager are reviewed for propriety, consistency, compliance, and completeness. For a small percentage of these investments, the manager reported NAV is prepared using non-U.S. GAAP, which may differ from fair value reported under U.S. GAAP. Where material differences are known to exist, management bases its measurements on fair value estimates obtained from the investment managers and/or third-party valuation advisors. Quantitative information about the significant unobservable inputs used in arriving at these fair value measurements is not readily available. Changes to these inputs may result in significant changes to the fair value measurement and such changes could be material to the consolidated financial statements.

Real estate – Real estate investment properties are valued based on results from professional independent appraisals and are included in Level 3. Different assumptions or changes in future market conditions could significantly affect the estimated fair value and such changes could be material to the consolidated financial statements.

As of June 30, 2021

	Fair Value *(in thousands)*		Valuation Techniques	Unobservable Inputs	Rate	Weighted Average
Hotel	$	35,300	Income approach	Exit capitalization rate	6.50%	N/A
				Discount rate	9.00%	N/A
Office building	$	230,000	Income approach	Exit capitalization rate	6.00%	N/A
				Discount rate	6.50%	N/A
Ground leased real estate	$	860,200	Income approach	Capitalization rate	3.50%	N/A
				Discount rate	4.50 - 7.00%	4.91%

As of June 30, 2020

	Fair Value *(in thousands)*		Valuation Techniques	Unobservable Inputs	Rate	Weighted Average
Hotel	$	34,700	Income approach	Exit capitalization rate	6.50%	N/A
				Discount rate	9.00%	N/A
Office building	$	212,000	Income approach	Exit capitalization rate	6.00%	N/A
				Discount rate	6.50%	N/A
Ground leased real estate	$	845,600	Income approach	Capitalization rate	3.50%	N/A
				Discount rate	4.50 - 7.00%	4.91%

Split-interest agreements – Trusts held by others – The University's beneficial interests in perpetual trusts held by third parties are categorized as Level 3. These are valued using a discounted cash flow analysis based on the assumed timing and duration of those cash flows.

The University follows guidance that allows investment funds without a readily determinable fair value to report NAV or its equivalent as a practical expedient to estimate fair value if certain criteria are met. The fair values of the following investments have been estimated using reported NAV:

(in thousands)	2021				2020
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period	Fair Value
Fixed income - asset-backed securities	$ 27,614	$ -	Quarterly	15 days	$ 23,989
Fixed income - corporate debt securities	26,818	-	Quarterly	90 days	20,020
Fixed income - government debt securities	26,586	-	Daily to monthly	1-10 days	31,433
Fixed income - other	28,788	18,429	Quarterly to redemption not permitted during life of fund	365 days to N/A	12,942
Global equity	533,479	-	Daily to quarterly	1-90 days	376,961
Hedge funds	230,873	-	Quarterly	90 days	178,509
Private equity	130,236	133,788	Redemption not permitted during life of fund	N/A	88,916
Total	$ 1,004,394	$ 152,217			$ 732,770

The following investments do not permit redemption during the life of the fund:

Fixed income - other – These assets are primarily composed of credit instruments and equity securities in Asia-Pacific, Italy, and North America. There are no funds in liquidation as of June 30, 2021.

Private equity – These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization, buyouts, growth equity, and micro-capitalization securities. Distributions from the majority of these investments are received through the liquidation of the underlying assets. It is estimated that approximately 90% of the underlying assets will be liquidated within 10 years.

Changes in Level 3 Assets

(in thousands)

2021	Beginning of year	Net realized/ unrealized gains	Purchases/ additions	Sales/Transfers	End of year	Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2021
Real estate	$ 1,092,748	$ 32,549	$ 640	$ -	$ 1,125,937	$ 32,549
Split-interest agreements - trusts held by others	42,146	6,226	-	(815)	47,557	5,978
Annuities	8,327	266	227	(387)	8,433	-
	$ 1,143,221	$ 39,041	$ 867	$ (1,202)	$ 1,181,927	$ 38,527

(in thousands)

2020	Beginning of year	Net realized/ unrealized gains (losses)	Purchases/ additions	Sales/Transfers	End of year	Total net gains (losses) included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2020
Real estate	$ 1,041,059	$ 47,376	$ 4,313	$ -	$ 1,092,748	$ 47,376
Split-interest agreements - trusts held by others	44,096	(1,651)	-	(299)	42,146	(1,684)
Annuities	8,025	253	216	(167)	8,327	-
	$ 1,093,180	$ 45,978	$ 4,529	$ (466)	$ 1,143,221	$ 45,692

Level transfers are accounted for at the beginning of the reporting period and are typically the result of a change in the observability of significant valuation inputs. There were no transfers in or out of Level 3 during the years ending June 30, 2021 or June 30, 2020.

Realized/unrealized gains on Level 3 assets included in changes in net assets are reported in the following revenue categories:

(in thousands)	**2021** Investment income, net	**2020** Investment income, net
Total net gains included in changes in net assets	$ 38,775	$ 45,725
Change in net unrealized gains relating to assets still held at June 30	$ 38,527	$ 45,692

Note 7 - Endowment

The University's Endowment (Endowment) consists of the unitized investment pool, investment real estate, and separately managed funds. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Programs supported by the Endowment include scholarships, chairs and professorships, fellowships, research activities, and libraries. The Endowment includes both donor-restricted endowment funds and quasi-endowment funds. Net assets associated with endowment funds, including quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds without donor restrictions are quasi-endowments.

Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), absent explicit donor stipulations to the contrary, to allow spending from donor-restricted endowments in good faith and with the care that an ordinary prudent person would exercise after considering multiple factors. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The preservation of the fund over time
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions including the possible effects of inflation and deflation
- The investment policies and expected total return from income and the appreciation of investments
- Other resources of the organization

As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Appreciation on the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

Summarized below are the changes in endowment funds by net asset classification. During the year ended June 30, 2021, the University has reclassified internal debt previously allocated to quasi-endowment investment real estate properties.

(in thousands)	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,242,373	$ 560,283	$ 1,802,656
Investment return, net	185,861	174,460	360,321
Contributions	276	16,560	16,836
Endowment payout	(69,872)	(29,668)	(99,540)
Reinvestment of payout and internal transfers	29,128	5,424	34,552
Reclassification of allocated internal debt	296,447	-	296,447
Endowment net assets, end of year	$ 1,684,213	$ 727,059	$ 2,411,272

(in thousands)	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,235,985	$ 542,574	$ 1,778,559
Investment return, net	47,347	(3,441)	43,906
Contributions	69	48,538	48,607
Endowment payout	(55,858)	(35,037)	(90,895)
Reinvestment of payout and internal transfers	14,830	7,649	22,479
Endowment net assets, end of year	$ 1,242,373	$ 560,283	$ 1,802,656

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Endowment corpus that is to be maintained in perpetuity totaled $257.2 million and $250.3 million as of June 30, 2021 and 2020, respectively.

As of June 30, 2021, a deficiency of $2.2 million existed on an original gift value of $41.5 million. As of June 30, 2020, a deficiency of $25.2 million existed on an original gift value of $169.4 million. The University's policies permit spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations.

Investment Objectives and Risk Parameters

The objective of the Endowment is to preserve and enhance the corpus of the endowment over time while also supporting the spending needs of the University. While it is the University's goal to maintain purchasing power in practice, it is not the University's accounting policy to accommodate purchasing power adjustments by classifying any additional portion of net appreciation as funds to be maintained in perpetuity. The level of risk is measured by the annualized standard deviation of quarterly portfolio returns and is expected to be that incurred by university endowments of similar size with similar return objectives over a complete market cycle.

Strategies Employed for Achieving Objectives

Asset allocation policy is the cornerstone of a disciplined, consistent, and diversified approach to achieving the Endowment's investment objectives. The Endowment is broadly diversified across and within asset classes in order to minimize the impact of unexpected asset class- and security- specific adverse results and avoid excessive portfolio volatility. The Endowment's long-term target asset allocation is approved by the Committee on Finance and Investments of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed to operations in the form of payout for current expenditure with the remainder reinvested to shield against inflation. Currently, payout is calculated as 4.5% of the rolling 12-quarter average market value, adjusted for new gifts received during the year. In establishing this policy, the University considered the long-term expected return on its endowment.

Accumulated appreciation in endowment funds with donor-restricted corpus is classified as net assets with donor restrictions until appropriated for spending under the spending policy. At the time of appropriation, the amount of investment income necessary to satisfy the spending policy for the endowment fund and related purpose restrictions, if applicable, is reflected as Net assets released from restriction, which reduces net assets with donor restrictions and increases net assets without donor restrictions. Any excess of income earned over the approved spending amount is retained in net assets with donor restrictions.

Note 8 - Property, plant, and equipment

(in thousands)	June 30	
	2021	2020
Land	$ 198,615	$ 198,523
Buildings	2,350,078	2,344,991
Construction in progress	76,761	22,676
Furniture and equipment	175,918	165,211
Library and historical research materials	67,636	66,056
Equipment under finance leases	23,666	31,261
	2,892,674	2,828,718
Accumulated depreciation	(1,139,106)	(1,057,411)
Total	$ 1,753,568	$ 1,771,307

Depreciation expense was $90.9 million and $93.8 million for the fiscal years ending June 30, 2021 and 2020, respectively.

Note 9 - Leases

The University leases office space for academic, administrative, and medical practice purposes under operating leases expiring at various dates through 2030.

(in thousands)	June 30	
Components of lease cost:	**2021**	**2020**
Operating lease cost	$ 19,660	$ 21,891
Finance lease cost:		
Amortization of right-of-use assets	4,866	4,051
Interest on lease liabilities	531	1,379
Total finance lease cost	5,397	5,430
Total lease cost	$ 25,057	$ 27,321

(in thousands)	June 30	
Supplemental cash flow information related to leases:	**2021**	**2020**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 19,864	$ 21,007
Operating cash flows from finance leases	$ 531	$ 1,379
Financing cash flows from finance leases	$ 5,688	$ 8,066
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ -	$ 1,252
Finance leases	$ 301	$ 12,962

Supplemental balance sheet information related to leases:
(in thousands)

	June 30, 2021		June 30, 2020	
	Operating	**Finance**	**Operating**	**Finance**
Right-of-use assets	$ 106,840	$ 23,666	$ 109,611	$ 31,261
Accumulated amortization	(31,808)	(9,689)	(16,585)	(11,752)
	$ 75,032	$ 13,977	$ 93,026	$ 19,509
Lease liabilities	$ 88,353	$ 10,490	$ 106,551	$ 16,997
Weighted Average Remaining Lease Term (years):	5.70	2.49	6.35	3.22
Weighted Average Discount Rate:	3.82%	3.69%	3.79%	3.93%

Lease maturity table:

Fiscal Year Ending June 30:	Operating	Finance
2021	$ 19,316	$ 5,199
2022	18,626	4,305
2023	17,858	2,708
2024	15,263	565
2025	9,989	10
Thereafter	17,768	-
	98,820	12,787
Less effects of discounting	(10,467)	(2,297)
Total	$ 88,353	$ 10,490

Note 10 - Accounts Payable and Accrued Expenses

	June 30	
(in thousands)	**2021**	**2020**
Accrued building construction payable	$ 10,423	$ 5,113
Accrued interest payable	23,499	24,048
Accrued other liabilities	40,701	33,714
Accrued payroll and related liabilities	171,371	132,790
Accumulated postretirement liability	7,928	7,750
Split-interest agreements	7,999	8,565
Self-insurance reserves	63,713	53,333
Trade payables	16,302	16,643
Operating lease liability	88,353	106,551
Other payables	10,063	6,751
Total	$ 440,352	$ 395,258

Note 11 – Long-Term Debt

(in thousands)	Final Scheduled Maturities	June 30 2021 Ending Interest Rate	June 30 2021 Amount Outstanding	June 30 2020 Amount Outstanding
Taxable bonds:				
2013 Series General Obligation	9/15/2043	Fixed 4.363%	$ 170,000	$ 170,000
2014 Series General Obligation	9/15/2044	Fixed 4.3%	300,000	300,000
2015 Series General Obligation	9/15/2045	Fixed 4.868%	350,000	350,000
2016 Series General Obligation	9/15/2046	Fixed 3.545%	250,000	250,000
2018 Series General Obligation	9/15/2048	Fixed 4.126%	795,000	795,000
Notes payable:				
MFA term loan secured by real estate	4/5/2028	LIBOR + 2.375%	33,480	34,416
MFA unsecured subordinated loan	7/1/2027	LIBOR + 6.0%	14,000	16,314
MFA term loan	4/5/2027	LIBOR + 2.375%	28,873	-
MFA Revolving credit facility, $50.0 million	3/31/2023	LIBOR + 1.45%	48,668	21,234
Unsecured notes payable:				
Revolving line of credit, $175.0 million	5/7/2025	LIBOR + 1.5%	-	175,000
Term loan, $125.0 million	5/7/2025	LIBOR + 1.5%	125,000	125,000
			2,115,021	2,236,964
Less: Debt issuance costs			(9,494)	(9,304)
Plus: Finance lease liability			10,490	16,997
Total			$ 2,116,017	$ 2,244,657

In May 2020, the University entered into a credit agreement with a national bank, which included a $175 million revolving credit facility and a $125 million term loan facility. The University repaid the $175 million revolving credit facility in March 2021.

In April 2021, MFA refinanced a portion of its debt and entered into a new $30 million term loan facility. As part of the refinancing, the final maturity on the MFA term loan secured by real estate was extended and the interest rate changed from fixed to variable. At the same time, MFA entered into swap agreements for the term loan and the term loan secured by real estate, to convert the variable interest rates to fixed rates of 3.43% and 3.96%, respectively. Lastly, as part of the refinancing, the MFA revolving credit facility limit was increased to $50 million and the final maturity was extended. The University guarantees certain debt obligations incurred by MFA and these loans are included as liabilities in the consolidated financial statements.

As of June 30, 2021, principal payments are due on bonds and note payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2022	$ 7,689
2023	56,549
2024	8,079
2025	133,290
2026	8,504
Thereafter	1,900,910
Total	$ 2,115,021

Note 12 - Commitments and Contingencies

The University is a defendant in certain pending lawsuits. Based upon information currently available, management believes that any liability resulting therefrom will not materially affect the consolidated financial position or changes in net assets of the University.

Estimated medical malpractice claims include estimates of the ultimate costs for both reported claims and claims incurred but not yet reported. Insurance reserves at year-end are management's best estimate of the University's liability under its insurance policies.

Amounts received and expended by the University under various federal and state programs are subject to audit by government agencies. Management believes that adjustments, if any, which might result from such audits would not have a significant impact upon the consolidated financial position or changes in net assets of the University.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse litigation. Receipts from the Medicare and Medicaid programs account for a significant portion of net patient service revenue. MFA has implemented a program to monitor compliance with applicable laws and regulations, but the possibility of future government review and interpretation exists. MFA's management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing or noncompliance with laws and regulations.

Note 13 - Net Assets

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are available for operations or have been designated as quasi-endowment funds.

With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations and may be restricted by time or purpose, or may be restricted in perpetuity. Those restricted by time or purpose contain stipulations that may be or will be met either by actions of the University and/or by the passage of time. Those restricted in perpetuity are subject to stipulations that the asset be maintained permanently by the University. Generally, the donors permit the University to use all or part of the income earned on related investments for general or specific purposes.

(in thousands)	June 30, 2021			
Nature of Specific Net Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**	**Required to be Held in Perpetuity**
Donated building funds	$ -	$ 2,858	$ 2,858	$ -
Quasi-endowment funds	1,684,213	-	1,684,213	-
Donor restricted endowment funds	-	727,059	727,059	257,188
Loan funds	1,609	4,066	5,675	4,066
Contributions receivable	-	31,382	31,382	463
Split-interest funds	10,111	55,441	65,552	32,657
Patient care	(82,320)	-	(82,320)	-
Net investment in plant and other	79,916	49,996	129,912	13,575
	$ 1,693,529	$ 870,802	$ 2,564,331	$ 307,949

(in thousands)	June 30, 2020			
Nature of Specific Net Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**	**Required to be Held in Perpetuity**
Donated building funds	$ -	$ 2,371	$ 2,371	$ -
Quasi-endowment funds	1,242,373	-	1,242,373	-
Donor restricted endowment funds	-	560,283	560,283	250,290
Loan funds	2,512	3,874	6,386	3,874
Contributions receivable	-	29,349	29,349	1,252
Split-interest funds	9,076	48,701	57,777	26,567
Patient care	(34,183)	-	(34,183)	-
Net investment in plant and other	389,383	41,320	430,703	13,437
	$ 1,609,161	$ 685,898	$ 2,295,059	$ 295,420

Note 14 - Program and Supporting Activities Expense

	June 30, 2021					
(in thousands)	**Academic and student support**	**Patient care**	**Research**	**Total program**	**Support services**	**Total expenses**
Salaries and benefits	$ 460,610	$ 263,774	$ 101,295	$ 825,679	$ 129,166	$ 954,845
Purchased services	72,343	75,588	68,543	216,474	54,357	270,831
Depreciation	72,137	6,137	5,481	83,755	7,145	90,900
Interest	61,814	3,840	4,083	69,737	7,217	76,954
Scholarships and fellowships	22,509	-	-	22,509	-	22,509
Other	59,725	92,693	6,050	158,468	41,345	199,813
Allocations	77,741	-	10,451	88,192	(88,192)	-
	$ 826,879	$ 442,032	$ 195,903	$ 1,464,814	$ 151,038	$ 1,615,852
Add: Functionalized non-operating postretirement change						151
Total operating expenses						$ 1,616,003

	June 30, 2020					
(in thousands)	**Academic and student support**	**Patient care**	**Research**	**Total program**	**Support services**	**Total expenses**
Salaries and benefits	$ 512,991	$ 279,341	$ 103,160	$ 895,492	$ 147,246	$ 1,042,738
Purchased services	94,156	35,420	70,296	199,872	67,068	266,940
Depreciation	70,064	7,185	5,286	82,535	11,273	93,808
Interest	58,209	5,163	3,866	67,238	6,715	73,953
Scholarships and fellowships	26,471	-	-	26,471	-	26,471
Other	90,109	86,264	11,441	187,814	53,224	241,038
Allocations	141,634	-	11,923	153,557	(153,557)	-
	$ 993,634	$ 413,373	$ 205,972	$ 1,612,979	$ 131,969	$ 1,744,948
Less: Functionalized non-operating postretirement change						(637)
Total operating expenses						$ 1,744,311

Allocations include costs for the maintenance and operation of physical plant and technology. Maintenance and operation of physical plant costs are allocated based upon periodic inventories of facility square foot usage and totaled $45.8 million and $96.3 million for the years ended June 30, 2021 and 2020, respectively. Depreciation expense is allocated based on facility square foot usage. Interest on plant debt is allocated based on the percentage of interest expense attributable to properties.

Technology costs include expenses associated with the operation and maintenance of administrative systems, campus network and telecommunications systems, computing labs, and related support for students and faculty. These costs are allocated based upon relative benefits provided to academic and administrative users of the services. Technology costs totaled $61.0 million and $77.0 million for the years ended June 30, 2021 and 2020, respectively.

Note 15 - Retirement Plans and Postretirement Benefits

Full-time and regular part-time faculty and staff are eligible for participation in the University's defined contribution retirement program. The program is administered by the University. Independent vendors receive contributions for the plan for investment purposes and process distributions from the plan. Any present or future employee who completes two years of service becomes eligible to participate in the program.

The plan consists of both a noncontributory and a matching component. All eligible participants receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the program, the University contributes an additional amount equal to 1½% for each 1% of eligible compensation contributed by the employee, but not to exceed an amount equal to 6% of the participant's eligible compensation. Participants are immediately fully vested in both types of the University's contributions. Eligible participants direct the investment of contributions made on their behalf. For eligible participants who do not provide investment direction for contributions, the University contributions are invested in a Qualified Default Investment Alternative based on the expected year of retirement. University base and matching contributions were suspended in October 2020 to mitigate the financial impact of the COVID-19 pandemic. Base contributions resumed effective January 2021. Matching contributions resume effective July 2021. University contributions to the retirement plan amounted to $20.1 million and $41.2 million for the years ended June 30, 2021 and 2020, respectively.

The University provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements. Effective June 1, 2017, the University updated its postretirement benefit plan to provide a Medicare health insurance exchange for retirees and long-term disability participants who are age 65 or older. A Retiree Health Savings Plan is provided for retirees who are under age 65 or are not Medicare eligible. The plan change reduced the accumulated postretirement liability by approximately $16 million. The University's policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of $7.9 million and $7.8 million as of June 30, 2021 and 2020, respectively.

Note 16 - Related Parties

DISTRICT HOSPITAL PARTNERS, L.P.

The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University in developing and maintaining the medical academic and research programs. The University's investment in DHP is recorded on the equity basis of accounting. The University's share of the partnership's profits for the years ended June 30, 2021 and 2020 was approximately $8.8 million and $4.3 million, respectively.

The University and DHP have executed several agreements, which reimburse or compensate the University for providing services or personnel to assist in the continued operations of the GW Hospital. Medical education agreements revenue of approximately $40.0 million and $39.7 million was reported for the years ended June 30, 2021 and 2020, respectively. The receivable from DHP for the unpaid balance of these services is $8.9 million and $5.1 million as of June 30, 2021 and 2020, respectively. DHP has provided a $30.0 million line of credit to the MFA which had an outstanding balance of $14.0 million and $16.3 million as of June 30, 2021 and 2020, respectively.

Note 17 – Impact of the COVID-19 Pandemic

Keeping the health and safety of its community top of mind, the University held undergraduate courses and graduate programs online for the full 2020-2021 academic year and offered only very limited on-campus housing. As a result, the University experienced a decline in Student tuition and fees, net, as well as housing and other Auxiliary enterprises revenues for the year ended June 30, 2021. Certain operating expenses were naturally reduced due to travel restrictions and having limited students, faculty, and staff on campus. To further mitigate decreased revenues, the University implemented cost-saving strategies, yielding decreases in Salaries and benefits and Purchased services for the year ended June 30, 2021.

The University received assistance in covering some of the economic impacts of the COVID-19 pandemic through distributions from the Higher Education Emergency Relief Fund (HEERF). HEERF provides emergency financial aid for students and grants to institutions to defray costs associated with the pandemic including lost revenue, significant changes to the delivery of instruction, and efforts to monitor and suppress the coronavirus in accordance with public health guidelines.

HEERF has been distributed to universities in three tranches (HEERF I, II, III), each with an institutional and student portion. Under HEERF I, the University allocation totaled $9.1 million with the requirement that half of the funding be spent on student aid. The University chose to disburse the full amount, including the institutional allocation, to qualifying students through emergency financial aid grants.

HEERF II requires that all money allocated for students be distributed to students with the aid prioritized for those with exceptional need. The student portion of HEERF II received by the University totaled $4.6 million and was distributed to the students in the form of emergency financial aid grants. The institutional portion of HEERF II received by the University totaled $9.2 million. These funds are being used to cover a portion of tuition and auxiliary revenue lost as a result of the coronavirus.

HEERF III requires that at least half of the allocated funding be distributed to students. As of May 2021, the University has been allocated $12.6 million for direct support to students for emergency financial aid grants. These funds will be drawn and distributed to eligible students with exceptional need in the year ending June 30, 2022. The institutional portion of HEERF III received by the University totaled $12.5 million. These funds will be used to cover portions of lost tuition and auxiliary revenues as well as defray costs for ongoing coronavirus monitoring and suppression on campus during the year ending June 30, 2022.

The University records HEERF receipts as revenue within Grants and contracts including indirect cost recoveries and amounts distributed to students are expensed within Scholarships and fellowships on the Consolidated Statement of Activities.

The University accomplished its goal of fully returning to campus for the Fall 2021 semester and is providing a comprehensive, in-person living, learning, and working experience for students, faculty, and staff. The return to campus preparations included strengthening COVID-19 testing and public health protocols, reviewing and updating buildings and classroom configurations, and preparing residence halls for occupancy.

For the year ending June 30, 2021, MFA received $4.8 million in federal Coronavirus Aid, Relief and Economic Security Act (CARES Act) grants and an additional $9.9 million in grants from the Washington, D.C. government to help mitigate the adverse financial impacts of COVID-19 associated with the March 2020 to June 2020 period. These payments are subject to audit and compliance with federal regulations. MFA believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2021.

The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program for patient services. Under the program, MFA received $12.7 million in April 2020, and recorded these payments as Deferred revenue in the Consolidated Balance Sheet. Once the recoupment period began in April

2021, amounts billed to Medicare for services provided have been offset against the advance payments received. As of June 30, 2021, Centers for Medicare & Medicaid Services has recouped a total of $2.6 million, and $10.1 million remains recorded as Deferred revenue in the Consolidated Balance Sheet. MFA has 17 months from the beginning of the recoupment period to offset future claims against the advance. If the advance has not been entirely offset by claims at the end of this period, MFA will be required to repay the remaining amount.

Note 18 – Subsequent Events

The University has performed an evaluation of subsequent events through September 28, 2021, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2021.

Supplementary Consolidating Information

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Supplemental Schedule to the Consolidated Financial Statements
Consolidating Balance Sheet
As of June 30, 2021
(in thousands)

	GWU	MFA	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 238,919	$ 41,228	$ -	$ 280,147
Accounts receivable, net	75,600	70,187	(5,031)	140,756
Contributions receivable, net	31,382	-	-	31,382
Investments	2,880,195	43,346	(3,109)	2,920,432
Loans and notes receivable, net	58,567	-	(42,127)	16,440
Property, plant, and equipment, net	1,686,937	66,631	-	1,753,568
Other assets	80,951	50,724	(17,278)	114,397
Total assets	$ 5,052,551	$ 272,116	$ (67,545)	$ 5,257,122
LIABILITIES				
Accounts payable and accrued expenses	$ 290,768	$ 171,945	$ (22,361)	$ 440,352
Deferred revenue	104,599	11,827	-	116,426
Long-term debt, net	1,990,537	167,555	(42,075)	2,116,017
Funds advanced for student loans	19,996	-	-	19,996
Total liabilities	2,405,900	351,327	(64,436)	2,692,791
NET ASSETS				
Without donor restrictions	1,775,849	(79,211)	(3,109)	1,693,529
With donor restrictions	870,802	-	-	870,802
Total net assets	2,646,651	(79,211)	(3,109)	2,564,331
Total liabilities and net assets	$ 5,052,551	$ 272,116	$ (67,545)	$ 5,257,122

The accompanying notes are an integral part of these consolidating financial statements.

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

Supplemental Schedule to the Consolidated Financial Statements
Consolidating Statement of Activities
Year Ended June 30, 2021
(in thousands)

	GWU	MFA	Eliminations	Total
OPERATING REVENUE				
Student tuition and fees, net of $323,230 University funded scholarships	$ 722,907	$ -	$ (205)	$ 722,702
Patient care, net	-	287,771	-	287,771
Grants and contracts including indirect cost recoveries	226,634	2,121	-	228,755
Auxiliary enterprises, net	15,054	857	-	15,911
Endowment income distributed for operations	90,813	-	-	90,813
Medical education agreements	67,581	19,014	(24,445)	62,150
Contributions	18,631	-	-	18,631
Investment income used in operations	13,228	2,265	(733)	14,760
Net assets released from restrictions	7,977	-	-	7,977
Other	43,443	111,185	(29,554)	125,074
Total operating revenue	1,206,268	423,213	(54,937)	1,574,544
OPERATING EXPENSES				
Salaries and benefits	675,739	279,341	(235)	954,845
Purchased services	232,775	76,764	(38,708)	270,831
Depreciation	84,763	6,137	-	90,900
Interest	73,847	3,840	(733)	76,954
Scholarships and fellowships	22,509	-	-	22,509
Other	109,957	105,268	(15,261)	199,964
Total operating expenses	1,199,590	471,350	(54,937)	1,616,003
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	6,678	(48,137)	-	(41,459)
NON-OPERATING ACTIVITIES				
Investment income, net	372,600	-	-	372,600
Net assets released from restriction	(7,977)	-	-	(7,977)
Contributions, net	30,619	-	-	30,619
Endowment income distributed for operations	(90,813)	-	-	(90,813)
Other	6,302	-	-	6,302
Total non-operating activities	310,731	-	-	310,731
INCREASE (DECREASE) IN NET ASSETS	317,409	(48,137)	-	269,272
NET ASSETS AT THE BEGINNING OF THE YEAR	2,329,242	(31,074)	(3,109)	2,295,059
NET ASSETS AT THE END OF THE YEAR	$ 2,646,651	$ (79,211)	$ (3,109)	$ 2,564,331

The accompanying notes are an integral part of these consolidating financial statements.

Basis of Presentation – Supplementary Consolidating Information

The consolidating supplemental schedules as of and for the year ending June 30, 2021, are derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating supplemental schedules are presented for purposes of additional analysis of the consolidated financial statements and are not a required part of the consolidated financial statements. The individual components of the consolidating schedules are disclosed in Note 1 to the consolidated financial statements.