Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Catholic University of America and Subsidiaries

April 30, 2022 and 2021

Contents

GRANT THORNTON LLP
1250 Connecticut Ave. NW, Suite 400
Washington, D.C. 20036-3531

D +1 202 296 7800
F +1 202 833 9165

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Catholic University of America

Opinion

We have audited the consolidated financial statements The Catholic University of America and subsidiaries (collectively, the "University"), which comprise the consolidated statement of financial position as of April 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of April 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are issued.

Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Washington, D.C.
September 15, 2022

The Catholic University of America and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30,
(in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 44,464	$ 39,624
Deposits with bond trustee	12,544	38,512
Accounts receivable:		
Student fees and other, net of allowance for doubtful accounts of $1,435 and $1,396, respectively	4,928	8,041
U.S. government and other agencies, net of allowance for doubtful accounts of $320 and $320, respectively	4,524	4,298
Student notes and loans receivable, net	4,292	4,830
Contributions receivable, net	60,747	65,955
Investments	489,079	484,915
Deferred charges and other assets	7,478	6,165
Operating right of use assets	14,321	12,632
Property and equipment, net	339,556	315,613
Interest in perpetual trusts	2,679	2,452
Total assets	$ 984,612	$ 983,037
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 32,131	$ 36,582
Deferred revenues, student deposits and other liabilities	13,711	14,929
Refundable advances from the U.S. government	3,498	4,291
Obligations under split-interest agreements	1,596	1,654
Operating lease obligations	17,493	14,717
Asset retirement obligations	11,217	10,706
Indebtedness, net	187,464	192,269
Total liabilities	267,110	275,148
Net assets		
Without donor restrictions	313,158	337,497
With donor restrictions	404,344	370,392
Total net assets	717,502	707,889
Total liabilities and net assets	$ 984,612	$ 983,037

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

The Catholic University of America and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2022
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Student tuition and fees, net	$ 99,153	$ -	$ 99,153
Federal and private grants and contracts	38,137	-	38,137
Contributions	8,285	22,750	31,035
Endowment investment return designated for current operations	3,477	8,120	11,597
Other investment return designated for current operations	19,942	86	20,028
Sales and services of departments	1,849	-	1,849
Sales and services of auxiliary enterprises	30,357	-	30,357
Net assets released from restrictions	24,229	(24,229)	-
Other operating revenues	2,597	-	2,597
Total operating revenues and support	228,026	6,727	234,753
Operating expenses			
Instruction	96,466	-	96,466
Sponsored research	28,373	-	28,373
Public service	2,804	-	2,804
Libraries	11,212	-	11,212
Student services	31,904	-	31,904
Institutional support	30,285	-	30,285
Auxiliary enterprises	31,461	-	31,461
Total operating expenses	232,505	-	232,505
Changes in net assets from operations	(4,479)	6,727	2,248
Nonoperating activities			
Contributions restricted in perpetuity and/or for capital purposes	812	25,819	26,631
Investment return, in excess of (less than) endowment and other investment income designated for current operations	(14,864)	2,054	(12,810)
Change in the value of split-interest agreements	-	522	522
Net asset reclassifications	1,170	(1,170)	-
Loss on disposal of property and equipment	(43)	-	(43)
Capital campaign costs (Note 14)	(6,935)	-	(6,935)
Changes in net assets from nonoperating activities	(19,860)	27,225	7,365
CHANGES IN NET ASSETS	(24,339)	33,952	9,613
Net assets at beginning of year	337,497	370,392	707,889
Net assets at end of year	$ 313,158	$ 404,344	$ 717,502

The accompanying notes are an integral part of this consolidated financial statement.

The Catholic University of America and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended April 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Student tuition and fees, net	$ 106,250	$ -	$ 106,250
Federal and private grants and contracts	32,530	-	32,530
Contributions	8,508	25,730	34,238
Endowment investment return designated for current operations	3,414	7,731	11,145
Other investment return designated for current operations	21,336	350	21,686
Sales and services of departments	1,823	-	1,823
Sales and services of auxiliary enterprises	14,801	-	14,801
Net assets released from restrictions	22,278	(22,278)	-
Other operating revenues	5,335	-	5,335
Total operating revenues and support	216,275	11,533	227,808
Operating expenses			
Instruction	95,267	-	95,267
Sponsored research	26,314	-	26,314
Public service	2,752	-	2,752
Libraries	10,692	-	10,692
Student services	26,393	-	26,393
Institutional support	33,933	-	33,933
Auxiliary enterprises	26,863	-	26,863
Total operating expenses	222,214	-	222,214
Changes in net assets from operations	(5,939)	11,533	5,594
Nonoperating activities			
Contributions restricted in perpetuity and/or for capital purposes	183	12,718	12,901
Investment return, in excess of endowment and other investment income designated for current operations	32,960	47,495	80,455
Change in the value of split-interest agreements	-	4,265	4,265
Net asset reclassifications	312	(312)	-
Loss on disposal of property and equipment	(291)	-	(291)
Capital campaign costs (Note 14)	(5,071)	-	(5,071)
Changes in net assets from nonoperating activities	28,093	64,166	92,259
CHANGES IN NET ASSETS	22,154	75,699	97,853
Net assets at beginning of year	315,343	294,693	610,036
Net assets at end of year	$ 337,497	$ 370,392	$ 707,889

The accompanying notes are an integral part of this consolidated financial statement.

The Catholic University of America and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30,
(in thousands)

	2022	2021
Cash flows from operating activities		
Changes in net assets	$ 9,613	$ 97,853
Adjustments to reconcile changes in net assets to cash and cash equivalents provided by operating activities:		
Depreciation and amortization	20,684	17,922
Accretion expense on asset retirement obligations	511	484
Amortization of debt issuance costs	146	145
Amortization of bond premiums	(401)	(401)
Provision for bad debt expense	365	26
Net realized and unrealized gains on investments	(13,783)	(107,721)
Loss on disposal of property and equipment	43	310
Receipt of contributed securities	(2,136)	(3,435)
Proceeds from sale of donated securities	1,195	2,763
(Increase) decrease in assets:		
Accounts receivable	2,872	2,349
Deferred charges and other assets	(1,313)	(873)
Operating right of use assets	(1,689)	894
Notes receivable	658	929
Contributions receivable	4,738	(2,187)
Interest in perpetual trusts	(227)	(589)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(4,784)	4,278
Deferred revenues, student deposits and other liabilities	(1,218)	6,370
Refundable advances	(793)	(932)
Obligations under split-interest agreements	(58)	(58)
Operating lease obligations	2,776	(236)
Contributions restricted for long-term investment	(13,312)	(3,862)
Net cash provided by operating activities	3,887	14,029
Cash flows from investing activities		
Purchases of investments	(149,368)	(182,382)
Proceeds from sales and maturities of investments	158,987	207,664
Purchases of property and equipment	(44,337)	(50,830)
Sales of investments within deposits held by bond trustee	25,968	30,199
Net cash (used in) provided by investing activities	(8,750)	4,651
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	13,312	3,862
Proceeds from sale of donated securities restricted for endowment	941	672
Principal payments of bonds payable	(4,550)	(4,400)
Net cash provided by financing activities	9,703	134
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,840	18,814
Cash and cash equivalents at beginning of year	39,624	20,810
Cash and cash equivalents at end of year	$ 44,464	$ 39,624
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 7,565	$ 7,706
Cash paid during the year for taxes	$ 344	$ 283
Contributed securities	$ 2,136	$ 3,435
Non-cash transactions		
Accrued expenses for purchases of property and equipment	$ 6,121	$ 5,788

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

NOTE 1 - THE UNIVERSITY

The Catholic University of America (the "University") is an independent institution of higher education located in Washington, D.C., offering programs of study leading to bachelor's, master's, and doctoral degrees in the liberal arts and sciences, religious studies, and several professional areas, including engineering, architecture, social service, nursing, music, law and Canon Law. Its 176-acre campus is located in northeast Washington, D.C., approximately two miles from the United States Capitol. The University is sponsored by the Roman Catholic Bishops of the United States.

The creation of the University as a national institute of learning was proposed by the Roman Catholic Bishops of the United States meeting at the Second Plenary Council in Baltimore in 1866. The University was formally established as a center for graduate studies in theology by the Third Plenary Council in Baltimore in 1884. On April 19, 1887, the University was formally incorporated under Chapter 18 of the Revised Statutes of the United States relating to the District of Columbia. In 2013, the University affirmed its exemption from the 2011 D.C. Not-for-Profit-Corporation Act as a Congressionally charted institution of higher education. The University is vested with authority from the Holy See to grant the ecclesiastical degrees of Bachelor, Licentiate and Doctorate in Philosophy and Sacred Theology and Licentiate and Doctoral degrees in Canon Law.

There are approximately 380 full-time faculty members, along with approximately 2,930 undergraduate and 2,130 graduate students enrolled in the University.

The accompanying consolidated financial statements include the accounts of the University's separately incorporated subsidiaries, the Albert E. and Angela T. Farone Foundation, Inc. ("Farone Foundation") and the Catholic University of America Foundation ("CUA Foundation"). The Farone Foundation's Board of Directors is comprised of five members, four of whom are officers or staff of the University and one independent member. The Farone Foundation was originally established in 1965 and reincorporated in 1981. In 2009, the Farone Foundation Board of Directors affirmed that its net assets were to be used towards the charitable, scientific, educational, literary and/or religious purposes of the University and to provide scholarships to certain students attending the University. The CUA Foundation's Board of Directors is comprised of three officers of the University. The CUA Foundation was originally established in 1980 to operate exclusively to support the University and its members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting.

Consolidation

All significant intercompany accounts and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities; (2) the disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the determination of asset retirement obligations, allowances for doubtful accounts, obligations to annuitants under split-interest agreements, the allocation of costs amongst functional expense categories, the useful lives assigned to fixed assets, and the valuation of non-exchange-traded investments. Actual results could differ materially, in the near-term, from the amounts reported.

Measure of Operations

The accompanying consolidated statements of activities distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of the University's educational programs and supporting activities, certain contributions, federal and private grants and contracts, investment return pursuant to the University's spending policy, together with interest income on operating cash balances. Nonoperating activities include investment return (loss) in excess of amounts designated for current operations, contributions restricted in perpetuity and/or for capital purposes, change in the value of split-interest agreements, capital campaign costs, and other activities which are considered to be nonrecurring in nature.

Income Taxes

The University and its subsidiaries are recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"), except on activities unrelated to their exempt purposes. The University has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The tax years ended April 30, 2022, 2021, 2020, and 2019 are still open to audit for both federal and state purposes.

The University follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The University has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements.

Cash Equivalents

All highly liquid investments with an original maturity at date of purchase of three months or less are considered to be cash equivalents. Cash equivalents include money market funds of $4,058,000 and $5,859,000 at April 30, 2022 and 2021, respectively.

Student Notes and Loans Receivable

The University records an allowance for doubtful accounts (credit losses) for the following student notes and loans receivables (in thousands):

	2022		2021	
	Receivable Balance	Allowance	Receivable Balance	Allowance
Perkins loans	$ 2,511	$ 217	$ 3,136	$ 345
Other student notes and loans	2,446	448	2,479	440
Student notes and loans receivable	$ 4,957	$ 665	$ 5,615	$ 785

Management regularly assesses the adequacy of its allowance for credit losses by performing ongoing evaluations of the student loan portfolio including reviewing economic risks associated with each loan category. The University's Perkins loans receivable balance represents amounts due from current and former students under the Federal Perkins Loan program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the federal government in certain non-repayment situations. In these situations, the federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at April 30, 2022 and 2021 is adequate to provide for credit losses inherent in the portfolio as of the reporting date.

On September 30, 2018, the authority for schools to make new loans under the Federal Perkins Loan program ended and final disbursements to students were permitted through June 30, 2019. The University does not plan to liquidate its Perkins Loan Fund and intends to assign the remaining loans outstanding to the U.S. Department of Education.

Investments

Purchased investments are stated at fair value. Purchases and sales are recorded on the trade date. All cash and money market funds held by investment managers are reported as investments. Investments acquired by gifts or bequests are reported at fair value or appraised value determined at the date of receipt.

Property and Equipment

Property and equipment are recorded at cost if purchased or constructed or fair value if acquired by gift. Certain costs associated with the financing of asset purchases or construction are deferred and amortized over the term of the financing arrangement in a method that approximates the interest rate method. Repairs and maintenance costs occurring in the normal course of business that do not extend the useful life of the underlying asset are expensed as incurred.

Depreciation is computed by the straight-line method using the half-year convention over the estimated useful lives of the assets. The estimated useful lives are: land and building improvements, 20 years; buildings, generally 40 years; leasehold improvements, shorter of the life of the lease or 10 years; and furniture, equipment, computer systems, and library books, 3 - 5 years.

Collections

The University maintains a collection held for public exhibition, education and research in furtherance of the University's educational and public service mission. These collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset category. There were no deaccessions during the years ended April 30, 2022 and 2021.

Refundable Advances from the U.S. Government

Funds provided by the United States Government under the Federal Perkins Loan and the Nursing Student Loan Programs are loaned to qualified students and may be reloaned after collection. Such funds are ultimately refundable to the U.S. Department of Education.

Fair Value of Financial Instruments

Fair value accounting standards established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined below. All fair value amounts and disclosures are classified according to the following framework:

Level 1 - Fair value is based upon unadjusted, quoted prices for identical assets or liabilities in active, accessible markets;

Level 2 - Fair value is based upon either quoted prices for identical assets in an inactive market or similar items in active/inactive markets; and

Level 3 - Fair value is based upon other unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset/liability.

In general, for Level 2 and Level 3 investments, the University utilizes the respective investment manager of the asset to provide a valuation estimate based on techniques discussed later and processes which have been reviewed by management for propriety and consistency with consideration given to asset type and investment strategy. Management makes best estimates based on the information available. The following estimates and assumptions were used to determine the fair value of each class of financial instruments. There were no changes in the fair value methodology, levels, or classification of investments during the years ended April 30, 2022 and 2021.

Financial Instruments Measured at Fair Value on a Recurring Basis

The University determines the fair value of its deposits with bond trustee and investments in publicly traded securities and foreign currency using quoted market prices from active markets as of the reporting date.

The fair value of investments in equity securities is based on available closing prices in an active market. The fair value of investments in debt securities is based upon the price of similar issues in an active market. The fair value of investments in limited partnerships and private equity, venture capital, natural resource and hedge funds is determined by using the University's percentage of ownership interest in each of the investments and the estimated fair value. The general partner determines the estimated fair value of a partnership based upon the fair value of the partnership's investments and discloses that value in its annual audited financial statements.

The valuation process for these investments is subject to review and oversight by management. In connection with this process, management reviews the details of the information obtained from the investment company and considers: (i) the measurement date; (ii) the basis of accounting; and (iii) other information obtained during the year through investment monitoring procedures. The University may adjust the obtained fair value for outside inputs such as the cash activity since the date of the annual audited financial statements, agreement restrictions, secondary market considerations, and any liquidity constraints.

Fair value measurement accounting guidance requires that for all Level 3 fair value measurements, the disclosure of quantitative information about significant unobservable inputs used be provided. An exception to providing additional quantitative measures is allowed when the University is using unadjusted third-party pricing and net asset valuation (“NAV”), assuming that additional quantitative information is provided with regard to the University’s valuation process to obtain comfort with the third-party prices provided. A discussion of the process is described below with the other required NAV disclosures and therefore the University intends to adhere to this exception.

During fiscal year 2009, the University entered into a transfer agreement with an unrelated party to develop the University’s South Campus, which was comprised of five parcels of land. Two of the parcels were subsequently sold and the remaining three parcels are held as long-term ground leases. These land parcels under lease agreements are included in investments as investment properties and reported at fair value. The fair value of the University’s real estate investment properties is calculated based on the most recent rates from negotiations with buyers and development partners. Real estate assets are included in Level 3 as significant unobservable inputs and management’s judgment is used in the valuation process. As of April 30, 2022 and 2021, respectively, $37,860,000 and $36,977,000 of the University’s real estate investments fair value are not based upon NAV. Quantitative information about Level 3 fair value measurements not based upon NAV are as follows for the years ended April 30, 2022 and 2021:

	Valuation Technique	Unobservable Input	Effect
Real estate - land parcels under lease agreements	Discounted cash flow	Capitalization rate	3.75%-6.50%

Changes in any of the significant inputs presented in the table above may result in a significant change in the fair value measurement of the real estate assets as of the reporting date.

Financial Instruments Measured at Fair Value on a Non-Recurring Basis

The University determines the fair value of its contributions receivable on the date of receipt and split-interest agreement assets and liabilities through an evaluation of what price could be obtained to sell those assets or transfer those liabilities. Therefore, the University has discounted its contributions receivable and split-interest agreement assets and liabilities received during the years ended April 30, 2022 and 2021 based on a discount cash flow methodology using a discount rate that is commensurate with the risks involved. Once assigned, discount rates are not subsequently revised.

The University determines the fair value of its asset retirement obligations through an evaluation of what price could be obtained to sell the related assets or transfer those liabilities. In accordance with fair value accounting standards, the University has determined that any new asset retirement obligations incurred would be transferred at pricing similar to borrowing rates available to the University.

The following items are recorded at fair value as of April 30, 2022 (in thousands):

Description	Level 1	Level 2	Level 3	Reported at NAV	Total
Recurring Fair Value Measurements					
Investments:					
Money market funds and temporary investments	$ 7,884	$ -	$ -	$ -	$ 7,884
Equity securities:					
Domestic	122,035	-	-	-	122,035
International	52,139	-	-	-	52,139
Equity mutual funds	49,709	-	-	-	49,709
Debt securities:					
Government	13,839	-	-	-	13,839
Corporate	10,199	15,649	-	-	25,848
Other	-	10,140	-	-	10,140
Fixed income mutual funds	1,403	-	-	-	1,403
Private equity and limited partnerships:					
Venture capital investments	-	-	-	31,436	31,436
Corporate finance	-	-	-	40,040	40,040
Real estate	-	-	-	47,916	47,916
Natural resources	-	-	-	6,376	6,376
Hedge funds:					
Global credit	-	-	-	13,838	13,838
Global equity	-	-	-	14,724	14,724
Diversifying fund	-	-	-	13,768	13,768
Real estate	124	-	37,860	-	37,984
Total investments	$ 257,332	$ 25,789	$ 37,860	$ 168,098	$ 489,079
Cash and cash equivalents:					
Cash held in foreign currency	$ 655	$ -	$ -	$ -	$ 655
Deposits with bond trustee:					
Fixed income mutual funds	$ 12,544	$ -	$ -	$ -	$ 12,544
Interest in perpetual trusts	$ -	$ -	$ 2,679	$ -	$ 2,679
Non-Recurring Measurement:					
Liabilities:					
Obligations under split-interest agreements	$ -	$ -	$ 1,596	$ -	$ 1,596

The following items are recorded at fair value as of April 30, 2021 (in thousands):

Description	Level 1	Level 2	Level 3	Reported at NAV	Total
Recurring Fair Value Measurements					
Investments:					
Money market funds and temporary investments	$ 13,081	$ -	$ -	$ -	$ 13,081
Equity securities:					
Domestic	143,949	-	-	-	143,949
International	75,949	-	-	-	75,949
Equity mutual funds	39,176	-	-	-	39,176
Debt securities:					
Government	13,229	-	-	-	13,229
Corporate	20,115	20,352	-	-	40,467
Other	-	7,648	-	-	7,648
Fixed income mutual funds	1,518	-	-	-	1,518
Fixed income commingled fund of funds	5,183	-	-	-	5,183
Private equity and limited partnerships:					
Venture capital investments	-	-	-	11,255	11,255
Corporate finance	-	-	-	27,892	27,892
Real estate	-	-	-	31,481	31,481
Natural resources	-	-	-	3,842	3,842
Hedge funds:					
Global credit	-	-	-	13,645	13,645
Global equity	-	-	-	13,137	13,137
Diversifying fund	-	-	-	6,356	6,356
Real estate	126	-	36,981	-	37,107
Total investments	$ 312,326	$ 28,000	$ 36,981	$ 107,608	$484,915
Cash and cash equivalents:					
Cash held in foreign currency	$ 76	$ -	$ -	$ -	$ 76
Deposits with bond trustee:					
Fixed income mutual funds	$ 38,512	$ -	$ -	$ -	$ 38,512
Interest in perpetual trusts	$ -	$ -	$ 2,452	$ -	$ 2,452
Non-Recurring Measurement:					
Liabilities:					
Obligations under split-interest agreements	$ -	$ -	$ 1,654	$ -	$ 1,654

The activity for the Level 3 investments is as follows for the year ended April 30, 2022 (in thousands):

	Beginning Balance at April 30, 2021	Total Gain (Loss)	Purchases	Sales	Transfers In/Out of Level	Ending Balance at April 30, 2022	Change in Unrealized Gain (Loss) for Positions Still Held
Level 3 Assets:							
Real estate	$ 36,981	$ 883	$ -	$ 4	$ -	$ 37,860	$ 883
Interest in perpetual trusts	2,452	227	-	-	-	2,679	227
Total	$ 39,433	$ 1,110	$ -	$ 4	$ -	$ 40,539	$ 1,110

The activity for the Level 3 investments is as follows for the year ended April 30, 2021 (in thousands):

	Beginning Balance at April 30, 2020	Total Gain (Loss)	Purchases	Sales	Transfers In/Out of Level	Ending Balance at April 30, 2021	Change in Unrealized Gain (Loss) for Positions Still Held
Level 3 Assets:							
Real estate	$ 36,770	$ 211	$ -	$ -	$ -	$ 36,981	$ 211
Interest in perpetual trusts	1,863	589	-	-	-	2,452	589
Total	$ 38,633	$ 800	$ -	$ -	$ -	$ 39,433	$ 800

The gains and losses (realized and unrealized) reported above for investments for the years ended April 30, 2022 and 2021 are included in Investment Return in Excess of (Less Than) Amounts Designated for Current Operations on the accompanying consolidated statements of activities.

As a practical expedient, the University is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The University's investments in private equity and hedge funds are reported at fair value based on the most current NAV, adjusted through April 30, 2022 and 2021.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with U.S. GAAP. The University has assessed factors including, but not limited to, managers' compliance with relevant fair value measurement standards, price transparency and valuation procedures in place, the ability to redeem at NAV, and the existence of certain redemption restrictions at the measurement date.

The NAV and redemption information for these investments as of April 30, 2022 and 2021 are as follows (in thousands):

	2022				
Category	Fair Value	Unfunded Commitments	2021 Fair Value	Redemption Frequency	Redemption Notice Period
Private equity [1]					
Venture capital investments	$ 31,436	$ 7,020	$ 11,255	Upon Liquidation	
Corporate finance	40,040	20,575	27,892	Upon Liquidation	
Real estate	47,916	21,614	31,481	Upon Liquidation	
Natural resources	6,376	2,538	3,842	Upon Liquidation	
Hedge funds [2]					
Global credit	13,838	-	13,645	Weekly, Semi-Annual	5 - 90 days
Global equity	14,724	-	13,137	Quarterly	95 days
Diversifying fund	13,768	-	6,356	Quarterly	65 days
	$ 168,098	$ 51,747	$ 107,608		

[1] Investments include domestic and international venture capital, private equity, real estate and natural resource investments, held in the form of professionally managed pooled limited partnership investments.

[2] Investments include commodities, natural resources, real estate, and domestic and international marketable alternatives.

The University has made commitments to various private equity funds. Unfunded commitments totaled $51,747,000 and $35,929,000 at April 30, 2022 and 2021, respectively. The University expects the unfunded commitments as of April 30, 2022 will be called over the next 12 years. Distributions related to these equity funds is unknown.

Net Assets

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

Without Donor Restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the “Board”) and/or management for general operating purposes. Items that affect this net asset category primarily consist of fees for service and related expenses associated with the core activities of the University such as instruction and certain sponsored research. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were a part of the donor-restricted endowment) for the purpose of securing the University’s long-term financial viability.

With Donor-Restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the University pursuant to those stipulations. Also included in this category are certain net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University, the earnings from which are subject to the Board-approved spending policy and available for general or specific purposes as stipulated by the respective donors of such funds.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by express donor-imposed restrictions.

Net Asset Reclassifications

Net asset reclassifications represent amounts that change net asset classification due to meeting the dollar threshold to qualify as an endowment, liquidation of annuities after the death of the respective donor/annuitant, or a change or a clarification in the donor's restriction on a gift.

Revenue Recognition

The University generates revenues principally from: (i) student tuition and fees; (ii) contracts and grants; (iii) contributions; and (iv) sales and services from auxiliary enterprises.

Tuition and Fees and Sales and Services from Auxiliary

The University has various revenue streams that revolve mainly around student enrollment and instruction. Revenue is generated principally through tuition, housing, meals, and various fees associated with enrollment in the University and are recognized over time as the University provides the related goods and services. The University also hosts several collaborative learning curricula and summer seminars for students/non-students throughout the year that provide other sources of revenues. This also includes study abroad opportunities at the University's Rome, Italy location. Generally, enrollment and instructional services are billed when a course or term begins and paid within 30 days of the bill date.

Revenue is also generated through late fees and payment plan fees for tuition payments, as well as from various parking facilities and vending machines across campuses. Generally, this revenue is recognized when the fee is charged to the student, which coincides with the completion of the specific performance obligation to the student.

The University awarded $107,329,000 and $103,859,000 in merit and need-based scholarships and tuition waivers to its students for the years ended April 30, 2022 and 2021, respectively.

In the following table, revenue is disaggregated by type of services provided for the years ended April 30, 2022 and 2021 (in thousands):

	2022	2021
Student tuition and fees	$ 206,482	$ 210,109
Less: scholarship allowance	(107,329)	(103,859)
Student tuition and fees, net	$ 99,153	$ 106,250
Housing	$ 16,911	$ 8,302
Meals	10,389	5,243
Conference services	629	64
Other	2,428	1,192
Sales and services of auxiliary enterprises	$ 30,357	$ 14,801

The University has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

Contracts and Grants

The University has projects under cost reimbursable contracts and grants with the U.S. government and private sponsoring entities. These contracts and grants are for various activities performed by the University, including research and education programs.

The University recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or right of release from the respective 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 contracts and grants treated as exchange transactions, the University has a right to consideration from the sponsoring organization in an amount that corresponds directly with the value to the sponsoring organization of the University's performance completed to date (costs incurred). For these agreements, the University recognizes revenue in the amount to which the University has the right to invoice. Of the total federal and private grants and contracts, approximately 16% and 31% were considered exchange transactions for the years ended April 30, 2022 and 2021, respectively.

For contracts and grants treated as non-exchange transactions, the University had approximately $24,315,000 and $23,210,000 in unrecognized conditional contributions as of April 30, 2022 and 2021, respectively. The revenue related to these awards is conditioned on incurring allowable expenditures under the terms of the agreements.

For exchange transactions associated with contracts and grants, which are recognized based on the right to invoice, the University has elected the practical expedient not to disclose information about unsatisfied performance obligations.

Contribution Revenue

Contributions are reported as increases in the appropriate category of net assets. If a donor restriction is fulfilled in the same time period in which the contribution is received, the amount of the support is reported as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income is reported as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Expirations of time or purpose 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 net assets released from restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Contributions that are restricted in perpetuity or restricted for capital purposes are recorded in nonoperating activities on the consolidated statement of activities.

Contributed services are only recognized for those services that would need to be purchased by the University if not otherwise provided by donation, require specialized skills, and are provided by individuals with those skills. For the years ended April 30, 2022 and 2021, the University recognized $101,615 and $0, respectively, of contributed legal services.

From time to time, the University receives contributions from its Board members and organizations affiliated with its Board members. For the years ended April 30, 2022 and 2021, such contributions recognized by the University totaled approximately $22,881,000 and $14,741,000, respectively. The University has outstanding unconditional pledges made by its Board members and related organizations totaling $27,335,000 and $33,727,000, respectively. In addition, the University has outstanding conditional pledges made by its Board members and organizations affiliated with them totaling $22,475,000 and $26,255,000, respectively (also see Note 4).

Deferred Revenue

Deferred revenue at April 30, 2022 and 2021 totaling $3,282,000 and $4,380,000, respectively, represents the University's performance obligations to transfer future enrollment and instructional services to students and to fulfill future services to sponsoring granting agencies for cost reimbursable contracts and grants. For the years ended April 30, 2022 and 2021, the University recognized revenue of $4,380,000 and $7,287,000, respectively, from amounts that were included in deferred revenues at the beginning of the respective fiscal year. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer and sponsoring organization payments.

Concentration of Credit Risk

The University places its cash and short-term investments in money market mutual funds and bank overnight deposits with various financial institutions. Cash and cash equivalent balances are in excess of the Federal Deposit Insurance Corporation insurance limit. The University has not experienced any losses on its cash and cash equivalents. The University has also invested its excess cash in a diversified, short-term, investment grade, tax-exempt bond fund that is classified under money market funds and short-term investments.

Tuition receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the University's student base. The University establishes an allowance for doubtful accounts based upon historical collection trends and other information.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available within one year of the consolidated statements of financial position as of April 30, 2022 and 2021 for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction not financed with debt, are as follows (in thousands):

	2022	2021
Financial assets available:		
Cash and cash equivalents	$ 44,464	$ 39,624
Students fees and other accounts receivable, net	4,928	8,041
U.S. government and other agencies accounts receivable, net	4,524	4,298
Contributions receivable, net	60,747	65,955
Investments	489,079	484,915
Total available financial assets	603,742	602,833
Less:		
Amounts unavailable for general expenditures within one year due to:		
Contributions receivable, due after one year	(22,322)	(23,226)
Investments supporting operations, not readily marketable	(61,380)	(52,557)
Restricted by donors for time and purpose	(235,146)	(211,908)
Donor-restricted endowment to be held in perpetuity	(144,289)	(130,887)
Total amounts unavailable for general expenditures within one year	(463,137)	(418,578)
Amounts unavailable to management without Board approval:		
Funds functioning as endowment (quasi-endowment)	(111,815)	(113,452)
Board-designated reserves	(12,700)	(12,700)
Total amounts unavailable for general expenditures within one year	(124,515)	(126,152)
Total available financial assets to management for general expenditure within one year	$ 16,090	$ 58,103

A significant portion of the University's annual expenditures are supported by current-year operating revenues including student tuition and fees, grants and contracts, and sales and services of auxiliary enterprises. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the University invests cash in excess of daily requirements in short-term investments and money market funds. The University's investments also contain certain investments that may not be readily available (convertible to cash) given the nature of the investment.

Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 6, the University's board-designated endowments are subject to an annual spending rate. Although the University does not intend to spend from its board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval), such amounts, which total approximately $111,815,000 as of April 30, 2022, could be made available if necessary.

The University also maintains a line of credit of $25,000,000 that can be drawn upon during the year, as needed, to manage cash flows. As of April 30, 2022, there were no amounts outstanding on the line of credit.

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at April 30, 2022 and 2021 are summarized as follows (in thousands):

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	$ 38,425	$ 42,729
One year to five years	24,475	24,884
Over five years	2,437	2,566
	65,337	70,179
Less: unamortized discount on contributions receivable	(2,895)	(3,000)
Net present value of contributions receivable	62,442	67,179
Less: allowance for uncollectible contributions	(1,695)	(1,224)
Contributions receivable, net	$ 60,747	$ 65,955

The University discounted contributions receivable using rates ranging between 2.35% and 5.89% and between 0.3% and 4.94% at April 30, 2022 and 2021, respectively. The University has outstanding conditional pledges totaling $30,952,000 and $37,411,000 at April 30, 2022 and 2021, respectively. The condition for these pledges specifies that certain criteria be met, and information be provided back to the donor before the next installment can be received. The University recognized revenue related to these conditional pledges of $8,309,000 and $14,480,000 during the years ended April 30, 2022 and 2021, respectively, following satisfaction of the donor-stipulated conditions. The University also has been named as a beneficiary of numerous wills and trusts as of April 30, 2022 and 2021. The University does not recognize such bequests as contribution revenue until they become unconditional, irrevocable promises to give.

The University is a named beneficiary of certain trusts administered by various financial institutions. The estimated net present value of the expected future cash flows, which approximates the University's reported fair value of its interest in the trusts, totals $15,366,000 and $15,100,000 at April 30, 2022 and 2021, respectively, and is reflected as a part of contributions receivable. Changes in the University's interest in the value of the trust assets are recognized as restricted change in the value of split-interest agreements.

NOTE 5 - INVESTMENTS

Investments by function at April 30, 2022 and 2021 are as follows (in thousands):

	2022	2021
Endowment	$ 350,885	$ 337,095
Financial reserves	92,538	106,130
Real estate (Level 3 holding)	37,860	36,981
Other	7,796	4,709
	$ 489,079	$ 484,915

Financial reserves consist of non-endowed funds of the University managed to support long-term financial objectives and provide a base of liquidity, and includes the Board-designated operating reserve (Note 8).

NOTE 6 - ENDOWMENT

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, 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 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 this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an average rate of return of more than 5% as measured over rolling five-year periods within risk levels defined by the Trustees. Actual returns in any given year may vary from this amount.

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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. During fiscal years 2022 and 2021, the Board also appropriated an additional payout of $17,500,000 and $17,668,000, respectively, from its financial reserves to support various University initiatives and central University operations and is recorded as part of other investment return designated for current operations on the accompanying consolidated statements of activities.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and accounting standards related to net asset classification guides endowment reporting. The University's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (i.e., part of its permanent endowment): (a) the original value of gifts donated; (b) the original value of subsequent gifts; and (c) income accumulations, if specified by the applicable donor gift instrument.

The University appropriates for expenditure annually a portion of its donor-restricted endowment fund in a manner consistent with the standard of prudence prescribed by UPMIFA. The University considers the following factors in setting its annual spending rate:

- The duration and preservation of its endowment fund;
- The purposes of the University and its donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of endowment investments;
- Other resources of the University; and
- The investment policies of the University.

The endowment consists of the following as of April 30, 2022 and 2021 (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 239,070	$ 239,070
Board-designated endowment funds	111,815	-	111,815
Total endowment funds	$ 111,815	$ 239,070	$ 350,885

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 223,643	$ 223,643
Board-designated endowment funds	113,452	-	113,452
Total endowment funds	$ 113,452	$ 223,643	$ 337,095

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or D.C. UPMIFA requires the University to retain as a fund of permanent duration. The University has interpreted D.C. UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. In accordance with accounting guidance for not-for-profit organizations, deficiencies of this nature are reported in net assets with donor restrictions. As of April 30, 2022 and 2021, funds with an original gift value of $12,666,000 and $1,385,000 were underwater by $200,000 and $69,000, respectively.

By net asset classification, the University had the following endowment-related activities for the years ended April 30, 2022 and 2021 (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 113,452	$ 223,643	$ 337,095
Investment return, net	1,644	10,234	11,878
Reinvestment of earnings per donor request and other reclassifications	196	1	197
Donor contributions to endowment	-	13,312	13,312
Investment return designated for current operations	(3,477)	(8,120)	(11,597)
Endowment net assets, end of year	$ 111,815	$ 239,070	$ 350,885

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 90,302	$ 172,969	$ 263,271
Investment return, net	26,797	54,225	81,022
Reinvestment of earnings per donor request and other reclassifications	(233)	318	85
Donor contributions to endowment	-	3,862	3,862
Investment return designated for current operations	(3,414)	(7,731)	(11,145)
Endowment net assets, end of year	$ 113,452	$ 223,643	$ 337,095

NOTE 7 - SPLIT-INTEREST AGREEMENTS AND INTERESTS IN TRUSTS

The University has established a planned giving program that benefits both the University as well as other donor-stipulated beneficiaries. Contributions of this nature to the University are termed split-interest agreements and include: perpetual trusts, charitable lead and remainder trusts, and charitable gift annuities.

Split-Interest Agreements

The University has certain assets pertaining to charitable remainder trusts included in its investment portfolio. The trust agreements stipulate annuity payments to the beneficiaries based on agreed-upon rates. The liabilities associated with these annuity payments are recorded as split-interest agreements in the accompanying consolidated statements of financial position. The University discounted its split-interest liabilities using rates ranging between 1.2% and 10% at both April 30, 2022 and 2021. Changes in the values of the trusts and liabilities are recorded as change in the value of split-interest agreements in the consolidated statement of activities.

The activity for the split-interest agreement liabilities for the years ended April 30, 2022 and 2021 is as follows (in thousands):

	2022	2021
Split-interest agreement liabilities, beginning of year	$ 1,654	$ 1,712
New gifts		-
Change in value	(58)	(58)
Split-interest agreement liabilities, end of year	$ 1,596	$ 1,654

Perpetual Trusts

The University is named as a beneficiary of four perpetual trusts administered by independent financial institutions. The estimated present value of the expected future cash flows, which approximates the University's value of its interest in the trusts, totals $2,679,000 and $2,452,000 at April 30, 2022 and 2021, respectively. The trusts are recognized as assets and as part of "Net assets with donor restrictions" in the accompanying consolidated financial statements. The University's share of the change in the fair value of the trusts' assets is recognized as investment income with donor restrictions. Interest and dividends distributed from the trusts are recorded as investment income with or without donor restrictions based on donor stipulations, if any.

Charitable Gift Annuities

The University maintained adequate reserves pertaining to its outstanding charitable gift annuity agreements in accordance with the Code of Maryland Regulations as of April 30, 2022 and 2021.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The University's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes at April 30 (in thousands):

	2022	2021
Funds functioning as endowment (quasi-endowment):		
Scholarships	$ 7,176	$ 7,176
Farone Foundation	13,262	13,262
Program and general support	37,051	36,855
Total funds functioning as endowment (quasi-endowment)	57,489	57,293
Accumulated earnings subject to spending policy:		
Scholarships	6,407	6,282
Farone Foundation	23,362	26,089
Program and general support	24,557	23,788
Total accumulated earnings subject to spending policy	54,326	56,159
Board-designated operating reserve	12,700	12,700
Net investment in property and equipment	161,292	159,278
Undesignated and for other operating purposes	27,351	52,067
Total net assets without donor restrictions	$ 313,158	$ 337,497

In 2019, the Board formally established an operating reserve to build and maintain an adequate level of net assets without donor restrictions to support the University's day-to-day operations in the event of an unforeseen shortfall and to support one-time, nonrecurring expenses that build long-term capacity at the discretion of the Board. During the years ended April 30, 2022 and 2021, the Board made no designations to the operating reserve. The operating reserve totaled $12,700,000 as of April 30, 2022 and 2021, respectively. In addition, net assets that are undesignated and for other operating purposes consist of the University's general reserve that may be used at the discretion of management to support scholarships, academic initiatives, capital projects, and general operations.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at April 30 (in thousands):

	2022	2021
Donor-restricted endowment to be held in perpetuity:		
Scholarships	$ 74,494	$ 64,704
Program and general support	68,794	65,182
CUA Foundation	1,001	1,001
Total donor-restricted endowment to be held in perpetuity	144,289	130,887
Accumulated earnings subject to spending policy:		
Scholarships	49,679	49,006
Program and general support	44,685	43,352
CUA Foundation	417	398
Total accumulated earnings subject to spending policy	94,781	92,756
Restricted for specific purposes or time:		
Scholarships	15,197	17,024
Program support	63,191	55,511
Facilities	50,064	40,684
Student loans	2,614	2,614
Split-interest agreements	18,996	19,001
Time restricted	15,212	11,915
Total restricted for specific purpose or time	165,274	146,749
Total net assets with donor restrictions	$ 404,344	$ 370,392

NOTE 10 - PROPERTY AND EQUIPMENT, NET

Property and equipment at April 30, 2022 and 2021 are summarized as follows (in thousands):

	2022	2021
Land	$ 23,525	$ 23,525
Buildings and building improvements	447,283	443,636
Building retirement costs	2,556	2,556
Leasehold improvements	6,745	5,714
Construction work-in-process	67,806	30,698
Furniture, equipment, computer systems, and library books	98,263	96,524
	646,178	602,653
Less: accumulated depreciation	(306,622)	(287,040)
Property and equipment, net	$ 339,556	$ 315,613

Included in construction work-in-process at April 30, 2022 and 2021 are costs associated with the renovation of certain University academic buildings, renovation of the recreational center, and improvements to campus energy systems. The future commitments on construction work-in-process are approximately $18,239,000 at April 30, 2022 with estimated completion dates occurring in April 2024 and April 2025.

During the year ended April 30, 2013, the University leased a portion of its land to an independent party. The land is recorded at fair value and is included in investments. The fair value of the leased land totals $37,860,000 and $36,977,000 at April 30, 2022 and 2021, respectively (see also Note 2).

In accordance with accounting standards for costs of computer software developed or obtained for internal use, the University has capitalized certain internal labor costs for time incurred on the application development stages of these projects. Capitalized internal labor costs totaled $1,047,000 and $4,971,000 at April 30, 2022 and 2021, respectively.

In accordance with conditional asset retirement obligation accounting standards, as of April 30, 2022 and 2021, the University has capitalized $2,556,000 of asset retirement costs with accumulated depreciation balances of $2,411,000 and $2,400,000, respectively. The asset retirement obligation as of April 30, 2022 and 2021 totals $11,217,000 and $10,706,000, respectively, and is recorded as a liability on the accompanying consolidated statements of financial position. The University's asset retirement obligations are primarily associated with the cost and removal of asbestos and lead paint and asset decommissioning identified in University-owned properties.

The activity for the asset retirement obligations for the years ended April 30, 2022 and 2021 is as follows (in thousands):

	2022	2021
Asset retirement obligations, beginning of year	$ 10,706	$ 10,222
Accretion expense	511	484
Asset retirement obligations, end of year	$ 11,217	$ 10,706

NOTE 11 - INDEBTEDNESS

Indebtedness at April 30, 2022 and 2021 consists of the following (in thousands):

	Scheduled Maturities	Interest Rate	2022 Amount Outstanding	2021 Amount Outstanding
Bonds:				
2018 Series District of Columbia Revenue Bonds / Tax-exempt	Oct. 1, 2038	Fixed 5.00%	$ 54,970	$ 56,350
2017C Series District of Columbia Revenue Bonds / Taxable	Oct. 1, 2034	Fixed 3.66%	14,495	15,420
2017B Series District of Columbia Revenue Bonds / Tax-exempt	Oct. 1, 2047	Fixed 4.00%	58,400	58,400
2017A Series District of Columbia Revenue Bonds / Tax-exempt	Oct. 1, 2029	Fixed 2.87%	18,165	20,155
2015 Series District of Columbia Revenue Bonds / Tax-exempt	Oct. 1, 2037	Fixed 2.78%	33,560	33,815
Total bonds payable			179,590	184,140
Unamortized bond premium			10,484	10,885
Unamortized issuance costs			(2,610)	(2,756)
Total indebtedness			$ 187,464	$ 192,269

The foregoing bonds as of April 30, 2022 are payable as follows (in thousands):

2023	$ 4,725
2024	4,870
2025	4,235
2026	4,380
2027	4,525
Thereafter	156,855
	179,590
Add: unamortized bond premium and issuance costs, net	7,874
Total indebtedness	$ 187,464

Interest expense for the years ended April 30, 2022 and 2021 totaled approximately $3,286,000 and $4,828,000, respectively. The capitalized interest for the years ended April 30, 2022 and 2021 totaled $3,989,000 and $5,820,000, respectively. Management believes that the University was in compliance with all debt covenants as of April 30, 2022 and 2021. Cash paid for interest totaled approximately $7,565,000 and $7,706,000 for the years ended April 30, 2022 and 2021, respectively.

Series 2018 Bonds

In November 2018, the University issued $58,820,000 District of Columbia Tax Exempt Revenue Bonds Series 2018 for the purpose of construction-related projects on the University's campus and to repay the Series 2010 Bond then outstanding balance.

Covenants of the Series 2018 Bonds loan agreement require the University to maintain liquid net assets without donor restrictions with a value which is equal to at least 80% of the outstanding principal amount of all long-term indebtedness which is on parity with the Series 2018 Bonds.

Series 2017 Bonds

In November 2017, the University issued $17,335,000 District of Columbia Tax Exempt Private Placement Bond Series 2017C refinancing a portion of the then outstanding District of Columbia Revenue Bonds Series 2010. In October 2021, the University converted the Series 2017C Bonds from Tax Exempt to Taxable which resulted in a change of the interest rate from 2.83% to 3.66%

In November 2017, the University issued $58,400,000 District of Columbia Tax Exempt Revenue Bonds Series 2017B for the purpose of construction related projects on the University's campus.

In April 2017, the University issued $27,555,000 District of Columbia Refunding Revenue Bonds Series 2017A for the purpose of refunding a portion of the then outstanding District of Columbia Revenue Bonds Series 2007.

Covenants of the Series 2017 Bonds loan agreements require the University to maintain liquid net assets without donor restrictions with a value which is equal to at least 80% of the outstanding principal amount of all long-term indebtedness which is on parity with the Series 2017 Bonds.

Series 2015 Bonds

In December 2015, the University issued $35,065,000 District of Columbia Refunding Revenue Bonds Series 2015 for the purpose of refunding a portion of the then outstanding District of Columbia Revenue Bonds Series 2007.

Covenants of the Series 2015 Bonds loan agreement require the University to maintain liquid net assets without donor restrictions with a value which is equal to at least 80% of the outstanding principal amount of all long-term indebtedness which is on parity with the Series 2015 Bonds.

Lines of Credit

As of April 30, 2022 and 2021, the University had one line of credit totaling $25,000,000. At April 30, 2022 and 2021, none of the line of credit is drawn, and therefore all is available to the University for future financing. Draws on the $25,000,000 line of credit are payable in monthly installments of principal and interest. The interest rate on the line of credit is based on a rate of interest per annum which is at all times equal to the sum of the Daily BSBY Rate plus 0.60%. The line of credit matures on March 31, 2023.

NOTE 12 - EMPLOYEE BENEFIT PLANS

Eligible employees of the University may participate in a contributory pension and retirement plan (403(b)) administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund. Under this plan, contributions are fully vested and are transferable by the employees to other covered employer plans. Participating employees can contribute a percentage of their base salary not to exceed the maximum amount allowed by IRC Section 415. Eligible employees may contribute 0.0%, 2.5%, or 5.0% of their pre-tax income to the plan. The University contributed 5.0% of pre-tax income to those employees who elect a 0.0% deferral rate, 7.5% to those employees who elect a 2.5% deferral rate, and 10.0% to those employees who elect a 5.0% deferral rate. In response to the COVID-19 pandemic and as a result of cost-saving initiatives, the University elected to amend its 403(b) agreement to suspend the aforementioned Employer Match contributions to its retirement plan from August 2020 through September 2021. The University's contribution to this plan totaled $5,409,000 and $2,945,000 for the years ended April 30, 2022 and 2021, respectively.

Employees who retire from the University are also eligible for a life insurance benefit of $5,500. The net present value of the liability for this benefit is $2,982,000 and $3,430,042 as of April 30, 2022 and 2021, respectively. This benefit program is unfunded.

NOTE 13 - COMMITMENTS

As of April 30, 2022, the University had entered into several construction agreements. Under these agreements, the University is obligated for approximately $57,436,000 of which $37,960,000 has been incurred at April 30, 2022.

On April 4, 2013, the University entered into a letter of credit with a governmental regulatory agency as required by that agency. The letter of credit for $450,000 will be funded to a trust account if the University ever decides to decommission certain assets. As of April 30, 2022, the University has no plans to decommission those assets.

The University assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the University's right to control the use of an identified asset for a period of time in exchange for consideration. The University has several non-cancelable operating leases for building space used in the delivery of University programs and the operation of the University bookstore, for which a right-of-use asset and a lease liability are recorded in the accompanying consolidated statements of financial position. The University measures its lease assets and liabilities using a risk-free rate of return selected based on the term lease. The University considered the likelihood of exercising renewal or termination terms in measuring its right-of-use assets and lease liabilities. The University's lease payments include both fixed and variable payments. Variable payments are based on indices specified in the leases. The leases contain no termination options or residual value guarantees.

The University has elected the practical expedient to forgo applying the recognition requirements in Accounting Standards Codification 842 to short-term leases. The University has short-term leases for a vehicle and copiers, which are expensed as paid. The University does not have any finance leases.

The components of lease cost for the year ended April 30 are as follows (thousands):

	2022	2021
Operating lease cost	$ 1,755	$ 1,538
Variable lease cost	528	619
Short-term lease cost	505	471
Total lease cost	$ 2,788	$ 2,628

Supplemental quantitative information related to operating leases for the year ended April 30 is as follows (in thousands, unless otherwise stated):

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows	$ 735	$ 876
Weighted-average remaining lease term (expressed in years)	10.0	13.6
Weighted-average discount rate	2.03%	2.32%

The maturity of the lease liability under the University's operating leases as of April 30, 2022 is as follows (in thousands):

Year Ending April 30,	
2023	$ 1,010
2024	1,391
2025	1,577
2026	1,826
2027	2,174
Thereafter	12,112
Total lease obligation, gross	20,089
Less: Amounts representing interest rates from 2.04% to 2.63%	(2,596)
Total lease liability	$ 17,493

In March 2022, the University entered into a long-term operating lease agreement with an unrelated party to construct and operate Community Renewable Energy Facilities ("Facilities") on a portion of the University's West Campus. The Facilities, owned by the lessee, will generate, manage, and sell electricity to the University and other power customers. Under the lease terms, annual fixed rent will be determined upon commencement of commercial operations and the establishment of the facilities' final capacity. The University will recognize annual fixed rent on a straight-line basis over the lease term. Beginning year 5 of the lease term, the lessee will also pay in-kind rent in the form of solar renewable energy credits ("SRECs"), created as a result of the electricity generation. The SRECs will be recognized as rental income at fair value upon receipt and held as intangible assets until they are sold, utilized, or expire.

NOTE 14 - FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

The University's primary program service is academic instruction and research. Expenses reported as auxiliary enterprises, public service, libraries, and student services are incurred in support of this primary program activity. Expenses reported as institutional support represent management and general activities that support the entire University. Expenses by functional and natural classification for the years ended April 30, 2022 and 2021 consist of the following (in thousands):

	2022		
	Academic Instruction and Research	Management and General	Total
Salaries and benefits	$ 123,300	$ 17,480	$ 140,780
Materials and supplies	10,481	1,745	12,226
Services	35,196	7,916	43,112
Depreciation and amortization	19,682	1,513	21,195
Utilities	6,267	732	6,999
Interest	3,231	55	3,286
Travel	2,626	182	2,808
Other	1,437	662	2,099
Total operating expenses	$ 202,220	$ 30,285	$ 232,505

	2021		
	Academic Instruction and Research	Management and General	Total
Salaries and benefits	$ 124,158	$ 16,284	$ 140,442
Materials and supplies	9,490	2,154	11,644
Services	26,764	12,614	39,378
Depreciation and amortization	17,316	1,284	18,600
Utilities	5,144	439	5,583
Interest	4,593	235	4,828
Travel	736	63	799
Other	80	860	940
Total operating expenses	$ 188,281	$ 33,933	$ 222,214

Expenses related to the operation and maintenance of the physical plant, including depreciation of property and equipment and interest expense, are allocated among the functional expense categories benefitted based upon square footage. Other natural expenses attributable to more than one functional expense category are allocated using other cost allocation techniques including estimates of time and effort.

Fundraising expenses totaling approximately $11,236,000 and $9,554,000 are included in institutional support for the years ended April 30, 2022 and 2021, respectively. In fiscal year 2022, the University continued the comprehensive campaign to grow its endowment and capital infrastructure. Incremental costs of $6,935,000 and $5,071,000 for the years ended April 30, 2022 and 2021, respectively, associated with the execution of the campaign, have been included as part of nonoperating activities.

NOTE 15 - CONTINGENCIES

The University is a party to litigation arising out of the normal conduct of its operations. In the opinion of the University's administration, the ultimate resolution of these matters will not have a materially adverse effect upon the University's financial position, changes in net assets, or cash flows.

The University receives a portion of its revenue from government grants and contracts, all of which are subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amounts received in excess of allowable costs. Management is of the opinion that no material unrecorded liability will result from such audits.

NOTE 16 - SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 15, 2022, the date the consolidated financial statements were issued. No matters requiring recognition were noted.