

The University of Tulsa

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020

The University of Tulsa
June 30, 2021 and 2020

Contents

Independent Auditor's Report 1

Consolidated Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 6
Statements of Cash Flows 8
Notes to Financial Statements 9

Supplementary Information

Consolidating Schedules of Financial Position 48
Consolidating Schedules of Activities..... 50

Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

We have audited the accompanying consolidated financial statements of The University of Tulsa (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

As discussed in *Note 13* to the consolidated financial statements, in 2021, the University adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such 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, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Tulsa, Oklahoma
October 28, 2021

The University of Tulsa
Consolidated Statements of Financial Position
June 30, 2021 and 2020
(In Thousands)

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 31,536	\$ 31,984
Accounts receivable, net	11,869	19,090
Deposits with trustee – current	3,746	3,740
Inventories	313	453
Prepaid expenses and deferred charges	4,383	2,623
Asset held for sale	-	1,995
Contributions receivable, net – current	5,676	9,108
Total current assets	57,523	68,993
Contributions receivable, net	12,788	16,272
Student loans receivable, net	4,468	5,471
Investments	688,707	506,646
Deposits with trustee	8,925	8,925
Educational plant, net	351,963	362,363
Right-of-use assets – operating leases	7,710	-
Beneficial interest in funds held by others	671,975	554,708
Total assets	\$ 1,804,059	\$ 1,523,378

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 5,109	\$ 4,731
Accrued expenses	10,912	8,654
Notes and mortgages payable, net – current	311	1,010
Deposits payable	2,479	2,500
Deferred revenue	5,776	6,766
Advances under grants and contracts	4,728	6,046
Bonds payable, net – current	7,233	6,912
Operating lease liabilities – current	1,751	-
Postretirement benefit obligation – current	1,115	913
	<hr/>	<hr/>
Total current liabilities	39,414	37,532
Notes and mortgages payable, net	4,305	23,329
Advances under federal loan programs	4,355	5,787
Bonds payable, net	96,994	104,442
Postretirement benefit obligation	10,137	9,025
Operating lease liabilities	5,959	-
Other noncurrent liabilities	544	1,078
	<hr/>	<hr/>
Total liabilities	161,708	181,193
Net Assets		
Without donor restrictions	192,262	189,387
With donor restrictions	1,450,089	1,152,798
	<hr/>	<hr/>
Total net assets	1,642,351	1,342,185
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,804,059	\$ 1,523,378
	<hr/> <hr/>	<hr/> <hr/>

The University of Tulsa
Consolidated Statement of Activities
Year Ended June 30, 2021
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Student tuition and fees	\$ 54,996	\$ -	\$ 54,996
Sales and services of educational departments and public services	7,648	-	7,648
Sales and services of auxiliary enterprises, net	20,985	-	20,985
Research services and sponsored projects	13,557	967	14,524
Gifts, grants, and pledges	13,516	12,189	25,705
Endowment income	10,376	17,766	28,142
Nonendowment investment gain (loss)	674	(7)	667
Distributions from beneficial interest in funds held by others	19,473	9,840	29,313
Other	4,007	-	4,007
Net assets released from restrictions	36,790	(36,790)	-
Total revenues, gains, and other support	<u>182,022</u>	<u>3,965</u>	<u>185,987</u>
Expenses			
Instruction	58,133	-	58,133
Research	16,631	-	16,631
Public services	10,289	-	10,289
Academic support	23,994	-	23,994
Student services	12,084	-	12,084
Institutional support and other	27,732	-	27,732
Auxiliary enterprises	31,071	-	31,071
Total expenses	<u>179,934</u>	<u>-</u>	<u>179,934</u>
Operating Income	<u>2,088</u>	<u>3,965</u>	<u>6,053</u>
Other Income (Expense)			
Net endowment gain in excess of income designated for operations	2,248	167,607	169,855
Gifts for capital acquisitions and endowments	9	8,131	8,140
Other permanently restricted income, net	-	321	321
Adjustment of unrecognized postretirement costs	(1,470)	-	(1,470)
Increase in fair value of beneficial interest in funds held by others	-	117,267	117,267
Total other income (expense)	<u>787</u>	<u>293,326</u>	<u>294,113</u>
Increase in Net Assets	2,875	297,291	300,166
Net Assets, Beginning of Year	<u>189,387</u>	<u>1,152,798</u>	<u>1,342,185</u>
Net Assets, End of Year	<u>\$ 192,262</u>	<u>\$ 1,450,089</u>	<u>\$ 1,642,351</u>

The University of Tulsa
Consolidated Statement of Activities
Year Ended June 30, 2020
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Student tuition and fees	\$ 60,605	\$ -	\$ 60,605
Sales and services of educational departments and public services	8,320	-	8,320
Sales and services of auxiliary enterprises, net	22,462	-	22,462
Research services and sponsored projects	14,673	1,163	15,836
Gifts, grants, and pledges	8,455	16,915	25,370
Endowment income	10,672	16,726	27,398
Nonendowment investment loss	(13)	(3)	(16)
Distributions from beneficial interest in funds held by others	22,134	6,638	28,772
Other	3,926	-	3,926
Net assets released from restrictions	50,362	(50,362)	-
Total revenues, gains, and other support	<u>201,596</u>	<u>(8,923)</u>	<u>192,673</u>
Expenses			
Instruction	69,212	-	69,212
Research	20,222	-	20,222
Public services	12,978	-	12,978
Academic support	26,815	-	26,815
Student services	15,506	-	15,506
Institutional support and other	27,314	-	27,314
Auxiliary enterprises	34,844	-	34,844
Total expenses	<u>206,891</u>	<u>-</u>	<u>206,891</u>
Operating Loss	<u>(5,295)</u>	<u>(8,923)</u>	<u>(14,218)</u>
Other Income (Expense)			
Net endowment loss in excess of income designated for operations	(486)	(19,189)	(19,675)
Gifts for capital acquisitions and endowments	33	19,915	19,948
Other permanently restricted loss, net	-	(527)	(527)
Adjustment of unrecognized postretirement costs	(2,145)	-	(2,145)
Decrease in fair value of beneficial interest in funds held by others	-	(19,254)	(19,254)
Total other income (expense)	<u>(2,598)</u>	<u>(19,055)</u>	<u>(21,653)</u>
Decrease in Net Assets	<u>(7,893)</u>	<u>(27,978)</u>	<u>(35,871)</u>
Net Assets, Beginning of Year	<u>197,280</u>	<u>1,180,776</u>	<u>1,378,056</u>
Net Assets, End of Year	<u>\$ 189,387</u>	<u>\$ 1,152,798</u>	<u>\$ 1,342,185</u>

The University of Tulsa
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(In Thousands)

	Instruction	Research	Public Services	Academic Support	Student Services	Institutional Support and Other	Auxiliary Enterprises	Total
Salaries and wages	\$ 36,703	\$ 7,316	\$ 5,125	\$ 8,571	\$ 5,326	\$ 8,455	\$ 12,738	\$ 84,234
Employee benefits	9,093	1,565	1,292	2,232	1,297	1,599	2,647	19,725
Professional services	720	1,402	742	3,279	1,653	6,246	1,321	15,363
Travel	40	52	4	55	7	18	2,083	2,259
Entertainment	13	12	15	5	162	62	241	510
Memberships	286	48	591	601	111	225	66	1,928
Interest	-	-	-	-	-	4,398	-	4,398
Depreciation	4,398	1,310	328	1,318	1,080	570	5,367	14,371
Operation and maintenance of physical plant	5,645	2,117	423	1,270	1,284	847	2,526	14,112
Supplies and other	1,235	2,809	1,769	6,663	1,164	5,312	4,082	23,034
Total expenses included in the expenses section on the statement of activities	<u>\$ 58,133</u>	<u>\$ 16,631</u>	<u>\$ 10,289</u>	<u>\$ 23,994</u>	<u>\$ 12,084</u>	<u>\$ 27,732</u>	<u>\$ 31,071</u>	<u>\$ 179,934</u>

The University of Tulsa
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020
(In Thousands)

	Instruction	Research	Public Services	Academic Support	Student Services	Institutional Support and Other	Auxiliary Enterprises	Total
Salaries and wages	\$ 40,042	\$ 8,156	\$ 6,307	\$ 10,621	\$ 6,837	\$ 9,722	\$ 13,063	\$ 94,748
Employee benefits	12,402	2,076	2,005	3,359	2,040	3,779	3,549	29,210
Professional services	1,062	1,567	911	1,591	1,443	3,334	1,515	11,423
Travel	875	272	81	437	352	103	3,212	5,332
Entertainment	206	49	247	102	537	524	386	2,051
Memberships	376	43	645	430	182	518	111	2,305
Interest	-	-	-	-	-	5,153	-	5,153
Depreciation	4,442	1,327	249	1,359	1,077	595	5,171	14,220
Operation and maintenance of physical plant	8,133	2,837	378	2,837	946	1,135	2,648	18,914
Supplies and other	1,674	3,895	2,155	6,079	2,092	2,451	5,189	23,535
Total expenses included in the expenses section on the statement of activities	<u>\$ 69,212</u>	<u>\$ 20,222</u>	<u>\$ 12,978</u>	<u>\$ 26,815</u>	<u>\$ 15,506</u>	<u>\$ 27,314</u>	<u>\$ 34,844</u>	<u>\$ 206,891</u>

The University of Tulsa
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Operating Activities		
Increase (decrease) in net assets	\$ 300,166	\$ (35,871)
Items not requiring (providing) cash		
Depreciation	14,371	14,220
Provision for (recovery of) uncollectible accounts	2,380	(283)
(Gain) loss on disposal of educational plant	(26)	99
Amortization of bond issuance costs	210	276
Amortization of bond discount and premium, net	(216)	(26)
Net realized and unrealized gains on investments	(196,530)	(7,175)
Contributions restricted for endowment	(7,145)	(7,703)
Contributions received for purchases of educational plant	(995)	(12,245)
Change in fair value of beneficial interest in funds held by others	(117,267)	19,254
Noncash operating lease expense	1,207	-
Changes in operating assets and liabilities		
Accounts receivable	4,841	(1,397)
Inventories	140	7
Prepaid expenses and deferred charges	(1,760)	768
Contributions receivable	3,657	(5,517)
Student loans receivable	(236)	47
Accounts payable	378	(556)
Accrued expenses	2,258	(110)
Deposits payable	(21)	(367)
Deferred revenue	(990)	(1,864)
Advances under grants and contracts	(1,318)	908
Postretirement benefit obligation	1,314	2,159
Operating lease liabilities	(1,207)	-
Other noncurrent liabilities	(1,966)	(1,522)
	<u>1,245</u>	<u>(36,898)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Changes in deposits with trustee	(6)	3,503
Proceeds from sale of investments	147,670	101,810
Purchases of investments	(133,201)	(69,805)
Student loans collected	1,239	1,328
Proceeds from sale of asset held for sale	2,043	-
Purchases of educational plant	(3,993)	(4,405)
	<u>13,752</u>	<u>32,431</u>
Net cash provided by investing activities		

	<u>2021</u>	<u>2020</u>
Financing Activities		
Principal payments on notes and mortgages payable	\$ (135,748)	\$ (136,702)
Proceeds from issuance of notes and mortgages payable	116,019	137,532
Principal payments on bonds payable	(7,115)	(37,215)
Proceeds from issuance of bonds payable	-	27,155
Contributions received for endowment	10,404	12,275
Contributions received for purchases of educational plant	995	12,245
Bond issuance costs	-	(338)
	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	(15,445)	14,952
	<u> </u>	<u> </u>
Increase (Decrease) in Cash and Cash Equivalents	(448)	10,485
Cash and Cash Equivalents, Beginning of Year	31,984	21,499
	<u> </u>	<u> </u>
Cash and Cash Equivalents, End of Year	<u>\$ 31,536</u>	<u>\$ 31,984</u>
Supplemental Cash Flows Information		
Interest paid	\$ 4,466	\$ 5,132

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Tulsa is an independent comprehensive institution providing undergraduate, graduate, and professional education in a variety of multicultural programs. The University of Tulsa has an undergraduate enrollment of approximately 3,300 students and a graduate and law enrollment of approximately 1,100 students.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The University of Tulsa and The Gilcrease Museum Management Trust (the Trust) (collectively, the University). Effective July 1, 2008, The University of Tulsa formed the Trust and entered into a Management Agreement with the City of Tulsa and the Board of Trustees of the Thomas Gilcrease Institute of American History and Art to manage and operate the Gilcrease Museum. The University has agreed that it will incorporate fundraising for the endowment and operations of the Gilcrease Museum into its fundraising efforts and will separately account for such funds and manage the investment of such funds within the University's policies. The Trust is consolidated due to The University of Tulsa's control and economic interest in it. All material intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Basis of Financial Statements

The accompanying consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions – Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes. Such net assets also include the University's beneficial interests in irrevocable agreements held by others.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Operating Income (Loss)

The operating income (loss) reflected in the accompanying consolidated statements of activities excludes endowment gain (loss) in excess of income designated for operations, changes in the fair value of beneficial interest in funds held by others, gifts for capital acquisitions and endowments, other permanently restricted income (loss), adjustments of unrecognized postretirement costs, changes in donor restrictions, and other reclassifications.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, but excluding cash and cash equivalents in deposits held by trustee, are considered to be cash and cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers. At June 30, 2021, the University's cash accounts exceeded federally insured limits by \$1,549.

Accounts Receivable

Accounts receivable include student accounts, grants, and other receivables. Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. Credit is extended to students and collateral is not required. Accounts receivable are stated at the amount of consideration due from students, which the University has an unconditional right to receive. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts outstanding beyond the beginning of the semester are considered past due. Students whose accounts are not current are not allowed to enroll in classes for the following semester and a hold is placed on the account, which bars a student from receiving a transcript or diploma until the balance is paid in full. It is the University's policy to pursue collection of accounts unless the amount is legally discharged. Accounts with no payment activity in more than one year are written off as uncollectible.

Student Loans Receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at estimated net realizable value. Loans are made to students based

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans, if deemed necessary, which is based upon a review of outstanding loans, historical collection information, and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. For the Federal Perkins Loan Program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Deposits with Trustee

Deposits with trustee consist of the unexpended bond proceeds, debt service funds for bonds payable, and proceeds from promissory notes. These funds are invested in cash equivalents and will be used for required bond reserves or payment of debt service.

Inventories

Inventories are stated at the lower of cost or net realizable value on the first-in, first-out basis.

Contributions

Contributions are initially recorded at fair value. Unconditional promises to give are recorded net of an allowance for doubtful receivables estimated based on such factors as prior collections history, types of contributions, and the nature of the fundraising activity. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same period are recorded as with donor restrictions and then released from restrictions.

Gifts of land, buildings, and equipment and other long-lived assets are recorded at their estimated fair value on the date of gift and are reported as support without donor restrictions unless explicit donor stipulations specify how or how long the donated assets must be used, in which case the gift is reported as support with donor restrictions.

Conditional promises to give are recorded when conditions are substantially met or the likelihood of not meeting the condition is remote.

Investments

The University's investments in common stocks and mutual funds with readily determinable fair values and investments in debt securities, including corporate obligations, commercial paper, and U.S. Treasury obligations, are reported at fair value in the accompanying consolidated statements of financial position. Nonmarketable investments in hedge funds and private equities are recorded

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

at net asset value (NAV) reported by the sponsor or manager of the investor entity, as a practical expedient, to determine fair value of the investments. Other investments are reported at amounts that are not materially different from their fair value.

The University's investments are exposed to various risks, such as fluctuating interest rates, credit quality, overall market volatility, and uncertainty regarding the time required to realize returns from alternative investments that are not traded in public markets. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of activities. Significant fluctuations in fair values could occur from year to year, and the amounts the University will ultimately realize could differ materially.

Income and gains or losses on investments are generally reported as follows:

- Increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment or applicable law require income and gains or losses be added to the principal of a permanent endowment
- Other investment return is reflected in the accompanying consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions

Educational Plant

Plant facilities, including library books, are stated at cost less accumulated depreciation or, if received as a gift, at fair value or appraised value at the date received less accumulated depreciation. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Generally, improvements, renovations, and equipment purchases in excess of \$5 are capitalized.

Depreciation is recognized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Improvements	10–20 years
Furniture, fixtures, equipment, and library books	5–20 years

The University records impairments to its educational plant when, and if, it becomes probable that the carrying value of these assets will not be fully recovered over the estimated lives of the assets. Impairments, if any, are recorded to reduce the carrying value of the asset to the net realizable value determined by management based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were required during the years ended June 30, 2021 or 2020.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Beneficial Interest in Funds Held by Others

Beneficial interest in funds held by others represents amounts held for the beneficial interest of the University under irrevocable perpetual agreements between donors and third-party trustees or agents. The University's interest is recorded at the fair value of the net assets of the funds held by others, with net increases or decreases in net assets being reported as changes to net assets with donor restrictions. The amounts the University will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Advances Under Grants and Contracts

Grants and contracts consist primarily of contractual agreements with governmental and private entities for the performance of research services and other sponsored programs. Revenues are generally recognized as the University meets the conditions prescribed by the grant agreement by performing the contracted services or incurring expenses eligible for reimbursement. Advances are generally considered refundable in the unlikely event specified services are not performed.

Advances Under Federal Loan Programs

Funds provided by the U.S. government primarily under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned upon collection. These funds are ultimately refundable to the government. No new loans are allowed under this program after fiscal year 2018.

Tuition and Auxiliary Enterprises Revenue, Tuition Discounts, Financial Aid, and Deferred Revenue

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration to which the University expects to be entitled in exchange for providing tuition and auxiliary services, which include housing and dining, athletics, and other revenue. The University determines the transaction price based on standard charges for goods and services provided reduced by discounts provided for scholarships and other price concessions provided to students. Tuition discounts granted to employees and their dependents are recorded as compensation expense in the appropriate functional expense classification. Deferred revenue, primarily tuition, includes those payments received before services or products are provided by the University.

Collections, Works of Art, and Historical Treasures

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the accompanying 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 decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the accompanying consolidated financial statements. Proceeds

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Certain collection items are subject to requirements that proceeds from their sales are to be used to acquire other items for collections.

Expenses and Other Activity

Expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions for which donor-imposed conditions are met are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Net assets released from restrictions represent satisfaction of purpose restrictions or passage of the stipulated time period on expenditures made pursuant to donor specifications. Investment income, contributions, and distributions restricted for scholarships and financial aid are released from restrictions as awards are made by the University in accordance with its policies governing the administration of financial aid and the requirements of donors.

The costs of providing the various programs and supporting activities of the University have been summarized on a functional basis in the accompanying consolidated statements of activities. The accompanying consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated based on total personnel costs or other systematic bases. Fundraising expense incurred was \$6,354 and \$6,779 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, as long as the University maintains its tax exemption, it will not be subject to income tax. However, the University is subject to federal income tax on any unrelated business taxable income.

Reclassification

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the change in net assets.

Revisions

Certain immaterial revisions have been made to the 2020 consolidated financial statements to reclassify certain costs of attendance and scholarship discounts from student tuition and fees

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

revenue to auxiliary enterprises expense, sales and services of auxiliary enterprises, net, and research expense on the accompanying consolidated statements of activities and functional expenses. These revisions did not have a significant impact on the consolidated financial statement line items impacted.

Subsequent Events

Subsequent events have been evaluated through October 28, 2021, which is the date the consolidated financial statements were issued.

Note 2: Receivables

Accounts receivable at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Current		
Student tuition and fees, net of allowance for doubtful accounts; 2021 – \$1,005, 2020 – \$1,259	\$ 5,967	\$ 8,529
Student loans, net of allowance for doubtful accounts; 2021 – \$97, 2020 – \$163	1,047	1,496
Government receivables	178	388
Accrued interest	203	225
Federal and nonfederal research receivables	3,641	5,649
Other receivables	<u>833</u>	<u>2,803</u>
	<u>\$ 11,869</u>	<u>\$ 19,090</u>
Noncurrent		
Student loans, net of allowance for doubtful accounts; 2021 – \$370, 2020 – \$524	<u>\$ 4,468</u>	<u>\$ 5,471</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

The aging of the student loan portfolio as of June 30 is presented as follows:

	Not in Repayment	Current	Less than 240 Days Past Due	Greater than 240 Days, but Less than 2 Years Past Due	Greater than 2 Years, but Less than 5 Years Past Due	Greater than 5 Years Past Due	Total
2021							
Federal Perkins loans	\$ 1,563	\$ 4,063	\$ 289	\$ 67	\$ -	\$ -	\$ 5,982
As a percentage of total loan portfolio	26.1%	67.9%	4.8%	1.1%	0.0%	0.0%	
2020							
Federal Perkins loans	\$ 2,430	\$ 3,997	\$ 205	\$ 277	\$ 361	\$ 384	\$ 7,654
As a percentage of total loan portfolio	31.7%	52.2%	2.7%	3.6%	4.7%	5.0%	

The allowance for estimated losses on loans as of June 30:

	Federal Perkins Loans	
	2021	2020
Allowance for loans collectively evaluated for impairment	\$ 467	\$ 687
Loans collectively evaluated for impairment	<u>5,982</u>	<u>7,654</u>
Allowance as a percentage of loans collectively evaluated for impairment	<u>8%</u>	<u>9%</u>

The following presents the recorded investment by credit quality indicator as of June 30:

	Federal Perkins Loans	
	2021	2020
Performing	\$ 5,626	\$ 6,427
Nonperforming	<u>356</u>	<u>1,227</u>
	<u>\$ 5,982</u>	<u>\$ 7,654</u>

For student loans, the credit quality indicator's performance is determined by delinquency status and, for Federal Perkins Loans, origination and servicing of the loan. Delinquency status is updated monthly by the University's third-party loan servicer. Federal Perkins Loans that are originated and serviced properly under U.S. Department of Education regulations can be assigned to the U.S. Department of Education when deemed no longer collectible. The University believes that all Federal Perkins Loan balances were originated properly and have been serviced in accordance with U.S. Department of Education regulations.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Contributions receivable at June 30 consisted of the following:

	2021			2020		
	Less than 1 Year	1-5 Years	More than 5 Years	Less than 1 Year	1-5 Years	More than 5 Years
Unconditional promises	\$ 6,224	\$ 15,056	\$ 408	\$ 9,824	\$ 18,505	\$ 1,187
Less unamortized discount and allowance for doubtful accounts	<u>(548)</u>	<u>(2,537)</u>	<u>(139)</u>	<u>(716)</u>	<u>(3,028)</u>	<u>(392)</u>
	<u>\$ 5,676</u>	<u>\$ 12,519</u>	<u>\$ 269</u>	<u>\$ 9,108</u>	<u>\$ 15,477</u>	<u>\$ 795</u>

Contributions that are expected to be received in more than one year have been discounted to present value using a rate of 5%.

Note 3: Endowment Investments, Investments, and Investments Held by Others

The fair value of investments at June 30 consisted of the following:

	2021	2020
Beneficial interest in funds held by others	\$ 671,975	\$ 554,708
Endowment investments	684,673	500,543
Nonendowment investments	<u>4,034</u>	<u>6,103</u>
	<u>\$ 1,360,682</u>	<u>\$ 1,061,354</u>

Investments are classified in the accompanying consolidated statements of financial position as follows:

	2021	2020
Investments	\$ 688,707	\$ 506,646
Beneficial interest in funds held by others	<u>671,975</u>	<u>554,708</u>
	<u>\$ 1,360,682</u>	<u>\$ 1,061,354</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

At June 30, the fair value of endowment assets, including beneficial interest in funds held by others for the University's benefit, consisted of the following:

	<u>2021</u>	<u>2020</u>
Beneficial interest in funds held by others		
J.A. and Leta M. Chapman 1949 Trust	\$ 50,120	\$ 41,417
J.A. and Leta M. Chapman Charitable Trust	374,578	308,316
Leta McFarlin Chapman Memorial Trust	186,983	154,446
Pauline McFarlin Walter Memorial Trust	47,066	39,028
Jay P. Walker Charitable Trust	4,947	4,944
Virginia Mayo Ownby Memorial Trust	4,144	3,251
Doris K. Catlett Trust	2,156	1,745
Other	1,981	1,561
	<u>671,975</u>	<u>554,708</u>
Other endowment assets		
Cash and cash equivalents	10,477	16,074
Contributions receivable	8,035	11,294
Investments	684,673	500,543
	<u>684,673</u>	<u>500,543</u>
Total endowment assets	<u>\$ 1,375,160</u>	<u>\$ 1,082,619</u>

Endowment investments include perpetual endowments included in net assets with donor restrictions; gifts, gains, and term endowments included in net assets with donor restrictions; and designated endowments and related gains included in net assets without donor restrictions.

The University's endowments consist of 794 individual funds established for a variety of purposes, as well as the beneficial interest in 15 funds managed by outside trustees or agents to function as endowments. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (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.

Interpretation of Relevant Laws

The University interprets the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. 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, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as a

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

permanent endowment is classified as net assets with donor restrictions until these amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the University and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the University
- 7) The investment policies of the University

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions (referred to as underwater endowments) were \$0 and \$1,443 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted perpetual contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of several restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair value of the original amount of the gift.

Strategies Employed for Achieving Objectives

Certain of the University's external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Trustees. From time to time, the managers may enter into forward currency contracts to hedge currency exchange risk on investments in foreign securities and other future contracts to adjust asset allocation for a more efficient portfolio. The managers settle these contracts on a net basis and, accordingly, the cash requirements are substantially less than the contract amounts. Changes in the fair value of the derivative contracts are included in investment income and are not significant for the years ended June 30, 2021 or 2020.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Spending Policy and How Investment Objectives Relate to the Spending Policy

The University's spending policy has two components. The first component uses the previous year's spending rate and adjusts it for inflation, which is defined as the previous calendar year's Consumer Price Index increase plus 1%. This component is 70% of the calculation. The second component uses the average endowment market value as of September 30 and December 31 of the preceding year and multiplies the result by a fixed percentage. This percentage was 5% for the years ended June 30, 2021 and 2020. The second component is the remaining 30% of the calculation.

In establishing this policy, the University considered the long-term expected return on its endowments. Accordingly, over the long term, the University expects the current spending policy to allow its endowments to grow at or near the inflation rate, as represented by the Consumer Price Index, before the effect of new gifts. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

The annual withdrawal includes amounts for operations and amounts utilized in accordance with the terms of donor-restricted and board-designated endowments.

Endowment net asset composition by type of fund as of June 30 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Pure endowment funds	\$ -	\$ 663,730	\$ 663,730
Quasi-endowment funds	8,764	28,253	37,017
Term endowment funds	-	2,438	2,438
Beneficial interest in funds held by others	-	671,975	671,975
	<u>\$ 8,764</u>	<u>\$ 1,366,396</u>	<u>\$ 1,375,160</u>
2020			
Pure endowment funds	\$ -	\$ 493,768	\$ 493,768
Quasi-endowment funds	7,263	25,041	32,304
Term endowment funds	-	1,839	1,839
Beneficial interest in funds held by others	-	554,708	554,708
	<u>\$ 7,263</u>	<u>\$ 1,075,356</u>	<u>\$ 1,082,619</u>

Quasi-endowment funds include donor-restricted contributions that have been designated by the Board of Trustees as endowment net assets.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	<u>\$ 9,943</u>	<u>\$ 1,119,515</u>	<u>\$ 1,129,458</u>
Investment return			
Investment loss, net of fees	(24)	(1,362)	(1,386)
Net realized and unrealized appreciation - Investure	1	8,378	8,379
Net realized and unrealized appreciation (depreciation) - Non-Investure	<u>10,209</u>	<u>(28,733)</u>	<u>(18,524)</u>
Total investment return (loss)	<u>10,186</u>	<u>(21,717)</u>	<u>(11,531)</u>
Transfers	<u>(2,227)</u>	<u>(12,883)</u>	<u>(15,110)</u>
Contributions	<u>33</u>	<u>7,167</u>	<u>7,200</u>
Distributions from beneficial interest in funds held by others	<u>22,134</u>	<u>6,638</u>	<u>28,772</u>
Use of endowment assets for expenditures			
Annual transfer for operations	<u>(32,806)</u>	<u>(23,364)</u>	<u>(56,170)</u>
Endowment net assets, June 30, 2020	<u>\$ 7,263</u>	<u>\$ 1,075,356</u>	<u>\$ 1,082,619</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	\$ 7,263	\$ 1,075,356	\$ 1,082,619
Investment return			
Investment loss, net of fees	(15)	(1,004)	(1,019)
Net realized and unrealized appreciation - Investure	2,637	193,932	196,569
Net realized and unrealized appreciation - Non-Investure	10,002	109,712	119,714
Total investment return	12,624	302,640	315,264
Transfers	(755)	(438)	(1,193)
Contributions	8	6,604	6,612
Distributions from beneficial interest in funds held by others	19,473	9,840	29,313
Use of endowment assets for expenditures			
Annual transfer for operations	(29,849)	(27,606)	(57,455)
Endowment net assets, June 30, 2021	\$ 8,764	\$ 1,366,396	\$ 1,375,160

Beneficial interest in funds held by others is a resource that is neither in the possession of, nor under the control of, the University. It is held and administered by external fiscal agents with the income distributed to the University according to the terms of the gift instruments. Only the distributions from these funds are expendable.

Investment return on beneficial interest in funds held by others is as follows, including as a percentage of the prior year's ending balance of the beneficial interest:

	2021		2020	
Beneficial interest in funds held by others				
Distributions of income	\$ 29,313	5.3%	\$ 28,772	5.0%
Increase (decrease) in fair value	117,267	21.1%	(19,254)	-3.4%
Total investment return on beneficial interest in funds held by others	\$ 146,580	26.4%	\$ 9,518	1.6%

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 4: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the University's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions, as of June 30:

	Total	Fair Value Measurements			Unfunded Commitments	Redemption or Liquidation	Days' Notice
		Level 1	Level 2	Level 3			
2021							
Cash and cash equivalents	\$ 12,689	\$ 12,689	\$ -	\$ -	N/A	N/A	N/A
Fixed income	37,783	37,783	-	-	N/A	N/A	N/A
Equities	8,279	8,279	-	-	N/A	N/A	N/A
Mutual funds	2,166	2,166	-	-	N/A	N/A	N/A
Real estate measured at NAV (A)	1,624	-	-	-	None	Illiquid	Illiquid
Private equities measured at NAV (A)	269,837	-	-	-	\$ 198,374	Illiquid	Illiquid
Hedge funds							
Equity long/short measured at NAV (A)	181,008	-	-	-	None	Daily/Quarterly	10 to 120
Multistrategy measured at NAV (A)	187,445	-	-	-	None	Monthly	90
Life income	48	-	48	-	N/A	N/A	N/A
Life insurance	499	-	499	-	N/A	N/A	N/A
Beneficial interest in funds held by others	671,975	-	-	671,975	N/A	N/A	N/A
	<u>\$ 1,373,353</u>	<u>\$ 60,917</u>	<u>\$ 547</u>	<u>\$ 671,975</u>			

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

	Total	Fair Value Measurements			Unfunded Commitments	Redemption or Liquidation	Days' Notice
		Level 1	Level 2	Level 3			
2020							
Cash and cash equivalents	\$ 12,680	\$ 12,680	\$ -	\$ -	N/A	N/A	N/A
Fixed income	29,042	29,042	-	-	N/A	N/A	N/A
Equities	6,297	6,297	-	-	N/A	N/A	N/A
Mutual funds	1,449	1,449	-	-	N/A	N/A	N/A
Real estate measured at NAV (A)	1,627	-	-	-	None	Illiquid	Illiquid
Private equities measured at NAV (A)	169,700	-	-	-	\$ 141,873	Illiquid	Illiquid
Hedge funds							
Equity long/short measured at NAV (A)	144,600	-	-	-	None	Daily/Quarterly	10 to 120
Multistrategy measured at NAV (A)	150,388	-	-	-	None	Monthly	90
Life income	2,943	-	2,943	-	N/A	N/A	N/A
Life insurance	585	-	585	-	N/A	N/A	N/A
Beneficial interest in funds held by others	554,708	-	-	554,708	N/A	N/A	N/A
	<u>\$ 1,074,019</u>	<u>\$ 49,468</u>	<u>\$ 3,528</u>	<u>\$ 554,708</u>			

Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

Alternative investments measured at NAV per share include:

- **Real Estate** – This category primarily includes producing and nonproducing mineral interests of property in Texas and New Mexico.
- **Private Equities** – This category includes investments made primarily through private investment funds. The private investment funds may invest in real estate, oil and gas, venture capital, and private equity, among others. Generally, these investments cannot be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of underlying assets of the funds. This is expected to occur as investments are liquidated or the fund is dissolved.
- **Hedge Funds – Equity Long/Short** – This category includes investments made primarily through private investment funds but also includes investments in securities and derivative contracts. The private investment funds may employ leverage, sell securities short, purchase and sell options, and invest in futures contracts. Investors may redeem daily to quarterly with 10 to 120 days' notice.
- **Hedge Funds – Multistrategy** – This category includes investments made primarily through private investment funds. The private investment funds invest across multiple sectors, including long/short equity, long-biased equity, and credit. The private investment funds may employ leverage, sell securities short, purchase and sell options, and invest in futures contracts. Investors may redeem monthly with 90 days' notice.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

The University's assets measured at fair value are reported in the accompanying consolidated statements of financial position as of June 30:

	2021	2020
Deposits with trustee – current	\$ 3,746	\$ 3,740
Investments	688,707	506,646
Deposits with trustee	8,925	8,925
Beneficial interest in funds held by others	671,975	554,708
	<u>\$ 1,373,353</u>	<u>\$ 1,074,019</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

When quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Beneficial Interest in Funds Held by Others

Fair value is estimated at the University's percentage of the fair value of the underlying assets held in trust. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

Balance, July 1, 2019	\$	573,962
Net depreciation		<u>(19,254)</u>
Balance, June 30, 2020		554,708
Net appreciation		<u>117,267</u>
Balance, June 30, 2021	\$	<u><u>671,975</u></u>
The amount of total net losses for the year ended June 30, 2020, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2020		<u><u>\$ (19,254)</u></u>
The amount of total net gains for the year ended June 30, 2021, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2021		<u><u>\$ 117,267</u></u>

Uncertainty of Fair Value Measurement

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, whether those inputs reasonably could have been different at the reporting date, the inter-relationships among the unobservable inputs used in the recurring fair value measurement, and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Beneficial Interest in Funds Held by Others

The significant unobservable inputs used in the fair value measurement of the University's beneficial interest in funds held by others are discount rates and market return rates. The discount rate is the interest rate utilized to discount future cash flows in a present value cash flow calculation. The discount rate used often represents the return market participants would demand on similar assets. Therefore, significant increases (decreases) in the discount used would result in (lower) higher fair value measurements.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 5: Educational Plant

Net investment in educational plant consisted of the following:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 84,090	\$ 83,158
Buildings and leasehold improvements	432,451	431,647
Furniture, fixtures, and equipment	59,978	61,043
Library books	<u>40,238</u>	<u>40,141</u>
	616,757	615,989
Less accumulated depreciation	<u>264,794</u>	<u>253,626</u>
	<u>\$ 351,963</u>	<u>\$ 362,363</u>

Depreciation expense was \$14,371 and \$14,220 for the years ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2020, the University elected to put an off-campus building not related to academic operations up for sale. This building, with a net book value of \$1,995, was shown as asset held for sale on the accompanying consolidated statements of financial position at June 30, 2020. The University sold the building during the year ended June 30, 2021, for \$2,043.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 6: Bonds, Notes, and Mortgages Payable

Bonds

Bonds payable consisted of the following at June 30:

- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2011 (the 2011 Series Bonds)
- TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2013 (the 2013 Series Bonds)
- TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2015 (the 2015 Series Bonds)
- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2017 (the 2017 Series Bonds)
- TIA Revenue Refunding Bonds (The University of Tulsa) Series 2019 (the 2019 Series Bonds)

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2011 Dated March 3, 2011

The proceeds from these bonds were used to advance refund \$19,130 in aggregate principal amount of the 1996A Series Bonds maturing October 1, 2022, and to fund capital projects.

The 2011 Series Bonds maturing October 1 in each of the years 2021, 2026, and 2030 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates, and outstanding principal amounts at June 30, 2021, are as follows:

Term Bond, due October 1, 2021	4.00%	\$	3,710
Serial Bond, due October 1, 2022	5.00%		2,895
Term Bond, due October 1, 2026	5.00%		2,305
Term Bond, due October 1, 2030	5.25%		2,815
Unamortized bond issuance costs			(18)
Unamortized net bond discount/premiums			(27)
			<hr/>
2011 Series Bonds		\$	<u><u>11,680</u></u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2013 Dated November 7, 2013

The proceeds from these bonds were used to build a student dormitory to house approximately 330 students. The bonds were issued in parity with the 2006 Series Bonds and are secured by future housing fee revenues from the new dormitory as well as the existing apartments.

The 2013 Series Bonds maturing October 1 in each of the years 2033 and 2038 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates, and outstanding principal amounts at June 30, 2021, are as follows:

Serial Bond, due October 1, 2021	4.00%	\$	1,005
Serial Bond, due October 1, 2022	3.00%		1,045
Serial Bond, due October 1, 2023	5.00%		1,075
Serial Bond, due October 1, 2024	5.00%		1,130
Serial Bond, due October 1, 2025	5.00%		1,185
Serial Bond, due October 1, 2026	3.75%		1,245
Serial Bond, due October 1, 2027	4.00%		1,290
Term Bond, due October 1, 2033	4.50%		9,010
Term Bond, due October 1, 2038	4.75%		9,615
Unamortized bond issuance costs			(236)
Unamortized net bond discount/premiums			(370)
			<hr/>
2013 Series Bonds		\$	<u>25,994</u>

TIA Student Housing Revenue Bonds (The University of Tulsa) Series 2015 Dated November 5, 2015

The proceeds from these bonds were used to advance refund \$27,935 in aggregate principal amount of the 2006 Series Bonds maturing October 1, 2015 through 2037. The bonds are secured by future revenues from the apartments built with the 2006 Series Bond proceeds.

The 2015 Series Bonds maturing October 1 in each of the years 2034 and 2037 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Maturities, interest rates, and outstanding principal amounts at June 30, 2021, are as follows:

Serial Bond, due October 1, 2021	3.00%	\$	1,070
Serial Bond, due October 1, 2022	3.00%		1,100
Serial Bond, due October 1, 2023	3.00%		1,135
Serial Bond, due October 1, 2024	3.00%		1,170
Serial Bond, due October 1, 2025	3.00%		1,210
Serial Bond, due October 1, 2026	3.00%		1,240
Serial Bond, due October 1, 2027	3.13%		1,280
Serial Bond, due October 1, 2028	3.25%		1,320
Serial Bond, due October 1, 2029	3.25%		1,360
Serial Bond, due October 1, 2030	3.38%		1,410
Term Bond, due October 1, 2034	3.75%		6,155
Term Bond, due October 1, 2037	4.00%		5,260
Unamortized bond issuance costs			(233)
Unamortized net bond discount/premiums			(116)
			<hr/>
2015 Series Bonds		\$	<u>23,361</u>

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2017 Dated December 14, 2017

The proceeds from these bonds were used to advance refund \$20,715 in aggregate principal amount of the 2006 Series Bonds maturing October 1, 2018 through 2031.

The 2017 Series Bonds maturing October 1, 2031 (the Term Bonds) are subject to mandatory sinking fund redemption in part by TIA prior to their scheduled maturity at a redemption price equal to 100% of the principal amount, without premium, plus accrued but unpaid interest to the redemption date.

Maturities, interest rates, and outstanding principal amounts at June 30, 2021, are as follows:

Serial Bond, due October 1, 2021	5.00%	\$	1,110
Serial Bond, due October 1, 2022	5.00%		1,325
Serial Bond, due October 1, 2023	5.00%		1,395
Serial Bond, due October 1, 2024	5.00%		1,460
Serial Bond, due October 1, 2025	5.00%		1,450
Term Bond, due October 1, 2031	5.00%		7,505
Term Bond, due October 1, 2031	3.85%		2,060
Unamortized bond issuance costs			(251)
Unamortized net bond discount/premiums			754
			<hr/>
2017 Series Bonds		\$	<u>16,808</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

TIA Revenue Refunding Bonds (The University of Tulsa) Series 2019 Dated August 1, 2019

The proceeds from these bonds were used to advance refund \$27,155 in aggregate principal amount of the 2009 Series Bonds maturing October 1, 2019 through 2027.

Maturities, interest rates, and outstanding principal amounts at June 30, 2021 are as follows:

Serial Bond, due October 1, 2021	2.25%	\$	250
Serial Bond, due April 1, 2022	2.25%		250
Serial Bond, due October 1, 2022	2.25%		1,395
Serial Bond, due April 1, 2023	2.25%		1,390
Serial Bond, due October 1, 2023	2.25%		2,310
Serial Bond, due April 1, 2024	2.25%		2,310
Serial Bond, due October 1, 2024	2.25%		2,390
Serial Bond, due April 1, 2025	2.25%		2,395
Serial Bond, due October 1, 2025	2.25%		2,440
Serial Bond, due April 1, 2026	2.25%		2,440
Serial Bond, due October 1, 2026	2.25%		2,490
Serial Bond, due April 1, 2027	2.25%		2,490
Serial Bond, due October 1, 2027	2.25%		4,125
Deferred bond issuance costs			<u>(291)</u>
2019 Series Bonds		\$	<u><u>26,384</u></u>

Total bonds outstanding at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
2011 Series Bonds	\$ 11,680	\$ 15,159
2013 Series Bonds	25,994	26,954
2015 Series Bonds	23,361	24,375
2017 Series Bonds	16,808	18,049
2019 Series Bonds	<u>26,384</u>	<u>26,817</u>
	104,227	111,354
Less current portion	<u>7,233</u>	<u>6,912</u>
Total long-term portion	<u><u>\$ 96,994</u></u>	<u><u>\$ 104,442</u></u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

The annual sinking fund redemption requirements for the bonds are as follows:

	2011 Series	2013 Series	2015 Series	2017 Series	Total
2022	\$ 3,710	\$ -	\$ -	\$ -	\$ 3,710
2023	-	-	-	-	-
2024	535	-	-	-	535
2025	560	-	-	-	560
2026	590	-	-	-	590
2027–2031	3,435	4,210	-	7,595	15,240
2032–2036	-	8,380	7,840	1,970	18,190
2037–2039	-	6,035	3,575	-	9,610
	<u>\$ 8,830</u>	<u>\$ 18,625</u>	<u>\$ 11,415</u>	<u>\$ 9,565</u>	<u>\$ 48,435</u>

The University is subject to various financial and related covenants contained in the bond agreements.

The University is in compliance with the alternate calculation of the available funds ratio requirement, as defined in the bond agreements, at June 30, 2021 and 2020.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Notes and Mortgages Payable

Notes and mortgages payable consisted of the following at June 30:

	2021	2020
The University has purchased certain properties adjacent to its campus for student apartment housing and other uses. The related note and mortgage matures during 2022 and bears interest at 3.09%. The note is secured by the related property	\$ 361	\$ 663
Promissory note payable in monthly installments of \$119 to BOKF, NA dba Bank of Oklahoma with interest due monthly at the One-Month London InterBank Offered Rate (LIBOR) plus 1.45% multiplied by 65% (1.06% at June 30, 2020). The note matured in December 2020. Note proceeds were used for campus technology infrastructure improvements. The University's obligation to make the loan payments on this note was subordinated to its payment obligations on its 2009 and 2011 Series Bonds	-	714
Revolving line of credit with BOKF, NA dba Bank of Oklahoma for up to \$75,000; interest is due monthly at the One-Month LIBOR (effective July 1, 2020, never less than 0.75%) plus 2.00% (2.75% and 2.18% at June 30, 2021 and 2020, respectively); the line of credit is unsecured; due July 2022	4,255	22,968
Unamortized debt issuance costs	-	(6)
	4,616	24,339
Less current portion	311	1,010
	\$ 4,305	\$ 23,329

Total interest costs incurred on indebtedness during the years ended June 30, 2021 and 2020, were \$4,398 and \$5,153, respectively.

In September 2021, the revolving line of credit was amended to change the maturity date to July 2024, remove the floor on the LIBOR rate, and provide a replacement rate for LIBOR when it sunsets.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Required maturities of all long-term debt, including bonds payable, at June 30, 2021, are as follows:

2022	\$ 7,706
2023	13,455
2024	8,760
2025	9,105
2026	9,315
Thereafter	61,290
	<u>109,631</u>
Unamortized debt issuance costs	(1,029)
Unamortized net bond discount/premiums	241
	<u><u>\$ 108,843</u></u>

Note 7: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Restricted for time or purpose		
Capital construction	\$ 17,064	\$ 16,405
Operating	93,448	83,062
Perpetual	1,339,577	1,054,774
Underwater endowments	-	(1,443)
	<u>\$ 1,450,089</u>	<u>\$ 1,152,798</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 are designated for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 131,893	\$ 132,683
Designated by the Board for operating reserve	51,605	49,441
Designated by the Board for endowment	8,764	7,263
	<u>\$ 192,262</u>	<u>\$ 189,387</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 8: Revenue Recognition

Tuition and Auxiliary Services Revenue

Revenue from contracts with students for tuition and auxiliary services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and include variable consideration for institutional scholarships and awards.

Revenue is recognized as performance obligations are satisfied over time, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

Refunds are issued in the case of withdrawals either before the semester begins or early in the semester. Because of the timing of the published refund schedule, all refunds are recognized before the end of the fiscal year.

Tuition and auxiliary services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food, and other services based on standalone charges to students for tuition and those services besides housing. The University uses the adjusted market assessment approach to estimate the standalone selling price for housing.

Sponsored Research Revenue

The University receives sponsored research funding from various governmental, corporate, and other private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Revenues from exchange (reciprocal) transactions are recognized as performance obligations are satisfied over time, which in most cases are as related costs are incurred.

Revenues from nonexchange transactions (contributions) may be subject to conditions, in the form of a barrier to entitlement or a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional nonexchange transactions are recognized when the barrier is satisfied. In addition, the University has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized..

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Sales and Services of Educational Departments and Public Services and Other Revenue

Performance obligations are determined based on the nature of the goods or services provided by the University in accordance with the contract. Sales and services of educational departments revenue and public services revenue relate mostly to miscellaneous sales from the University and Gilcrease Museum. These revenues are recognized as sales occur or services are performed as these goods or services were transferred at a point in time and the University does not believe it is required to provide additional goods or services related to that sale. Revenue recognized at a point in time is not significant. Any other revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The University believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Transaction Price and Recognition

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines the estimates of explicit price concessions based on its discount policies and merit awards. The University determines its estimates of implicit price concessions based on its historical collection experience with each type of student or customer. From time to time, the University will incur student credit balances and student deposits, which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenue and are recorded as liabilities until they are refunded. No material liabilities existed at June 30, 2021 or 2020.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction and housing to students. The performance obligations for these contracts are generally completed when the academic term is completed.

During the years ended June 30, 2021 and 2020, the University recognized revenue of \$12,405 and \$12,617, respectively, that was recognized as a contract liability at the beginning of the year. This liability is included in deferred revenue and advances under grants and contracts on the accompanying consolidated statements of financial position.

The University expects to recognize revenue of \$10,069 of tuition and auxiliary services revenue in fiscal year 2022 when the summer 2021 academic term is completed.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

The University's net tuition and fees are comprised of the following components for the years ended June 30:

	2021	2020
Student tuition and fees	\$ 151,835	\$ 163,514
University-funded scholarships	(70,809)	(73,555)
University-funded athletic scholarships	(13,137)	(13,174)
Scholarships funded by other sources	<u>(12,893)</u>	<u>(16,180)</u>
Student tuition and fees, net of student financial aid	<u>\$ 54,996</u>	<u>\$ 60,605</u>

Scholarships funded by other sources are comprised of the following sources for the years ended June 30:

	2021	2020
Endowments	\$ 7,536	\$ 10,229
Endowments and gifts	1,310	1,200
Endowments and trusts	725	642
Gifts	3,311	4,094
Trusts	<u>11</u>	<u>15</u>
	<u>\$ 12,893</u>	<u>\$ 16,180</u>

The University has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the various service lines.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Disaggregation of Revenue

The composition of revenue by material revenue category for the years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Student tuition and fees	\$ 54,996	\$ 60,605
Sales and services of educational departments and public services		
Gilcrease Museum	\$ 3,582	\$ 3,687
University School	2,412	2,519
Other	1,654	2,114
	<u>\$ 7,648</u>	<u>\$ 8,320</u>
Sales and services of auxiliary enterprises, net		
Student housing and dining	\$ 11,656	\$ 12,579
Athletics	9,208	9,669
Other	121	214
	<u>\$ 20,985</u>	<u>\$ 22,462</u>
Research services and sponsored projects		
Federal	\$ 6,422	\$ 6,839
State	472	763
Private	7,630	8,234
	<u>\$ 14,524</u>	<u>\$ 15,836</u>

Financing Component

The University has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from students and third parties for the effects of a significant financing component due to the University's expectation that the period between the time the service is provided to a student and the time the student or a third-party payer pays for that service will be one year or less.

Additionally, some sponsored research revenue contracts require more than one year to complete. In these cases, the financing component is not deemed to be material.

Note 9: Retirement Plans

Full-time faculty and staff are eligible after specified periods of employment to participate in a contributory retirement and annuity program through the Teachers Insurance and Annuity

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Association of America and the College Retirement Equities Fund (TIAA/CREF). The University has no liability other than annual contributions. Annual contributions are based upon a percentage of employee compensation. Individual contracts are issued under the program and there is immediate vesting of both the University's and employees' contributions. Effective September 2020, the University suspended its contributions to the plan. University contributions to this program were \$564 and \$6,522 during the years ended June 30, 2021 and 2020, respectively.

Note 10: Postretirement Benefits

Employees who retire and have met minimum service requirements are eligible to receive postretirement benefits in the form of health insurance coverage for themselves and their dependents until they reach the age of 70. The University recognizes postretirement benefits on an accrual basis as employees perform services to earn such benefits.

The University uses a June 30 measurement date for the postretirement benefit plan. The following table sets forth the funded status of the postretirement benefit plan at June 30:

	<u>2021</u>	<u>2020</u>
Accumulated postretirement benefit obligation		
Retirees	\$ 4,924	\$ 3,339
Fully eligible plan participants	1,258	1,459
Other active plan participants	<u>5,070</u>	<u>5,140</u>
Accumulated postretirement benefits	11,252	9,938
Plan assets, at fair value	<u>-</u>	<u>-</u>
Accumulated postretirement benefit obligation in excess of plan assets	11,252	9,938
Current portion of postretirement benefit accrual	<u>(1,115)</u>	<u>(913)</u>
Total long-term portion of postretirement benefit accrual	<u>\$ 10,137</u>	<u>\$ 9,025</u>
Amounts recognized in nonoperating activities		
Net actuarial loss	<u>\$ (1,470)</u>	<u>\$ (2,145)</u>
Net loss recognized in nonoperating activities	<u>\$ (1,470)</u>	<u>\$ (2,145)</u>

Postretirement benefit expense for the year ended June 30, 2021, was \$726 and included \$564 service cost, \$224 interest cost, and \$62 amortization gains. Postretirement benefit expense for the year ended June 30, 2020, was \$436 and included \$485 service cost, \$249 interest cost, and \$298 amortization gains.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Benefits paid to participants during 2021 and 2020 were \$881 and \$422, respectively.

For measurement purposes, a 6.25% annual rate of increase in the per capita cost of covered medical care benefits was assumed for the year ended June 30, 2021; the rate was assumed to decrease 0.25% per year to 4.5% for 2028 and remain at that level thereafter. The medical care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed medical care cost trend by 1.0% each year would increase the accumulated postretirement benefit obligation as of June 30, 2021, by \$896 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2021, by \$107; decreasing the assumed medical care cost trend by 1.0% each year would decrease the accumulated postretirement benefit obligation as of June 30, 2021, by \$792 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2021, by \$91.

The weighted-discount rate used in determining the accumulated postretirement benefit obligation was 2.50% and 2.36% for the years ended June 30, 2021 and 2020, respectively.

Gross benefit payments, which reflect expected future service, are expected to be paid as follows:

2022	\$ 1,129
2023	1,084
2024	979
2025	962
2026	884
2027–2031	<u>3,654</u>
	<u><u>\$ 8,692</u></u>

Contributions expected to be paid to the plan are consistent with the benefits above.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or board designations limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 1,439,690	\$ 1,155,944
Externally imposed restrictions		
Beneficial interest in funds held by others	671,975	554,708
Deposits with trustee	12,671	12,665
Endowment investments	647,656	468,239
Nonendowment investments	4,034	6,103
Other endowment assets		
Cash and cash equivalents	10,477	16,074
Contributions receivable	8,035	11,294
Net financial assets after externally imposed restrictions	84,842	86,861
Internal designations		
Quasi-endowments	37,017	32,304
Other noncurrent assets		
Contributions receivable	6,165	8,501
Student loans receivable, net	4,468	5,471
Financial assets available to meet cash needs for general expenditures within one year	37,192	40,585
Funding available from line of credit to meet cash needs for general expenditures within one year	70,745	52,032
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	<u>\$ 107,937</u>	<u>\$ 92,617</u>

The University receives significant contributions restricted by donors and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2021 and 2020, restricted contributions of \$4,264 and \$5,585, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The University's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowments. Income from donor-restricted endowments is restricted

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures.

The quasi-endowment funds of \$37,017 and \$32,304 at June 30, 2021 and 2020, respectively, are subject to an annual spending rate described in *Note 3*. The remaining amount could be made available if necessary. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$75,000. As of June 30, 2021 and 2020, \$70,745 and \$52,032, respectively, of the line of credit remained available to draw down.

The University does not have a formal liquidity policy. However, the University forecasts and monitors its future cash flows on a monthly basis in order to ensure continued prudent levels of liquidity.

Note 12: Commitments, Contingencies, and Concentrations

The University is subject to various legal proceedings and claims that arise in the ordinary course of business. Management of the University believes the amount of ultimate liability with respect to these actions will be immaterial.

Certain land included in educational plant may not be sold, assigned, conveyed, leased, or transferred without prior approval of the Tulsa Development Authority (TDA). In addition, the land may not be used for any purposes other than those purposes specified in the Urban Renewal Plan agreed to by TDA and the University.

The University conducts certain programs pursuant to grants and contracts funded and subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in reimbursements to these governmental agencies. Management of the University believes the amounts questioned, if any, will be immaterial.

The University began participation in the Federal Direct Student Loan Program (the Program) as mandated by the *Health Education Reconciliation Act of 2010* effective July 1, 2010. The total amount loaned under the Program during the years ended June 30, 2021 and 2020, was \$25,032 and \$24,035, respectively, and is not included in the accompanying consolidated financial statements. The University performs certain administrative functions in accordance with federal regulations. If the University fails to perform these functions, it may be liable to the federal government for a portion of the outstanding loans. Management of the University believes that it has satisfactorily administered this program and that the University's liability, if any, will be immaterial.

Approximately 22% of gifts, grants, and pledges were received from one donor in 2020.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 13: Leases

Change in Accounting Principle

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The University adopted Topic 842 on July 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The University elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The University has lease agreements with nonlease components that relate to the lease components. The University elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the University elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The University did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2020.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$7,710, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the accompanying consolidated statements of activities or cash flows.

Accounting Policies

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the accompanying consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

The University combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles. The University allocates the consideration to the lease and nonlease components using their relative standalone values.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The University has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the accompanying consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The University has entered into the following lease arrangements:

Finance Leases

The University has no leases classified as finance at the lease commencement date.

Operating Leases

The University has leases for building space that expire in various years through 2025. These leases generally contain renewal options and require the University to pay all executory costs (property taxes, maintenance, and insurance). Certain lease payments have an escalating fee schedule of a 2% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. A portion of the leased space is subleased under leases expiring in 2025.

The University has an operating lease for solar panels that expires in 2036. The University has an operating lease for equipment for student housing that expires in 2024.

All Leases

The University has no material related-party leases. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of June 30, 2021, the University has not entered additional operating and finance leases that have not yet commenced.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2021, are:

Lease cost	
Operating lease cost	\$ 1,550
Sublease income	(311)
	<hr/>
Total lease cost	<u>\$ 1,239</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,207
Weighted-average remaining lease term	
Operating leases	7.01 years
Weighted-average discount rate	
Operating leases	0.41%

Future minimum lease payments and reconciliation to the accompanying consolidated statements of financial position at June 30, 2021, are as follows:

2022	\$ 1,751
2023	1,648
2024	1,644
2025	1,337
2026	648
Thereafter	837
Total future undiscounted lease payments	<hr/> 7,865
Less interest	<hr/> 155
Operating lease liabilities	<u>\$ 7,710</u>

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 14: Conditional Gifts

The University has received the following conditional promises to give at June 30 that are not recognized in the accompanying consolidated financial statements:

	<u>2021</u>	<u>2020</u>
Institutional costs allocation under Section 18004(a)(1) of the CARES Act	\$ 1,014	\$ 1,323
Contingent on research costs incurred		
Federal agencies	14,839	8,153
Private nonprofit organizations	37	79
State agencies	420	435
Private for-profit organizations	-	252
	<u>\$ 16,310</u>	<u>\$ 10,242</u>

Note 15: COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. In response, the University made significant changes to its operations, including a transition of all in-person classes to online learning, and refunded approximately \$2,300 of room and board charges to students during the 2020 spring semester. In addition, the University received grant funds through the Higher Education Emergency Relief Fund (HEERF) to be paid to students and to cover institutional costs associated with significant changes to the delivery of instruction due to COVID-19. The student portion of these grants are paid directly to students and are recorded as pass-through grants with no impact on the change in net assets on the accompanying consolidated statements of activities. The institutional portion amounts expended below were used for technology upgrades under HEERF I and for lost revenues under HEERF II and HEERF III.

The University of Tulsa
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In Thousands)

Grants awarded, cash received, and expenditures charged to the HEERF grant for the years ended June 30 are as follows:

	HEERF I	HEERF II	HEERF III	Total
2021				
Grant awarded				
Student portion	\$ -	\$ 1,323	\$ 3,514	\$ 4,837
Institutional portion	\$ -	\$ 2,632	\$ 2,500	\$ 5,132
Cash received				
Student portion	\$ -	\$ 1,323	\$ -	\$ 1,323
Institutional portion	\$ 1,323	\$ 2,632	\$ 2,500	\$ 6,455
Amount expended				
Student portion	\$ 42	\$ 1,323	\$ -	\$ 1,365
Institutional portion	\$ 1,323	\$ 2,632	\$ 2,500	\$ 6,455
2020				
Grant awarded				
Student portion	\$ 1,323	\$ -	\$ -	\$ 1,323
Institutional portion	\$ 1,323	\$ -	\$ -	\$ 1,323
Cash received				
Student portion	\$ 1,323	\$ -	\$ -	\$ 1,323
Institutional portion	\$ -	\$ -	\$ -	\$ -
Amount expended				
Student portion	\$ 1,281	\$ -	\$ -	\$ 1,281
Institutional portion	\$ -	\$ -	\$ -	\$ -

As a result of the spread of COVID-19, economic uncertainties have arisen that may continue to negatively affect the consolidated financial position, results of operations, and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

The University of Tulsa
Consolidating Schedule of Financial Position
June 30, 2021
(In Thousands)

Assets

	The University of Tulsa	Gilcrease Museum Management Trust	Total
Current Assets			
Cash and cash equivalents	\$ 13,821	\$ 17,715	\$ 31,536
Accounts receivable, net	11,869	-	11,869
Deposits with trustee – current	3,746	-	3,746
Inventories	215	98	313
Prepaid expenses and deferred charges	4,325	58	4,383
Contributions receivable, net – current	3,582	2,094	5,676
	<hr/>	<hr/>	<hr/>
Total current assets	37,558	19,965	57,523
Contributions receivable, net	6,603	6,185	12,788
Student loans receivable, net	4,468	-	4,468
Investments	656,164	32,543	688,707
Deposits with trustee	8,925	-	8,925
Educational plant, net	351,789	174	351,963
Right-of-use assets – operating leases	7,710	-	7,710
Beneficial interest in funds held by others	671,905	70	671,975
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,745,122</u>	<u>\$ 58,937</u>	<u>\$ 1,804,059</u>

Liabilities and Net Assets

	The University of Tulsa	Gilcrease Museum Management Trust	Total
Current Liabilities			
Accounts payable	\$ 5,019	\$ 90	\$ 5,109
Accrued expenses	10,762	150	10,912
Notes and mortgages payable, net – current	311	-	311
Deposits payable	2,479	-	2,479
Deferred revenue	5,772	4	5,776
Advances under grants and contracts	4,728	-	4,728
Bonds payable, net – current	7,233	-	7,233
Operating lease liabilities – current	1,751	-	1,751
Postretirement benefit obligation – current	1,095	20	1,115
	<hr/>	<hr/>	<hr/>
Total current liabilities	39,150	264	39,414
Notes and mortgages payable, net	4,305	-	4,305
Advances under federal loan programs	4,355	-	4,355
Bonds payable, net	96,994	-	96,994
Postretirement benefit obligation	9,951	186	10,137
Operating lease liabilities	5,959	-	5,959
Other noncurrent liabilities	544	-	544
	<hr/>	<hr/>	<hr/>
Total liabilities	161,258	450	161,708
Net Assets			
Without donor restrictions	187,095	5,167	192,262
With donor restrictions	1,396,769	53,320	1,450,089
	<hr/>	<hr/>	<hr/>
Total net assets	1,583,864	58,487	1,642,351
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,745,122	\$ 58,937	\$ 1,804,059
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The University of Tulsa
Consolidating Schedule of Financial Position
June 30, 2020
(In Thousands)

Assets

	The University of Tulsa	Gilcrease Museum Management Trust	Total
Current Assets			
Cash and cash equivalents	\$ 15,659	\$ 16,325	\$ 31,984
Accounts receivable, net	19,090	-	19,090
Deposits with trustee – current	3,740	-	3,740
Inventories	256	197	453
Prepaid expenses and deferred charges	2,578	45	2,623
Asset held for sale	1,995	-	1,995
Contributions receivable, net – current	6,497	2,611	9,108
	<hr/>	<hr/>	<hr/>
Total current assets	49,815	19,178	68,993
Contributions receivable, net	7,945	8,327	16,272
Student loans receivable, net	5,471	-	5,471
Investments	485,759	20,887	506,646
Deposits with trustee	8,925	-	8,925
Educational plant, net	362,137	226	362,363
Beneficial interest in funds held by others	554,638	70	554,708
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,474,690</u>	<u>\$ 48,688</u>	<u>\$ 1,523,378</u>

Liabilities and Net Assets

	The University of Tulsa	Gilcrease Museum Management Trust	Total
Current Liabilities			
Accounts payable	\$ 4,668	\$ 63	\$ 4,731
Accrued expenses	8,432	222	8,654
Notes and mortgages payable, net – current	1,010	-	1,010
Deposits payable	2,500	-	2,500
Deferred revenue	6,762	4	6,766
Advances under grants and contracts	6,046	-	6,046
Bonds payable, net – current	6,912	-	6,912
Postretirement benefit obligation – current	890	23	913
	<hr/>	<hr/>	<hr/>
Total current liabilities	37,220	312	37,532
Notes and mortgages payable, net	23,329	-	23,329
Advances under federal loan programs	5,787	-	5,787
Bonds payable, net	104,442	-	104,442
Postretirement benefit obligation	8,800	225	9,025
Other noncurrent liabilities	1,078	-	1,078
	<hr/>	<hr/>	<hr/>
Total liabilities	180,656	537	181,193
Net Assets			
Without donor restrictions	188,986	401	189,387
With donor restrictions	1,105,048	47,750	1,152,798
	<hr/>	<hr/>	<hr/>
Total net assets	1,294,034	48,151	1,342,185
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,474,690	\$ 48,688	\$ 1,523,378
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The University of Tulsa
Consolidating Schedule of Activities
Year Ended June 30, 2021
(In Thousands)

	The University of Tulsa		The Gilcrease Museum Management Trust		Eliminations		Total	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenues, Gains, and Other Support								
Student tuition and fees	\$ 54,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,996	\$ -
Sales and services of educational departments and public services	4,066	-	3,582	-	-	-	7,648	-
Sales and services of auxiliary enterprises, net	20,985	-	-	-	-	-	20,985	-
Research services and sponsored projects	13,173	935	384	32	-	-	13,557	967
Gifts, grants, and pledges	12,750	12,147	766	42	-	-	13,516	12,189
Contributed services	-	-	408	-	(408)	-	-	-
Endowment income	9,831	17,098	545	668	-	-	10,376	17,766
Nonendowment investment gain (loss)	674	(9)	-	2	-	-	674	(7)
Distributions from beneficial interest in funds held by others	19,473	9,840	-	-	-	-	19,473	9,840
Other	3,999	-	8	-	-	-	4,007	-
Net assets released from restrictions	35,484	(35,484)	1,306	(1,306)	-	-	36,790	(36,790)
Total revenues, gains, and other support	175,431	4,527	6,999	(562)	(408)	-	182,022	3,965
Expenses								
Instruction	58,133	-	-	-	-	-	58,133	-
Research	16,631	-	-	-	-	-	16,631	-
Public services	4,760	-	5,937	-	(408)	-	10,289	-
Academic support	23,994	-	-	-	-	-	23,994	-
Student services	12,084	-	-	-	-	-	12,084	-
Institutional support and other	27,732	-	-	-	-	-	27,732	-
Auxiliary enterprises	31,071	-	-	-	-	-	31,071	-
Total expenses	174,405	-	5,937	-	(408)	-	179,934	-
Operating Income (Loss)	1,026	4,527	1,062	(562)	-	-	2,088	3,965
Other Income (Expense)								
Net endowment gain (loss) in excess of income designated for operations	(1,456)	163,471	3,704	4,136	-	-	2,248	167,607
Gifts for capital acquisitions and endowments	9	6,134	-	1,997	-	-	9	8,131
Other permanently restricted income (loss), net	-	322	-	(1)	-	-	-	321
Adjustment of unrecognized postretirement costs	(1,470)	-	-	-	-	-	(1,470)	-
Increase in fair value of beneficial interest in funds held by others	-	117,267	-	-	-	-	-	117,267
Total other income (expense)	(2,917)	287,194	3,704	6,132	-	-	787	293,326
Increase (Decrease) in Net Assets	(1,891)	291,721	4,766	5,570	-	-	2,875	297,291
Net Assets, Beginning of Year	188,986	1,105,048	401	47,750	-	-	189,387	1,152,798
Net Assets, End of Year	\$ 187,095	\$ 1,396,769	\$ 5,167	\$ 53,320	\$ -	\$ -	\$ 192,262	\$ 1,450,089

The University of Tulsa
Consolidating Schedule of Activities
Year Ended June 30, 2020
(In Thousands)

	The University of Tulsa		The Gilcrease Museum Management Trust		Eliminations		Total	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenues, Gains, and Other Support								
Student tuition and fees	\$ 60,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,605	\$ -
Sales and services of educational departments and public services	4,633	-	3,687	-	-	-	8,320	-
Sales and services of auxiliary enterprises, net	22,462	-	-	-	-	-	22,462	-
Research services and sponsored projects	13,996	1,163	677	-	-	-	14,673	1,163
Gifts, grants, and pledges	7,032	13,158	1,423	3,757	-	-	8,455	16,915
Contributed services	-	-	474	-	(474)	-	-	-
Endowment income	9,970	16,347	702	379	-	-	10,672	16,726
Nonendowment investment gain (loss)	(14)	(101)	1	98	-	-	(13)	(3)
Distributions from beneficial interest in funds held by others	22,134	6,638	-	-	-	-	22,134	6,638
Other	3,895	-	31	-	-	-	3,926	-
Net assets released from restrictions	49,666	(49,666)	696	(696)	-	-	50,362	(50,362)
Total revenues, gains, and other support	194,379	(12,461)	7,691	3,538	(474)	-	201,596	(8,923)
Expenses								
Instruction	69,212	-	-	-	-	-	69,212	-
Research	20,222	-	-	-	-	-	20,222	-
Public services	6,429	-	7,023	-	(474)	-	12,978	-
Academic support	26,815	-	-	-	-	-	26,815	-
Student services	15,506	-	-	-	-	-	15,506	-
Institutional support and other	27,314	-	-	-	-	-	27,314	-
Auxiliary enterprises	34,844	-	-	-	-	-	34,844	-
Total expenses	200,342	-	7,023	-	(474)	-	206,891	-
Operating Income (Loss)	(5,963)	(12,461)	668	3,538	-	-	(5,295)	(8,923)
Other Income (Expense)								
Net endowment gain (loss) in excess of income designated for operations	268	(19,049)	(754)	(140)	-	-	(486)	(19,189)
Gifts for capital acquisitions and endowments	33	8,610	-	11,305	-	-	33	19,915
Other permanently restricted income (loss), net	19	(527)	(19)	-	-	-	-	(527)
Adjustment of unrecognized postretirement costs	(2,145)	-	-	-	-	-	(2,145)	-
Increase (decrease) in fair value of beneficial interest in funds held by others	-	(19,259)	-	5	-	-	-	(19,254)
Total other income (expense)	(1,825)	(30,225)	(773)	11,170	-	-	(2,598)	(19,055)
Increase (Decrease) in Net Assets	(7,788)	(42,686)	(105)	14,708	-	-	(7,893)	(27,978)
Net Assets, Beginning of Year	196,774	1,147,734	506	33,042	-	-	197,280	1,180,776
Net Assets, End of Year	\$ 188,986	\$ 1,105,048	\$ 401	\$ 47,750	\$ -	\$ -	\$ 189,387	\$ 1,152,798