LOYOLA UNIVERSITY CHICAGO

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

LOYOLA
UNIVERSITY CHICAGO
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Preparing people to lead extraordinary lives

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Loyola University of Chicago
Chicago, IL

We have audited the accompanying consolidated financial statements of Loyola University of Chicago ("LUC"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' 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 LUC'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 LUC'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 financial position of Loyola University of Chicago as of June 30, 2021 and 2020, and the results of their activities, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 20, 2021

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and 2020

(In thousands of dollars)	2021	2020
ASSETS		
Cash and cash equivalents	$ 106,198	$ 77,880
Short-term investments	208,533	201,806
Notes and accounts receivable, net	51,642	55,704
Other assets	8,095	7,658
Endowment and other long-term investments	1,072,247	811,734
Right of use asset - operating leases	1,363	-
Assets held in trust by others	2,294	2,290
Interest held in perpetual trust	16,064	12,899
Land, buildings and equipment, net	1,057,604	1,091,311
TOTAL ASSETS	**$ 2,524,040**	**$ 2,261,282**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 61,686	$ 50,731
Tenured faculty voluntary transition incentive program liability	-	22,307
Deferred revenue	30,920	28,967
Unexpended grants	12,101	11,388
Refundable U.S. government student loan funds	12,545	14,982
Indebtedness	356,796	373,227
Lease liability - operating	1,384	-
Pension and other postretirement plan liabilities	50,456	63,798
Other liabilities	4,965	4,668
TOTAL LIABILITIES	530,853	570,068
NET ASSETS:		
Without donor restrictions	1,451,060	1,262,129
With donor restrictions	542,127	429,085
TOTAL NET ASSETS	**1,993,187**	**1,691,214**
TOTAL LIABILITIES AND NET ASSETS	**$ 2,524,040**	**$ 2,261,282**

See notes to the consolidated financial statements.

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended June 30, 2021 and 2020

(In thousands of dollars)	2021 Without donor restrictions	2021 With donor restrictions	Total 2021	2020 Without donor restrictions	2020 With donor restrictions	Total 2020
OPERATING REVENUES:						
Tuition and fees, net of scholarships $250,782 (2021) and $245,234 (2020)	$ 403,935	$	$ 403,935	$ 417,224	$	$ 417,224
Auxiliary services	8,023		8,023	57,014		57,014
Academic support	24,916		24,916	24,646		24,646
Other	22,240		22,240	26,498		26,498
Grants and contracts for sponsored projects	48,177		48,177	45,249		45,249
Higher Education Emergency Relief Fund student aid	13,098		13,098	-		-
Gifts	1,560		1,560	940		940
Return on short-term investments and interest income	1,774		1,774	8,545		8,545
Investment income designated for operations	9,055		9,055	10,711		10,711
Net assets utilized or released from restrictions for operations	15,273		15,273	13,422		13,422
Net assets released - board designated	6,010		6,010	7,200		7,200
TOTAL OPERATING REVENUES	**554,061**		**554,061**	**611,449**		**611,449**
OPERATING EXPENSES:						
Salaries and wages	268,746		268,746	274,160		274,160
Fringe benefits	55,458		55,458	67,845		67,845
Non-salary operating expenses	108,991		108,991	133,404		133,404
Depreciation and amortization	58,959		58,959	57,950		57,950
Insurance and utilities	14,302		14,302	14,821		14,821
Interest	13,207		13,207	13,242		13,242
Higher Education Emergency Relief Fund student aid	13,098		13,098	-		-
Tenured faculty voluntary transition incentive program	-		-	22,307		22,307
TOTAL OPERATING EXPENSES	**532,761**		**532,761**	**583,729**		**583,729**
RESULTS OF OPERATIONS	**21,300**		**21,300**	**27,720**		**27,720**
NON-OPERATING ACTIVITIES:						
Gifts		19,150	19,150		29,029	29,029
Investment gain, net of amounts designated for operations	140,602	114,345	254,947	(6,661)	5,076	(1,585)
Net periodic pension and post retirement plan cost	(2,421)		(2,421)	(2,643)		(2,643)
Retirement plan related changes other than net periodic retirement plan cost	10,100		10,100	(7,105)		(7,105)
Other	4,923	2,776	7,699	264	(1,682)	(1,418)
Net assets transferred or released from restrictions	7,956	(23,229)	(15,273)	9,014	(22,436)	(13,422)
Net assets released - board designated	(6,010)		(6,010)	(7,200)		(7,200)
Higher Education Emergency Relief Fund Institutional share	12,481		12,481	-		-
TOTAL NON-OPERATING ACTIVITIES	**167,631**	**113,042**	**280,673**	**(14,331)**	**9,987**	**(4,344)**
CHANGE IN NET ASSETS	**188,931**	**113,042**	**301,973**	**13,389**	**9,987**	**23,376**
Total net assets, beginning of year	1,262,129	429,085	1,691,214	1,248,740	419,098	1,667,838
TOTAL NET ASSETS, END OF YEAR	**$ 1,451,060**	**$ 542,127**	**$ 1,993,187**	**$ 1,262,129**	**$ 429,085**	**$ 1,691,214**

See notes to the consolidated financial statements.

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

(In thousands of dollars)	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 301,973	$ 23,376
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	58,959	57,950
Provision for bad debt expense	1,142	3,506
Retirement plan related changes	(10,100)	7,105
Provision for retirement costs	2,421	2,643
Pension plan contributions	(2,449)	(6,751)
Net realized and unrealized gain on investments	(260,317)	(6,481)
Contributions restricted for long-term investment	(5,692)	(14,838)
Other	(5,856)	(1,528)
Changes in assets and liabilities:		
Notes and accounts receivable, net	761	11,669
Other assets	(478)	127
Accounts payable and accrued expenses	14,321	(3,500)
Tenured faculty voluntary transition incentive program liability	(22,307)	22,307
Deferred revenue and unexpended grants	2,666	(4,845)
Interest held in perpetual trust	(3,165)	1,203
Refundable U.S. government student loan funds	(2,437)	(2,665)
Other liabilities	252	(77)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**69,694**	**89,201**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	144,134	167,678
Purchases of investments	(142,961)	(175,645)
Purchases of short-term investments, net	(8,096)	(4,952)
Expenditures for land, buildings and equipment	(26,011)	(70,721)
Student loans issued	(866)	(1,567)
Student loans collected	3,025	3,368
NET CASH USED BY INVESTING ACTIVITIES	**(30,775)**	**(81,839)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	5,692	14,838
Issuance of new debt	-	74,040
Retirement of debt	(16,293)	(89,114)
NET CASH USED BY FINANCING ACTIVITIES	**(10,601)**	**(236)**
INCREASE IN CASH AND CASH EQUIVALENTS	**28,318**	**7,126**
Cash and cash equivalents, beginning of year	77,880	70,754
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 106,198**	**$ 77,880**

See notes to the consolidated financial statements.

(1) Overview of Loyola University of Chicago

Loyola University of Chicago (referred to as Loyola University Chicago, the University, or LUC) is a private, coeducational, not-for-profit institution of higher education and research founded in 1870 by the Society of Jesus (Jesuits). LUC's patron saint and namesake is St. Ignatius Loyola (1491-1556), the founder of the Society of Jesus. The year 2020 marked the University's 150th anniversary.

LUC is one of the largest Jesuit, Catholic universities in the United States and provides educational services to approximately seventeen thousand students primarily in undergraduate degree programs as well as graduate and professional degree programs. LUC performs research, training, and other services under grants and contracts with government agencies and other sponsoring organizations. LUC is home to 15 schools, colleges, and institutes. LUC operates on four campuses: Lake Shore, Water Tower, Health Sciences, and the John Felice Rome Center in Italy, as well as a center in Ho Chi Minh City, Vietnam, the Cuneo Mansion & Gardens in Vernon Hills, Illinois and a Retreat and Ecology Campus in Woodstock, Illinois.

The accompanying consolidated financial statements include the accounts of Loyola University Chicago and Mundelein College (Mundelein). All intercompany transactions have been eliminated.

(2) Tax Status

LUC and Mundelein are Illinois not-for-profit corporations and are exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code.

(3) Summary of Significant Accounting Policies

a) Basis of Presentation

The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). These principles require management to make estimates and judgments affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates. The following notes may include reference to specific GAAP pronouncements including the Financial Accounting Standards Board's (FASB) Accounting Standards Updates (ASU) or Accounting Standards Codifications (ASC).

b) Cash and Cash Equivalents

Cash and cash equivalents are liquid instruments having original maturities at the time of purchase of three months or less, or funds investing primarily in such instruments, excluding those held in short-term and long-term investments or which are on deposit with a trustee. Cash and cash equivalents represent short-term, highly liquid investments that convert readily to cash and carry little interest rate risk.

c) Short-term Investments

Short-term investments are comprised of investments in securities or funds whose maturities and duration extend beyond the characteristics of cash and cash equivalents but are not considered long-term investments. Short-term investments are recorded at fair value and are generally priced and available on a daily basis. Investment income is recorded on the accrual basis and purchases and sales of short-term investment securities are recorded on a trade-date basis.

d) Other Assets

Other assets are mostly comprised of prepaid expenses.

e) Long-term Investments

Long-term investments are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset, or the amount that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Investments in publicly-traded equity securities are valued based on quoted market prices. To the extent that quoted market prices are not readily available, fair value may be determined based on broker or dealer quotations or alternate pricing sources with reasonable levels of price transparency. Securities that trade infrequently may be valued as determined in good faith by LUC's investment managers.

The fair value of fixed income securities may be determined based on yields currently available on comparable securities of issuers with similar credit ratings, dealer-supplied prices or by discounting future principal and interest payments at prevailing interest rates.

The fair value of holdings of mutual funds, common collective trusts, and commingled funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Units held in registered mutual funds and in common collective trusts and commingled funds that do not have a readily determined market value for fund units are valued based on the funds' net asset value as supplied by the fund administrator or trustee. Estimates of fair value provided by general partners or investment managers are reviewed by management.

Investments in private investment funds are recorded at estimated fair value based on LUC's share of the funds' fair value or number of units outstanding. A private investment fund's fair value is typically based on estimated asset values as of valuation dates that precede the LUC fiscal year end by up to 180 days and are adjusted for cash flows that occur between the valuation date and year end. These funds allocate gains, losses, and expenses to partners based on their respective ownership percentages or the number of units held. Management reviews reports and financial statements and communicates regularly with fund managers to maintain oversight of their valuation processes and estimates.

Effective July 1, 2020 LUC adopted the additional disclosure requirements of ASU No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* and concluded that the requirements were not material to the consolidated financial statements.

Investment income is recorded on the accrual basis. Purchases and sales of long-term investment securities are recorded on a trade-date basis.

f) Derivative Financial Instruments

LUC may use derivative financial instruments in the management of its treasury and investment portfolio. In addition, investment managers engaged by LUC may use derivative instruments to implement their investment strategies. Investments in derivative financial instruments are not designated as hedges. All derivative financial instruments used for investment purposes are marked to market and recorded at fair value. Gains and losses realized on derivative financial instruments used for investment purposes are recorded in investment gain (loss) in the consolidated statements of activities and changes in net assets.

g) Assets Held in Trust by Others

A third party holds escrow funds on behalf of LUC for the purpose of improvement and restoration costs for the Cuneo Mansion and Gardens in Vernon Hills, Illinois. The escrow was established under a preservation agreement between LUC and the Village of Vernon Hills and Lake County.

h) Interest Held in Perpetual Trust

LUC is the beneficiary of funds held in trust. LUC does not control or have possession of these funds, but receives income from the trust in support of LUC's Health Sciences programs. Funds are recognized at the estimated fair value of future cash flows, which is estimated to equal the fair value of the trust assets.

i) Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or fair value at the date of purchase or gift to the University. Depreciation is calculated on a straight-line basis using the following useful lives: building shell, 40-50 years; building improvements, 10-25 years; furniture, 10-20 years; and equipment, 3-10 years. LUC capitalizes assets with a purchase price or fair value of $5,000 or greater and with a useful life of over 1 year. LUC uses the component method of capitalization.

Management continually reviews its long-lived assets for evidence of potential impairment. No impairment adjustments were recorded as of June 30, 2021.

j) Net Asset Classes

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Net assets not subject to donor-imposed restrictions include those designated by the Board of Trustees such as funds functioning as endowment (quasi-endowments) and board-designated net assets.

Net assets that are subject to donor-imposed restrictions include those restricted for a particular use, expiring with the passage of time, or the occurrence of an event, such as contributions restricted for future capital projects. When donor restrictions are met or the restrictions expire, net assets with donor restrictions are released as net assets without donor restrictions. Net assets subject to donor-imposed restrictions may also require assets to be retained permanently and invested in perpetuity. These restrictions permit the use of some or all of the income earned on the invested assets for specific purposes.

k) Revenue Recognition

The University adheres to the following GAAP concerning revenue recognition:

<u>Revenue from Contracts with Customers</u>. The University follows ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* and recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which LUC expects to be entitled in exchange for those goods or services.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: The University follows ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

Reporting Revenue Gross versus Net: The University applies ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which provides guidance on assessing whether an entity is a principal or an agent in a revenue transaction and whether an entity reports revenue on a gross or net basis.

l) Gifts and Contributions

Unconditional gifts and contributions, including unconditional promises to give (pledges) that are reasonably assured to be received, are recognized in the period received and reported at present value in the appropriate category of net assets.

Gifts and contributions received with donor stipulations restricting their use are reported as non-operating activities and classified as net assets with donor restrictions. The expiration or fulfillment of donor-imposed restrictions on contributions is recognized in the period in which the restriction is fulfilled and are shown as net assets released from restrictions for operations.

Gifts and contributions received without donor stipulations restricting their use are reported as operating revenue and classified as net assets without donor restrictions.

m) Grants and Contracts for Sponsored Projects

Grant and contract revenue is recognized when the conditions upon which they depend are substantially met, which primarily is when qualifying expenses or activities occur.

n) Retirement Plans and Other Post Retirement Benefits

LUC follows ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The guidance requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as a part of fringe benefits expense in the consolidated statements of activities. The other components of net periodic benefit cost such as interest cost, expected return on plan assets, net prior service cost or credit amortization, and net actuarial gain or loss amortization are reported under net periodic pension and post retirement plan cost in the non-operating activities section of the consolidated statements of activities and changes in net assets.

o) Results of Operations

As part of the consolidated statements of activities and changes in net assets, the University presents results of operations as an operating measure. This operating measure represents operating revenues in excess of operating expenses that are an integral part of LUC's academic programming and supporting activities. Net assets utilized or released from donor restrictions to support operating expenditures, transfers from board-designated net assets to support current operating activities, and investment income designated for operations, are also included in determining this measure of operations.

The measure of operations excludes investment returns (other than those designated for operations), retirement plan related changes (other than the service cost associated with pension and postretirement benefit plans), gains or losses on the sale or disposal of property, and certain non-recurring items.

p) Leases

Effective July 1, 2020, the University adopted ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees recognize rights and obligations arising from leases as assets and liabilities on the consolidated statements of financial position. The accounting by lessors remains largely unchanged. The University adopted this standard under a modified retrospective method, applying certain practical expedients to implement the standard. The adoption of this standard resulted in a recognition, as of July 1, 2020, of a right-of-use asset under an operating lease of $1.4 million and an operating lease liability totaling $1.4 million. As of the adoption date, there was one financing lease for $68 thousand, which had been recognized previously as a capital lease. LUC has elected the short-term lease exemption and therefore does not recognize a right-of-use asset or corresponding liability for lease arrangements with an original term of 12 months or less. See Note 10, *Leases*, for further information regarding the University's lease-related disclosures.

q) Cloud Computing Arrangements

Effective July 1, 2020, the University adopted ASU No. 2018-15, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (CCA) by providing guidance for determining when an arrangement includes a software license and when an arrangement is solely a hosted CCA service. Under ASU No. 2018-15, the University will apply the same criteria for capitalizing implementation costs as it would for an arrangement that has a software license.

r) Updating the Definition of Collections

In March 2019 the FASB issued ASU 2019-03, *Updating the Definition of Collections (Topic 958)*. ASU 2019-03 modifies the definition of the term collections (i.e. works of art, historical treasures, and similar assets) and clarifies certain accounting and disclosure guidance related to such collections. This guidance, which is effective for LUC beginning July 1, 2020, had no impact on the consolidated financial statements. See Note 8, *Land, Buildings, and Equipment, Net* for information regarding the University's capitalized value of library books and art collections.

s) Recent Accounting Pronouncements

Accounting pronouncements to be adopted in fiscal year 2022

The following accounting pronouncements are effective starting with the University's fiscal year 2022, which begins on July 1, 2021:

<u>Changes to the Disclosure Requirements for Defined Benefit Plans</u>: In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. This guidance eliminates and adds certain disclosures related to defined benefit plans. LUC is evaluating the impact of the new guidance on the consolidated financial statements.

<u>Contributed Nonfinancial Assets</u>: In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is intended to improve transparency in the reporting of contributed financial assets, also known as gifts-in-kind, for not-for-profit organizations. LUC is evaluating the impact of the new guidance on the consolidated financial statements.

Accounting pronouncements to be adopted after fiscal year 2022

Credit Losses on Financial Instruments: In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance provides financial statement users with more decision-useful information about the expected credit losses on financial instruments, and other commitments to extend credit, held at each reporting date. The ASU adds to GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. LUC is evaluating the impact on the consolidated financial statements.

(4) Investments

Under authority delegated by the Board of Trustees, the Investment Policy Committee of the Board of Trustees establishes the investment policy and guidelines governing the management of LUC's investments. The strategy for long-term investments is predicated on the objectives of growth and preservation of the purchasing power of invested assets; therefore, it is equity-oriented and includes marketable equities, private equity investments, and energy and real estate investments, with diversifying exposure to fixed income investments and hedging strategies. Short-term investments are primarily managed with an objective to ensure safety of principal and a high level of liquidity to meet the needs of LUC's operations. Substantially all investments are managed by external investment managers and all are held in custody by third-party financial institutions.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three categories:

Level 1 - Unadjusted quoted prices in active markets for identical instruments.

Level 2 - Quoted prices in active markets for similar instruments, quoted prices in inactive markets for identical or similar instruments, or model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 - Model-derived valuations in which one or more significant inputs are unobservable.

Fair value of investments in certain commingled funds and private partnerships that utilize a net asset value (NAV) per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner's capital balance, as applicable. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded.

Short-term Investments

LUC had short-term investments of $208.5 million and $201.8 million at June 30, 2021 and 2020, respectively. The tables below summarize LUC's fair value measurements of short-term investments by the fair value hierarchy levels as of June 30, 2021 and 2020:

(in thousands of dollars)

2021	Total	Level 1	Level 2
Cash and cash equivalents	$ 1,648	$ 1,648	$ -
Fixed income mutual funds	69,424	69,424	
U.S. Treasury and government agency debt securities	30,881		30,881
Municipal debt securities	4,650		4,650
Corporate debt securities	71,705		71,705
Mortgage-related securities	12,568		12,568
Asset-backed securities	16,095		16,095
Collateralized mortgage obligations	1,562		1,562
Total	$ 208,533	$ 71,072	$ 137,461

(in thousands of dollars)

2020	Total	Level 1	Level 2
Cash and cash equivalents	$ 3,370	$ 3,370	$ -
Fixed income mutual funds	54,034	54,034	
U.S. Treasury and government agency debt securities	31,202		31,202
Non-U.S. government debt securities	1,686		1,686
Municipal debt securities	3,823		3,823
Corporate debt securities	68,336		68,336
Mortgage-related securities	20,181		20,181
Asset-backed securities	18,407		18,407
Collateralized mortgage obligations	767		767
Total	$ 201,806	$ 57,404	$ 144,402

Endowment and Other Long-term Investments

LUC's total endowment and other long-term investments are comprised primarily of endowed funds and board-designated funds functioning as endowment (quasi-endowments). It also includes unrestricted institutional funds, split-interest agreements, and other non-endowed donor and university funds. The table below presents the functional composition of LUC's total endowment and other long-term investments at June 30, 2021 and 2020:

(in thousands of dollars)

	2021	2020
Donor-restricted endowment funds	$ 457,248	$ 348,886
Board-designated funds functioning as endowment	472,202	353,801
Total endowment investments	929,450	702,687
Institutional reserves	130,222	98,309
Total long-term investment portfolio	1,059,672	800,996
Split-interest agreements	11,216	9,581
Other invested assets	1,359	1,157
Total endowment and other long-term investments	$ 1,072,247	$ 811,734

The tables below summarize endowment and other long-term investments' fair value measurements by fair value hierarchy level and NAV (or its equivalent) as a practical expedient, as of June 30, 2021 and 2020:

(in thousands of dollars)

2021	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 6,181	$ 6,181	$ -	$ -	$ -
U.S. marketable equity securities	86,821	86,821			
U.S. marketable equity mutual funds	98,272	98,272			
Non-U.S. marketable equity securities	306	306			
Non-U.S. marketable equity mutual funds	120,178	120,178			
Marketable equity commingled funds	367,067				367,067
Other equity securities	74			74	
Fixed income mutual funds	17,785	17,785			
Fixed income commingled funds	81,708				81,708
U.S. Treasury and government agency debt obligations	99,596	25,056	74,540		
Private equity investments	157,286				157,286
Real assets mutual funds	8,494	8,494			
Private real assets investments	28,479				28,479
Total	$ 1,072,247	$ 363,093	$ 74,540	$ 74	$ 634,540

(in thousands of dollars)

2020	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 16,797	$ 16,797	$ -	$ -	$ -
U.S. marketable equity securities	60,477	60,477			
U.S. marketable equity mutual funds	78,020	78,020			
Non-U.S. marketable equity securities	11,177	11,177			
Non-U.S. marketable equity mutual funds	78,660	78,660			
Marketable equity commingled funds	283,674				283,674
Other equity securities	200			200	
Fixed income mutual funds	22,666	22,666			
Fixed income commingled funds	55,582				55,582
U.S. Treasury and government agency debt obligations	79,446	4,401	75,045		
Private equity investments	92,409				92,409
Real assets mutual funds	6,371	6,371			
Private real assets investments	26,255				26,255
Total	$ 811,734	$ 278,569	$ 75,045	$ 200	$ 457,920

There were no significant transfers between fair value hierarchy levels for the years ended June 30, 2021 and 2020.

The table below summarizes the changes in fair value of the Level 3 investments in the endowment and other long-term investment portfolio for the years ended June 30, 2021 and 2020:

(in thousands of dollars)

	2021	2020
Beginning of year	$ 200	$ 200
Realized gain	971	-
Sales	(1,097)	-
End of year	$ 74	$ 200

LUC is obligated to make future capital contributions in private investment vehicles in the maximum amount of $101.8 million over the next several years, subject to investment period modifications provided for in fund offering documents or limited partnership agreements.

Fair value estimates, commitment and redemption information for investment funds valued at NAV (or its equivalent) as a practical expedient at June 30, 2021 are in the table below:

(in thousands of dollars)

Investment Type	2021 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	Other Redemption Restrictions
Marketable equity commingled funds (1)	$ 367,067	$ -	Weekly to triennially	Three business days to ninety days	Various initial lockup periods, potential redemption fees, limits on redeemable proportion of outstanding balances, and provisions allowing partial redemption despite lockups
Fixed income commingled funds (2)	81,708	3,000	Quarterly to only at the direction of investment manager	Sixty-five to ninety days	Certain limits on redeemable proportion of outstanding balances
Private equity Investments (3)	157,286	79,394	Directed by investment manager	n/a	None
Private real assets investments	28,479	19,437	Monthly to only at direction of investment manager	Ten business days where applicable	None
Total	$ 634,540	$ 101,831			

(1) The marketable equity commingled funds category is comprised of investments in funds primarily holding publicly-traded U.S. and non-U.S. equity securities, including long-short equity funds that can vary their net exposures across global markets.

(2) The fixed income commingled funds category is comprised of funds that invest primarily in U.S. high yield bonds and global corporate debt securities, including structured products.

(3) The private equity investments and private real assets investments are comprised of closed-end fund investments primarily holding controlling equity stakes in private firms and real estate assets, respectively.

Derivative Financial Instruments

Derivative financial instruments may be used in the management of the LUC investment portfolio. This is generally done to assist in rebalancing its asset mix and to invest cash that would otherwise earn a low rate of return. As of June 30, 2021 and 2020, the investment portfolio held futures contracts with a notional value of $4.7 million and $4.9 million, respectively. The net impact of the futures held at June 30, 2021 is to reduce the proportion of cash in the endowment portfolio by 0.4% while decreasing equity exposure by 2.0% and increasing fixed income exposure by 2.4%. Futures contracts are exchange-traded and subject to the market risk of the underlying indexes from which their prices are derived.

The effect of derivative instruments on the consolidated statements of activities and changes in net assets as of June 30, 2021 and 2020 is as follows:

(in thousands of dollars)

Derivative Type	Location of Gain (Loss) Recognition in the Consolidated Statements of Activities and Changes in Net Assets	2021	2020
Equity, fixed income, and currency futures	Investment gain (loss) – non-operating	$ (1,251)	$ 3,585
Equity options contracts	Investment gain – non-operating	-	91
	Total	$ (1,251)	$ 3,676

Investment Returns

Investment returns, net of investment and management fees, for short-term and long-term investments, for the years ended June 30, 2021 and 2020 are as follows:

(in thousands of dollars)

	2021	2020
Interest and dividend income, net of fees	$ 5,459	$ 11,189
Net realized gains	15,602	10,396
Net unrealized gain (loss)	244,715	(3,914)
Total net return on investment	$ 265,776	$ 17,671

Returns earned on long-term investments are classified as non-operating activities in the consolidated statements of activities and changes in net assets, while returns earned on short-term investments and operating cash are classified as operating revenues. In addition, expenditures of accumulated investment return earned on board-designated funds functioning as endowment funds are classified as investment income designated for operations under operating revenues, and are deducted from non-operating investment returns, within net assets without donor restrictions.

The table below reconciles total net return on investment with the amounts presented in the consolidated statements of activities and changes in net assets:

(in thousands of dollars)

	2021	2020
Changes in net assets without donor restrictions		
Return on short-term investments and interest income	$ 1,774	$ 8,545
Investment income designated for operations	9,055	10,711
Non-operating investment gain	149,657	4,050
Less: Amounts designated for operations	(9,055)	(10,711)
Non-operating investment gain, net of amounts designated for operations	140,602	(6,661)
Changes in net assets with donor restrictions		
Non-operating investment gain	114,345	5,076
Total net return on investment	$ 265,776	$ 17,671

Endowment Net Assets

LUC's endowment consists of hundreds of individual funds established for a variety of purposes supporting LUC operations. Donor restricted endowment fund balances are classified and reported as net assets in accordance with donor specifications and GAAP. While funds functioning as endowment (quasi-endowments) are not subject to donor restrictions, approval by the Board of Trustees is required to spend from or otherwise alter the designated principal of these funds.

The LUC Board of Trustees has reviewed the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) and, having considered its rights and obligations thereunder, has determined that it is desirable for LUC to preserve, on a long-term basis, the original value of a contribution of a donor-restricted endowment fund as of the gift date, subject to any express language in the applicable endowment agreement indicating otherwise and pursuant to UPMIFA. Notwithstanding the foregoing, this determination is not intended to, and shall not, affect LUC's authority under UPMIFA to spend any amounts from an endowment fund on a short-term basis even if the market value of the endowment fund is below the original value of the contributions by the donor. As a result of this determination, LUC classifies as net assets with donor restrictions (a) the original value of gifts contributed to a donor-restricted endowment fund, and (b) the original value of subsequent gifts to a donor-restricted endowment fund.

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

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

LUC uses a total return-linked spending policy designed to preserve the value of the endowment fund in real terms (i.e. after inflation) and to generate a predictable stream of income to support spending. Endowment spending can consist of interest, dividends or accumulated capital gains, and the proportion of each varies from year to year.

The primary objective of the endowment investment policy is to provide a stable source of funding for LUC programs, financial aid, and faculty support that will maintain and expand the purchasing power of endowment payout over a long-term time horizon.

Target allocations, and acceptable ranges of deviation from them, are established in order to achieve a diversified investment portfolio that can adapt to changing market environments and investment opportunities. The endowment portfolio is also managed to ensure that, within the constraints of its asset allocation targets, sufficient liquidity is maintained to fund ongoing spending draws and the periodic funding requirements of its various investments.

The following table summarizes the asset allocation targets as of June 30, 2021 for the endowment and long-term investment portfolio:

Target Asset Class	Allocation
Global equity	55.0%
Private capital	20.0%
Real assets	2.5%
Opportunistic Credit	2.5%
Absolute Return	10.0%
Fixed income	10.0%
Total	100.0%

Current endowment spending policy establishes a maximum budgeted spending rate in any given year of 5% of an endowment fund's net assets. Proposals for endowed funds to apply a spending rate in excess of 5% must be approved as part of the annual budget approval process. Absent donor stipulations to the contrary, annual appropriations from an endowment fund are determined by application of an annually determined base budget calculation as of a measurement date preceding the beginning of the fiscal year in which the appropriated amounts are to be drawn.

Endowment net assets as of June 30, 2021 and 2020 are classified as follows:

(in thousands of dollars)	Without donor restrictions	With donor restrictions	Total
2021			
Donor-restricted endowment funds	$ -	$ 457,406	$ 457,406
Underwater endowments	-	(35)	(35)
Board-designated funds functioning as endowment funds	471,331		471,331
Total endowment net assets	$ 471,331	$ 457,371	$ 928,702
2020			
Donor-restricted endowment funds	$ -	$ 348,704	$ 348,704
Underwater endowments	-	(99)	(99)
Board-designated funds functioning as endowment funds	352,751	-	352,751
Total endowment net assets	$ 352,751	$ 348,605	$ 701,356

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the University has determined is required to be maintained as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. In the event an endowment falls underwater, current management practice is to allow spending so long as the fair value is at least 95% of the contributed gift value. A balance between 90 to 95% of gift value will allow for reduced spending, and at a fair value of 90% or below gift value, spending is not allowed until the fair value recovers above 90%.

At June 30, 2021 and 2020, the amount by which funds were underwater was calculated as follows:

(in thousands of dollars)

		2021		2020
Aggregate fair value	$	94	$	3,002
Aggregate original value		129		3,101
Aggregate deficiency	$	(35)	$	(99)

The following table provides a summary of the changes in the endowment net assets for the year ended June 30, 2021:

(in thousands of dollars) 2021		Without donor restrictions		With donor restrictions		Total
Endowment net assets, beginning of year	$	352,751	$	348,605	$	701,356
Contributions and other additions						
Contributions (excluding pledges)		-		7,150		7,150
Board-designated funds functioning as endowment		9,890		-		9,890
Total contributions and other additions		9,890		7,150		17,040
Total investment return, net		117,745		111,351		229,096
Income distributed for operating purposes						
Scholarships		(2,818)		(4,557)		(7,375)
Endowed Chairs		(1,779)		(2,578)		(4,357)
Research		(795)		(512)		(1,307)
Other		(3,663)		(2,088)		(5,751)
Total income distributed for operating purposes		(9,055)		(9,735)		(18,790)
Endowment net assets, end of year	$	471,331	$	457,371	$	928,702

Contributions of $7.2 million in fiscal year 2021 include $5.7 million received during fiscal year 2021 and $1.5 million received in prior years but designated to the endowment during fiscal year 2021.

The following table provides a summary of the changes in the endowment net assets for the year ended June 30, 2020:

(in thousands of dollars) 2020	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 353,713	$ 336,615	$ 690,328
Contributions and other additions			
Contributions (excluding pledges)	-	18,140	18,140
Board-designated funds functioning as endowment	5,458	-	5,458
Total contributions and other additions	5,458	18,140	23,598
Total investment return, net	3,091	3,576	6,667
Income distributed for operating purposes			
Scholarships	(2,987)	(4,439)	(7,426)
Endowed Chairs	(1,779)	(2,691)	(4,470)
Research	(912)	(526)	(1,438)
Other	(3,833)	(2,070)	(5,903)
Total income distributed for operating purposes	(9,511)	(9,726)	(19,237)
Endowment net assets, end of year	$ 352,751	$ 348,605	$ 701,356

Contributions of $18.1 million in fiscal year 2020 include $14.8 million received during fiscal year 2020 and $3.3 million received in prior years but designated to the endowment during fiscal year 2020.

Split-Interest Agreements

Split-interest agreements consist of arrangements with donors in which LUC shares an interest in the assets held and the benefits received with other beneficiaries. Split-interest agreements for which LUC is not the trustee may or may not be reported on the consolidated statements of financial position, depending on whether a donor or trustee has made LUC aware of the existence of LUC's beneficial interest. Known split-interest agreements for which LUC is not a trustee are reported as other assets in the consolidated statements of financial position.

The assets held under split-interest agreements (charitable trusts for which LUC is the trustee and assets held in respect to gift annuity contracts) were $11.2 million and $9.6 million, respectively, at June 30, 2021 and 2020 and are reported at fair value in endowment and other long-term investments in the consolidated statements of financial position. The discounted present value of any income beneficiary interest is included in accounts payable and other accrued expenses on the consolidated statements of financial position, and was $5.0 million and $5.2 million, respectively, at June 30, 2021 and 2020. The discount rate used is 6.0% in fiscal years 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the amounts related to split-interest agreements, in the non-operating activities section of the consolidated statements of activities and changes in net assets, are as follows:

(in thousands of dollars)

Description	Location in the Consolidated Statements of Activities and Changes in Net Assets		2021		2020
Discounted present value of new gifts subject to split-interest agreements	With Donor Restrictions Non-Operating - Gifts	$	-	$	41
Actuarial losses on split-interest agreements	With Donor Restrictions Non-Operating - Other	$	(444)	$	(521)

(5) Interest Held in Perpetual Trust

LUC's interest held in perpetual trust is classified as Level 3 in the fair-value hierarchy. The table below summarizes the changes in LUC's fair value measurements for the interest held in perpetual trust as of June 30, 2021 and 2020:

(in thousands of dollars)

		2021		2020
Beginning of year	$	12,899	$	14,102
Contributions		-		-
Realized gain		307		263
Unrealized gain (loss)		3,054		(364)
Distributions		(196)		(1,102)
End of year	$	16,064	$	12,899

(6) Revenue from Contracts with Customers (Revenue Recognition)

Disaggregation of Revenue

As presented in the consolidated statement of activities and changes in net assets, the University has various sources of operating revenue described below:

Tuition and fees, net of scholarships
LUC's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate, and professional degree granting programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees and laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

Tuition scholarships awarded by LUC represent a reduction of the tuition transaction price. LUC awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year, and are applied to the students' account during each academic term.

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting bodies. LUC's academic terms generally consist of Fall, January, Spring, and Summer terms. Academic terms are determined by start dates, which vary by program and are generally 8-16 weeks in length. Except for certain programs in the Summer term, the academic terms generally have start and end dates that fall within the University's fiscal year.

The University bills tuition and fees in advance of each academic term, and recognizes the tuition and fees revenue on a straight-line basis, as the educational services are performed, over the academic term or program. Students are typically entitled to a partial refund through approximately the first third of an academic term. Once a student reaches the point in the academic term where no refund is given, generally no refunds are due if the student withdraws subsequent to that date.

Students pay tuition and fees (net of scholarships) through a variety of funding sources, including among others, federal loan and grant programs, state grant programs, institutional payment plans, employer reimbursement, Veterans' Administration and other military funding and grants, private and institutional scholarships and borrowings, and cash payments.

Auxiliary services
Auxiliary services revenue consists primarily of fees for room and dining services (board) during the student's education. The University considers that room fees and dining services are each separate performance obligations.

Room fees are charged at different rates depending on the residence hall and room accommodations. Room fees are billed in advance of each academic term, and recognized as revenue on a straight-line basis over the period housing is provided. While the University believes the residential experience is an integral part of a student's education and the Loyola experience, the University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first- and second-year students are expected to live on campus, exemptions are possible, primarily for students living with family or married students.

Dining service fees are charged at different rates depending on the level of access to dining services during the term of the agreement. Dining services are billed in advance of each academic term, and are recognized as revenue ratably over the period during which the dining services are offered.

Some scholarships may be applied against room and board and therefore represent a reduction of the transaction price. Such awards are generally granted for the academic year, and are applied to the student's account during each academic term. Room and board scholarships of $1.8 million and $1.6 million were included as a reduction in auxiliary services revenue as of June 30, 2021 and 2020, respectively.

In response to the coronavirus pandemic and the national emergency declared in March 2020, the University closed its residence halls for the remainder of the Spring 2020 semester. The University issued approximately $13.0 million of credits to student accounts for the unearned portion of the Spring 2020 semester's room and board fees. The residence halls remained closed during the Fall 2020 semester. With the availability of COVID-19 surveillance testing and mitigation protocols, the residence halls opened to a reduced number of students for the Spring 2021 semester.

In addition to room and board, auxiliary services includes revenue earned for various conference services offered by the University. Revenue from conference services is recognized once the performance obligations are complete. Due to the pandemic, conference services activity was extremely limited during fiscal year 2021 compared with prior years.

Academic support
Revenue in this category pertains to revenue earned by the University under the Academic Affiliation Agreement with Loyola University Health System (LUHS) and Loyola University Medical Center (LUMC).

The University's education and research mission and programs, including the University's Stritch School of Medicine, Marcella Niehoff School of Nursing, the Parkinson School of Health Sciences and Public Health, and other health science and research programs, represent an integral part of and support the delivery of health care and related clinical services operated by LUHS and LUMC. The academic support amount of $22.5 million established in 2011 is adjusted annually based on the consumer price index. The University collects the payment monthly. As of June 30, 2021, the University fully collected the academic support payment for fiscal years 2021 and prior.

LUHS and LUMC are owned and operated by Trinity Health. See Note 18, *Relationship with Trinity Health*, for additional information.

Other operating revenue
This category consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University, revenue from seminars and workshops, athletic-related ticket sales and sponsorships, health and fitness center membership fees, and royalties. Revenue from these activities is generally recognized as services are performed. Due to the pandemic, other revenue was lower in fiscal year 2021 compared with prior years, primarily due to lower rental income from residential and commercial property leases and health and fitness center membership fees.

Contract Assets and Deferred Revenue

The University bills for tuition, fees, room and board in advance of the academic term. The student receivable is recognized only once the University has an unconditional right to receive payment because the programs have reached the point at which the amount billed is no longer refundable to the student. A liability for deferred revenue is recognized for the portion of tuition, fees, room and board, whether recognized as a receivable or collected, for which the University has not completed the performance obligations.

The University's academic terms generally have start and end dates that fall within the University's fiscal year. As a result, the substantial majority of tuition, fee, room, and board performance obligations are fulfilled prior to the University's fiscal year end.

Due to the start and end dates for programs in the Summer academic term in relation to the University's fiscal year end, the University recognizes a contract asset and corresponding revenue for tuition, fees, room, and board services which have been delivered as of June 30th, but for which the University does not yet have the unconditional right to receive payment as the students have not reached the point in the academic term at which the amount billed is no longer refundable to the student. Due to the timing of programs during the 2021 Summer term, no contract assets were recorded as of June 30, 2021.

As the academic terms are typically measured in weeks, contract asset and deferred revenue balances which exist at the end of a fiscal year will generally become a student receivable or revenue, respectively, within the following fiscal year. As of the end of each fiscal year, the University determines a new contract asset or deferred revenue balance for those programs which overlap the University's fiscal year end and are not yet unconditional or earned.

The deferred revenue balances as of June 30, 2021 and June 30, 2020, are presented below:

(in thousands of dollars)	Contracts Performed Within One Year		Contracts Greater than One Year	
	Tuition, fees, room, and board	Other	Other	Total
Deferred revenue as of June 30, 2021	$ 23,610	$ 1,655	$ 5,655	$ 30,920
Deferred revenue as of June 30, 2020	$ 19,886	$ 3,058	$ 6,023	$ 28,967

The deferred revenue related to contracts greater than one year was $5.0 million and $6.0 million as of June 30, 2021 and 2020, respectively. The deferred revenue will primarily be recognized on a straight-line basis over the remaining term of a contract which continues through fiscal year 2030.

Significant Judgments

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While ASC Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, LUC applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. LUC reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

For tuition and fees, room, and dining services, the University has determined that contracts for these services can be grouped into a portfolio, specific to each of these three performance obligations. Based on the University's experience, students at different campuses or in different programs have similar characteristics concerning the University's approach to revenue recognition. Agreements concerning enrollment, student financial responsibility, housing, and dining plans each contain terms, which clarify the performance obligations and eligibility for refunds or fee adjustments. These agreements are fundamentally the same regardless of the program of study.

For contracts with customers not pertaining to tuition and fees, room, and board, the University generally applies the revenue recognition guidance on an individual contract basis.

Significant judgment is also required to assess collectability. For the majority of tuition and fees, the University receives cash receipts for tuition payments from various federal and state of Illinois government agencies. Students are required to provide documentation to the Department of Education to be eligible and approved for funding. The University monitors the progress of students through the eligibility and approval process for these financial aid programs. These cash receipts represent a substantial portion of overall billings and have an expected low risk of collectability. For the remainder of tuition and fees, room, and board, the University monitors for situations which would require a reassessment of collectability.

See Note 7, *Notes and Accounts Receivable, Net*, for additional information concerning student and other receivables and related allowance for doubtful accounts. Given the nature of the University's contracts with customers, there are no incremental costs of obtaining a contract and no significant financing components. During the fiscal year, there were no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

(7) Notes and Accounts Receivable, Net

Notes and accounts receivable, net, at June 30, 2021 and 2020 consist of the following:

(in thousands of dollars)	June 30, 2021 Notes and Accounts Receivable	June 30, 2021 Allowance for doubtful accounts	June 30, 2021 Notes and Accounts Receivable, net	June 30, 2020 Notes and Accounts Receivable, net
Student receivables	$ 11,796	$ (4,415)	$ 7,381	$ 8,722
Student loan notes				
Federal government programs	11,212	(1,651)	9,561	11,804
Institutional/other programs	2,414	(691)	1,723	1,650
Contributions receivable	20,260	(1,037)	19,223	21,318
Grants receivable	6,530		6,530	5,711
Other receivables	7,804	(580)	7,224	6,499
Total	$ 60,016	$ (8,374)	$ 51,642	$ 55,704

Student receivables

These balances represent amounts billed to students related to their academic experience at LUC, and for which the University has an unconditional right to receive payment because the programs have reached the point at which the amount billed is no longer refundable to the student. The student receivables' allowance for doubtful accounts is established based on collection experience. The following table summarizes the change in the student receivables allowance for doubtful accounts during fiscal years 2021 and 2020:

(in thousands of dollars)	Balance, Beginning of Period	Allowance Increase	Amounts Written-off	Balance, End of Period
Allowance for doubtful accounts - Student receivables				
For the year ended June 30, 2021	$ (4,444)	$ (886)	$ 915	$ (4,415)
For the year ended June 30, 2020	$ (4,818)	$ (2,431)	$ 2,805	$ (4,444)

Student loan notes

Student loan notes consist of uncollateralized loans to students based on financial need. Student loan notes are primarily funded through federal government loan programs and to a lesser extent by institutional or other programs. At June 30, 2021 and 2020, student loan notes represented less than 1% of total assets.

The student loan notes funded through the federal government consist primarily of loan notes related to the federal Perkins revolving loan program, which provided low-interest loans to students with financial need. This federal program expired on September 30, 2017, with final loan disbursements allowed through June 30, 2018. Although no new Perkins loans are permitted, recipients of the Perkins loans have an obligation to repay the University, which in turn pays the federal government. LUC participates in other government revolving loan programs that function in a similar manner. The availability of funds for loans under federal programs other than Perkins is dependent on reimbursements to the pool from repayments on outstanding loans.

The liability for refundable U.S. government student loan funds in the consolidated statements of financial position was $12.5 million and $15.0 million at June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, LUC had past due student loans of $2.7 million and $3.3 million, respectively. The allowance for doubtful accounts is established based on collection experience. The following table summarizes the change in the student loan notes' allowance for doubtful accounts during fiscal years 2021 and 2020:

(in thousands of dollars)	Balance, Beginning of Period	Allowance Decrease (Increase)	Amounts Written-off	Balance, End of Period
Allowance for doubtful accounts - Student loan notes				
For the year ended June 30, 2021	$ (2,614)	$ 32	$ 240	$ (2,342)
For the year ended June 30, 2020	$ (2,768)	$ (135)	$ 289	$ (2,614)

Contributions receivable

Contributions receivable represent unconditional promises to give from donors, collectible in future years. Contributions receivable are recorded after discounting to the present value of the expected future cash flows. Significant fluctuation in the discount rates utilized in this calculation could result in a material change. The discount is computed using an estimated market interest rate that approximates the expected return of an intermediate term bond portfolio for a similar time horizon. The weighted average discount rate utilized at June 30, 2021 and June 30, 2020 was 5.3%. An allowance for uncollectible contributions is established based upon management's judgment of the collectability of outstanding pledges.

Contributions receivable at June 30, 2021 and 2020 are due in the following periods:

(in thousands of dollars)	2021	2020
In one year or less	$ 3,427	$ 4,572
Between one year and five years	13,367	13,934
More than five years	9,368	10,534
Present value discount	(5,902)	(6,761)
Total	20,260	22,279
Allowance for uncollectible contributions	(1,037)	(961)
Total contributions receivable, net	$ 19,223	$ 21,318

Grants receivable

Grants receivable consists of amounts from federal and local government agencies and private entities related to sponsored programs. The balance of $6.5 million as of June 30, 2021 is expected to be collected within the next fiscal year.

Other receivables

Other receivables consist of amounts expected to be collected from third parties related to the University's operations and programs. LUC expects to collect $3.5 million of the $7.2 million balance as of June 30, 2021 within the upcoming fiscal year. The University regularly assesses the adequacy of the allowance for doubtful accounts, and balances are written off when deemed uncollectible.

(8) Land, Buildings and Equipment, Net

Components of land, buildings, and equipment at June 30, 2021 and 2020 are as follows:

(in thousands of dollars)

	2021	2020
Land and land improvements	$ 223,629	$ 221,269
Buildings	1,479,599	1,413,985
Equipment	158,288	150,251
Library books and art	19,450	19,404
Construction in progress	5,195	57,062
Total	1,886,161	1,861,971
Accumulated depreciation	(828,557)	(770,660)
Land, buildings, and equipment, net	$ 1,057,604	$ 1,091,311

At both June 30, 2021 and 2020, LUC included $0.3 million of capitalized asset retirement costs within net land, buildings, and equipment. LUC had $3.0 million of conditional asset retirement obligations included within other liabilities in the consolidated statements of financial position at both June 30, 2021 and 2020, respectively.

Liabilities of $2.6 million and $5.8 million related to building construction and renovations and purchases of equipment are included in accounts payable and accrued expenses in the consolidated statements of financial position as of June 30, 2021 and 2020, respectively.

At June 30, 2021, LUC had commitments of $23.2 million related to various capital projects.

(9) Indebtedness

Notes and bonds payable at June 30, 2021 and 2020 are shown below:

(in thousands of dollars)	Final Maturity (Fiscal Year)	Interest Rate	2021	Interest Rate	2020
Fixed rate:					
Illinois Finance Authority (IFA) (formerly Illinois Educational Facilities Authority (IEFA)):					
Series 2003B taxable bonds	2022	5.60%	$ 13,215	5.60%	$ 25,710
Series 2012B tax-exempt bonds	2043	5.00%	79,190	5.00%	81,640
Series 2012A taxable bonds	2043	3.20-4.63%	157,220	3.20-4.63%	157,220
2017 term note	2024	2.56%	21,420	2.56%	21,760
2020 term note	2035	2.79%	74,040	2.79%	74,040
Rome Center mortgage note (1)	2029	1.51%	8,015	1.51%	8,482
Total fixed rate principal debt (2)		3.93%	353,100	3.99%	368,852
Unamortized debt premium			4,430		5,164
Unamortized debt issuance costs			(734)		(857)
Total bonds and notes payable			356,796		373,159
Capital lease obligations (3)			-		68
Total indebtedness			$ 356,796		$ 373,227

(1) Principal amount outstanding is subject to currency (euro) fluctuations.

(2) Interest rate represents the weighted average interest rate on all outstanding principal debt at June 30, 2021 and June 30, 2020, respectively.

(3) LUC adopted ASU No. 2016-02, *Leases (Topic 842)* effective July 1, 2020 and therefore lease obligations are no longer reported as a part of Indebtedness. See Note 10, *Leases*, for additional information on lease liabilities.

In March 2020, LUC entered into a Term Loan Agreement with PNC Bank, National Association, in the amount of $74.0 million at a fixed interest rate of 2.79%, payable semi-annually. The proceeds from this term loan were used to pay in full $74.0 million of IFA 2008 tax-exempt variable-rate commercial paper outstanding at that time.

Effective as of June 12, 2020, LUC entered into a 364-day credit facility with Wintrust Bank, N.A. under which LUC was able to borrow up to $75 million on a revolving basis. Borrowings under the facility were subject to interest at rates based on LIBOR, the Federal Funds Rate or other negotiated rates. The credit facility terminated on June 11, 2021. During fiscal year 2021, there was no balance outstanding nor any interest payable on this facility.

Effective as of August 19, 2020, LUC entered into a 364-day credit facility with PNC Bank, National Association, under which LUC may borrow up to $25 million on a revolving basis and which terminates on August 18, 2021. Borrowings under this facility may bear interest at rates based on LIBOR, the Federal Funds Rate, the Prime Rate, or other negotiated rates. As of June 30, 2021 and for the fiscal year then ended, there was no balance outstanding nor any interest payable on this facility.

LUC did not record any capitalized interest at June 30, 2021 and 2020, respectively. Bond discounts, premiums, and costs incurred in connection with the issuance of bonds are deferred and amortized over the life of the related indebtedness.

Interest paid during the years ended June 30, 2021 and 2020 was $13.9 and $14.3 million, respectively.

Debt Covenants

Certain debt agreements require the maintenance of financial ratios or impose other restrictions. Management believes LUC is in compliance with financial debt covenants as of June 30, 2021.

Debt Maturities

Total scheduled maturities for the next five fiscal years are:

(in thousands of dollars)

Fiscal Year		
2022	$	17,095
2023		68,484
2024		17,294
2025		13,979
2026		21,379
Thereafter		214,869
	$	353,100

Disclosure of Fair Value of Long-term Debt

The fair value of the outstanding long-term debt as of June 30, 2021 and 2020 is as follows:

(in thousands of dollars)	2021		2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	$392,619	$356,796	$406,674	$373,159

The fair value of long-term debt is determined based on discounted cash flows or market prices for comparable borrowings as of June 30, 2021 and 2020. Long-term debt is classified as Level 2 in the fair value hierarchy.

(10) Leases

The University has contractual arrangements where it is a lessee. Separately, the University has contractual agreements where the University is a lessor. A lessee is generally defined as the entity paying for the use of specific property from a lessor. A lessor is defined as an entity that provides the right to use an asset for a period of time in exchange for consideration.

Lessee Disclosures

As a lessee, LUC analyzes each lease agreement to determine whether it should be classified as an operating or finance lease. In addition, LUC evaluates service contracts that involve the use of an identified asset (such as property, plant, or equipment) to determine if the contract contains a lease. As of June 30, 2021, LUC has no financing leases. For operating leases, the University recognizes in the consolidated statement of financial position a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments. Payments made on the lease liability, as well as the amortization of the right-of-use asset are recognized as rent expense over the term of the lease on a straight-line basis in the consolidated statement of activities. The cash payments for operating leases are classified within the operating activities in the statement of cash flows.

LUC has a land lease in which it is the lessee. As of June 30, 2021, LUC has a right-of-use asset of $1.4 million and a corresponding lease liability of $1.4 million for the future obligations of this lease discounted by LUC's estimated incremental borrowing rate of 2.0%.

The table below summarizes the undiscounted cash flows for future lease liability payments for the years ended June 30:

(in thousands of dollars)

Fiscal Year		Payments
2022	$	120
2023		120
2024		123
2025		127
2026		131
Thereafter		951
Total minimum lease payments		1,572
Present Value Discount		(188)
Total lease liability	$	1,384

Lessor Disclosures

The University is the lessor for residential and commercial lease arrangements.

LUC leases residential apartments in proximity to the University's Lake Shore Campus to its students and to the local campus community. Residential leases primarily contain terms of 12 months or less. The lease payments are fixed and not variable. Any desire by a tenant to extend a lease beyond the term of the original lease results in a new lease. All rent revenue is recognized on a straight-line basis over the term of the lease, and is included under other operating revenue in the consolidated statements of activities.

LUC also leases portions of certain buildings to commercial tenants. Commercial lease terms range from 5 to 10 years, with options to extend in 5 year increments. Five year leases typically consist of a fixed base rent along with the addition of common area maintenance (CAM) charges and real estate tax reimbursements. Percentage rent leases are minimal but represent a portion of lease concessions that have been granted due to the COVID-19 pandemic. Most of these leases will revert back to base terms at the end of a predetermined timeframe.

The standard policy for commercial rent is to establish a schedule with incremental increases for each tenant based on various factors including location, tenant needs, and expected real estate tax obligations. Rent revenue is recognized on a straight-line basis over the term of the lease, inclusive of concessions such as tenant improvement allowances. Most concessions to rent payments are in the form of abatements and are generally negotiated on a per tenant basis and are not material to the overall rent schedule. In the event concessions are ongoing and will change the overall terms and obligations of the lease, a lease modification is negotiated. Rent revenue is included under other operating revenue in the consolidated statements of activities.

As a lessor, LUC has certain leases that have terms different than described above. These include a land lease with a term of 99 years, set to expire in calendar year 2100, with a base rent that is subject to an annual adjustments in line with the consumer price index. In addition, there are two leases whose rents are calculated as a percent of the lessees' gross sales.

During the year ended June 30, 2021 LUC recognized rental revenue of $11.3 million for its residential and commercial leases. LUC also granted $1.0 million in rent abatements due to COVID-19 hardships experienced by its commercial tenants. In accordance with the FASB's April 2020 question-and-answer document on the application of the lease accounting guidance for lease concessions related to the effects of the COVID-19 pandemic, LUC accounted for these rent concessions as negative variable lease payments, which reduced revenue.

The table below summarizes the expected annual lease revenue to be received by LUC for both residential and commercial leases for the years ended June 30:

(in thousands of dollars)

Fiscal Year		Rent Receipts
2022	$	10,888
2023		10,884
2024		10,614
2025		10,455
2026		10,221
Thereafter		202,689

The net book value of the underlying building assets related to LUC's leasing activities as of June 30, 2021 is $42.0 million, or approximately 4.0% of the University's total land, building, and equipment. The majority of this value is for buildings that are fully occupied by residential or commercial tenants. The amount also includes that portion of the net book value of buildings leased to commercial tenants in buildings primarily used for University academic and administrative activities.

(11) Financial Assets and Liquidity Resources

LUC actively monitors liquidity required to meet its general expenditures. General expenditures include operating expenses, principal and interest payments on debt, pension and post-retirement plan payments, and internally funded capital projects. The annual cash cycle has seasonal variations primarily related to the timing of tuition billings and the receipt of gifts and pledge payments. Cash in excess of daily requirements is invested in short-term investment and money market funds to ensure adequate liquidity.

The following table reflects financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year. Approximately $491.1 million and $423.4 million of financial assets could readily be made available within one year of that date to meet general expenditures, as follows:

(in thousands of dollars)

Financial assets at June 30:		2021		2020
Cash and cash equivalents	$	106,198	$	77,880
Short-term investments		208,533		201,806
Notes and accounts receivable, net		51,642		55,704
Endowment and other long-term investments		1,072,247		811,734
Assets held in trust by others		2,294		2,290
Total financial assets	$	1,440,914	$	1,149,414
Less amounts not available for general expenditures within one year:				
Student loan notes – Federal government programs and other restricted loans		(11,284)		(13,454)
Contributions receivable due in more than one year or restricted by donor with time or purpose restrictions		(18,212)		(20,307)
Other receivables due in more than one year		(3,769)		(3,790)
Donor restricted endowment funds, net of appropriation for the following fiscal year		(443,224)		(335,870)
Board designated endowment funds, net of appropriation for the following fiscal year		(459,771)		(340,700)
Split-interest agreements		(11,216)		(9,581)
Assets held in trust by others		(2,294)		(2,290)
Total financial assets not available to meet general expenditures within one year	$	(949,770)	$	(725,992)
Total financial assets available to meet general expenditures within one year	$	491,144	$	423,422

In addition to the available financial assets noted above, LUC also had unsecured lines of credit available to meet general expenditures within one year of June 30, 2021 and 2020, respectively, as follows:

(in thousands of dollars)		2021		2020
Total available lines of credit	$	50,000	$	100,000

Refer to Note 9, *Indebtedness,* and Note 21, *Subsequent Events*, for more information regarding the lines of credit.

LUC has generally operated with a balanced budget and collects sufficient revenue to cover operating expenses not covered by donor-restricted resources. The consolidated statements of cash flows present the sources and uses of LUC's cash and shows net cash provided by operating activities of $69.7 million and $89.2 million for fiscal years 2021 and 2020, respectively. Refer to Note 17, *Contingencies*, for information regarding COVID-19 and the impact on University operations.

(12) Retirement Plans

LUC maintains a defined contribution retirement plan and a defined benefit retirement plan (LUERP).

Defined Contribution Retirement Plan

Effective April 1, 2004, LUC established a defined contribution retirement plan. LUC's expense under this plan was $11.7 million and $22.4 million for fiscal years 2021 and 2020, respectively. During a portion of fiscal year 2021, in response to the uncertainty caused by the pandemic, LUC temporarily suspended its contributions to the plan. The University's contributions to the plan were reinstated prospectively beginning in March 2021.

Defined Benefit Retirement Plan (LUERP)

LUC froze pension benefits in LUERP effective March 31, 2004 for all but a grandfathered group of "ameliorated" participants. This group was allowed to continue to earn additional Adjusted Benefit Credited Service accruals for a period of up to five years. The LUERP plan is governed by ERISA.

In June 2021, the LUERP executed an annuity purchase to transfer monthly retiree and beneficiary annuity payments of less than $600 per month to an insurance company. The non-revocable annuity purchase agreement was signed June 28, 2021 and assets were transferred from the trust as of July 1, 2021. The annuity purchase transaction is recorded consistent with settlement accounting. The following disclosures as of June 30, 2021 remove both the benefit obligation and plan assets related to this annuity purchase agreement.

Summary information for the defined benefit retirement plan is as follows:

(in thousands of dollars)

	2021	2020
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 90,533	$ 85,298
Interest cost	2,094	2,652
Benefits paid	(3,525)	(6,341)
Settlements related to annuity purchase agreement	(15,057)	-
Settlements	(1,747)	-
Actuarial (gain) loss	(2,402)	8,924
Projected benefit obligation, end of year	$ 69,896	$ 90,533
Change in plan assets		
Fair value of plan assets, beginning of year	$ 65,132	$ 59,415
Actual return on plan assets	7,533	5,307
Employer contributions	2,449	6,751
Settlements related to annuity purchase agreement	(15,057)	-
Settlements	(1,747)	-
Benefits paid	(3,525)	(6,341)
Fair value of plan assets, end of year	$ 54,785	$ 65,132
Funded status of the plan		
Pension liability included in the consolidated statements of financial position	$ (15,111)	$ (25,401)

The accumulated benefit obligation for the defined benefit retirement plan was $69.9 million and $90.5 million for fiscal years 2021 and 2020, respectively.

(in thousands of dollars)

		2021		2020
Change in amounts not yet recognized in net periodic pension cost and included in net assets without donor restrictions				
Beginning of year	$	65,047	$	60,823
Current year actuarial (gain) loss		(7,544)		6,473
Effect of settlement related to annuity purchase agreement		(9,554)		-
Settlements		(1,106)		-
Amortization of actuarial loss		(2,491)		(2,249)
End of year	$	44,352	$	65,047
Components of net periodic pension expense				
Service cost	$	-	$	-
Interest cost		2,094		2,652
Expected return on plan assets		(2,392)		(2,855)
Net amortization		2,491		2,249
Net periodic pension expense		2,193		2,046
Effect of settlement related to annuity purchase agreement		9,554		-
Settlement expense		1,106		-
Disclosed net periodic pension expense	$	12,853	$	2,046

Net actuarial loss of $1.5 million for the plan will be amortized as non-operating activities from net assets without donor restrictions in the consolidated statements of activities during fiscal year 2022.

Estimated future benefit payments

Estimated future benefit payments for the years ended June 30 are as follows:

(in thousands of dollars)

Fiscal Year		Payments
2022	$	11,963
2023		5,214
2024		5,116
2025		4,934
2026		5,037
Thereafter		20,047

LUC expects to make employer contributions of $2.8 million to the defined benefit retirement plan in fiscal year 2022.

Actuarial Assumptions

The weighted average assumptions used in the accounting for the defined benefit retirement plan are as follows:

	2021	2020
Discount rate - benefit obligations	2.65%	2.50%
Discount rate - pension expense	2.50%	3.38%
Rate of compensation increase	n/a	n/a
Expected long-term return on assets	4.50%	4.00%

University management develops the estimate of the expected long-term rate of return on plan assets based upon the investment mix and the expected rates of return for the various investment strategies employed. Return assumptions for the LUERP portfolio are based upon expectations developed for each asset class in which the plan invests, along with the asset allocation targets employed in management of the portfolio and are net of expenses charged to the plan. Asset class expectations are the result of models incorporating historical performance, correlation across assets, and economic and market forecasts.

LUERP assets are held in trust by an external trustee. The trust portfolio is managed in accordance with the policies established by the LUERP Retirement Allowance Committee. Investments are made for the exclusive purpose of providing benefits to plan beneficiaries, with consideration given to preservation of capital and such long-term growth in the plan's assets as may fairly balance the need for reasonable return against investment risk. The investment objective is to achieve an asset growth rate through capital appreciation and current income approximately equal to or in excess of the growth in the liabilities of the plan. The LUERP portfolio maintains diversified exposure across asset classes that are intended to mitigate the impact of changes in interest rates on plan liabilities and to provide growth in the portfolio value over time.

The defined benefit retirement plan asset allocation at the June 30 measurement date was as follows:

	2021	2020
Cash and cash equivalents, net [1]	(3)%	(1)%
Equity securities	32%	37%
Fixed income securities	46%	45%
Diversifying Strategies	13%	9%
Other, including real estate	12%	10%
Total	100.0%	100.0%

[1] Amounts are net of pending trade settlements and derivative offsets.

The table below summarizes LUC's fair value measurements of the LUERP investment portfolio by the fair value hierarchy level and NAV as a practical expedient as of June 30, 2021. Fair values in certain categories include the value of notional exposure to related index futures.

(in thousands of dollars)

2021	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents, net [1]	$ (1,702)	$ (1,702)	$ -	$ -	$ -
U.S. marketable equity securities	1,546	1,546			
U.S. marketable equity mutual funds	2,901	2,901			
U.S. marketable equity commingled funds	4,132				4,132
Non-U.S. marketable equity securities	519	519			
Non-U.S. marketable equity mutual funds	4,232	4,232			
Non-U.S. marketable equity commingled funds	4,044				4,044
Other equity securities	17			17	
Fixed income mutual funds	1,486	1,486			
Fixed income commingled funds	5,496				5,496
U.S. Treasury and government agency debt obligations	18,187	6,703	11,484		
Multi-strategy commingled funds	6,995				6,995
Private equity investments	44				44
Real assets commingled funds	6,883				6,883
Private real assets investments	5				5
Total	$ 54,785	$ 15,685	$ 11,484	$ 17	$ 27,599

[1] Amounts are net of pending trade settlements and derivative offsets.

The table below summarizes the changes in fair value of the LUERP Level 3 investments for the years ended June 30, 2021 and 2020:

(in thousands of dollars)

	2021	2020
Beginning of year	$ 48	$ 48
Realized gain	220	-
Sales	(251)	-
End of year	$ 17	$ 48

The table below summarizes LUC's fair value measurements of the LUERP investment portfolio by the fair value hierarchy level and NAV as a practical expedient as of June 30, 2020. Fair values in certain categories include the value of notional exposure to related index futures.

(in thousands of dollars)

2020	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents, net [1]	$ (728)	$ (728)	$ -	$ -	$ -
U.S. marketable equity securities	4,798	4,798			
U.S. marketable equity mutual funds	3,477	3,477			
U.S. marketable equity commingled funds	3,653				3,653
Non-U.S. marketable equity securities	1,681	1,681			
Non-U.S. marketable equity mutual funds	5,053	5,053			
Non-U.S. marketable equity commingled funds	5,544				5,544
Other equity securities	48			48	
Fixed income mutual funds	2,228	2,228			
Fixed income commingled funds	5,191				5,191
U.S. Treasury and government agency debt obligations	21,990	3,812	18,178		
Multi-strategy commingled funds	5,452				5,452
Private equity investments	68				68
Real assets commingled funds	6,671				6,671
Private real assets investments	6				6
Total	$ 65,132	$ 20,321	$ 18,178	$ 48	$ 26,585

[1] Amounts are net of pending trade settlements and derivative offsets.

There were no changes in fair value of the LUERP Level 3 investments for the year ended June 30, 2020.There were no significant transfers between fair value hierarchy levels for the years ended June 30, 2021 and 2020.

(13) Other Postretirement Benefits

LUC has a defined benefit retiree health plan covering eligible employees upon their retirement. In June 2018, the University announced the Retiree Health Reimbursement Account (RHRA) will be closed to new participants not age 50 as of January 1, 2019. Retirees are eligible for an annual allocation of $1,500 to be used by the retiree or spouse towards qualified medical expenses and for purchasing supplemental Medicare coverage. Participants in the plan will be able to earn additional service needed to meet the age 60 and 10 years of continuous service requirement to receive a benefit at retirement. Also beginning January 1, 2019, employees and retirees with RHRA balances will no longer receive future accruals or annual interest credits towards the RHRA.

Summary information for the defined benefit retiree health plan is as follows:

(in thousands of dollars)

		2021		2020
Change in benefit obligation				
Benefit obligation, beginning of year	$	38,397	$	37,612
Service cost		-		-
Interest cost		675		1,044
Participant contributions		24		32
Benefits paid		(3,239)		(2,726)
Actuarial (gain) loss		(512)		2,435
Benefit obligation, end of year	$	35,345	$	38,397
Change in plan assets				
Fair value of plan assets, beginning of year	$	-	$	-
Employer contributions		3,215		2,694
Participant contributions		24		32
Benefits paid		(3,239)		(2,726)
Fair value of plan assets, end of year	$	-	$	-
Funded status of the plan				
Other post retirement liability included in the consolidated statements of financial position	$	(35,345)	$	(38,397)
Change in amounts not yet recognized in net periodic benefit cost and included in net assets without donor restrictions				
Beginning of year	$	(3,188)	$	(6,070)
Net prior service credit amortization		447		447
Current year actuarial (gain) loss		(512)		2,435
End of year	$	(3,253)	$	(3,188)
Components of net periodic postretirement benefit cost				
Service cost	$	-	$	-
Interest cost		675		1,044
Net periodic postretirement benefit cost		675		1,044
Net prior service credit amortization		(447)		(447)
Total benefit cost	$	228	$	597
Discount Rate		1.92%		1.85%

The discount rate used to calculate the benefit obligation for the year ended June 30, 2021 and the benefit cost for fiscal year 2022 is 1.92%. The discount rate used to calculate the benefit cost for fiscal year 2020 was 1.85%.

Health care cost trend rate assumptions for the plan

As a result of plan amendments announced in previous years, health care cost trend rate assumptions are no longer applicable.

Estimated future benefit payments

Estimated future benefit payments for the years ended June 30 are as follows:

(in thousands of dollars)

Fiscal Year		Payments
2022	$	4,480
2023		4,706
2024		4,699
2025		4,514
2026		4,129
Thereafter		12,518

(14) Functional Classification of Expenses

The University's primary program services are academic, instruction, and research. Student services, auxiliary and institutional support expenses are incurred in support of primary activities. The University allocates the operation and maintenance of University facilities, interest, and depreciation and amortization expenses attributable to more than one functional expense category using various cost allocation methodologies such as square footage, direct usage, and employee headcount.

Expenses by functional classification for the years ended June 30, were as follows:

(in thousands of dollars) 2021	Academic, Instruction & Research	Student Services & Auxiliary	Institutional Support	Total
Operating expenses:				
Salaries, wages and fringe benefits	$ 239,742	$ 36,811	$ 47,651	$ 324,204
Non-salary operating expenses	47,154	32,304	29,533	108,991
Depreciation and amortization	32,619	16,985	9,355	58,959
Insurance and utilities	4,573	3,113	6,616	14,302
Interest	3,259	7,915	2,033	13,207
Higher Education Emergency Relief Fund Student aid [1]	-	13,098	-	13,098
Total	$ 327,347	$ 110,226	$ 95,188	$ 532,761
2020				
Salaries, wages and fringe benefits	$ 248,252	$ 42,692	$ 51,061	$ 342,005
Non-salary operating expenses	52,942	48,891	31,571	133,404
Depreciation and amortization	32,731	15,711	9,508	57,950
Insurance and utilities	5,161	3,765	5,895	14,821
Interest	2,853	8,170	2,219	13,242
Tenured Faculty Voluntary Transition Incentive Program [2]	22,307	-	-	22,307
Total	$ 364,246	$ 119,229	$ 100,254	$ 583,729

[1] See Note 16, *Higher Education Emergency Relief Fund,* for further information.

[2] See Note 19, *Tenured Faculty Voluntary Transition Incentive Program,* for further information.

Fundraising expenses of $11.1 million and $12.2 million are included primarily in institutional support for fiscal years ending June 30, 2021 and 2020, respectively.

LUC receives revenue from grants and contracts for sponsored projects. Federal and local government agencies and private entities support research, training, academic programming, and other sponsored programs. Expenditures for these sponsored programs, totaling $37.0 million during fiscal year 2021 and $34.5 million during fiscal year 2020 are included in the tables above primarily under academic, instruction, and research.

LUC is generally not subject to federal and state income taxes. However, LUC is subject to unrelated business income taxes on income that is derived from a trade or business that is regularly carried on and not substantially related to furtherance of the purpose for which the exemption was granted. The University's estimated unrelated business income tax liability was $38 thousand and $0.1 million as of June 30, 2021 and 2020, respectively. The estimated income tax liability arises from various auxiliary services such as conference services, fitness center public memberships, athletic sponsorships with advertising, and service agreements.

(15) Net Assets

Net assets as of June 30, 2021 were as follows:

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Perpetual:			
Endowment	$ -	$ 205,664	$ 205,664
Underwater endowments	-	(35)	(35)
Endowment – board designated	471,331	-	471,331
Other	-	21,368	21,368
Subtotal	471,331	226,997	698,328
Time or purpose:			
Endowment returns subject to future appropriation	-	249,334	249,334
Academic or program support and student financial aid	-	44,629	44,629
Research	-	7,821	7,821
Student loans	-	3,607	3,607
Construction	-	2,837	2,837
Subtotal	-	308,228	308,228
Annuity	-	4,188	4,188
Life income funds	-	306	306
Term endowments	-	2,408	2,408
Board designated	39,268	-	39,268
Subtotal	39,268	315,130	354,398
Undesignated	940,461	-	940,461
Total net assets	$ 1,451,060	$ 542,127	$ 1,993,187

Net assets as of June 30, 2020 were as follows:

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Perpetual:			
Endowment	$ -	$ 198,576	$ 198,576
Underwater endowments	-	(99)	(99)
Endowment – board designated	352,751	-	352,751
Other	-	17,399	17,399
Subtotal	352,751	215,876	568,627
Time or purpose:			
Endowment returns subject to future appropriation	-	148,352	148,352
Academic or program support and student financial aid	-	42,022	42,022
Research	-	9,768	9,768
Student loans	-	3,554	3,554
Construction	-	4,501	4,501
Subtotal	-	208,197	208,197
Annuity	-	2,889	2,889
Life income funds	-	347	347
Term Endowments	-	1,776	1,776
Board designated	38,578	-	38,578
Subtotal	38,578	213,209	251,787
Undesignated	870,800	-	870,800
Total net assets	$ 1,262,129	$ 429,085	$ 1,691,214

The University's Board of Trustees periodically designates net assets for the benefit of specific schools and academic or research activities. In fiscal year 2021, the University's Board of Trustees designated $6.7 million of net assets for various schools and academic programs. In fiscal year 2020, the University's Board of Trustees designated approximately $18.9 million of net assets for various schools and academic programs. Approximately $6.0 million and $3.9 million of these net assets were utilized during fiscal years 2021 and 2020, respectively.

Net Assets with donor restrictions include contributions receivable of $19.2 million and $21.3 million as of June 30, 2021 and 2020, respectively. See Note 7, *Notes and Accounts Receivable, net* for further information on contributions receivable.

(16) Higher Education Emergency Relief Fund

In response to the COVID-19 national emergency, the federal government established and funded a Higher Education Emergency Relief Fund (HEERF). The HEERF allocations provided funding for both students (Student Share) as well as for the higher education institution (institutional Share).

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created HEERF I.

- HEERF I Student Share grants are to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to the COVID-19 crisis

- HEERF I Institutional Share is intended to cover costs incurred by the University including costs associated with significant changes to the delivery of instruction due to the coronavirus.

In December 2020, HEERF II was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA").

- HEERF II Student Share may be used for any component of the student's cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, health care (including mental health care), or child care. The CRRSAA requires that institutions prioritize students with exceptional need.

- HEERF II Institutional Share allowable uses include:
  a) Defraying expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll);
  b) Carrying out student support activities authorized by the Higher Education Act of 1965, as amended, that address needs related to coronavirus; and
  c) Making additional emergency financial aid grants to students.

In March 2021, the American Rescue Plan ("ARP") provided funding for HEERF III.

- Under ARP, any student enrolled at an institution of higher education on or after March 13, 2020 (the date of declaration of the national emergency due to the coronavirus) is eligible for emergency financial aid grants from the HEERF III, regardless of whether they completed a Free Application for Federal Student Aid (FAFSA) or are eligible for Title IV. The ARP requires that institutions prioritize students with exceptional need and the Department of Education encouraged institutions to prioritize domestic students, especially undergraduates, in allocating this funding. Domestic students include citizens, permanent residents, refugees, asylum seekers, DACA recipients, other DREAMers, and similar undocumented students. The allowable uses for HEERF III Student Share were the same as under HEERF II.

- For the HEERF III Institutional Share, a portion of the funds must be used towards:
  a) Implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and

b) Conducting direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances.

Other than these two new requirements, allowable uses for the HEERF III Institutional Share are similar to the allowable uses under HEERF II.

Following is a summary of the HEERF-related funding recorded by the University during fiscal year 2021:

(in thousands of dollars)		Emergency Grants to Students		Institutional Share
Funding Source:				
HEERF I	$	5,022	$	5,022
HEERF II		5,022		10,513
Emergency grants to students funded from the University's HEERF II Institutional Share		3,054		(3,054)
Total HEERF Grant Fund Utilization	$	13,098	$	12,481

The fiscal year 2021 consolidated statements of activities and changes in net assets includes $13.1 million of grant revenue and a corresponding operating expense related to the emergency grants disbursed to students during the year. The $12.5 million of institutional share is recorded in the fiscal year 2021 consolidated statements of activities and changes in net assets as non-operating income. These funds were designated to partially offset room and board credits issued by the University during the spring 2020 academic term (fiscal year 2020).

The University is also eligible to receive funding from HEERF III. A minimum of $13.9 million of HEERF III funding is designated for emergency grants to students of the University. In addition, up to $13.8 million may be used by the University for required and allowed expenses. As of June 30, 2021, the University had not drawn down or disbursed any of the funds available under HEERF III. The consolidated financial statements as of June 30, 2021 and for the fiscal year then ended, do not include any grant receivable or grant income related to HEERF III.

(17) Contingencies

Various lawsuits, claims, and other contingent liabilities occasionally arise in the ordinary course of LUC's education and research activities. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material effect on LUC's financial position or results of operations.

COVID-19

The coronavirus pandemic is an ongoing global pandemic. In March 2020, a national emergency concerning COVID-19 was declared in the United States. At that time, the University suspended in-person classes at Loyola campuses and moved the curriculum online, asked students to return home with the closure of campus residence halls, and requested University faculty and staff to work remotely where possible. While the University ensured academic continuity (teaching, research, and learning), the residence halls, dining facilities, and other on-campus activities remained essentially closed throughout the fall 2020 semester.

With the availability of surveillance testing, COVID-19 vaccines, and other health protocols, the University took important steps toward reopening certain campuses beginning with the spring 2021 semester. At that time, Loyola welcomed back a limited number of residential students and increased the number of in-person classes. The University expects to return to its campuses fully in fall 2021 with in-person classes and residence hall occupancy.

LUC's emergency response, planning, and decision making process, which began early in calendar year 2020, is on-going, continues to evolve, and remains focused on the University's top priorities of health and safety, academic continuity, and student recruitment and retention.

As the COVID-19 pandemic is complex and rapidly evolving, the University cannot reasonably estimate the duration and severity of this pandemic, which could have an adverse impact on the University's results of operations, financial position and cash flows. The University is taking prudent financial measures to mitigate the impact of COVID-19 in order to realize assets and satisfy liabilities in the normal course of business.

(18) Relationship with Trinity Health

On June 30, 2011, LUC completed a transaction with Trinity Health, an Indiana not-for-profit corporation located in Livonia, Michigan, pursuant to a Definitive Agreement dated March 31, 2011 (the Definitive Agreement). As part of the transaction, Trinity Health replaced LUC as the sole member of Loyola University Health System (LUHS) and all of its affiliates including Loyola University Medical Center (LUMC), Gottlieb Health Resources (GHR), Gottlieb Memorial Hospital (GMH), and Loyola University of Chicago Insurance Company Ltd (LUCIC). Trinity Health assumed control of all the assets of LUHS and retained all of the liabilities of LUHS.

The education and research components of LUC's health sciences, including the Medical School and the Nursing School, remain with LUC following the Trinity Health transaction. LUC, LUHS, and LUMC entered into an Academic Affiliation Agreement, which includes negotiated terms and conditions and provides for an annual academic support payment to LUC from LUHS and LUMC. Trinity Health guarantees the academic support payment. The annual academic support payment amount was set at $22.5 million in fiscal year 2012 (subject to an inflation adjustment) for an initial term of ten years. LUC reported $24.9 million and $24.6 million of academic support in the consolidated statements of activities and changes in net assets in fiscal years 2021 and 2020, respectively.

(19) Tenured Faculty Voluntary Transition Incentive Program

In August 2019, the University announced a one-time voluntary transition incentive program for eligible tenured faculty. Under the terms of the program, eligible tenured faculty who chose to voluntarily terminate their employment with the university would receive a cash incentive payment of two times their academic base salary as of December 31, 2019. 81 tenured faculty chose to participate in the program. As of June 30, 2020, the University recognized a liability of $22.3 million in the consolidated statement of financial position for payments due under the plan. The consolidated statement of activities and changes in net assets for the fiscal year ended June 30, 2020 includes the corresponding expense. All payments under this plan were completed during fiscal year 2021.

(20) Information Used in the Determining Department of Education's Financial Responsibility Composite Score

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and non-profit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in LUC's consolidated financial statements and the values as they are included in the determination of the ratios used by ED to gauge the University's financial responsibility at June 30, 2021 and 2020.

(in thousands of dollars)

Land, buildings and equipment, net	2021	2020
Net book value of assets existing as of June 30, 2019 (Pre-implementation):		
Land and land improvements	$ 176,358	$ 178,119
Buildings	711,095	754,213
Equipment	31,854	39,657
Library books and art	19,404	19,404
Total	$ 938,711	$ 991,393
Net book value of assets in service after June 30, 2019 (Post-implementation):		
Land and land improvements	$ 2,415	$ 1,446
Buildings	99,009	36,087
Equipment	12,228	5,323
Library books and art	46	-
Total	$ 113,698	$ 42,856
Construction in progress	$ 5,195	$ 57,062
Land, buildings and equipment, net	$ 1,057,604	$ 1,091,311

Indebtedness	2021	2020
Pre-implementation, for long term purposes	$ 356,796	$ 373,227
Post-implementation, for long term purposes	-	-
Post-implementation for construction in progress	-	-
Not for the purchase of land, building and equipment	-	-
Amount in excess of net book value of designated land, building, and equipment	-	-
Indebtedness	$ 356,796	$ 373,227

Non-Operating Activities Without Donor Restriction - Other	2021	2020
For purposes of the financial responsibility ratios, amounts considered Other Revenue	$ 5,114	$ 1,704
For purposes of the financial responsibility ratios, amounts considered Other Expenses	(191)	(1,440)
Non-Operating Activities Without Donor Restriction - Other	$ 4,923	$ 264

The right-of-use asset of $1.4 million and right-of-use liability of $1.4 million will be treated as post-implementation for purposes of determining the fiscal year 2021 financial responsibility ratios.

(21) Subsequent Events

LUC has evaluated subsequent events through September 20, 2021, the date the consolidated financial statements were issued.

Credit Facility

Effective as of August 18, 2021, LUC renewed its 364-day credit facility with PNC Bank, National Association and increased to $50 million the amount which LUC may borrow on a revolving basis. The credit facility terminates on August 17, 2022. Borrowings under this facility may bear interest at rates based on LIBOR, the Federal Funds Rate, the Prime Rate, or other negotiated rates. As of September 20, 2021, there was no balance outstanding nor any interest payable on this facility. See Note 9, *Indebtedness*, for additional information about the University's indebtedness.

Term Loan Agreement

As of September 17, 2021, the University entered into a Term Loan Agreement (the "Term Loan Agreement") with Wintrust Bank, N.A. ("Wintrust"), pursuant to which the University may borrow, and Wintrust committed to lend, approximately $73.9 million at a fixed rate of 2.16% per annum. The Term Loan Agreement funding is scheduled to close on July 7, 2022.

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[1] As of September 9, 2021

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