

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Duquesne University of the Holy Spirit**

June 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors  
Duquesne University of the Holy Spirit

**Report on the financial statements**

We have audited the accompanying financial statements of Duquesne University of the Holy Spirit (the "University"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

**Opinion**

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

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
October 15, 2021

**Duquesne University of the Holy Spirit**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 48,105	\$ 56,358
Accounts receivable, net	23,877	23,783
Pledges receivable, net	14,330	13,109
Deferred charges and other assets	9,841	7,310
Loans receivable, net	8,178	8,899
Investments	635,343	459,223
Property, plant and equipment, net	292,042	281,979
Right-of-use assets	4,638	6,278
Assets in escrow related to debt service and construction	904	12,325
	<b>\$ 1,037,258</b>	<b>\$ 869,264</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 42,842	\$ 42,648
Annuities payable	480	337
Deferred revenues and deposits	39,392	40,229
Accumulated postretirement benefits	5,934	6,189
Agency funds	1,275	866
Debt and lease obligations	191,329	181,026
Liabilities associated with investments	4,928	3,633
Conditional asset retirement obligations	2,649	3,484
Federal loan funds	8,592	9,727
	<b>297,421</b>	<b>288,139</b>
<b>Net assets:</b>		
Without donor restrictions	482,744	380,736
With donor restrictions	257,093	200,389
	<b>739,837</b>	<b>581,125</b>
	<b>\$ 1,037,258</b>	<b>\$ 869,264</b>

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

**Duquesne University of the Holy Spirit**

**STATEMENTS OF ACTIVITIES**

**Year ended June 30, 2021 with summarized information for 2020  
(Dollars in thousands)**

	<b>2021</b>			<b>2020</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Operating revenues:</b>				
Tuition and fees, net	\$ 220,786	\$ -	\$ 220,786	\$ 227,365
Auxiliary enterprises, net	20,713	-	20,713	25,272
Grants and contracts	3,100	26,872	29,972	16,369
Gifts and pledges	-	10,391	10,391	8,824
Endowment earnings distributed for operations	3,611	6,043	9,654	15,687
Working capital earnings distributed for operations	157	-	157	3,764
Investment income (loss)	262	196	458	1,343
Gain from the sale of property, plant and equipment	-	-	-	6,435
Other	3,908	-	3,908	4,561
Net assets released from restrictions	46,213	(46,213)	-	-
Total operating revenues	298,750	(2,711)	296,039	309,620
<b>Operating expenses:</b>				
Instructional	115,931	-	115,931	123,300
Institutional support	53,114	-	53,114	51,610
Auxiliary enterprises	37,901	-	37,901	38,784
Academic support	37,748	-	37,748	39,733
Student services	31,680	-	31,680	20,975
Public service	3,498	-	3,498	3,334
Research	7,746	-	7,746	8,088
Total operating expenses	287,618	-	287,618	285,824
Excess of operating revenues over operating expenses	11,132	(2,711)	8,421	23,796
<b>Nonoperating revenues and expenses:</b>				
Gifts and pledges	(5)	8,737	8,732	4,009
Return on investments	98,451	56,698	155,149	(3,555)
Endowment earnings distributed for operations	(3,611)	(6,043)	(9,654)	(15,687)
Working capital earnings distributed for operations	(157)	-	(157)	(3,764)
Net periodic benefit cost other than service cost	55	-	55	(500)
Costs associated with separation agreements	(3,475)	-	(3,475)	(960)
Loss on the defeasance of debt	(367)	-	(367)	-
Net assets released from restrictions	(15)	15	-	-
Other	-	8	8	28
Net nonoperating revenues and expenses	90,876	59,415	150,291	(20,429)
<b>CHANGE IN NET ASSETS</b>	102,008	56,704	158,712	3,367
<b>Net assets, beginning of year</b>	380,736	200,389	581,125	577,758
<b>Net assets, end of year</b>	<u>\$ 482,744</u>	<u>\$ 257,093</u>	<u>\$ 739,837</u>	<u>\$ 581,125</u>

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

**Duquesne University of the Holy Spirit**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2020**  
**(Dollars in thousands)**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues:</b>			
Tuition and fees, net	\$ 227,365	\$ -	\$ 227,365
Auxiliary enterprises, net	25,272	-	25,272
Grants and contracts	2,968	13,401	16,369
Gifts and pledges	1,021	7,803	8,824
Endowment earnings distributed for operations	9,497	6,190	15,687
Working capital earnings distributed for operations	3,764	-	3,764
Investment income (loss)	1,352	(9)	1,343
Gain from the sale of property, plant and equipment	6,435	-	6,435
Other	4,561	-	4,561
Net assets released from restrictions	27,131	(27,131)	-
<b>Total operating revenues</b>	<b>309,366</b>	<b>254</b>	<b>309,620</b>
<b>Operating expenses:</b>			
Instructional	123,300	-	123,300
Institutional support	51,610	-	51,610
Auxiliary enterprises	38,784	-	38,784
Academic support	39,733	-	39,733
Student services	20,975	-	20,975
Public service	3,334	-	3,334
Research	8,088	-	8,088
<b>Total operating expenses</b>	<b>285,824</b>	<b>-</b>	<b>285,824</b>
Excess of operating revenues over operating expenses	23,542	254	23,796
<b>Nonoperating revenues and expenses:</b>			
Gifts and pledges	(10)	4,019	4,009
Return on investments	(2,029)	(1,526)	(3,555)
Endowment earnings distributed for operations	(9,497)	(6,190)	(15,687)
Working capital earnings distributed for operations	(3,764)	-	(3,764)
Net periodic benefit cost other than service cost	(500)	-	(500)
Costs associated with separation agreements	(960)	-	(960)
Other	-	28	28
<b>Net nonoperating revenues and expenses</b>	<b>(16,760)</b>	<b>(3,669)</b>	<b>(20,429)</b>
<b>CHANGE IN NET ASSETS</b>	<b>6,782</b>	<b>(3,415)</b>	<b>3,367</b>
<b>Net assets, beginning of year</b>	<b>373,954</b>	<b>203,804</b>	<b>577,758</b>
<b>Net assets, end of year</b>	<b>\$ 380,736</b>	<b>\$ 200,389</b>	<b>\$ 581,125</b>

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

**Duquesne University of the Holy Spirit**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 158,712	\$ 3,367
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,903	18,919
Realized and unrealized losses (gains) on investments	(153,101)	7,765
Gifts restricted for long-term purposes	(8,948)	(4,222)
Provision for doubtful accounts	955	840
Gain on disposal of property, plant and equipment	(29)	(6,450)
Loss on defeasance of debt	367	-
Changes in operating assets and liabilities:		
Increase in receivables	(1,737)	(890)
Decrease (increase) in deferred charges and other assets	(2,531)	518
Increase in accounts payable and accrued liabilities	1,445	5,587
Increase in annuities payable	254	33
Increase in deferred revenues and deposits	(837)	368
(Decrease) increase in agency funds	409	(633)
Increase (decrease) in conditional asset retirement obligations	(835)	602
	<u>13,027</u>	<u>25,804</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Purchases of investments	(116,575)	(87,753)
Proceeds from the sale/redemption of investments	93,556	99,656
Change in liabilities associated with investments	1,295	(180)
Deposits with trustee for construction	(25,930)	-
Withdrawals from trustee for construction	31,588	21,493
Deposits of funds held in escrow related to debt service	-	(460)
Withdrawals of funds held in escrow related to debt service	5,030	1,802
Receipt of federal loan funds	302	430
Payments of federal loan funds and annuities	(1,548)	(2,646)
Proceeds from the sale of property	44	9,423
Expenditures for land, buildings and equipment	(31,674)	(42,524)
	<u>(43,912)</u>	<u>(759)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of new debt	25,930	-
Repayments of long-term borrowings	(12,434)	(7,068)
Collection of gifts restricted for long-term purposes	9,136	4,175
	<u>22,632</u>	<u>(2,893)</u>
<b>Net cash (used in) provided by financing activities</b>		
<b>Increase in cash and cash equivalents</b>	<b>(8,253)</b>	<b>22,152</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>56,358</b>	<b>34,206</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 48,105</b>	<b>\$ 56,358</b>
<b>Supplemental disclosures:</b>		
In-kind gifts consisting of contributed services	\$ 567	\$ 624
Interest paid	\$ 6,416	\$ 6,698
Accounts payable related to construction in progress	\$ 895	\$ 2,317

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



**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020  
(Dollars in thousands)**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Duquesne University of the Holy Spirit (the "University") is a private, Catholic university, organized as a tax-exempt, nonprofit corporation. The University's principal sources of revenue include student tuition and fees, auxiliary revenues, grants, and gifts.

***Basis of Presentation***

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.
- With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Also included in this category are other net assets with donor restrictions which are subject to donor-imposed stipulations or by law that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

***Taxes***

The University has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") of 1986. As a result, no provision for taxes has been made in the accompanying financial statements.

The University adopted guidance for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The University files U.S. federal, state, and local income tax returns, and no returns are currently under examination. The University continues to evaluate its tax positions pursuant to the principles of such guidance and has determined that there is no material impact on the University's financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

***Concentration of Credit Risk***

The University maintains cash and cash equivalent balances with banking institutions and brokerage companies. At June 30, 2021, the amounts on deposit at the banking institutions and the amounts on deposit at the brokerage companies exceeded the amounts that would be covered by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"), respectively. In management's opinion, the amounts in excess of FDIC and SIPC limits do not pose significant risk to the University.

***Risks and Uncertainties***

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

***Pledges Receivable***

Pledges receivable from fund-raising campaigns are recorded by the University when the unconditional promise to give (pledge) is made and are recorded at fair value using a discount rate commensurate with the risks associated with the pledge.

The allowance for doubtful accounts on pledges receivable is based upon management's judgment, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, with the expense presented as an offset to gift revenue, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

***Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The following table shows the estimated useful lives of property, plant, and equipment:

Land improvements	10 years
Buildings	40 years
Building improvements	10 - 40 years
Furniture, equipment, and software	5 - 15 years

The University reviews its property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No impairment charges were recorded by the University in 2021 or 2020.

***Deferred Revenues and Deposits***

Deferred revenues and deposits represent revenues currently received for programs or activities to be conducted primarily in the next fiscal year, such as summer and fall tuition and fees and room and board. Also included in deferred revenues and deposits is deferred revenue related to sponsorship agreements and commitment deposits received from certain vendors, which will be recognized as income over the lives of the related agreements. In addition, included in deferred revenues are funds received related to certain refundable grants. These amounts will be recognized as income as the conditions are met in accordance with the underlying terms of the grants.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

The activity and balances for deposits and deferred revenues from contracts with customers are shown in the following table (in thousands):

	Tuition, Fees, Room and Board	Sponsored Projects	Third-Party Vendors/ Sponsorship Agreements	Other	Total
Balance at June 30, 2019	\$ 11,045	\$ 410	\$ 28,362	\$ 44	\$ 39,861
Revenue recognized	(11,045)	(834)	(1,664)	(44)	(13,587)
Amounts recorded for future performance obligations	9,788	895	3,103	169	13,955
Balance at June 30, 2020	9,788	471	29,801	169	40,229
Revenue recognized	(9,788)	(752)	(1,678)	(43)	(12,261)
Amounts recorded for future performance obligations	10,317	975	4	128	11,424
Balance at June 30, 2021	<u>\$ 10,317</u>	<u>\$ 694</u>	<u>\$ 28,127</u>	<u>\$ 254</u>	<u>\$ 39,392</u>

***Liabilities Associated with Investments***

The University invests capital on behalf of a religious entity that shares the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the statements of financial position representing the fair value of investments managed on behalf of the entity.

***Tuition and Fee Revenue***

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by endowments and gifts, and reduces the amount of revenue recognized.

Revenue for tuition and fees for all of the summer terms are recognized as performance obligations are met. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms is included in deferred revenue at June 30, 2021 and 2020. Deferred revenues for the summer terms are shown in Note A, Deferred Revenues and Deposits.

The following details the gross and net amounts of tuition and fees for fiscal years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Tuition and fees	\$ 343,017	\$ 350,166
Less institutional aid	(122,231)	(122,801)
Tuition and fees, net	<u>\$ 220,786</u>	<u>\$ 227,365</u>

Duquesne University of the Holy Spirit

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020  
(Dollars in thousands)

**Auxiliary Services Revenue**

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary services revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional aid specifically for defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary services are recognized as performance obligations are met over the academic term. Because the summer terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at June 30, 2021 and 2020. Deferred revenues for the summer terms are shown in Note A. Deferred Revenues and Deposits.

The following details the gross and net amounts of auxiliary services revenue for fiscal years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Auxiliary enterprises	\$ 31,763	\$ 37,118
Less auxiliary institutional aid	(11,050)	(11,846)
Auxiliary enterprises, net	\$ 20,713	\$ 25,272

**Gifts and Grants**

The University reports gifts and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when donated assets are placed in service.

The University receives sponsored project funding from various governmental, corporate, and private organizations, which are recorded as grants and contracts revenue. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Contracts are generally without donor restrictions.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

***Investments and Investment Income***

In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value. A summary of the inputs used in valuing the University's investments as of June 30, 2021 and 2020 is included in Note B.

Interest income, unrealized gains and losses on investments, and realized gains and losses from the sale of investments are accounted for in the statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

***Federal Student Loan Program***

The University administers and contributes a portion of the total funds available for various student loan programs, including Perkins, Nursing, Health Profession, and Nursing Faculty Loans. The loan programs are financed primarily by the U.S. government. Loans are made to qualified students and are reported as loans receivable, net in the statements of financial position. Upon termination of the programs, the amounts representing net government advances (federal loan funds), which are reflected as a liability of approximately \$8.6 million and \$9.7 million at June 30, 2021 and 2020, respectively, will be returned to the government.

***Fair Value***

The estimated fair value of all financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in developing fair value estimates. Accordingly, the estimates included herein are not necessarily indicative of amounts the University could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts. All other financial instruments, other than investments as discussed above, are recorded at historical cost, which approximates fair value.

In determining fair value, the University uses various approaches, including Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurements*, which establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset based on market data obtained from sources independent of the organization. Unobservable inputs reflect an organization's estimates about the assumptions market participants would use in pricing an asset and are developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. As valuations are based on quoted market prices that are readily available in an active market, valuations of these products do not entail a significant degree of judgment;
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

The University also reports under the FASB update for *Investments in Certain Entities that Calculate Net Asset Value ("NAV") per Share (or its Equivalent)*, which permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the update on the basis of the NAV per share of the investment or its equivalent determined as of the University's fiscal year end. Under this approach, certain attributes for the investment, such as restrictions and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that a valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The University uses prices and inputs that are current as of the measurement date, which are obtained through multiple third-party custodians from independent pricing services.

***Guarantees and Commitments***

In the ordinary course of business, the University enters into contracts with third parties pursuant to which the third parties provide services on behalf of the University. In many of the contracts, the University agrees to indemnify the third-party service provider under certain circumstances. The terms of the indemnity vary from contract to contract, and the amount of the indemnification liability, if any, cannot be determined. The University also has minimum purchase requirements related to certain utility contracts that have been met annually through June 30, 2021.

Pursuant to its bylaws, the University provides indemnification to directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of the University and also advance on behalf of covered individual costs incurred in defending against certain claims, if any, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification.

***Insurance Liabilities***

The University is self-insured through an agreement with third-party providers to provide medical coverage for all full-time University employees. A liability for estimated incurred but unreported claims has been recorded in accounts payable and accrued expenses at June 30, 2021 and 2020, based upon a third-party evaluation of claims and management's analysis of past claims history. The third-party evaluation of claims includes assumptions and methods that were reviewed by University management.

The University is also self-insured for certain other activities, principally workers' compensation. Liabilities have been established based on third-party estimates using the University's historical loss experience. The self-insurance accrual is subject to periodic adjustment by the University based on actual loss experience factors.

***Nonoperating Activities***

Nonoperating activities include gifts and pledges related to endowments and earnings on funds functioning as endowments, bequests, annuity and loan activity restricted in perpetuity, return on investments less amounts distributed, and net periodic benefit costs other than service costs. They also include items such as costs associated with separation agreements and losses on the defeasance of bonds.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

**NOTE B - INVESTMENTS**

A summary of the University's investments measured at fair value at June 30, 2021 and 2020, based on level within the fair value hierarchy, is as follows (in thousands):

	2021	2020
<u>Level 1 - Quoted Prices in Active Markets</u>		
Equity securities - all cap	\$ 2,795	\$ 1,847
Mutual funds:		
Money market	38,457	5,538
Large cap	99,638	100,852
Small cap	16,185	8,971
Global and international	13,560	11,690
Other	7,654	6,208
	<u>178,289</u>	<u>135,106</u>
<u>Level 2 - Significant Observable Inputs</u>		
Debt securities issued by U.S. Treasury and other U.S. agencies	18,856	16,023
Debt issued by foreign government	1	1
Corporate debt securities	28,017	19,576
Asset-backed securities	3,369	2,480
	<u>50,243</u>	<u>38,080</u>
<u>Level 3 - Significant Unobservable Inputs</u>		
Trust - Residential real estate	4,530	-
	<u>4,530</u>	<u>-</u>
 Total investments measured at fair value	 233,062	 173,186
 Investments measured at net asset value	 402,281	 286,037
	<u>402,281</u>	<u>286,037</u>
 Total investment assets	 \$ 635,343	 \$ 459,223
	<u>\$ 635,343</u>	<u>\$ 459,223</u>

Investments reflected in the statements of financial position as of June 30, 2021 and 2020 are summarized as follows (in thousands):

	2021	2020
Endowment and funds functioning as endowment	\$ 481,525	\$ 366,728
Long-term working capital	108,489	81,127
Mid-term working capital	29,999	-
Investments managed for others	4,928	3,633
Annuities	6,191	4,338
Deferred compensation and other	4,211	3,397
	<u>635,343</u>	<u>459,223</u>
 Total	 \$ 635,343	 \$ 459,223
	<u>\$ 635,343</u>	<u>\$ 459,223</u>

As of June 30, 2021 and 2020, there were no significant concentrations of investments as no individual investment exceeded 10% of total assets.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

Descriptions of the valuation techniques applied to the major categories of investments measured at fair value are outlined below.

The fair value of common, preferred, and foreign stocks and exchange-traded notes is valued using quoted market prices in active markets.

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily quoted market prices. The mutual funds allow investors to sell their interests to the fund at the published daily quoted market prices, with no restrictions on redemptions.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities and commercial mortgage-backed securities, are valued based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in so called "fund of funds." The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short-term interest in common stock, and convertible bonds. These investments are carried at fair value as of June 30, 2021 and 2020, based on estimates developed by the management of the investment entities investing in the funds. These valuations include assumptions and methods that are reviewed by University management. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest. As such, the fair value of these partnerships is measured using the NAV as calculated by the custodian.

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2021 and 2020. As the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

There has been no significant change in valuation techniques of investments during the year.

Interest, dividends, and realized and unrealized gains, net, are included as a component of both operating and nonoperating items.



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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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Investment income for the years ended June 30, 2021 and 2020, exclusive of earnings on idle receipts, escrow funds and other deposits with trustees, consisted of the following (in thousands):

	2021	2020
Interest and dividends	\$ 2,343	\$ 4,201
Realized gains on marketable securities, net	7,739	1,028
Unrealized (losses) gains on marketable securities, net	145,362	(8,794)
<b>Total</b>	<b>\$ 155,444</b>	<b>\$ (3,565)</b>

The following table summarizes the investments valued at NAV by strategy type (in thousands):

Description	2021		2020		Unfunded Commitment at June 30, 2021	Redemption Terms	Redemption Notice Period
	Number of Funds	Fair Value	Number of Funds	Fair Value			
Hedge funds	27	\$ 355,086	24	\$ 264,326	\$ -	Daily, semi-monthly, monthly, quarterly, annually See below	1-93 days
Private equity	23	47,195	18	21,711	53,584		
<b>Total</b>	<b>50</b>	<b>\$ 402,281</b>	<b>42</b>	<b>\$ 286,037</b>	<b>\$ 53,584</b>		

Investments held by the University may be subject to restrictions related to the initial investment that limit the University's ability to redeem capital from such investments during a specified period of time subsequent to the University's investment of capital in such funds, typically known as a lock-up period. Capital available for redemption after the lock-up period has expired may also be subject to limits, which restrict the available redemption period, and require prior written notice, potentially limiting the University's ability to respond quickly to changes in market conditions. As of June 30, 2021, there are seven funds with a market value of \$14.5 million with lock-ups expiring in fiscal years 2022 through 2024.

Private equity investments cannot be redeemed upon request. Instead, the nature of these investments is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds would be liquidated over approximately one to 10 years.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

**NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT**

Endowment and funds functioning as endowment related activity (including amounts for pledges with donor restrictions) during the years ended June 30, 2021 and 2020, are as follows (in thousands):

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 201,608	\$ 167,370	\$ 368,978
Investment return:			
Investment income	1,295	541	1,836
Net realized and unrealized gains	68,121	56,056	124,177
Total	69,416	56,597	126,013
Contributions	-	8,692	8,692
Appropriation of endowment assets for expenditure	(3,600)	(5,962)	(9,562)
Net assets released from restrictions	(15)	15	-
Additional authorized amounts	19	-	19
Change in endowment net assets	65,820	59,342	125,162
Endowment net asset, end of year	\$ 267,428	\$ 226,712	\$ 494,140
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 212,318	\$ 171,152	\$ 383,470
Investment return:			
Investment income	2,196	1,185	3,381
Net realized and unrealized losses	(3,513)	(2,774)	(6,287)
Total	(1,317)	(1,589)	(2,906)
Contributions	-	3,984	3,984
Appropriation of endowment assets for expenditure	(9,394)	(6,177)	(15,571)
Additional authorized amounts	1	-	1
Change in endowment net assets	(10,710)	(3,782)	(14,492)
Endowment net asset, end of year	\$ 201,608	\$ 167,370	\$ 368,978

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

The endowment and funds functioning as endowment net asset composition by type of fund at June 30, 2021 and 2020 is composed of the following (in thousands):

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Scholarship	\$ 49,264	\$ 119,366	\$ 168,630
Operational purposes	218,164	106,894	325,058
Total	<u>\$ 267,428</u>	<u>\$ 226,260</u>	<u>\$ 493,688</u>

  

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Scholarship	\$ 37,705	\$ 85,321	\$ 123,026
Operational purposes	163,903	81,713	245,616
Total	<u>\$ 201,608</u>	<u>\$ 167,034</u>	<u>\$ 368,642</u>

The University maintains a total return spending policy, which was 4.25% of the average fair market value of the previous 16 quarters ending December 31, 2019 and 2018, for the years ended June 30, 2021 and 2020, respectively. The University has adopted PA Trust Law Act 141, which requires a release of between 2% and 7%. Separating spending policy from investment policy permits asset allocation decisions to be made independently of the need for current income. The University's investment policy has a primary objective to achieve annualized total return, through appreciation and income, equal to or greater than the rate of inflation plus any spending and administrative expenses. This allows the University to maintain purchasing power of the investment pool. The assets are managed in a manner that will meet the primary investment objective, while attempting to limit volatility in the portfolio's market value, thereby limiting volatility in the year-to-year spending. The policy allows for a range of asset classes, including global equity and debt securities, real assets and alternative investments. The University includes its interest in perpetual trusts in endowment and funds functioning as endowment. Changes in the value of the endowment and funds functioning as endowment are included in the nonoperating section of the statements of activities along with the changes in mid and long-term working capital, value of annuities and loan funds restricted in perpetuity.

From time to time, the fair value of assets of individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with the applicable donor gift document, creating an "underwater" endowment fund. There was one endowment fund with underwater deficiencies totaling \$0.01 million as of June 30, 2021, and 51 endowment funds with underwater deficiencies totaling \$0.6 million as of June 30, 2020.

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**June 30, 2021 and 2020**  
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The University is one of 15 designated institutions of higher learning and other charitable organizations named as beneficiaries of The Dietrich Foundation (the "Foundation") created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation came into existence as a Pennsylvania charitable trust on October 6, 2011 and was granted exemption from Federal income tax under Section 501(c)(3) of the IRC, specifically as a Type I charitable supporting organization under Section 509(a)(3). The Foundation's primary mission is to provide ongoing and increasing financial support to a number of educational institutions, largely in the greater Pittsburgh area, including the University. The Foundation is governed by a board of nine trustees. Five of the trustees are Educational Institutions Trustees.

The Foundation is expected to make annual distributions that will be allocated among the pre-specified supporting organizations, which are divided into two primary groups: (a) six educational institutions, which collectively shall receive 90% of the annual distribution amount, and (b) nine other charitable organizations or component funds of such charitable organizations, which collectively shall receive 10% of the annual distribution amount. The University is included in the 90% group. As of June 30, 2021, the University's distribution share was 2.5%.

The distributions to the University have been recorded as contribution revenue with donor restrictions as received and held in an endowment fund restricted in perpetuity designated by the Dietrich Foundation Endowment Fund. The endowed fund will be managed in accordance with the University's generally applicable investment and disbursement policies in effect for its other endowments restricted in perpetuity. Distributions made from the endowed fund will be used for the purpose authorized by the Foundation's trustees. Distributions of \$0.8 million and \$0.7 million were received in fiscal years 2021 and 2020, respectively.

**NOTE D - FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction not financed with debt, were as follows (in thousands):

	<u>2021</u>
Cash and cash equivalents	\$ 48,105
Accounts and pledges receivable, net	38,207
Investments	<u>635,343</u>
Total financial assets	721,655
Add authorized spending amount without donor restrictions for the next 12 months	11,883
Less investments in board-designated endowments and long-term working capital	(375,918)
Less financial assets with contractual or donor-imposed restrictions	(261,159)
Less accounts receivable collectible beyond one year	(11,977)
Less investments and other financial assets held for others	<u>(9,901)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 74,583</u></u>

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

	2020
Cash and cash equivalents	\$ 56,358
Accounts and pledges receivable, net	36,892
Investments	459,223
 Total financial assets	 552,473
 Add authorized spending amount without donor restrictions for the next 12 months	 11,326
Less investments in board-designated endowments and long-term working capital	(282,735)
Less financial assets with contractual or donor-imposed restrictions	(202,957)
Less accounts receivable collectible beyond one year	(12,613)
Less investments and other financial assets held for others	(8,642)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u>56,852</u>

As part of the University's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term, cash-equivalent investments. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$30 million, which could be drawn upon at any time. There are no outstanding draws on the facility. Additionally, the University has quasi-endowment and working capital investments of \$376 million. Although the University does not intend to spend from these investments other than the amounts authorized as part of its spending policy, amounts from these investments could be made available if necessary with Board of Directors approval. However, the quasi-endowment, donor-restricted endowment and working capital all contain investments with lock-up provisions that would reduce the total investments that could be made available within one year (see Note B for disclosure about investments).

**NOTE E - RECEIVABLES**

Accounts receivable at June 30, 2021 and 2020 consist of the following (in thousands):

	2021	2020
Student accounts receivable, net of allowance for doubtful accounts of \$1,757 and \$1,698 in 2021 and 2020, respectively	\$ 7,341	\$ 7,130
Grants and contracts receivable	1,977	1,430
Other accounts receivable, net of allowance for doubtful accounts of \$1,850 and \$2,290 in 2021 and 2020, respectively	14,559	15,223
 Accounts receivable, net	 \$ 23,877	 \$ 23,783

After unsuccessful collection of past-due student accounts by two collections agencies for a 29-month period, the University will write the balance off.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

Pledges receivable at June 30, 2021 and 2020 consist of the following (in thousands):

	2021	2020
Less than one year	\$ 3,656	\$ 3,227
One to five years	8,301	7,410
More than five years	5,661	6,365
Total pledges receivable	17,618	17,002
Less present value adjustment	(2,091)	(2,491)
Present value of pledges receivable	15,527	14,511
Less allowance for doubtful pledges	(1,197)	(1,402)
Pledges receivable, net	\$ 14,330	\$ 13,109

Contributions receivable over more than one year are discounted to fair value using an appropriate discount rate ranging from 0.6% to 3.4% applicable to the year in which the pledge was received.

Fund-raising costs were \$4.2 million and \$4.5 million for the years ended June 30, 2021 and 2020, respectively.

***Loans Receivable***

The University makes uncollateralized loans to students based on financial need. Loans are funded through federal government loan programs or institutional resources. At June 30, 2021 and 2020, student loans represented 0.8% and 1.0% of total assets, respectively.

At June 30, 2021 and 2020, student loans consisted of the following (in thousands):

	2021	2020
Federal government programs	\$ 9,108	\$ 9,865
Institutional programs	414	454
	9,522	10,319
Less allowance for doubtful loans:		
Beginning of year	(1,420)	(1,486)
Decrease	76	66
End of year	(1,344)	(1,420)
Loans receivable, net	\$ 8,178	\$ 8,899

The University participates in the following federal revolving loan programs: Perkins, Nursing, Health Profession, and the Nurse Faculty Loan Programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Outstanding loans canceled under the programs result in a reduction of the funds available for loans and a decrease in the liability to the government.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

The past-due principal amounts under the student loan programs at June 30, 2021 and 2020 are as follows (in thousands):

	2021	2020
1 - 60 days past due	\$ 84	\$ 107
61 - 90 days past due	146	143
91+ days past due	1,325	1,411
<b>Total past due</b>	<b>\$ 1,555</b>	<b>\$ 1,661</b>

**NOTE F - PROPERTY, PLANT AND EQUIPMENT**

The University's investment in property, plant, and equipment at June 30, 2021 and 2020, consists of the following (in thousands):

	2021	2020
Land and land improvements	\$ 47,429	\$ 46,682
Building and building improvements	471,112	428,067
Furniture, equipment and software	90,960	84,971
Construction in progress	7,887	27,578
	617,388	587,298
Less accumulated depreciation	(325,346)	(305,319)
<b>Property, plant and equipment, net</b>	<b>\$ 292,042</b>	<b>\$ 281,979</b>

Depreciation expense was \$20.5 million and \$20.8 million for the years ended June 30, 2021 and 2020, respectively.

In June of 2020, the University closed on the sale of St. Martin's Hall and entered into a strategic partnership with Radnor Property Group and Harrison Street Real Estate Capital both of which are unrelated parties to the University, which will provide an enhanced, high-quality living experience for University students living in St. Martin's Hall. The sale of St. Martin's Hall resulted in the retirement of property, plant and equipment with a net book value of \$2.5 million, the settlement of an asset retirement obligation of \$0.4 million and the recognition of a gain on sale of \$6.4 million.

Substantially all property, plant and equipment are pledged under the University's debt agreements.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

**NOTE G - DEBT AND LEASE OBLIGATIONS**

Long-term debt at June 30, 2021 and 2020, consists of the following (in thousands):

	Rate	2021	2020
University revenue and refunding bonds:			
2011 Series A Bonds	3.00 - 5.50%	\$ 5,725	\$ 8,545
2013 Series A Bonds	2.50 - 5.00	20,440	26,985
2014 Series A Bonds	2.00 - 5.00	22,330	24,275
2016 Series Bonds	2.25 - 5.00	54,345	55,445
2018 Series Bonds	5.00	17,760	17,760
2019 Series A Bonds	4.00 - 5.00	18,690	18,690
2019 Series B Bonds	4.12	10,000	10,000
2020 Series A Bonds	4.00	8,945	-
2020 Series B Bonds	2.43 - 3.03	15,835	-
		<u>174,070</u>	<u>161,700</u>
Lease obligations		4,846	6,194
		<u>178,916</u>	<u>167,894</u>
Plus net unaccreted bond premium		13,398	13,990
Less deferred bond costs		(985)	(858)
		<u>191,329</u>	<u>181,026</u>
Debt		191,329	181,026
Less debt service reserves and accounts		(781)	-
		<u>\$ 190,548</u>	<u>\$ 181,026</u>

Principal payments in future years are as follows (in thousands):

<u>Year ending June 30,</u>	<u>Debt</u>	<u>Finance Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2022	\$ 7,790	\$ 14	\$ 1,558	\$ 9,362
2023	8,180	-	1,309	9,489
2024	8,590	-	996	9,586
2025	9,020	-	256	9,276
2026	9,475	-	177	9,652
Thereafter	131,015	-	881	131,896
	<u>174,070</u>	<u>14</u>	<u>5,177</u>	<u>179,261</u>
Less present value discount	-	-	(345)	(345)
	<u>\$ 174,070</u>	<u>\$ 14</u>	<u>\$ 4,832</u>	<u>\$ 178,916</u>



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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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As of June 30, 2020, the University is a party to 28 operating leases and three finance leases as the lessee. The discount rate used for leases is the stated rate for the lease or the U.S. Treasury rate. Many of the University's leases provide for options to renew subsequent to the current term. The options to renew the leases were not considered when assessing the value of the right-of-use asset if the University was not reasonably certain that it would assert its option to renew the lease.

Quantitative information regarding the University's leases for the year ended June 30, 2021 is as follows (in thousands):

	<u>Finance Leases</u>	<u>Operating Leases</u>
Lease cost	\$ 24	\$ 1,622
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	\$ 1	\$ 1,608
Financing cash flows	24	-
Right of use assets obtained in exchange for new lease liabilities	\$ -	\$ 186
Right of use assets disposed or adjusted modifying lease liabilities	\$ -	\$ -
Weighted-average remaining lease term (in years)	1.00	5.30
Weighted average discount rate	4.50%	1.76%

University Revenue Bonds ("Series A of 2011") - In February 2011, the Authority issued \$53.5 million of revenue bonds to provide for a portion of (a) constructing, equipping, and furnishing an approximately 400-bed student housing facility on the University's main campus; (b) projects comprising the first phase of the University's 10-year housing renewal plan, including the renovation and improvement of the Duquesne Towers student housing facility; (c) miscellaneous capital expenditures now being incurred and expected to be incurred at the University's main campus over the next two years; (d) funding any interest during construction; and (e) to provide for bond issuance costs.

These bonds mature annually in principal amounts ranging from \$0.02 million to \$14.5 million beginning in fiscal 2013 and ending in fiscal 2031.

Approximately \$0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$0.5 million of original issue discount is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt is less than 10% of the University's unrestricted operating revenues during the previous fiscal year; and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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long-term debt and the maximum annual debt service requirements on the proposed long-term debt are less than or equal to the maximum annual debt service requirements on the existing long-term debt. In May 2016, the outstanding bonds were partially defeased in connection with the Series of 2016 bonds described below.

University Revenue Bonds ("Series A of 2013") - In March 2013, the Authority issued \$39.4 million of revenue bonds to provide for a portion of (a) renovations to the University's Duquesne Towers, St. Ann's Hall, and Libermann Hall; (b) other miscellaneous capital expenditures from the University's capital program; (c) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2004; and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from \$0.6 million to \$6.6 million beginning in fiscal 2014 and ending in fiscal 2034.

Approximately \$0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$3.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2011 bonds. In August 2020, the outstanding bonds were partially defeased in connection with the Series of 2020 bonds described below.

University Revenue Bonds ("Series A of 2014") - In December 2014, the Authority issued \$39.2 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2005; (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series B of 2005; (c) the advance refunding of the Authority's outstanding Revenue Bonds Series A of 2007; and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from \$1.0 million to \$3.8 million beginning in fiscal 2015 and ending in fiscal 2033.

Approximately \$0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$4.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2011 bonds. In June 2019, the outstanding bonds were partially defeased in connection with the sale of the Tri Generation facility.

University Revenue Bonds ("Series of 2016") - In May 2016, the Authority issued \$58.0 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series of 2008; (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2011; and (c) to provide for bond issuance costs.

These bonds mature annually in principal ranging from \$0.1 million to \$7.8 million beginning in fiscal 2019 and ending in fiscal 2033.

Approximately \$0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$9.8 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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These bonds carry substantially the same covenants as the Series of 2011 bonds. In June 2019, the outstanding bonds were partially defeased in connection with the sale of the Tri Generation Facility.

University Revenue Bonds ("Series of 2018") - In May 2018, the Authority issued \$17.8 million of revenue bonds to provide for a portion of (a) upgrades and replacements to various mechanical systems, including HVAC, elevators, electrical switchgear, pneumatic controls, fan coil units, fire protection and sprinkler systems in the Koren Building, Fisher Hall, School of Law, College Hall, Richard King Mellon Hall of Science, Rockwell Hall, Libermann Hall, Gumberg Library, Administration Building and St. Ann Hall; (b) renovations to Rockwell Hall, Assumption Hall, St. Ann Hall, Richard King Mellon Hall of Science office and the Des Places Living Learning Centers; (c) roof replacements to Duquesne Union and Trinity Hall; (d) other miscellaneous capital expenditures on the main campus of the University; (e) funding capital interest; (f) funding of any necessary reserves; and (g) to provide for bond issuance costs.

These bonds mature annually in principal ranging from \$3.6 million to \$10.0 million beginning in fiscal 2032 and ending in fiscal 2034.

Approximately \$0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$2.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt, is less than 12% of the University's unrestricted operating revenues during the previous fiscal year; and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt.

University Revenue Bonds ("Series A of 2019") - In March 2019, the Authority issued \$18.7 million of revenue bonds to finance all or a portion of the costs of (a) financing capital expenditures related to the renovation of the A.J. Palumbo Center; (b) financing other miscellaneous capital expenditures on the main campus of the University; and (c) paying the costs of issuance of the bonds.

These bonds mature annually in principal ranging from \$4.4 million to \$5.0 million beginning in fiscal 2036 and ending in fiscal 2039.

Approximately \$0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$2.6 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2019") - In March 2019, the Authority issued \$10.0 million of taxable revenue bonds. The bonds were issued for the same purpose as the Series A of 2019 bonds.

These bonds mature in principal \$10.0 million in fiscal 2035.

Approximately \$0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series A of 2020") - In August 2020, the Authority issued \$8.9 million of revenue bonds to finance all or a portion of the costs of (a) the acquisition of the Life'sWork property, located at 1323 Forbes Avenue, Pittsburgh, PA 15219, which property will be used to construct the University's College of Medicine facility, and demolition of the existing buildings and structures on the property; (b) other miscellaneous capital expenditures on the main campus of the University, including capital expenditures relating to the construction of the College of Medicine; and (c) issuance of the 2020A Bonds.

These bonds mature annually in principal ranging from \$1.8 million to \$7.1 million beginning in fiscal 2039 and ending in fiscal 2040.

Approximately \$0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately \$1.4 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2020") - In August 2020, the Authority issued \$15.8 million of taxable revenue bonds to finance all or a portion of the costs of (a) working capital and other miscellaneous costs which the Authority is authorized to finance under the Act; (b) the refunding of a portion of the outstanding Allegheny County Higher Education Building Authority University Revenue Bonds, Series A of 2013 (Duquesne University); and (c) issuance of the 2020B Bonds.

These bonds mature annually in principal ranging from \$1.1 million to \$10.0 million beginning in fiscal 2029 and ending in fiscal 2038.

Approximately \$0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

The University was in compliance with all debt covenants as of June 30, 2021.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
(Dollars in thousands)**

**NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES**

Expenses by functional and natural classification for the fiscal years ended June 30, 2021 and 2020, are shown below (in thousands):

	2021									
	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	\$ 67,594	\$ 20,914	\$ 10,498	\$ 18,918	\$ 8,118	\$ 1,211	\$ 2,807	\$ 130,060	\$ 10,263	\$ 140,323
Benefits	16,288	5,786	3,960	4,896	2,138	293	461	33,822	700	34,522
Supplies, services, and other	10,244	16,424	16,314	6,834	15,465	1,336	3,021	69,638	12,773	82,411
Utilities	-	-	-	-	-	-	-	-	4,883	4,883
Depreciation	-	-	-	-	-	-	-	-	20,603	20,603
Interest expense	-	-	-	-	-	-	-	-	4,876	4,876
Subtotal	94,126	43,124	30,772	30,648	25,721	2,840	6,289	233,520	54,098	287,618
Allocated costs	21,805	9,990	7,129	7,100	5,959	658	1,457	54,098	(54,098)	-
Total operating expenses	<u>\$ 115,931</u>	<u>\$ 53,114</u>	<u>\$ 37,901</u>	<u>\$ 37,748</u>	<u>\$ 31,680</u>	<u>\$ 3,498</u>	<u>\$ 7,746</u>	<u>\$ 287,618</u>	<u>\$ -</u>	<u>\$ 287,618</u>
	2020									
	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	\$ 67,589	\$ 20,958	\$ 10,257	\$ 18,828	\$ 7,847	\$ 1,090	\$ 2,915	\$ 129,484	\$ 10,427	\$ 139,911
Benefits	20,093	7,156	4,418	5,968	2,591	249	623	41,098	1,282	42,380
Supplies, services, and other	11,508	13,404	16,525	7,168	6,436	1,343	2,968	59,352	13,847	73,199
Utilities	-	-	-	-	-	-	-	-	5,072	5,072
Depreciation	-	-	-	-	-	-	-	-	20,522	20,522
Interest expense	-	-	-	-	-	-	-	-	4,740	4,740
Subtotal	99,190	41,518	31,200	31,964	16,874	2,682	6,506	229,934	55,890	285,824
Allocated costs	24,110	10,092	7,584	7,769	4,101	652	1,582	55,890	(55,890)	-
Total operating expenses	<u>\$ 123,300</u>	<u>\$ 51,610</u>	<u>\$ 38,784</u>	<u>\$ 39,733</u>	<u>\$ 20,975</u>	<u>\$ 3,334</u>	<u>\$ 8,088</u>	<u>\$ 285,824</u>	<u>\$ -</u>	<u>\$ 285,824</u>

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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Certain costs such as depreciation expense, utilities, interest expense and other operating costs have been allocated among the functional areas. These costs are primarily allocated based on direct costs.

**NOTE I - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION**

The University participates in single-employer contributory retirement plans, which provide for the purchase of annuities and various mutual funds for academic, administrative, salaried, and other hourly employees. The employee is responsible for a 5% pretax contribution, while the University contributes up to 8% on behalf of the employee. The University also participates in a multi-employer noncontributory retirement plan for certain union employees, which is funded at the rate of \$0.87 per hour worked up to a maximum of 40 hours per week. The University annually funds the retirement costs under both plans, which amounted to \$0.8 million and \$8.1 million for the years ended June 30, 2021 and 2020, respectively.

In fiscal year 2021, the University suspended its retirement contribution for most employees, with the exception of employees covered by collective bargaining agreements. The suspended contribution was reinstated at 5% in fiscal year 2022.

The University provides certain health care benefits to certain retired employees. These postretirement benefits are unfunded and are generally based on employees' years of service and compensation levels. The University is required to make an accrual of the expected costs of these benefits over the period in which the employees render the service.

Net periodic benefit costs for the years ended June 30, 2021 and 2020 include the following components (in thousands):

	2021	2020
Interest cost for fiscal year	\$ 137	\$ 191
Census and claims gain during fiscal year	(129)	(137)
Loss (gain) due to assumption changes	(109)	510
Change in liability due to plan experience	125	87
<b>Net periodic costs</b>	<b>\$ 24</b>	<b>\$ 651</b>
Actual postretirement benefit payments (funded on a pay-as-you-go basis)	\$ 280	\$ 318

Using a measurement date of June 30, the following assumptions at June 30, 2021 and 2020, were used to determine the periodic benefit costs:

	2021	2020
Discount rate	2.40%	2.30%
Healthcare trend rate (post-65)	6.50%	6.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2030	2027

A one-percentage-point increase in the assumed medical cost trend rates for each future year increases annual postretirement benefit expense by \$100 and the accumulated postretirement benefit obligation by \$5,900. A one-percentage-point decrease in the assumed medical cost trend rates for each future year

**Duquesne University of the Holy Spirit**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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decreases annual postretirement benefit expense by \$100 and the accumulated postretirement benefit obligation by \$5,900.

For the years ended June 30, 2021 and 2020, the following is a reconciliation of beginning and ending balances of the benefit obligation (in thousands):

	2021	2020
Accumulated postretirement benefit obligation, beginning of year	\$ 6,189	\$ 5,856
Service cost for fiscal year	-	-
Interest cost for fiscal year	137	191
Benefit payments for fiscal year	(279)	(318)
Expected accumulated postretirement benefit obligation, end of year	6,047	5,729
Census and claims gain during fiscal year	(129)	(137)
Loss (gain) due to assumption changes	(109)	510
Change in liability due to plan experience	125	87
Actual accumulated postretirement benefit obligation, end of year	\$ 5,934	\$ 6,189

Using a measurement date of June 30, the following assumptions at June 30, 2021 and 2020, were used to determine the end-of-year benefit obligation:

	2021	2020
Discount rate	2.40%	2.30%
Healthcare trend rate (post-65)	6.50%	6.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2030	2027

Expected benefits to be paid in future years are as follows (in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 397
2023	426
2024	432
2025	433
2026	419
2027 - 2031	1,960
Total	\$ 4,067

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020  
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**NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at June 30, 2021 and 2020, consist of the following (in thousands):

	2021	2020
Board-designated funds (quasi-endowment)	\$ 267,428	\$ 201,608
Undesignated funds	215,316	179,128
<b>Total net assets without donor restrictions</b>	<b>\$ 482,744</b>	<b>\$ 380,736</b>

**NOTE K - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021 and 2020, consist of funds subject to purpose or time restriction and funds restricted in perpetuity.

Funds subject to donor restrictions consist of the following (in thousands):

	2021	2020
<b>Funds subject to purpose or time restriction:</b>		
Endowment gains	\$ 92,199	\$ 42,656
Term endowments (including pledges)	2,922	2,272
<b>Restricted gifts and pledges:</b>		
Operational purposes	23,572	16,942
Capital projects	710	10,238
Scholarships	1,551	1,566
<b>Total restricted gifts and pledges</b>	<b>25,833</b>	<b>28,746</b>
<b>Restricted grants and contracts:</b>		
Private	3,357	3,088
Local	1	3
<b>Total net assets subject to purpose or time restriction</b>	<b>\$ 124,312</b>	<b>\$ 76,765</b>
<b>Funds restricted in perpetuity:</b>		
Endowment and funds functioning as endowment	\$ 128,631	\$ 120,167
Pledges	2,508	1,939
	131,139	122,106
Annuity investments	452	336
	131,591	122,442
Loan funds	1,190	1,182
<b>Total net assets restricted in perpetuity</b>	<b>\$ 132,781</b>	<b>\$ 123,624</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 257,093</b>	<b>\$ 200,389</b>



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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**  
**(Dollars in thousands)**

**NOTE L - CONTINGENCIES**

The University is a defendant in certain legal proceedings arising out of the normal conduct of its business. In the opinion of management, based upon discussion with counsel, the ultimate outcome of these matters will not have a material adverse effect on the financial position or activities of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a material effect on the University's financial position.

**NOTE M - SUBSEQUENT EVENTS**

The University has evaluated subsequent events through October 15, 2021, the date the financial statements were issued. The University is not aware of any subsequent events that require recognition or disclosure in the financial statements.