Financial Statements and Report of Independent Certified Public Accountants

Duquesne University of the Holy Spirit

June 30, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Duquesne University of the Holy Spirit

Opinion
We have audited the financial statements of Duquesne University of the Holy Spirit (the "University"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, 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.

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

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Grant Thornton LLP

Philadelphia, Pennsylvania
October 20, 2022

Duquesne University of the Holy Spirit

STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 43,867	$ 48,105
Accounts receivable, net	32,702	23,877
Assets in escrow related to debt service and construction	47,240	904
Pledges receivable, net	23,525	14,330
Deferred charges and other assets	7,570	9,841
Loans receivable, net	7,493	8,178
Investments	584,005	635,343
Property, plant and equipment, net	289,314	292,042
Right-of-use assets	3,408	4,638
Total assets	$ 1,039,124	$ 1,037,258
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 38,667	$ 42,842
Annuities payable	405	480
Deferred revenues and deposits	47,390	39,392
Accumulated postretirement benefits	4,594	5,934
Agency funds	1,120	1,275
Debt and lease obligations	230,579	191,329
Liabilities associated with investments	4,478	4,928
Conditional asset retirement obligations	4,321	2,649
Federal loan funds	7,703	8,592
Total liabilities	339,257	297,421
Net assets		
Without donor restrictions	442,673	482,744
With donor restrictions	257,194	257,093
Total net assets	699,867	739,837
Total liabilities and net assets	$ 1,039,124	$ 1,037,258

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

Duquesne University of the Holy Spirit

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized information for 2021
(Dollars in thousands)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues				
Tuition and fees, net	$ 215,440	$ -	$ 215,440	$ 220,786
Auxiliary enterprises, net	29,542	-	29,542	20,713
Grants and contracts	3,452	24,865	28,317	29,972
Gifts and pledges	268	8,907	9,175	10,391
Endowment earnings distributed for operations	16,036	6,937	22,973	9,654
Working capital earnings distributed for operations	7,852	-	7,852	157
Investment income	(68)	(146)	(214)	458
Other	6,489	-	6,489	3,908
Net assets released from restrictions	29,314	(29,314)	-	-
Total operating revenues	308,325	11,249	319,574	296,039
Operating expenses				
Instructional	118,472	-	118,472	115,931
Institutional support	53,194	-	53,194	53,114
Auxiliary enterprises	42,291	-	42,291	37,901
Academic support	39,973	-	39,973	37,748
Student services	19,874	-	19,874	31,680
Public service	4,046	-	4,046	3,498
Research	10,619	-	10,619	7,746
Total operating expenses	288,469	-	288,469	287,618
Excess of operating revenues over operating expenses	19,856	11,249	31,105	8,421
Nonoperating revenues and expenses				
Gifts and pledges	74	18,385	18,459	8,732
(Loss) return on investments	(36,348)	(22,615)	(58,963)	155,149
Endowment earnings distributed for operations	(16,036)	(6,937)	(22,973)	(9,654)
Working capital earnings distributed for operations	(7,852)	-	(7,852)	(157)
Net periodic benefit other than service cost	1,014	-	1,014	55
Costs associated with separation agreements	(737)	-	(737)	(3,475)
Loss on the defeasance of debt	(27)	-	(27)	(367)
Net assets released from restrictions	(15)	15	-	-
Other	-	4	4	8
Net nonoperating revenues and expenses	(59,927)	(11,148)	(71,075)	150,291
CHANGE IN NET ASSETS	(40,071)	101	(39,970)	158,712
Net assets, beginning of year	482,744	257,093	739,837	581,125
Net assets, end of year	$ 442,673	$ 257,194	$ 699,867	$ 739,837

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

Duquesne University of the Holy Spirit

STATEMENT OF ACTIVITIES

Year ended June 30, 2021
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Tuition and fees, net	$ 220,786	$ -	$ 220,786
Auxiliary enterprises, net	20,713	-	20,713
Grants and contracts	3,100	26,872	29,972
Gifts and pledges	-	10,391	10,391
Endowment earnings distributed for operations	3,611	6,043	9,654
Working capital earnings distributed for operations	157	-	157
Investment income	262	196	458
Other	3,908	-	3,908
Net assets released from restrictions	46,213	(46,213)	-
Total operating revenues	298,750	(2,711)	296,039
Operating expenses			
Instructional	115,931	-	115,931
Institutional support	53,114	-	53,114
Auxiliary enterprises	37,901	-	37,901
Academic support	37,748	-	37,748
Student services	31,680	-	31,680
Public service	3,498	-	3,498
Research	7,746	-	7,746
Total operating expenses	287,618	-	287,618
Excess of operating revenues over operating expenses	11,132	(2,711)	8,421
Nonoperating revenues and expenses			
Gifts and pledges	(5)	8,737	8,732
Return on investments	98,451	56,698	155,149
Endowment earnings distributed for operations	(3,611)	(6,043)	(9,654)
Working capital earnings distributed for operations	(157)	-	(157)
Net periodic benefit other than service cost	55	-	55
Costs associated with separation agreements	(3,475)	-	(3,475)
Loss on the defeasance of debt	(367)	-	(367)
Net assets released from restrictions	(15)	15	-
Other	-	8	8
Net nonoperating revenues and expenses	90,876	59,415	150,291
CHANGE IN NET ASSETS	102,008	56,704	158,712
Net assets, beginning of year	380,736	200,389	581,125
Net assets, end of year	$ 482,744	$ 257,093	$ 739,837

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,
(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (39,970)	$ 158,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,147	18,903
Realized and unrealized losses (gains) on investments	61,656	(153,101)
Gifts restricted for long-term purposes	(20,184)	(8,948)
Provision for doubtful accounts	888	955
Gain on disposal of property, plant and equipment	(35)	(29)
Loss on defeasance of debt	27	367
Changes in operating assets and liabilities:		
Increase in receivables	(7,935)	(1,737)
Decrease (Increase) in deferred charges and other assets	2,271	(2,531)
(Decrease) increase in accounts payable and accrued expenses	(5,202)	1,445
Increase in annuities payable	199	254
Increase (decrease) in deferred revenues and deposits	7,998	(837)
(Decrease) increase in agency funds	(155)	409
Increase (decrease) in conditional asset retirement obligations	1,672	(835)
Net cash provided by operating activities	20,377	13,027
Cash flows from investing activities:		
Purchases of investments	(235,392)	(116,575)
Proceeds from the sale/redemption of investments	225,074	93,556
Change in liabilities associated with investments	(450)	1,295
Deposits with trustee for construction	(55,808)	(25,930)
Withdrawals from trustee for construction	2,921	31,588
Deposits of funds held in escrow related to debt service	(33)	-
Withdrawals of funds held in escrow related to debt service	6,506	5,030
Receipt of federal loan funds	943	302
Payments of federal loan funds and annuities	(2,106)	(1,548)
Proceeds from the sale of property	40	44
Expenditures for land, buildings and equipment	(18,439)	(31,674)
Net cash used in investing activities	(76,744)	(43,912)
Cash flows from financing activities:		
Proceeds from the issuance of new debt	55,808	25,930
Repayments of long-term borrowings	(13,575)	(12,434)
Collection of gifts restricted for long-term purposes	9,896	9,136
Net cash provided by financing activities	52,129	22,632
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,238)	(8,253)
Cash and cash equivalents, beginning of year	48,105	56,358
Cash and cash equivalents, end of year	$ 43,867	$ 48,105
Supplemental disclosures:		
In-kind gifts consisting of contributed services	$ 615	$ 567
Interest paid	$ 6,816	$ 6,416
Accounts payable related to construction in progress	$ 653	$ 895

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

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.

Concentration of Credit Risk

The University maintains cash and cash equivalent balances with banking institutions and brokerage companies. At June 30, 2022, 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 2022 or 2021.

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.

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, 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	10,317	694	28,127	254	39,392
Revenue recognized	(10,317)	(959)	(1,705)	(254)	(13,235)
Amounts recorded for future performance obligations	11,228	1,939	7,994	72	21,233
Balance at June 30, 2022	$ 11,228	$ 1,674	$ 34,416	$ 72	$ 47,390

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, 2022 and 2021. Deferred revenues for the summer terms are shown in Note A.

The following details the gross and net amounts of tuition and fees for fiscal years ended June 30, 2022 and 2021 (in thousands):

	2022	2021
Tuition and fees	$ 334,505	$ 343,017
Less: institutional aid	(119,065)	(122,231)
Tuition and fees, net	$ 215,440	$ 220,786

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, 2022 and 2021. Deferred revenues for the summer terms are shown in Note A.

The following details the gross and net amounts of auxiliary services revenue for fiscal years ended June 30, 2022 and 2021 (in thousands):

	2022	2021
Auxiliary enterprises	$ 41,693	$ 31,763
Less: auxiliary institutional aid	(12,151)	(11,050)
Auxiliary enterprises, net	$ 29,542	$ 20,713

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.

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, 2022 and 2021 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 $7.7 million and $8.6 million at June 30, 2022 and 2021, 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 ("ASC") 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.

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 net asset value 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, 2022.

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, 2022 and 2021, 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.

NOTE B - INVESTMENTS

A summary of the University's investments measured at fair value at June 30, 2022 and 2021 based on level within the fair value hierarchy, is as follows (in thousands):

	2022	2021
Level 1 - Quoted Prices in Active Markets		
Equity securities - all cap	$ 21,100	$ 2,795
Mutual funds:		
Money market	12,043	38,457
Large cap	109,894	99,638
Small cap	11,798	16,185
Global and international	8,196	13,560
Other	6,848	7,654
	169,879	178,289
Level 2 - Significant Observable Inputs		
Debt securities issued by U.S. Treasury and other U.S. agencies	27,599	18,856
Debt issued by foreign government	1	1
Corporate debt securities	49,647	28,017
Asset-backed securities	-	3,369
	77,247	50,243
Level 3 - Significant Unobservable Inputs		
Trust - Residential real estate	4,530	4,530
Total investments measured at fair value	251,656	233,062
Investments measured at net asset value	332,349	402,281
Total investments	$ 584,005	$ 635,343

Investments reflected in the statements of financial position as of June 30, 2022 and 2021 are summarized as follows (in thousands):

	2022	2021
Endowment and funds functioning as endowment	$ 443,421	$ 481,525
Long-term working capital	90,430	108,489
Mid-term working capital	36,030	29,999
Investments managed for others	4,478	4,928
Annuities	5,563	6,191
Deferred compensation and other	4,083	4,211
Total	$ 584,005	$ 635,343

As of June 30, 2022 and 2021, there were no significant concentrations of investments as no individual investment exceeded 10% of total assets.

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, 2022 and 2021, 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 net asset value 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, 2022 and 2021. 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.

Investment (loss) income for the years ended June 30, 2022 and 2021, exclusive of earnings on idle receipts, escrow funds and other deposits with trustees, consisted of the following (in thousands):

	2022	2021
Interest and dividends	$ 2,168	$ 2,343
Realized gains on marketable securities, net	27,537	7,739
Unrealized (losses) gains on marketable securities, net	(89,193)	145,362
Total	$ (59,488)	$ 155,444

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

Description	2022 Number of Funds	2022 Fair Value	2021 Number of Funds	2021 Fair Value	Unfunded Commitment at June 30, 2022	Redemption Terms	Redemption Notice Period
Hedge funds	23	$ 252,478	27	$ 355,086	$ -	Daily, semi-monthly, monthly, quarterly, annually	1-93 days
Private equity	23	79,871	23	47,195	53,491	See below	
Total	46	$ 332,349	50	$ 402,281	$ 53,491		

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, 2022, there are no funds with lock-ups.

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.

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, 2022 and 2021, are as follows (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 267,428	$ 226,712	$ 494,140
Investment return:			
Investment income	1,265	450	1,715
Net realized and unrealized losses	(26,767)	(23,150)	(49,917)
Total	(25,502)	(22,700)	(48,202)
Contributions	-	18,417	18,417
Appropriation of endowment assets for expenditure	(16,025)	(6,860)	(22,885)
Additional authorized amounts	10,002	-	10,002
Other	-	15	15
Change in endowment net assets	(31,525)	(11,128)	(42,653)
Endowment net asset, end of year	$ 235,903	$ 215,584	$ 451,487

	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

The endowment and funds functioning as endowment net asset composition by type of fund at June 30, 2022 and 2021 is composed of the following (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship	$ 42,910	$ 111,345	$ 154,255
Operational purposes	192,993	103,699	296,692
Total	$ 235,903	$ 215,044	$ 450,947

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

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, 2020 and 2019, for the years ended June 30, 2022 and 2021, 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 were 39 endowment funds with underwater deficiencies totaling $0.9 million as of June 30, 2022, and one endowment fund with underwater deficiencies totaling $0.01 million as of June 30, 2021.

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, 2022, 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 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 $1.1 million and $0.8 million were received in fiscal years 2022 and 2021, respectively.

As of June 30, 2022, the University's Board of Directors has designated pooled endowment funds in a separate escrow account in the amount of $42.9 million as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. Furthermore, the reserve must be held for one year after the first class of students graduates, anticipated for May 2028. The reserve could then be released May 2029.

NOTE D - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022 and 2021, 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):

	2022
Cash and cash equivalents	$ 43,867
Accounts and pledges receivable, net	56,227
Investments	584,005
Total financial assets	684,099
Add: authorized spending amount without donor restrictions for the next 12 months	12,544
Less: investments in board-designated endowments and long-term working capital	(326,333)
Less: financial assets with contractual or donor-imposed restrictions	(270,961)
Less: accounts and pledges receivable collectible beyond one year	(18,741)
Less: investments and other financial assets held for others	(8,861)
Financial assets available to meet cash needs for general expenditures within one year	$ 71,747

		2021
Cash and cash equivalents	$	48,105
Accounts and pledges receivable, net		38,207
Investments		635,343
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 and pledges receivable collectible beyond one year		(11,977)
Less: investments and other financial assets held for others		(9,901)
Financial assets available to meet cash needs for general expenditures within one year	$	74,583

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, which could be drawn upon at any time. There are no outstanding draws on the facility. The line of credit expired in September 2022, and the University closed on a new three-year, $20 million line of credit in September 2022. Additionally, the University has quasi-endowment and working capital investments of $326 million, including $42.9 million held as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. 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, 2022 and 2021 consist of the following (in thousands):

		2022		2021
Student accounts receivable, net of allowance for doubtful accounts of $1,838 and $1,757 in 2022 and 2021, respectively	$	7,223	$	7,341
Grants and contracts receivable		2,988		1,977
Other accounts receivable, net of allowance for doubtful accounts of $1,850 in 2022 and 2021		22,491		14,559
Accounts receivable, net	$	32,702	$	23,877

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

Pledges receivable at June 30, 2022 and 2021 consist of the following (in thousands):

	2022	2021
Less than one year	$ 5,502	$ 3,656
One to five years	17,338	8,301
More than five years	4,537	5,661
Total pledges receivable	27,377	17,618
Less: present value adjustment	(2,271)	(2,091)
Present value of pledges receivable	25,106	15,527
Less: allowance for doubtful pledges	(1,581)	(1,197)
Pledges receivable, net	$ 23,525	$ 14,330

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.

Fundraising costs were $4.1 million and $4.2 million for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, student loans represented 0.7% and 0.8% of total assets, respectively.

At June 30, 2022 and 2021, student loans consisted of the following (in thousands):

	2022	2021
Federal government programs	$ 8,005	$ 9,108
Institutional programs	389	414
	8,394	9,522
Less allowance for doubtful loans:		
Beginning of year	(1,344)	(1,420)
Decrease	443	76
End of year	(901)	(1,344)
Loans receivable, net	$ 7,493	$ 8,178

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.

The past-due principal amounts under the student loan programs at June 30, 2022 and 2021 are as follows (in thousands):

	2022	2021
1 - 60 days past due	$ 48	$ 84
61 - 90 days past due	117	146
91+ days past due	893	1,325
Total past due	$ 1,058	$ 1,555

NOTE F - PROPERTY, PLANT AND EQUIPMENT

The University's investment in property, plant, and equipment at June 30, 2022 and 2021, consists of the following (in thousands):

	2022	2021
Land and land improvements	$ 48,836	$ 47,429
Building and building improvements	479,820	471,112
Furniture, equipment and software	93,263	90,960
Construction in progress	12,828	7,887
	634,747	617,388
Less: accumulated depreciation	(345,433)	(325,346)
Property, plant and equipment, net	$ 289,314	$ 292,042

Depreciation expense was $20.9 million and $20.5 million for the years ended June 30, 2022 and 2021, respectively.

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

NOTE G - DEBT AND LEASE OBLIGATIONS

Long-term debt at June 30, 2022 and 2021, consists of the following (in thousands):

	Rate	2022	2021
University revenue and refunding bonds:			
2011 Series A Bonds	3.00 - 5.50%	$ -	$ 5,725
2013 Series A Bonds	2.50 - 5.00	18,865	20,440
2014 Series A Bonds	2.00 - 5.00	19,025	22,330
2016 Series Bonds	2.25 - 5.00	54,230	54,345
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	8,945
2020 Series B Bonds	2.43 – 3.03	15,835	15,835
2021 Series A Bonds	4.00 - 5.00	45,075	-
		208,425	174,070
Lease obligations		3,616	4,846
Gross debt		212,041	178,916
Plus net unaccreted bond premium		19,739	13,398
Less: deferred bond costs		(1,201)	(985)
Debt		230,579	191,329
Less: debt service reserves and accounts		-	(781)
Net debt		$ 230,579	$ 190,548

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

Year Ending June 30,	Debt	Finance Leases	Operating Leases	Total
2023	$ 8,075	$ 30	$ 1,359	$ 9,464
2024	8,590	30	1,046	9,666
2025	9,020	30	297	9,347
2026	9,475	30	188	9,693
2027	9,915	1	170	10,086
Thereafter	163,350	-	711	164,061
	208,425	121	3,771	212,317
Less: present value discount	-	(2)	(274)	(276)
Total	$ 208,425	$ 119	$ 3,497	$ 212,041

As of June 30, 2022, the University is a party to 29 operating leases and one finance lease 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, 2022 is as follows (in thousands):

	Finance Leases	Operating Leases
Lease cost	$ 41	$ 1,569
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 1	$ 1,573
Financing cash flows	40	-
Right-of-use assets obtained in exchange for new lease liabilities	$ 144	$ 151
Weighted-average remaining lease term (in years)	4.08	5.22
Weighted average discount rate	0.87%	1.80%

<u>University Revenue Bonds ("Series A of 2011")</u> - 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 $15,000 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 statement 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 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. In December 2021, the outstanding bonds were fully defeased in connection with the Series of 2021 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 statement 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 statement 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 statement 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 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 statement 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 statement 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 statement of financial position.

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 statement 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 statement of financial position.

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

University Revenue Bonds ("Series A of 2021") - In December 2021, the Authority issued $47.9 million of revenue bonds to finance all or a portion of the costs of (a) construction; equipping and furnishing of the University's College of Medicine facility, related capital expenditures to such facility and other University facilities, and other miscellaneous capital expenditures, (b) the refunding of all of the outstanding Allegheny County Higher Education Building Authority University revenue Bonds, Series A of 2011 (Duquesne University), and (c) paying the costs of issuance of the Bonds.

The bonds mature annually in principal ranging from $0.9 million to $14.0 million beginning in fiscal 2022 and ending in fiscal 2041.

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 $8.4 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 statement of financial position.

The University was in compliance with all debt covenants as of June 30, 2022.

NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the fiscal years ended June 30, 2022 and 2021, are shown below (in thousands):

2022	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	$ 64,025	$ 20,485	$ 10,632	$ 18,195	$ 7,570	$ 1,446	$ 3,538	$ 125,891	$ 10,223	$ 136,114
Benefits	18,202	7,043	4,448	5,559	2,356	374	724	38,706	425	39,131
Supplies, services, and other	12,364	14,944	18,686	8,161	5,942	1,410	4,216	65,723	13,738	79,461
Utilities	-	-	-	-	-	-	-	-	5,592	5,592
Depreciation	-	-	-	-	-	-	-	-	22,738	22,738
Interest expense	-	-	-	-	-	-	-	-	5,433	5,433
Subtotal	94,591	42,472	33,766	31,915	15,868	3,230	8,478	230,320	58,149	288,469
Allocated costs	23,881	10,722	8,525	8,058	4,006	816	2,141	58,149	(58,149)	-
Total operating expenses	$ 118,472	$ 53,194	$ 42,291	$ 39,973	$ 19,874	$ 4,046	$ 10,619	$ 288,469	$ -	$ 288,469

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	$ 115,931	$ 53,114	$ 37,901	$ 37,748	$ 31,680	$ 3,498	$ 7,746	$ 287,618	$ -	$ 287,618

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 withdrew from this plan in August, 2021. The University annually funds the retirement costs under both plans, which amounted to $5.2 million and $0.8 million for the years ended June 30, 2022 and 2021, 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 generally are 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, 2022 and 2021 include the following components (in thousands):

	2022	2021
Interest cost for fiscal year	$ 137	$ 137
Census and claims gain during fiscal year	(33)	(129)
Gain due to assumption changes	(830)	(109)
Change in liability due to plan experience	(250)	125
Net periodic (benefit) costs	$ (976)	$ 24
Actual postretirement benefit payments (funded on a pay-as-you-go basis)	$ 364	$ 280

Using a measurement date of June 30, the following assumptions at June 30, 2022 and 2021, were used to determine the periodic benefit costs:

	2022	2021
Discount rate	4.45%	2.40%
Healthcare trend rate (post-65)	6.00%	6.50%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2029	2030

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 $4,600. A one-percentage-point decrease in the assumed medical cost trend rates for each future year decreases annual postretirement benefit expense by $100 and the accumulated postretirement benefit obligation by $4,600.

For the years ended June 30, 2022 and 2021, the following is a reconciliation of beginning and ending balances of the benefit obligation (in thousands):

	2022	2021
Accumulated postretirement benefit obligation, beginning of year	$ 5,934	$ 6,189
Interest cost for fiscal year	137	137
Benefit payments for fiscal year	(364)	(279)
Expected accumulated postretirement benefit obligation, end of year	5,707	6,047
Census and claims gain during fiscal year	(33)	(129)
Gain due to assumption changes	(830)	(109)
Change in liability due to plan experience	(250)	125
Actual accumulated postretirement benefit obligation, end of year	$ 4,594	$ 5,934

Using a measurement date of June 30, the following assumptions at June 30, 2022 and 2021, were used to determine the end-of-year benefit obligation:

	2022	2021
Discount rate	4.45%	2.40%
Healthcare trend rate (post-65)	6.00%	6.50%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2029	2030

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

Year Ending June 30,	Amount
2023	$ 393
2024	427
2025	420
2026	399
2027	393
2028 - 2032	1,799
Total	$ 3,831

NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Board-designated funds (quasi-endowment)	$ 235,903	$ 267,428
Undesignated funds	206,770	215,316
Total net assets without donor restrictions	$ 442,673	$ 482,744

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021, 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):

	2022	2021
Funds subject to purpose or time restriction:		
Endowment gains	$ 64,156	$ 92,199
Term endowments (including pledges)	4,786	2,922
Restricted gifts and pledges:		
Operational purposes	25,770	23,572
Capital projects	2,676	710
Scholarships	2,099	1,551
Total restricted gifts and pledges	30,545	25,833
Restricted grants and contracts:		
Private	9,871	3,357
Local	1	1
Total net assets subject to purpose or time restriction	$ 109,359	$ 124,312
Funds restricted in perpetuity:		
Endowment and funds functioning as endowment	$ 135,489	$ 128,631
Pledges	10,612	2,508
	146,101	131,139
Annuity investments	540	452
	146,641	131,591
Loan funds	1,194	1,190
Total net assets restricted in perpetuity	$ 147,835	$ 132,781
Total net assets with donor restrictions	$ 257,194	$ 257,093

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 - RELATED-PARTY TRANSACTIONS

In the ordinary course of business, there are occasional contributions or pledges to the University made by members of the Board of Trustees, officers and/or key employees. There were no other material related-party transactions in fiscal year 2022 or 2021 respectively.

NOTE N - SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 20, 2022, the date the financial statements were issued.

On July 22, 2022, the University received an irrevocable pledge commitment of $50 million from the Thomas R. Kline Foundation. The pledge commitment is to be satisfied no later than December 31, 2038. Proceeds are restricted to the School of Law and can be used in support of facilities, faculty, student aid, technology and educational and clinical programming. In recognition of the Foundation's transformational gift, the University will adopt "Thomas R. Kline School of Law of Duquesne University" as the formal name of the Law School.

The University opened a new line of credit upon the expiration of the existing line of credit more fully described in Note D.