CLARK ATLANTA UNIVERSITY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

CLARK ATLANTA UNIVERSITY

Table of Contents

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
Clark Atlanta University:

Report on the Financial Statements

We have audited the accompanying financial statements of Clark Atlanta University (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 U.S. generally accepted accounting principles; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 the University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(s) to the financial statements, in fiscal year 2020, Clark Atlanta University adopted new accounting guidance, Accounting Standards Update (ASU) No. 2014–09, *Revenue from Contracts with*

Customers (Topic 606), as amended; and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
November 23, 2021

CLARK ATLANTA UNIVERSITY

Statements of Financial Position

June 30, 2021 and 2020

Assets		2021	2020
Cash and cash equivalents	$	42,332,123	31,374,002
Restricted cash		8,980,654	3,899,622
Accounts receivable, net (note 2)		4,647,822	3,119,007
Pledges receivable, net (note 2)		475,432	441,031
Deposits held with bond trustees (note 8)		—	3,149,131
Prepaids and other assets		1,261,088	1,143,179
Property, plant, and equipment, net (note 5)		127,392,953	124,954,262
Investments (notes 3 and 11)		114,347,777	83,801,787
Beneficial interest in perpetual trust (note 11)		440,118	419,407
Perkins loans receivable, net (note 4)		4,846,881	5,417,194
Asset held and not used, net (note 1)		460,000	460,000
Total assets	$	305,184,848	258,178,622
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	8,934,533	6,696,773
Advances from granting agencies		450,216	747,520
Deferred revenue		1,073,650	506,448
Bonds payable, net (note 8)		—	13,264,537
Refundable advances (note 4)		4,413,706	5,613,537
Note payable		38,382	307,143
BOA loans payable (note 7)		2,603,060	—
Mortgages payable (note 7)		645,671	982,556
Other liabilities (note 16)		1,377,920	1,722,400
Asset retirement obligation		1,077,730	1,016,726
Total liabilities		20,614,868	30,857,640
Commitments and contingencies (notes 6, 7, 8, and 16)			
Net assets:			
Without donor restrictions		149,355,975	131,244,252
With donor restrictions (note 13)		135,214,005	96,076,730
Total net assets		284,569,980	227,320,982
Total	$	305,184,848	258,178,622

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2021
(with summarized financial information for the year ended June 30, 2021)

	2021 Without donor restrictions	2021 With donor restrictions	2021 Total	2020 Total
Revenue, gains, and other support:				
Tuition and fees, excluding student aid	$ 60,406,029	—	60,406,029	60,619,628
Government grants	14,403,582	37,409,557	51,813,139	23,678,974
Private gifts and grants	1,156,896	12,594,145	13,751,041	6,407,772
Investment income, net	961,255	18,858	980,113	476,236
Auxiliary enterprises	3,518,938	—	3,518,938	12,743,834
Net realized and unrealized gains on investments	1,715,382	382,839	2,098,221	154,301
Amounts allowed per university's endowment spending policy	—	1,756,732	1,756,732	1,941,426
Other revenue	944,794	6,313	951,107	1,313,576
Net assets released from restriction for satisfaction of program restrictions (note 14)	42,001,804	(42,001,804)	—	—
Total operating revenue, gains, and other support	125,108,680	10,166,640	135,275,320	107,335,747
Expenses (note 9):				
Instruction	31,248,801	—	31,248,801	28,159,150
Research	8,362,822	—	8,362,822	7,826,073
Academic support	10,061,295	—	10,061,295	9,363,011
Student services	9,960,377	—	9,960,377	10,314,416
Institutional support	30,909,464	—	30,909,464	26,406,409
Public service	2,078,329	—	2,078,329	2,183,904
Auxiliary enterprise	11,343,694	—	11,343,694	14,876,693
Student aid	3,032,175	—	3,032,175	3,032,175
Total operating expenses	106,996,957	—	106,996,957	102,161,831
Change in net assets from operating activities	18,111,723	10,166,640	28,278,363	5,173,916
Nonoperating activities:				
Private gifts and grants	—	11,279,928	11,279,928	162,040
Investment income, net	—	1,548,227	1,548,227	1,115,386
Net realized and unrealized gain on investments	—	17,878,501	17,878,501	2,669,744
Change in beneficial interest in perpetual trusts	—	20,711	20,711	(2,123)
Amounts allowed per university's endowment spending policy	—	(1,756,732)	(1,756,732)	(1,941,426)
Change in net assets from nonoperating activities	—	28,970,635	28,970,635	2,003,621
Change in net assets	18,111,723	39,137,275	57,248,998	7,177,537
Net assets, beginning of year	131,244,252	96,076,730	227,320,982	220,143,445
Net assets, end of year	$ 149,355,975	135,214,005	284,569,980	227,320,982

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2020

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue, gains, and other support:			
Tuition and fees, excluding student aid	$ 60,619,628	—	60,619,628
Government grants	1,554,297	22,124,677	23,678,974
Private gifts and grants	2,942,392	3,465,380	6,407,772
Investment income, net	446,139	30,097	476,236
Auxiliary enterprises	12,743,834	—	12,743,834
Net realized and unrealized gains on investments	117,909	36,392	154,301
Amounts allowed per university's endowment spending policy	—	1,941,426	1,941,426
Other revenue	1,226,962	86,614	1,313,576
Net assets released from restriction for satisfaction of program restrictions (note 14)	27,997,077	(27,997,077)	—
Total operating revenue, gains, and other support	107,648,238	(312,491)	107,335,747
Expenses (note 9):			
Instruction	28,159,150	—	28,159,150
Research	7,826,073	—	7,826,073
Academic support	9,363,011	—	9,363,011
Student services	10,314,416	—	10,314,416
Institutional support	26,406,409	—	26,406,409
Public service	2,183,904	—	2,183,904
Auxiliary enterprise	14,876,693	—	14,876,693
Student aid	3,032,175	—	3,032,175
Total operating expenses	102,161,831	—	102,161,831
Change in net assets from operating activities	5,486,407	(312,491)	5,173,916
Nonoperating activities:			
Private gifts and grants	—	162,040	162,040
Investment income, net	—	1,115,386	1,115,386
Net realized and unrealized gain on investments	—	2,669,744	2,669,744
Change in beneficial interest in perpetual trusts	—	(2,123)	(2,123)
Amounts allowed per university's endowment spending policy	—	(1,941,426)	(1,941,426)
Change in net assets from nonoperating activities	—	2,003,621	2,003,621
Change in net assets	5,486,407	1,691,130	7,177,537
Net assets, beginning of year	125,757,845	94,385,600	220,143,445
Net assets, end of year	$ 131,244,252	96,076,730	227,320,982

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	57,248,998	7,177,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		9,123,793	8,855,774
Amortization of asset held and not used		—	95,000
Amortization of bond issuance costs		—	27,185
Accretion of asset retirement obligation		61,004	57,553
Provision for bad debt		221,162	594,816
Receipt of agency funds (Federal Direct Student Loans and Federal Pell Grants)		72,067,139	81,977,816
Disbursement of agency funds		(72,067,139)	(81,977,816)
Contributions, grants, and income restricted for long-term investment and acquisition of property, plant, and equipment		(11,279,928)	(162,040)
Net loss on disposition of property		10,037	—
Gain on forgiveness of debt – HBCU Loan		(12,982,144)	—
Debt guarantee obligation expense		—	14,444
Net realized and unrealized gains on investments and beneficial interest in perpetual trust		(19,997,433)	(2,821,922)
Changes in operating assets and liabilities:			
Accounts receivable, net		(1,744,538)	2,890,000
Pledges receivable		(34,401)	533,122
Prepaids and other assets		(117,909)	204,647
Accounts payable and accrued expenses		1,935,294	(1,013,660)
Other liabilities		(344,480)	(358,924)
Advances from granting agencies		(297,304)	123,012
Deferred revenue		567,202	19,034
Net cash provided by operating activities		22,369,353	16,235,578
Cash flows from investing activities:			
Proceeds from the sale of investments		13,166,177	80,256,323
Purchases of investments		(23,350,766)	(79,472,226)
Proceeds from student loan repayments		564,874	826,426
Purchases of property, plant, and equipment		(11,270,055)	(9,847,193)
Net cash used in investing activities		(20,889,770)	(8,236,670)
Cash flows from financing activities:			
Contributions and income restricted for long-term investment and acquisitions of property, plant, and equipment		11,279,928	162,040
Principal repayments on bonds, note, and mortgages payable		(888,039)	(3,330,416)
Refundable advances		(1,199,831)	(1,469,650)
Proceeds from BOA loans payable		2,603,060	—
Net cash provided by (used in) financing activities		11,795,118	(4,638,026)
Net increase in cash and cash equivalents		13,274,701	3,360,882
Cash and cash equivalents and restricted cash, beginning of year		39,902,115	36,541,233
Cash and cash equivalents and restricted cash, end of year	$	53,176,816	39,902,115
Reconciliation for cash and cash equivalents.			
Cash and cash equivalents	$	42,332,123	31,374,002
Restricted cash		8,980,654	3,899,622
Deposits held with bond trustee		—	3,149,131
Cash and cash equivalents within non-endowed investment funds		1,864,039	1,479,360
Total cash and cash equivalents and restricted cash	$	53,176,816	39,902,115
Noncash activity:			
Forgiveness of bonds payable by U.S. Secretary of Education		12,982,144	—
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	600,069	727,045
Purchase of property, plant, and equipment included in accounts payable and accrued expenses		675,493	373,027

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Clark Atlanta University (CAU or the University), which was formed in 1988 as a result of the consolidation of two independent, historically black institutions—Atlanta University (established 1865) and Clark University (established 1869), is a United Methodist Church–related, private, coeducational, residential, and comprehensive urban research university located in Atlanta, Georgia. The University offers undergraduate, graduate, doctoral, and professional degrees, as well as nondegree certificate programs. The University is classified by Carnegie as an R2 Research Institute and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University is primarily supported by tuition and fees from students.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as promulgated by the Financial Accounting Standards Board (FASB).

(b) Classification of Net Assets

The net assets, revenue, expenses, gains, and losses of the University are classified based on the existence or absence of donor-imposed purpose or time restrictions. Accordingly, the 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 purpose or time stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the University and/or the passage of time or are required to be held in perpetuity; the University reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are restricted as to timing of use. When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Net assets in this class include donor-restricted endowment funds and related earnings. The University is generally permitted to use or expend part or all of the income and gains derived from the donated assets based on donor-imposed designations. Donor-imposed restrictions on gifts to acquire long-lived assets are released from restriction at the time such long-lived assets are placed into service.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Contributions of assets other than cash and cash equivalents are recorded at their estimated fair value at the date of the gift as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are recorded as pledge receivables and are discounted at rates commensurate with the risk involved as of the date of the unconditional promise to give. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(Continued)

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law requiring the activity to be reported as net assets with donor restrictions.

(c) Cash and Cash Equivalents, Restricted Cash, and Deposits Held with Bond Trustees

Cash and cash equivalents consist primarily of demand deposits at financial institutions. Short-term investments with original maturities of three months or less when purchased are classified as cash equivalents. The credit risk is the amount of deposits in excess of federally insured limits. The amount of deposits in excess of federally insured limits was $50,810,298 and $34,770,740, respectively, as of June 30, 2021 and 2020. Restricted cash consists of cash on hand that is restricted for a specific purpose. Restricted cash consists of mortgages payable escrow deposits and Perkins' loan student repayments. Deposits held with bond trustees consisted of debt service funds, which were restricted for the payment of debt related to certain outstanding bonds payable as of June 30, 2020.

(d) Accounts Receivable

The University's receivables primarily consist of amounts due from students for tuition and fees, receivables from federal and state agencies, and agency receivables. Receivables are stated at amounts due, net of an allowance for doubtful accounts. The University determines its allowance for doubtful accounts by considering the University's previous loss history and specific account circumstances. Past-due status is based on contractual terms of the receivable. Receivables are written off once the University determines that the receivable is no longer collectible.

(e) Investments

Investments are carried at fair value with the change in fair value being recorded as unrealized gains (losses). The fair value of publicly traded fixed-income and equity securities is based on quoted market prices and exchange rates, if applicable.

Investments in alternative investments (often in the form of limited partnerships) often do not have readily determinable fair values and are valued using the most current information provided by the general partner and/or the investment manager. The change in net assets related to partnership interests is presented as realized and unrealized gains and losses based on the estimated fair value of each partnership interest. Private equity investments are generally valued at amounts determined by management based on information provided by fund managers or general partners, unless there is an active secondary trading market in the securities. Hedge fund investments are valued at amounts determined by management based on information provided by fund managers or general partners, unless a significant investment event occurs that mandates a revaluation of the investment.

Valuations for alternative investments provided by the general partners and/or investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value. These investments are valued at fair value estimated using the Net Asset Values (NAV) as a practical expedient.

The University's investments include various types of investment securities and investment vehicles. Investment securities and vehicles are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities and vehicles, it is at least reasonably possible that changes in the values of investment securities and vehicles will occur in the near term and that such changes could materially affect the amounts reported in the University's financial statements.

Certain investments of endowment and similar funds are pooled. Net investment gains (losses) and net investment income are allocated to the pooled endowment funds based on the fair value of the endowment pooled asset funds, proportionately, at the beginning of the fiscal year. Investment income is recorded net of investment expenses of $247,841 and $161,111, for the years ended June 30, 2021 and 2020, respectively.

(f) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or at estimated fair value at the date of donation if acquired as gifts, less accumulated depreciation and amortization. Depreciation of buildings and equipment and amortization of leasehold improvements are computed using the straight-line method over the estimated useful lives of the respective assets or the terms of the respective capital leases. Land is not depreciated. Expenditures for maintenance are expensed and expenditures for capital lease renewals and capital improvements are generally capitalized. A summary of depreciable lives is as follows:

	Years
Buildings	40 Years
Improvements	10–25 Years
Furniture and equipment	10 Years
Vehicles and software	7 Years
Computers	5 Years
Capital leases – telecommunications equipment	3 Years

The collections that were acquired prior to 2005 through purchases and contributions since the University's inception are not recognized as assets on the accompanying statements of financial position. Purchases of collection items are recorded as artwork in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Works of art are included as a component of property, plant, and equipment, net, in the accompanying statements of financial position. Works of art are not depreciated.

(g) Asset Held and Not Used

The University has a hotel/restaurant property with a net book value of $460,000 as of both June 30, 2021 and 2020. The hotel/restaurant property is located on the outskirts of the University's campus. In accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, the property was classified as an "asset held and not used" in the accompanying statements of financial position as of June 30, 2021 and 2020. The carrying value is being written down over the remaining estimated economic life and is evaluated for impairment as required. Depreciation expense is recorded in institutional support on the accompanying statements of activities.

(Continued)

(h) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment and assets held and not used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the University first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. No impairments were recorded in either 2021 or 2020.

(i) Tuition and Fees

Under FASB ASC Topic 606, *Revenue From Contracts with Customers,* revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Tuition and educational fees are recorded in the fiscal year in which the performance obligation has been met. The academic year revenue corresponds to one fiscal year. The order of the academic year is Fall, Spring, and Summer. The University records tuition and fees received prior to the fiscal year-end for the semester's beginning in the subsequent fiscal year as deferred revenue in the statements of financial position. Tuition is charged at different rates depending on the enrollment status of the student. As part of a student's course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations. Student aid is awarded to students to defray the costs of the academic programs, which reduces the amount of revenue recognized.

The following table provides the components of tuition and fees revenue by programs for the years ended June 30, 2021 and 2020:

		2021	2020
Undergraduate programs	$	60,997,492	72,372,904
Graduate programs		10,399,874	10,038,347
Total at published rates		71,397,366	82,411,251
Less institutional aid for undergraduate programs		(10,647,592)	(21,335,680)
Less institutional aid for graduate programs		(343,745)	(455,943)
Total tuition and fees revenue	$	60,406,029	60,619,628

(Continued)

(j) Auxiliary Enterprises Revenue and Other Revenue

Auxiliary enterprise revenue primarily includes resident halls, food services, parking services, health services, campus bookstore, and special events. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Auxiliary enterprise revenue is recorded when the performance obligation has been met in the fiscal year. For the years ended June 30, 2021 and 2020, respectively, the approximate $3.5 million and $12.7 million in net revenue from auxiliary enterprises reflects aggregate reductions from student aid of approximately $4,000 and $0.5 million, respectively, against gross charges for which the amounts at published rates were approximately $3.5 million and $13.2 million, respectively.

(k) Private Gifts and Grants

Unconditional promises to give are recorded when a signed donor agreement is received.

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. For donor-restricted gifts received and expensed during the same fiscal year, the University records those gifts directly into net assets without donor restrictions.

The University reports gifts of property, plant, and equipment as support 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(l) Government Grants

Funding from the federal and state governments is recorded as government grants revenue when it is for a specified activity with a defined budget, period of performance, and scope of work undertaken by the University. The agreement with the government agency may take the form of a contract, grant, or cooperative agreement and is generally in direct support of the University's mission. Revenue is recognized when services are rendered, milestones are met, or qualifying expenses are incurred as specified in the terms and conditions of the agreements, not necessarily when payments are received. Unearned revenue results when cash is received from government agencies in advance of revenue being earned. Unearned revenue is recorded as a liability (deferred revenue) until it is earned. Amounts recorded in accounts receivable are for services rendered or expenditures incurred in advance of the receipt of funds. Indirect cost recoveries are based on negotiated rates with grantor agencies and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements.

(m) Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may significantly affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of

(Continued)

operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

In March 2020, the University postponed commencement until May 16, 2021, for 2020 graduates. The University remained in an all virtual online teaching environment for all of the Fall 2020 as the campus was closed. The University returned to limited on-campus classes in Spring 2021, while most students remained in a virtual learning environment. CAU returned to a full on campus opening in Fall 2021.

As COVID-19 disruptions impacted operations and liquidity of various industries, including higher education, the federal Coronavirus Aid, Relief and Economic Security (CARES) Act was passed on March 27, 2020. The CARES Act appropriated funds specifically for higher education institutions as general grants, minority-serving and strengthening institutions grants, and unmet needs grants. During fiscal 2021 and 2020, under the CARES Act, the University received $23,640,177 and $8,724,393, respectively, in grants to support expenses and revenue loss attributable to COVID-19. The stimulus funding grants were recorded as conditional contributions in accordance with subtopic ASC 958-605, as amended by ASU 2018-08, in government grants in the accompanying statements of activities.

(n) Allocation of Functional Expenses

Expenses are reported in the statements of activities in categories recommended by the National Association of Colleges and University Business Officers. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest expense, are allocated to program services and supporting activities based on square footage or estimate of time and usage of the University’s facilities.

(o) Atlanta University Center Consortium, Inc. and Robert W. Woodruff Library, Inc.

Atlanta University Center Consortium, Inc. and Robert W. Woodruff Library, Inc. are affiliated organizations that allocate a portion of their expenses to the Atlanta University Center institutions that receive benefits from the organizations. The expenses recorded by the University primarily relate to the cost of operating the Robert W. Woodruff Library, which is utilized by the University, and the other Atlanta University Center institutions. Expenses allocated to the University during the years ended June 30, 2021 and 2020 from these organizations totaled $5,202,352 and $4,983,853, respectively, and are recorded in academic support in the accompanying statements of activities.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the accompanying financial statements and disclosures during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, valuations for certain investments without readily determinable fair values, allowances for uncollectible accounts and pledges receivable, debt guaranteed obligation, and estimated useful lives of capital assets. Actual results could differ from those estimates.

(Continued)

(q) Loss Contingencies

The University accounts for loss contingencies in accordance with ASC Topic 450, *Contingencies*. Accordingly, when management determines that it is probable that an asset has been impaired or a liability has been incurred, the University accrues its best estimate of the loss if it can be reasonably estimated. The University's legal costs related to litigation are expensed as incurred.

(r) Income Tax Status

The University is recognized by the Internal Revenue Service as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except for taxes on income from activities unrelated to its exempt purpose.

The University evaluates its uncertain tax positions using the provisions of ASC Topic 740, *Income Taxes*. The University follows the criterion that an individual tax position has to meet some or all of the benefits of that position to be recognized in the University's financial statements. The University determines whether the relevant tax authority would more likely than not sustain that tax position following an audit by a tax authority.

The University has applied this criterion to all tax positions for which the statute of limitations remains open. Prior tax years open to examination by tax authorities under the statute of limitations include fiscal years 2016 through 2019 for the U.S. federal and state of Georgia jurisdictions. The University has determined that its tax positions satisfy the more likely than not criterion and that no provision for income taxes is required at June 30, 2021 and 2020. The University has a policy to record interest and penalties (if any) related to income tax matters in income tax expense.

(s) Recently Adopted and Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset (current asset) representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. In June 2020, the FASB issued ASU No. 2020-05, which further delayed the effective date of ASU 2016-02. The ASU is effective, as deferred, for the University for fiscal years beginning after December 15, 2021, and the University plans to implement the provisions of ASU 2016-02 during fiscal year 2023. The University has not yet determined the impact of the new standard on its current policies for lessee accounting.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost, such as long-term debt. This provision of ASU 2016-01 may be early adopted for financial statements, which have not yet been issued or made available for issuance. The University early adopted this provision of ASU 2016-01 in fiscal year 2017. The University adopted the remaining provisions of the ASU during fiscal year 2020. The adoption of ASU 2016-01 did not have a material effect on the University's financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The University adopted this new standard in fiscal year 2020. The University's adoption of this ASU did not materially change the timing or amount of revenue recognized by the University.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The University adopted this new standard in fiscal year 2020. The University's adoption of this ASU did not have a material impact on the financial statements.

(2) Accounts and Pledges Receivable

Accounts receivable consist of the following as of June 30, 2021 and 2020:

		2021	2020
Accounts receivable	$	8,612,525	6,741,505
Grants receivable		1,998,911	2,026,875
Agency receivable		143,420	183,009
Other receivable		735,152	711,613
Total		11,490,008	9,663,002
Less allowance for doubtful accounts		(6,842,186)	(6,543,995)
Accounts receivables, net	$	4,647,822	3,119,007

Adjustments to the allowance for doubtful accounts are classified within institutional support in the accompanying statements of activities.

(Continued)

Pledges receivable as of June 30, 2021 and 2020 are summarized as follows:

		2021	2020
Pledges receivable to be collected in:			
Less than one year	$	852,291	818,791
One year to five years		500,000	500,000
More than five years		100,000	100,000
Pledges receivable, gross		1,452,291	1,418,791
Less unamortized discount		(184,120)	(185,021)
Less allowance for doubtful accounts		(792,739)	(792,739)
Total	$	475,432	441,031

Pledges receivable to be received after one year are discounted and recorded at their estimated fair value at the date they are pledged. The University uses an appropriate discount rate commensurate with the risks involved and the expected period of payment. The total discount on those amounts is computed using a market discount and a risk-adjusted interest rate applicable to the years in which the promises are received, with the total rate averaging 5% as of June 30, 2021 and 2020. Amortization of discounts is included in private gifts and grants in the accompanying statements of activities. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience, type of contribution, and nature of fundraising activity.

(3) Investments

The fair value of investments is summarized as follows as of June 30, 2021 and 2020:

		2021	2020
Endowment pooled funds:			
Cash, money market, and short-term funds	$	4,975,828	2,055,619
Common stocks		62,488,537	40,851,761
Mutual funds:			
Equity funds		2,084,136	1,595,584
Bonds funds		17,498,306	17,788,755
Commodities funds		2,416,786	2,480,822
Real estate funds		1,305,343	973,171
Alternative funds:			
Hedge funds		8,168,326	5,744,417
Other investment funds:			
Cash, money market, and short-term funds		1,864,039	1,479,360

		2021	2020
Mutual funds:			
Equity funds	$	9,545,109	7,136,099
Bonds funds		4,001,367	3,543,892
Commodities funds		—	152,307
Total investments	$	114,347,777	83,801,787

		2021	2020
With donor restrictions	$	106,343,728	77,572,325
Without donor restrictions		8,004,049	6,229,462
Total investments	$	114,347,777	83,801,787

The endowment pooled funds consist of donor-restricted endowment corpus and funds, and gains thereon.

Other investment funds consist of endowment non-pooled and non-endowment primarily consisting of money market funds, bond funds, and equity securities.

Net realized and unrealized gains on investments and beneficial interest in perpetual trust consist of the following as of June 30, 2021 and 2020:

		2021	2020
Net realized gains	$	1,573,161	6,811,449
Net unrealized (losses) gains		18,424,272	(3,989,527)
Total	$	19,997,433	2,821,922

(4) Perkins Loan Program

The University provides uncollateralized Perkins program loans to students based on financial need under the U.S. Government National Direct Student Loan Program. The U.S. government provides grants to the University for a portion of the funds loaned to students. These loans are guaranteed against default by the U.S. government, and thus, no loan loss reserve has been recorded by the University at June 30, 2021 or 2020. The University is responsible for disbursements and subsequent collection of these loans. The availability of funds for ongoing loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Advances from the federal government under the Perkins program are refundable to the U.S. government upon liquidation of the Perkins program. The U.S. Department of Education announced in December 2016 that it was liquidating the Perkins Loan Program. The University began complying with this change in the fall of 2019 by discontinuing drawdowns from the program. Outstanding refundable advances in the amount of $4,130,213 and $5,332,009 at June 30, 2021 and 2020, respectively, payable to the federal government, are reflected within refundable advances in the accompanying statements of financial position. The remaining balance of the refundable advances payable at June 30, 2021 and 2020 consists of $162,379 and $162,379 related to grant agency and $121,114 and

$119,149, related to campus clubs and organizations, respectively. Outstanding loans canceled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government. As of June 30, 2021 and 2020, the University had the following outstanding student loans receivable under the Perkins loan program.

		2021	2020
Perkins loan receivable, gross	$	10,622,157	11,187,032
Adjustments:			
Defaulted loans submitted to the government		(4,290,254)	(4,284,904)
Other – net		(1,485,022)	(1,484,934)
Total Perkins loans receivable, net	$	4,846,881	5,417,194

(5) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of June 30, 2021 and 2020:

		2021	2020
Buildings and improvements	$	225,601,661	225,324,596
Furniture, computers, software, equipment, capital leases, and vehicles		49,702,433	47,674,324
Land and improvements		18,983,109	18,924,443
Construction in progress		9,013,741	—
Artwork		297,671	291,671
Total assets		303,598,615	292,215,034
Less accumulated depreciation		(176,205,662)	(167,260,772)
Net book value	$	127,392,953	124,954,262

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to $9,123,793 and $8,855,774, respectively.

(6) Operating Leases

The University has several operating leases, primarily for equipment rental. A summary of future minimum operating lease payments for cancelable and noncancelable leases with initial or remaining lease terms in excess of one year is as follows:

		Operating leases
Year ending June 30:		
2022	$	550,196
2023		43,650
2024 and thereafter		71,038
Total	$	664,884

(7) Mortgages and BOA Loans Payable

Mortgages payable consisted of the following as of June 30, 2021 and 2020:

		2021	2020
Mortgage payable in semiannual installments of principal and interest, bearing interest at the annual fixed rate of 3%, matured in April 2021, collateralized by certain real property	$	—	173,833
Mortgage payable in semiannual installments of principal and interest, bearing interest at the annual fixed rate of 5.5%, maturing August 2024, collateralized by certain real property		645,671	808,723
Total	$	645,671	982,556

Annual maturities of mortgages payable in periods subsequent to June 30, 2021 are as follows:

		2021
Year ending June 30:		
2022	$	172,143
2023		181,741
2024		191,874
2025		99,913
Total	$	645,671

As a requirement of the mortgage agreements, the University is required to maintain a debt service reserve account and repair and replacement reserve account amounting to $1,047,129 with a bank that is a member of the FDIC until the applicable mortgage matures. This amount is included in restricted cash on the accompanying statements of financial position as of June 30, 2021 and 2020.

(Continued)

The University entered into a $10 million capital equipment line of credit agreement dated August 12, 2020, with the Bank of America (BOA) to provide secured capital loans for CAU renovations and repairs deferred maintenance projects. As of June 30, 2021, the University had approximately $3 million outstanding with an interest rate of 2.99%, included in BOA loans payable in the accompanying statements of financial position. The University will make principal and interest payments through August 27, 2027.

(8) Bonds Payable

Bonds payable consisted of the following at June 30, 2021 and 2020:

	Original	Interest rate	Maturity date	2021	2020
Rice Capital Access Program, LLC (formerly Commerce Capital Access Corporation) Future Advance Project Funding Bond, Series A 2007-1 4.13%	$ 18,349,186	Fixed	2037	$ —	13,414,315
Total				—	13,414,315
Less bond issuance costs				—	(149,778)
Total bonds payable, net				$ —	13,264,537

On May 20, 2007, the University signed a promissory note with Commerce Capital Access Corporation under the Historically Black Colleges and Universities (HBCU) Capital Financing Program in the amount of $20,000,000. The purpose of this issuance was to finance the renovation of several of the University's residence halls and the associated infrastructure. Additionally, the demolition of Brawley Hall was completed in fall 2007 using funds from this program. These projects were completed in fiscal year 2009. Total funds drawn down as required to complete these activities were $18,349,186. The Series 2007 bonds were collateralized by property, pledged revenue, and the debt service reserve fund.

The total amount of principal outstanding for the Series 2007-1 bonds of $0 and $13,414,315, respectively, at June 30, 2021 and 2020 is made up of eight bonds, each carrying fixed rates ranging from 3.63% to 5.22%. The interest rate noted in the table above of 4.13% is the weighted average interest rate based on the rate applicable and the amount outstanding for each individual bond during the fiscal year.

The bonds also required the University to make certain deposits into a debt service account held by the trustee for the periodic payment of bond interest and retirement of bond principal and the creation of other specific reserve accounts. The balances held in these accounts as of June 30, 2021 and 2020 totaled $0 and $3,149,131, respectively, and are included in deposits held with bond trustees in the accompanying statements of financial position.

During September 2020, the series 2007 bonds were modified under the Coronavirus Aid, Relief and Economic Security (CARES) Act to defer principal and interest payments retroactively to April 1, 2020. During the deferment period, the University was not required to pay periodic installments of principal or interest required under the series 2007 bonds agreement.

Section 706 of the Consolidated Appropriations Act, 2021 (2021 Appropriations Act) directed the secretary of Education to repay, for each institution of higher education that is a participant in the HBCU Capital Financing program, the institution's outstanding balance of principal, interest and fees on the disbursed loan amounts on closed loan agreements relating to deferments for public and private HBCUs under the CARES Act. During fiscal year 2021, as a result of the aforementioned provision of the 2021 Appropriations Act, the University reduced outstanding bonds payable to zero and recognized $12,982,144 in government grants in the accompanying statement of activities. Additionally, as a result of this provision, approximately $546,000 of principal and interest payments made in fiscal year 2020 were refunded to the University during fiscal year 2021.

(9) Expenses

The University's primary program services are instruction, research, and public service. Expenses reported as academic support, student services, institutional support, auxiliary enterprises, and student aid are incurred in support of these primary program services. Institutional support includes fundraising expenses of $1,383,340 and $1,887,478, respectively, for the years ended June 30, 2021 and 2020. Interest expense for the years ended June 30, 2021 and 2020 was $391,246 and $707,697, respectively, and was allocated to auxiliary enterprises, student services, and institutional support based on the purpose of the debt instrument. Advertising expenses for the years ended June 30, 2021 and 2020 were $39,622 and $47,062, respectively.

Expenses by natural and functional classifications for the year ended June 30, 2021 are as follows:

	Functional categories								
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	Total
Salaries and wages	$ 18,519,940	4,118,927	3,212,361	5,277,231	11,509,941	1,047,608	331,839	—	44,017,847
Fringe benefits	6,298,242	1,134,270	1,107,857	1,867,477	4,285,177	360,801	149,522	—	15,203,346
Contractual services	487,702	367,767	254,858	556,580	5,061,931	244,193	2,150,021	—	9,123,052
Travel	56,500	4,595	7,439	38,372	119,662	5,152	1,284	—	233,004
Supplies	114,879	390,083	161,827	160,814	3,452,693	29,600	69,057	—	4,378,953
Repairs and maintenance	221,225	90,254	18,693	62,812	104,111	2,381	345,847	—	845,323
Other expenses	330,040	136,006	137,905	493,258	2,740,568	265,964	131,936	—	4,235,677
Insurance	—	—	—	(3,379)	1,202,911	—	—	—	1,199,532
Communication costs	112,304	17,769	23,029	66,012	323,639	120,756	184,274	—	847,783
Printing and duplication	8,884	9,704	2,236	97,882	25,739	687	(3,605)	—	141,527
Utilities	869,463	311,631	59,952	230,071	275,936	467	1,301,912	—	3,049,432
Subcontracts	1,645,668	855,681	111,711	428,698	503,550	720	2,425,887	—	5,971,915
AUC costs	—	—	4,785,254	—	417,098	—	—	—	5,202,352
Student aid	—	—	—	—	—	—	—	3,032,175	3,032,175
Interest expense	—	—	—	801	3,873	—	386,572	—	391,246
Depreciation	2,583,954	926,135	178,173	683,748	882,635	—	3,869,148	—	9,123,793
Total operating expenses	$ 31,248,801	8,362,822	10,061,295	9,960,377	30,909,464	2,078,329	11,343,694	3,032,175	106,996,957

Expenses by natural and functional classifications for the year ended June 30, 2020 are as follows:

	Functional categories								
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	Total
Salaries and wages	$ 17,469,736	3,934,061	3,033,763	5,178,388	11,545,078	1,040,114	335,519	—	42,536,659
Fringe benefits	4,517,249	770,328	760,274	1,394,179	3,655,370	253,055	95,338	—	11,445,793
Contractual services	337,005	621,180	172,403	779,380	4,265,255	164,726	5,809,838	—	12,149,787
Travel	295,074	125,378	171,781	395,992	216,012	22,583	2,197	—	1,229,017
Supplies	160,828	290,728	72,647	370,217	586,649	41,555	71,993	—	1,594,617
Repairs and maintenance	221,333	103,172	15,732	83,070	105,325	9,495	319,988	—	858,115
Other expenses	157,586	79,588	157,665	645,116	2,786,783	548,737	219,791	—	4,595,266
Insurance	—	—	88,983	—	924,831	—	—	—	1,013,814
Communication costs	110,131	17,509	19,567	65,872	164,540	97,845	203,939	—	679,403
Printing and duplication	50,792	18,534	5,077	129,924	186,639	5,314	(41,605)	—	354,675
Utilities	1,061,094	380,315	73,166	280,886	331,409	—	1,588,855	—	3,715,725
Subcontracts	1,246,330	577,769	83,220	319,361	375,123	480	1,807,178	—	4,409,461
AUC costs	—	—	4,534,143	—	449,710	—	—	—	4,983,853
Student aid	—	—	—	—	—	—	—	3,032,175	3,032,175
Interest expense	—	—	—	2,032	33,344	—	672,321	—	707,697
Depreciation	2,531,992	907,511	174,590	669,999	780,341	—	3,791,341	—	8,855,774
Total operating expenses	$ 28,159,150	7,826,073	9,363,011	10,314,416	26,406,409	2,183,904	14,876,693	3,032,175	102,161,831

(10) Retirement Plan

The University participates in a multiemployer defined-contribution retirement plan with the Teacher's Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time faculty, staff, and certain other salaried employees. Personnel are eligible and it is required that they enroll in the plan after they have completed two years of full-time service and have attained age 21. Full-time faculty and staff members with two years or more of service at another institution of higher education are eligible for the retirement plan at the time of hire. Faculty and staff contribute 3% of monthly gross income, and the University contributes 5% of monthly gross income. Total expenses under this plan for the years ended June 30, 2021 and 2020 were $1,723,676 and $1,514,146, respectively.

(11) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction among market participants. There is a three-tier fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the University's assumptions (unobservable inputs). Fair value measurements are classified under the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Pricing inputs other than Level 1 that are either directly or indirectly observable
- Level 3: Unobservable pricing inputs developed using the University's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The University evaluates its hierarchy disclosures each reporting period, and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the University expects that changes in classifications between different levels will be rare.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, deposits held with bond trustees, and accounts payable approximate fair value because of the nature and relatively short maturity of these financial instruments and are included in Level 1 of the fair value hierarchy table.

A reasonable estimate of the fair value of the refundable advances and the Perkins loans receivable, which represent federally sponsored student loans with U.S. government–mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer or disposition, could not be made because the refundable advances and the Perkins loans receivable are not marketable and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under the University's loan programs and from others approximates carrying value. Furthermore, accounts receivable have been reduced by allowances, which approximates their net realizable values.

Pledges receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in pledges receivable reflected at fair value at June 30, 2021 and 2020 totaled approximately $471,000 and $427,500, respectively.

Investments whose values are based on quoted market prices in active markets are classified within Level 1 and include active listed equities, mutual funds, certain U.S. government and sovereign obligations, and certain money market securities. The University does not adjust the quoted price for such instruments, even in situations where the University holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Investments include positions that are not traded in active markets and/or are subject to transfer restrictions. Valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all. When observable prices are not available for these securities, the University uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

(Continued)

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

(a) Common stocks

Common stocks are valued at the quoted prices in an active market and are classified within Level 1 of the fair value hierarchy.

(b) Mutual Funds

This category includes funds that predominantly take long positions in publicly traded fixed-income securities, however may also include funds with investment strategies in equities and commodities. These investments are valued at quoted prices in an active market and are classified within Level 1 of the fair value hierarchy.

(c) Alternative Investments

Alternative investments consist of hedge funds which are valued at fair value estimated using NAV reported by the investment managers as a practical expedient. In accordance with ASC Subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The University has $8,168,326 and $5,744,417 of investments at June 30, 2021 and 2020, respectively, which are reported at estimated fair value using NAV per share as a practical expedient. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the University has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments.

(Continued)

Assets and liabilities recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the University's investments within the fair value hierarchy as of June 30, 2021 and 2020, as well as related strategy:

June 30, 2021	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Cash, money market, and short-term funds and certificates of deposit	$ 6,839,867	—	—	—	6,839,867
Common stocks	62,488,538	—	—	—	62,488,538
Mutual funds	36,851,046	—	—	—	36,851,046
Alternative investments:					
Hedge funds (a)	—	—	—	8,168,326	8,168,326
Subtotal investments	106,179,451	—	—	8,168,326	114,347,777
Beneficial interest in perpetual trust	—	—	440,118	—	440,118
Total	$ 106,179,451	—	440,118	8,168,326	114,787,895

June 30, 2020	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Cash, money market, and short-term funds and certificates of deposit	$ 3,534,979	—	—	—	3,534,979
Common stocks	40,851,761	—	—	—	40,851,761
Mutual funds	33,670,630	—	—	—	33,670,630
Alternative investments:					
Hedge funds (a)	—	—	—	5,744,417	5,744,417
Subtotal investments	78,057,370	—	—	5,744,417	83,801,787
Beneficial interest in perpetual trust	—	—	419,407	—	419,407
Total	$ 78,057,370	—	419,407	5,744,417	84,221,194

(a) These investments are held in a hedge fund that seeks to generate long-term capital appreciation with relatively low volatility and a low correlation with traditional equity and fixed-income markets. The hedge fund is a diversified portfolio of investments in relative value, long/short equities, credit, merger arbitrage/event driven, short selling, opportunistic/macro, multi-strategy, and derivatives in foreign exchange contracts. The fair values of the investments in these funds have been estimated using the NAV per share of the funds as a practical expedient.

Additional information about alternative investments is as follows:

	2021 fair value	Unfunded commitments	2020 fair value	Unfunded commitments	Expected liquidation term	Redemption terms
Hedge funds	$ 8,168,326	—	5,744,417	—	N/A	Annually/quarterly(1)

(1) Generally, Series B shares may be redeemed on an annual basis effective as of the last day of a shareholder's anniversary quarter. Class EE shares may be redeemed on a quarterly basis.

(12) Endowment Net Assets

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. All funds within the endowment are donor restricted. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value (corpus) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (1) the original value of primary gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The University considers available endowment earnings as being appropriated for expenditure when the actual qualified expenditure occurs.

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

(1) The duration and preservation of the fund

(2) The purposes of the donor-restricted endowment fund

(3) General economic conditions

(4) Effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) The investment policies of the University

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a total return (yield plus capital appreciation) necessary at least to preserve and enhance (in real dollars terms) the principal of the endowment fund and at the same time provide a dependable source of income for current operations. The basic objective of the University's endowment investment is to achieve an average annual total real rate of return (adjusted for inflation) of at least 5% as measured over a three-year market period and at the same time outperform the Standard and Poor's 500 Stock Index and other selected weighted market indices.

(c) Strategies Employed for Achieving Objectives

The endowment of the University is a permanent fund with disciplined investment strategies and management to include fixed-income and equity investments. The purpose of the fixed-income investments is to provide a predictable and dependable source of income and minimize portfolio volatility. The purpose of the University's equity investments is to provide current income, growth of income, and appreciation of principal. The fixed-income and equity portions of the investment portfolio are diversified in order to provide reasonable assurance that investment in either a single security or a class of securities cannot have an excessive impact on the total portfolio.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The administration of the University's endowment follows the general provisions of UPMIFA. Under the provisions of this state law, the board of trustees may appropriate expenditures of an underwater endowment fund as is deemed prudent for the uses and purposes for which an endowment fund is established. The University has applied accounting principles generally accepted in the United States of America when allocating investment gains to the net asset classes for financial statement purposes.

The trustees of the University have established an endowment fund spending policy that attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing funds to underwrite the educational needs of current and future generations of students and to enhance the financial well-being of the University.

The University has a policy of appropriating for distribution each year 5% of its endowment fund's weighted average fair value over the prior 12 quarters through the fiscal year ending one year prior to the fiscal year in which the distribution is planned.

Endowment funds consist of the following as of June 30, 2021 and 2020:

		June 30, 2021		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	102,435,884	102,435,884
Board-designated endowment funds		—	—	—
Total endowment net assets	$	—	102,435,884	102,435,884

		June 30, 2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	74,408,547	74,408,547
Board-designated endowment funds		—	—	—
Total endowment net assets	$	—	74,408,547	74,408,547

Changes in endowment net assets for the fiscal year ended June 30, 2021 and 2020 is as follows:

		June 30, 2021		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2020	$	—	74,408,547	74,408,547
Funds with deficiencies		—	—	—
Investment return:				
Net investment income		—	1,517,259	1,517,259
Net investment gain		—	16,986,882	16,986,882
Total investment return		—	18,504,141	18,504,141
Contributions to endowment		—	11,279,928	11,279,928
Amount expended		—	(1,756,732)	(1,756,732)
Endowment net assets, June 30, 2021	$	—	102,435,884	102,435,884

		June 30, 2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2019	$	—	72,500,748	72,500,748
Funds with deficiencies		—	—	—
Investment return:				
Net investment income		—	1,074,975	1,074,975
Net investment gain		—	2,612,210	2,612,210
Total investment return		—	3,687,185	3,687,185
Contributions to endowment		—	162,040	162,040
Amount expended		—	(1,941,426)	(1,941,426)
Endowment net assets, June 30, 2020	$	—	74,408,547	74,408,547

(Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor-imposed restrictions. There were no funds with deficiencies for the year ended June 30, 2021 or 2020.

(i) Endowment Borrowing

In 1997, the University's Board of Trustees authorized a borrowing of up to $10,000,000 from the University's endowment to fund the University's operations as necessary. In that same year, the University borrowed $7,000,000 from the endowment at an interest rate of 1.5%. As of June 30, 2021 and 2020, the amount outstanding related to this borrowing, including accrued interest, net of repayments was $1,043,764 and $1,964,299, respectively.

(13) Net Assets

Net assets with donor restrictions consisted of amounts restricted for the following purposes at June 30, 2021 and 2020:

		2021	2020
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:			
Scholarships	$	55,500,864	45,242,473
Instruction		17,260,385	14,313,629
General operations		29,674,635	14,852,445
		102,435,884	74,408,547
Contributions receivable available for scholarships and student aids		471,000	427,502
Restricted gifts and grants available to support students and faculty, capital projects, and departmental and programmatic needs		21,603,001	12,434,470
Subject to expenditure for specified purposes:			
Student aid		9,998,877	8,121,679
Other		705,243	684,532
	$	135,214,005	96,076,730

Net assets with donor restrictions are summarized as follows for the purpose of complying with the U.S. Department of Education's (DOE) standards of financial responsibility, as set forth in 34 CFR 668.171-2, as of and for the year ended June 30, 2021:

		2021	2020
Term endowments with donor restrictions	$	10,011,415	8,250,753
Net assets with donor restrictions: restricted in perpetuity		34,321,142	23,020,503
Net assets with donor restrictions: restricted by time and purpose		90,881,448	64,805,474
Net assets with donor restrictions	$	135,214,005	96,076,730

(14) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following for the years ended June 30, 2021 and 2020:

		2021	2020
Student aid	$	5,546,258	7,051,554
Instruction		2,059,173	2,491,984
Research		4,056,439	4,212,274
Public service		655,830	444,133
Academic support		1,608,826	2,860,532
Student services		849,771	1,219,384
Institutional support		27,225,507	9,717,216
Total net assets released from restrictions	$	42,001,804	27,997,077

(15) Liquidity and Availability of Financial Assets

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipts of gifts and pledge payments, and transfers from the endowment.

The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board of Trustees, while also striving to maximize the investment of its available funds.

(Continued)

At June 30, 2021 and 2020, existing financial assets and liquidity resources available within one year to meet general expenditures were as follows:

		2021	2020
Financial assets, at year-end	$	176,070,807	131,621,181
Less financial assets unavailable for general expenditure within one year, due to:			
Contractual or donor-imposed restrictions:			
Restricted by commercial or contractual terms		(13,827,533)	(12,467,072)
Restricted by donor with time or purpose restrictions		(600,000)	(600,000)
Subject to appropriation and satisfaction of donor restrictions		(102,435,884)	(74,408,547)
Investment held in perpetual trust		(440,118)	(419,407)
Receipt or collections expected after one year		(5,937,051)	(5,484,260)
Financial assets available to meet cash needs for general expenditures within one year	$	52,830,221	38,241,895

(16) Commitments and Contingencies

(a) Federal and State Financial Assistance

Certain federal and state-funded financial aid programs are routinely audited by various government agencies. Such audits could result in claims against the resources of the University. The reports on those examinations, which are conducted for the University by auditors engaged pursuant to specific regulatory requirements, are required to be submitted to both the University and the respective government agency. These government agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the University's participation in these programs. Management does not believe that the University will incur significant liabilities as a result of any such audits.

(b) HBCU Capital Financing Program

The University was contingently liable, under the bonds described in note 8, for a portion of certain notes payable of other HBCUs under the HBCU Capital Financing Program. The liability is limited to the fair value of the University's related HBCU Capital Financing Program escrow accounts at the time of default. This contingent liability was secured by the escrow account described in note 8. The term of the contingent liability was based on several factors, including the timing of the potential default of another HBCU under the HBCU Capital Financing Program. As such, the University was unable to measure the amount of the contingent liability at June 30, 2020. Debt under HBCU Capital Financing program was forgiven during fiscal year 2021, and therefore the University no longer has a contingent liability under this program.

In prior years, two of the member institutions associated with the program defaulted on the bonds. This required two draws from the debt obligation guarantee fund in 2016 totaling $23,679. As of June 30, 2021 and 2020, the University's escrow account had been charged a total of $0 and $838,788, respectively, to cover the University's portion of the defaulted payments. The University also recorded $0 and $14,444 of debt guarantee obligation expense during the years ended June 30, 2021 and 2020, respectively. The University's escrow account will be restored to the extent that funds are recovered from the defaulting member institution through foreclosure of collateral and other legal means. As of June 30, 2021 or 2020, no recoveries had been obtained by the University.

ASC Topic 460, *Guarantees*, requires that, upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligations it assumes. As of June 30, 2021 and 2020, the University has recorded a liability of $0 and $1,187,849, respectively, within accounts payable and accrued expenses on the statements of financial position related to this guarantee and believes that this amount represents the fair value of this obligation.

(c) Ground Lease and Energy Services Agreement

The University entered into a ground lease agreement dated as of June 1, 2007 with TUFF CAUB LLC, a Georgia limited liability company, as lessee (the Lessee), pursuant to which the University leased the central utility plant to the Lessee for a term of 30 years. Under the terms of the ground lease, the Lessee agreed to finance the design, construction, and equipping of the renovation and upgrade of the central utility plant and to operate the central utility plant through a management agreement with Energy Services Group, LLC (ESG). Under the terms of an energy services agreement dated as of June 1, 2007 among the Lessee, ESG, and the University, the Lessee and ESG have agreed to provide the University with steam, hot water, and chilled water, and the University has agreed to the payment of certain fees specified in the energy services agreement. The initial term of the energy services agreement is 15 years from the commencement date. Upon ESG and TUFF CAUB LLC's consent, the term may be extended at the election of the University for an additional 6-year period at the conclusion of the 15-year base period, for a total of 21 years. The Development Authority of Fulton County issued $15.2 million in tax-exempt revenue bonds and loaned the proceeds of such bonds to the Lessee to provide the Lessee with the funds to renovate and upgrade the central utility plant. Upon the earlier of the expiration of the ground lease or the day on which all amounts due under the bonds have been paid in full by the Lessee, ownership of the improved central utility plant transfers to the University.

Under the energy services agreement, the University has an unconditional purchase obligation (i.e., obligations to transfer funds in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, such as take-or-pay contracts) totaling $4,162,362 and $5,511,513 as of June 30, 2021 and 2020, respectively, related to the University's share of the payment of certain fixed debt service costs and operations and maintenance expenses of the Lessee and ESG. In accordance with U.S. GAAP, the unconditional purchase obligation was not recognized as a liability in the University's statements of financial position at June 30, 2021 and 2020. Future payments due by the University under the unconditional purchase obligation are as follows:

	Amount
Year ending June 30:	
2022	$ 1,387,220
2023	1,406,574
Total	$ 2,793,794

In addition to the fixed debt service costs and operations and maintenance expenses, variable charges covering the delivery costs associated with the utilities are also paid by the University to the Lessee. Total variable and fixed costs incurred by the University under the energy services agreement during the years ended June 30, 2021 and 2020 were $1,261,742 and $1,620,056, respectively, and are included in the operating expenses in the accompanying financial statements.

(d) Food Service Operations

The University entered into a 10-year contract with Sodexo Operations, LLC (Sodexo) on July 1, 2015 to manage and operate the daily food service operations and also to remodel the main dining hall facility. The total cost to Sodexo for the remodeling was approximately $3,445,000. That cost is amortized over the 10-year term. Should CAU terminate the agreement early, CAU will be responsible to make payment to Sodexo for any unamortized balance of the remodeling costs. The outstanding balance was $1,377,920 and $1,722,400 at June 30, 2021 and June 30, 2020, respectively, and is included in other liabilities in the statements of financial position. Also included in the agreement, CAU has a minimum sales requirement for meal plans of $425,000 annually; based on existing sales volume, CAU more than exceeds that requirement annually. CAU is also responsible to provide annually to Sodexo a working capital fund equal to four weeks of resident dining meal plan rates, and any unused portion is returned to CAU. Conversely, Sodexo provides funding to CAU for scholarships, facility enhancements, and meal credits for various named purposes.

(e) Legal Matters

The University is involved in legal proceedings and claims that have arisen in the ordinary course of its business and have not been fully adjudicated. The ongoing litigation of the University, when fully concluded and determined, will not, in the opinion of management, have a material adverse effect on the financial position of the University.

(17) Subsequent Events

In connection with the preparation of the financial statements, the University’s management reviewed subsequent events after the statement of financial position date of June 30, 2021 through November 23, 2021, which is the date the financial statements were available to be issued. There were no matters requiring disclosure as of this date.

SUPPLEMENTAL SCHEDULES

Schedule 1

CLARK ATLANTA UNIVERSITY

Statement of Changes in Net Assets

Year ended June 30, 2021

		Without donor restrictions	With donor restrictions	Total 2021
Revenue, gains, and other support:				
Tuition and fees, excluding student aid	$	60,406,029	—	60,406,029
Government grants		14,403,582	37,409,557	51,813,139
Private gifts and grants		1,156,896	23,874,073	25,030,969
Investment income, net		961,255	1,567,085	2,528,340
Auxiliary enterprises		3,518,938	—	3,518,938
Net realized and unrealized gains on investments		1,715,382	18,282,051	19,997,433
Other revenue		944,794	6,313	951,107
Net assets released from restriction for satisfaction of program restrictions (note 14)		42,001,804	(42,001,804)	—
Total revenue, and other support		125,108,680	39,137,275	164,245,955
Expenses (note 9):				
Instruction		31,248,801	—	31,248,801
Research		8,362,822	—	8,362,822
Academic support		10,061,295	—	10,061,295
Student services		9,960,377	—	9,960,377
Institutional support		30,909,464	—	30,909,464
Public service		2,078,329	—	2,078,329
Auxiliary enterprise		11,343,694	—	11,343,694
Student aid		3,032,175	—	3,032,175
Total expenses		106,996,957	—	106,996,957
Change in net assets		18,111,723	39,137,275	57,248,998
Net assets, beginning of year		131,244,252	96,076,730	227,320,982
Net assets, end of year	$	149,355,975	135,214,005	284,569,980

See accompanying independent auditors’ report.

Schedule 1

CLARK ATLANTA UNIVERSITY

Statement of Changes in Net Assets

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total 2020
Revenue, gains, and other support:			
Tuition and fees, net	$ 60,619,628	—	60,619,628
Government grants	1,554,297	22,124,677	23,678,974
Private gifts and grants	2,942,392	3,627,420	6,569,812
Net investment income	446,139	1,145,483	1,591,622
Auxiliary enterprises	12,743,834	—	12,743,834
Net realized and unrealized gain on investments and perpetual trust	117,909	2,704,013	2,821,922
Other revenue	1,226,962	86,614	1,313,576
Net assets released from restrictions:			
Satisfaction of program restrictions	27,997,077	(27,997,077)	—
Total revenue and other support	107,648,238	1,691,130	109,339,368
Expenses:			
Instruction	28,159,150	—	28,159,150
Research	7,826,073	—	7,826,073
Academic support	9,363,011	—	9,363,011
Student services	10,314,416	—	10,314,416
Institutional support	26,406,409	—	26,406,409
Public service	2,183,904	—	2,183,904
Auxiliary enterprises	14,876,693	—	14,876,693
Student aid	3,032,175	—	3,032,175
Total expenses	102,161,831	—	102,161,831
Change in net assets	5,486,407	1,691,130	7,177,537
Net assets beginning of year	125,757,845	94,385,600	220,143,445
Net assets end of year	$ 131,244,252	96,076,730	227,320,982

See accompanying independent auditors' report.

Schedule 2

CLARK ATLANTA UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2021

Financial element	Location in financial statements or related notes		GAAP financial statement line item or disclosure
PRIMARY RESERVE RATIO			
Numerator: expendable net assets			
Net assets without donor restrictions	Statement of financial position	$	149,355,975
Net assets with donor restrictions	Statement of financial position		135,214,005
Property and equipment, net (includes construction in progress)	Note 5, property, plant and equipment		127,392,953
Less: Construction in progress	Note 5, property, plant and equipment		9,013,741
Notes payable (including unamortized bond premiums, net and unamortized issuance costs, net)	Statement of financial position		38,382
Mortgages payable	Statement of financial position		645,671
Long-term debt - for long term purposes, pre-implementation	Statement of financial position		684,053
Less: Term endowments with donor restrictions	Note 13, net assets		10,011,415
Less: Net assets with donor restrictions: restricted in perpetuity	Note 13, net assets		34,321,142
Denominator: total expenses and losses			
Total expenses without donor restrictions	Statement of activities		106,996,957
EQUITY RATIO			
Numerator: modified net assets			
Net assets without donor restrictions	Statement of financial position		149,355,975
Net assets with donor restrictions	Statement of financial position		135,214,005
Denominator: modified assets			
Total assets	Statement of financial position		305,184,848
Net Income Ratio:			
Numerator: change in net assets without donor restrictions			
Change in net assets without donor restrictions	Statement of activities		18,111,723
Denominator: total revenues and gains			
Total revenues and gains without donor restrictions	Statement of activities		125,108,680