



CLARK ATLANTA UNIVERSITY

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

CLARK ATLANTA UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Clark Atlanta University:

Report on the Audit of the Financial Statements

Opinion

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 U.S. generally accepted accounting principles, 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 available to be issued.

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule of Changes in Net Assets (Schedule 1) is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary Schedule of financial Responsibility Data (Schedule 2) is presented for purposes of additional analysis as required by the US Department of Education, and is also 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 Schedule of Changes in Net Assets and the Supplementary Schedule of Financial Responsibility Data 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 January 11, 2023 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
January 11, 2023

CLARK ATLANTA UNIVERSITY

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 69,713,781	42,332,123
Restricted cash	9,136,392	8,980,654
Accounts receivable, net (note 2)	6,694,868	4,647,822
Pledges receivable, net (note 2)	546,432	475,432
Prepays and other assets	2,247,800	1,261,088
Property, plant, and equipment, net (note 5)	133,817,199	127,392,953
Investments (notes 3 and 11)	100,945,659	114,347,777
Beneficial interest in perpetual trust (note 11)	427,244	440,118
Perkins loans receivable, net (note 4)	3,623,972	4,846,881
Asset held and not used, net (note 1)	460,000	460,000
Total assets	\$ 327,613,347	305,184,848
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 10,242,982	8,934,532
Advances from granting agencies	708,825	450,216
Deferred revenue	963,414	1,073,651
Refundable advances (note 4)	2,943,280	4,413,706
Note payable	22,813	38,382
BOA loans payable	2,272,365	2,603,060
Mortgages payable (note 7)	473,528	645,671
Other liabilities (note 16)	1,033,440	1,377,920
Asset retirement obligation	1,142,393	1,077,730
Total liabilities	19,803,040	20,614,868
Commitments and contingencies (notes 6, 7, 8, and 16)		
Net assets:		
Without donor restrictions	175,528,922	149,355,975
With donor restrictions (note 13)	132,281,385	135,214,005
Total net assets	307,810,307	284,569,980
Total liabilities and net assets	\$ 327,613,347	305,184,848

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2022

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

	2022			2021 Total
	Without donor restrictions	With donor restrictions	Total	
Revenue, gains, and other support:				
Tuition and fees, net student aid	\$ 66,294,211	—	66,294,211	60,406,029
Government grants	5,813,214	64,878,592	70,691,806	51,813,139
Private gifts and grants	2,356,578	12,230,053	14,586,631	13,751,041
Investment income, net	131,099	64,270	195,369	980,113
Auxiliary enterprises	16,281,964	—	16,281,964	3,518,938
Net realized and unrealized gains (losses) on investments	(1,314,496)	(972,067)	(2,286,563)	2,098,221
Amounts allowed per university's endowment spending policy	—	1,704,302	1,704,302	1,756,732
Other revenue	1,776,915	1,188,102	2,965,017	951,107
Net assets released from restriction for satisfaction of program restrictions (note 14)	72,086,762	(72,086,762)	—	—
Total operating revenue, gains, and other support	163,426,247	7,006,490	170,432,737	135,275,320
Expenses (note 9):				
Instruction	35,253,592	—	35,253,592	31,248,801
Research	9,409,491	—	9,409,491	8,362,822
Academic support	10,035,882	—	10,035,882	10,061,295
Student services	13,437,536	—	13,437,536	9,960,377
Institutional support	36,296,034	—	36,296,034	30,909,464
Public service	2,727,757	—	2,727,757	2,078,329
Auxiliary enterprise	19,717,449	—	19,717,449	11,343,694
Student aid	10,375,559	—	10,375,559	3,032,175
Total operating expenses	137,253,300	—	137,253,300	106,996,957
Change in net assets from operating activities	26,172,947	7,006,490	33,179,437	28,278,363
Nonoperating activities:				
Private gifts and grants	—	2,925,253	2,925,253	11,279,928
Investment income, net	—	2,252,984	2,252,984	1,548,227
Net realized and unrealized gains (losses) on investments	—	(13,400,171)	(13,400,171)	17,878,501
Change in beneficial interest in perpetual trusts	—	(12,874)	(12,874)	20,711
Amounts allowed per university's endowment spending policy	—	(1,704,302)	(1,704,302)	(1,756,732)
Change in net assets from nonoperating activities	—	(9,939,110)	(9,939,110)	28,970,635
Change in net assets	26,172,947	(2,932,620)	23,240,327	57,248,998
Net assets, beginning of year	149,355,975	135,214,005	284,569,980	227,320,982
Net assets, end of year	\$ 175,528,922	132,281,385	307,810,307	284,569,980

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2021

	2021		
	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support:			
Tuition and fees, net 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	12,594,145	13,751,041
Investment income, net	961,255	18,858	980,113
Auxiliary enterprises	3,518,938	—	3,518,938
Net realized and unrealized gains on investments	1,715,382	382,839	2,098,221
Amounts allowed per university's endowment spending policy		1,756,732	1,756,732
Other revenue	944,794	6,313	951,107
Net assets released from restriction for satisfaction of program restrictions (note 14)	<u>42,001,804</u>	<u>(42,001,804)</u>	<u>—</u>
Total operating revenue, gains, and other support	<u>125,108,680</u>	<u>10,166,640</u>	<u>135,275,320</u>
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	<u>3,032,175</u>	<u>—</u>	<u>3,032,175</u>
Total operating expenses	<u>106,996,957</u>	<u>—</u>	<u>106,996,957</u>
Change in net assets from operating activities	<u>18,111,723</u>	<u>10,166,640</u>	<u>28,278,363</u>
Nonoperating activities:			
Private gifts and grants	—	11,279,928	11,279,928
Investment income, net	—	1,548,227	1,548,227
Net realized and unrealized gain on investments	—	17,878,501	17,878,501
Change in beneficial interest in perpetual trusts	—	20,711	20,711
Amounts allowed per university's endowment spending policy	<u>—</u>	<u>(1,756,732)</u>	<u>(1,756,732)</u>
Change in net assets from nonoperating activities	<u>—</u>	<u>28,970,635</u>	<u>28,970,635</u>
Change in net assets	18,111,723	39,137,275	57,248,998
Net assets, beginning of year	<u>131,244,252</u>	<u>96,076,730</u>	<u>227,320,982</u>
Net assets, end of year	<u>\$ 149,355,975</u>	<u>135,214,005</u>	<u>284,569,980</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,240,327	57,248,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,149,200	9,123,793
Accretion of asset retirement obligation	64,663	61,003
Provision for bad debt	8,289	221,162
Receipt of agency funds (Federal Direct Student Loans and Federal Pell Grants)	82,848,522	72,067,139
Disbursement of agency funds	(82,848,522)	(72,067,139)
Contributions, grants, and income restricted for long-term investment and acquisition of property, plant, and equipment	(2,925,253)	(11,279,928)
Net loss on disposition of property	(243,403)	10,037
Gain on Forgiveness of Debt - HBCU Loan	—	(12,982,144)
Net realized and unrealized loss(gain) on investments and beneficial interest in perpetual trust	15,699,608	(19,997,433)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,426,434)	(1,744,538)
Pledges receivable	(71,000)	(34,401)
Prepays and other assets	(986,712)	(117,909)
Accounts payable and accrued expenses	(867,583)	1,935,294
Other liabilities	(344,480)	(344,480)
Advances from granting agencies	258,609	(297,304)
Deferred revenue	(110,237)	567,202
Net cash provided by operating activities	<u>41,445,594</u>	<u>22,369,352</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	7,254,258	13,166,177
Purchases of investments	(9,603,835)	(23,350,766)
Proceeds from student loan repayments	594,008	564,874
Proceeds from the sale of property, plant and equipment	259,000	—
Purchases of property, plant, and equipment	(13,413,010)	(11,270,054)
Net cash used in investing activities	<u>(14,909,579)</u>	<u>(20,889,769)</u>
Cash flows from financing activities:		
Contributions and income restricted for long-term investment and acquisitions of property, plant, and equipment	2,925,253	11,279,928
Principal repayments on BOA, loans, notes, and mortgages payable	(518,405)	(888,039)
Refundable advances	(1,470,426)	(1,199,831)
Proceeds from BOA loans payable	—	2,603,060
Net cash provided by financing activities	<u>936,422</u>	<u>11,795,118</u>
Net increase in cash and cash equivalents	<u>27,472,437</u>	<u>13,274,701</u>
Cash and cash equivalents and restricted cash, beginning of year	<u>53,176,816</u>	<u>39,902,115</u>
Cash and cash equivalents and restricted cash, end of year	\$ <u>80,649,253</u>	\$ <u>53,176,816</u>
Reconciliation for cash and cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 69,713,781	42,332,123
Restricted cash	9,136,392	8,980,654
Cash and cash equivalents within non-endowed investment funds	<u>1,799,080</u>	<u>1,864,039</u>
Total cash and cash equivalents and restricted cash	\$ <u>80,649,253</u>	\$ <u>53,176,816</u>
Supplemental schedule of noncash operating, financing and investing activity:		
Forgiveness of bonds payable by U.S. Secretary of Education	\$ —	12,982,144
Purchase of property, plant, and equipment included in accounts payable and accrued expenses	2,851,526	675,493
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 152,744	600,069

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(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 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 also include donor-restricted endowment funds and its 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.

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 pledges receivable 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.

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Notes to Financial Statements

June 30, 2022 and 2021

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. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications (releases) from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. 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.

(c) Cash and Cash Equivalents and Restricted Cash

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. Cash and cash equivalents exposed to credit risk is the amount of deposits in excess of federally insured limits. The amount of deposits in excess of federally insured limits was \$78,347,108 and \$50,810,298, respectively, as of June 30, 2022 and 2021. 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.

(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) Works of Art

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. Works of art are not depreciated.

(f) 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 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

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Notes to Financial Statements

June 30, 2022 and 2021

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 \$311,621 and \$247,841 for the years ended June 30, 2022 and 2021, respectively.

(g) 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:

	<u>Years</u>
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

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Notes to Financial Statements

June 30, 2022 and 2021

(h) 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, 2022 and 2021. 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, 2022 and 2021. The building reached the end of its economic life in 2020 and no further amortization was recorded in either 2021 or 2022. The remaining value relates to land which is not depreciated.

(i) 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 2022 or 2021.

(j) 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. For the year ended June 30, 2022, the approximate \$88 million in revenue from tuition and fees reflects aggregate reductions from student aid of approximately \$22 million against gross charges for which the amounts at published rates were approximately \$66 million. Financial aid, awards, and scholarships awarded to students were \$21,930,083 in 2022 and \$10,991,337 in 2021.

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Notes to Financial Statements

June 30, 2022 and 2021

The following table provides the components of tuition and fees revenue by programs for the years ended June 30, 2022 and 2021:

	2022	2021
Undergraduate programs	\$ 76,658,690	60,997,492
Graduate programs	11,565,604	10,399,874
Total at published rates	88,224,294	71,397,366
Less institutional aid for undergraduate programs	(21,510,106)	(10,647,592)
Less institutional aid for graduate programs	(419,977)	(343,745)
Total tuition and fees revenue	\$ 66,294,211	60,406,029

(k) Auxiliary Enterprises Revenue and Other Revenue

Auxiliary enterprises 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 enterprises revenue is recorded when the performance obligation has been met in the fiscal year. For the years ended June 30, 2022 and 2021, respectively, the approximate \$16.3 million and \$3.5 million in revenue from auxiliary enterprises reflects aggregate reductions from student aid of approximately \$0.3 million and \$4,000, respectively, against gross charges for which the amounts at published rates were approximately \$16.6 million and \$3.5 million, respectively.

(l) 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.

(m) 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

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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.

(n) 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 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 ground campus opening in Fall 2021 and continued full on-ground campus learning in 2022.

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 2022 and 2021, under the CARES Act, the College received \$55,634,393 and \$23,640,177, 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.

(o) 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.

(p) 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

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June 30, 2022 and 2021 from these organizations totaled \$5,251,676 and \$5,202,352 respectively, and are recorded in academic support in the accompanying statements of activities.

(q) 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.

(r) 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.

(s) 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 2019 through 2021 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, 2022 and 2021. The University has a policy to record interest and penalties (if any) related to income tax matters in income tax expense.

(t) Recently 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

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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 June 2019, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): 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 ASU is effective for the University in fiscal year 2022. The University has adopted this guidance noting no material impact on the financial statements.

The FASB issued ASU 2020-07 *Not-For-Profit Entities (Topic 958) on Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from cash and other financial assets, and disaggregate into different categories of the nonfinancial assets. For each category, the qualitative information is required, and whether the contributed nonfinancial asset was monetized or utilized during the reporting period. For utilized assets the description of programs and other activities and donor imposed restrictions on the use of assets need to be disclosed. The policy about monetizing rather than utilizing nonfinancial assets, valuation techniques and principal markets used to arrive at a fair value measure at initial recognition also need to be disclosed. The term nonfinancial asset includes fixed assets (land, building, equipment) or utilities, materials, supplies, intangible assets, services and unconditional promises of these assets. This ASU is effective for the University for the fiscal year 2022. The University has adopted this guidance with no material impact to the financial statements.

(2) Accounts and Pledges Receivable

Accounts receivable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Accounts receivable	\$ 8,954,188	8,612,525
Grants receivable	3,437,512	1,998,911
Agency receivable	333,649	143,420
Other receivable	880,667	735,152
Total	13,606,016	11,490,008
Less allowance for doubtful accounts	(6,911,148)	(6,842,186)
Accounts receivables, net	\$ 6,694,868	4,647,822

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

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Pledges receivable as of June 30, 2022 and 2021 are summarized as follows:

	2022	2021
Pledges receivable to be collected in:		
Less than one year	\$ 1,023,291	852,291
One year to five years	500,000	500,000
More than five years	—	100,000
	1,523,291	1,452,291
Pledges receivable, gross	1,523,291	1,452,291
Less unamortized discount	(184,120)	(184,120)
Less allowance for doubtful accounts	(792,739)	(792,739)
Total	\$ 546,432	475,432

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, 2022 and 2021, respectively. 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.

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(3) Investments

The fair value of investments is summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment pooled funds:		
Cash, money market, and short-term funds	\$ 3,033,375	4,975,828
Common stocks	50,712,606	62,488,537
Mutual funds:		
Equity funds	1,467,271	2,084,136
Bonds funds	17,499,920	17,498,306
Commodities funds	3,663,092	2,416,786
Real estate funds	3,223,796	1,305,343
Alternative funds:		
Hedge funds	8,575,416	8,168,326
Other investment funds:		
Cash, money market, and short-term funds	1,799,080	1,864,039
Mutual funds:		
Equity funds	7,223,426	9,545,109
Bonds funds	3,747,677	4,001,367
Total investments	\$ <u>100,945,659</u>	<u>114,347,777</u>
	<u>2022</u>	<u>2021</u>
With donor restrictions	\$ 94,170,159	106,343,728
Without donor restrictions	<u>6,775,500</u>	<u>8,004,049</u>
Total investments	\$ <u>100,945,659</u>	<u>114,347,777</u>

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

Other investment funds consist of endowment non-pooled funds and non-endowment funds 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net realized gains	\$ 1,827,694	1,573,161
Net unrealized (losses) gains	<u>(17,527,302)</u>	<u>18,424,272</u>
Total	\$ <u>(15,699,608)</u>	<u>19,997,433</u>

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(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, 2022 or 2021. 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 \$2,662,130 and \$4,130,212 at June 30, 2022 and 2021, 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, 2022 and 2021 consists of \$162,379 and \$162,379 related to grant agencies and \$118,771 and \$121,114, 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, 2022 and 2021, the University had the following outstanding student loans receivable under the Perkins loan program.

	2022	2021
Perkins loan receivable, gross	\$ 10,028,150	10,622,157
Adjustments:		
Defaulted loans submitted to the government	(4,917,080)	(4,290,254)
Other – net	(1,487,098)	(1,485,022)
Total Perkins loans receivable, net	\$ 3,623,972	4,846,881

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(5) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 226,108,004	225,601,661
Furniture, computers, software, equipment, capital leases, and vehicles	56,632,188	49,702,433
Land and improvements	19,002,719	18,983,109
Construction in progress	17,112,376	9,013,741
Artwork	<u>316,371</u>	<u>297,671</u>
Total assets	319,171,658	303,598,615
Less accumulated depreciation	<u>(185,354,459)</u>	<u>(176,205,662)</u>
Net book value	\$ <u>133,817,199</u>	<u>127,392,953</u>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$9,149,200 and \$9,123,793, 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 non-cancelable leases with initial or remaining lease terms in excess of one year is as follows:

	<u>Operating leases</u>
Year ending June 30:	
2023	\$ 32,760
2024	17,825
2025 and thereafter	<u>35,205</u>
Total	\$ <u>85,790</u>

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(7) Mortgages and BOA Loans Payable

Mortgages payable consisted of the following as of June 30, 2022 and 2021

	2022	2021
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	\$ 473,528	645,671
Total	\$ 473,528	645,671

Annual maturities of mortgages payable in periods subsequent to June 30, 2022 are as follows:

	2022
Year ending June 30:	
2023	\$ 181,741
2024	191,874
2025	99,913
Total	\$ 473,528

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 \$1,047,206 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, 2022 and 2021.

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, 2022 and 2021, the University had approximately \$2.2 million and \$2.6 million, respectively 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 20, 2027.

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Annual maturities of BOA loans payable in periods subsequent to June 30, 2022 are as follows:

	<u>2022</u>
Year ending June 30:	
2023	\$ 413,160
2024	425,684
2025	438,588
2026	451,883
2027 and thereafter	<u>543,050</u>
Total	<u>\$ 2,272,365</u>

(8) Bonds Payable

As of March 19, 2021, the University acknowledged satisfaction and release of the promissory Note relating to the Series A 2007-1 Bond from RICE Capital Access Program, LLC. In addition, the principal, accrued interest, and redemption premium have been paid in full. Therefore, all Loan Payments due and payable by the Borrower according to the Note and evidencing the Loan have been satisfied.

(9) Expenses

The University's primary program services are instruction, research, and public service. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. Institutional support includes fundraising expenses of \$1,749,355 and \$1,383,340, respectively, for the years ended June 30, 2022 and 2021. Interest expense for the years ended June 30, 2022 and 2021 was \$181,975 and \$391,246, 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, 2022 and 2021 were \$54,357 and \$39,622, respectively.

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Expenses by natural and functional classifications for the year ended June 30, 2022 are as follows:

	Functional categories								Total
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	
Salaries and wages	\$ 20,209,039	4,063,074	3,154,336	5,157,468	14,377,855	1,191,107	559,074	—	48,711,953
Fringe benefits	5,825,083	926,568	871,056	1,526,146	4,449,460	326,549	141,687	—	14,066,549
Contractual services	603,780	396,553	177,679	2,703,783	8,236,096	581,606	7,360,443	—	20,059,940
Travel	171,422	59,806	215,536	866,124	225,475	42,886	158	—	1,581,407
Supplies	148,834	622,735	220,756	319,841	1,013,465	59,238	81,637	—	2,466,506
Repairs and maintenance	2,471,540	950,401	170,171	666,370	803,260	—	3,708,647	—	8,770,389
Other expenses	537,233	181,027	135,268	707,907	3,293,997	450,891	(72,206)	—	5,234,117
Insurance	—	—	—	—	1,365,447	—	—	—	1,365,447
Communication costs	113,140	18,819	20,846	80,098	359,149	66,118	210,803	—	868,973
Printing and duplication	34,168	13,185	4,355	45,235	37,810	8,252	2,436	—	145,441
Utilities	1,187,426	425,595	81,877	314,209	370,539	450	1,778,022	—	4,158,118
Subcontracts	1,294,251	799,169	89,243	342,476	402,273	660	1,937,978	—	4,866,050
AUC costs	—	—	4,711,503	—	540,173	—	—	—	5,251,676
Student aid	—	—	—	—	—	—	—	10,375,559	10,375,559
Interest expense	41,607	14,913	2,869	15,633	15,419	—	91,534	—	181,975
Depreciation	2,616,069	937,646	180,387	692,246	805,616	—	3,917,236	—	9,149,200
Total operating expenses	\$ 35,253,592	9,409,491	10,035,882	13,437,536	36,296,034	2,727,757	19,717,449	10,375,559	137,253,300

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

	Functional categories								Total
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	
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	184,275	—	847,784
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	—	3,869,147	—	9,123,792
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

(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

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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, 2022 and 2021 were \$1,879,235 and \$1,723,676, 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, 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

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reflected at fair value at June 30, 2022 and 2021 totaled approximately \$547,000 and \$471,500, 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.

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.

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The University has \$8,575,416 and \$8,168,326 of investments at June 30, 2022 and 2021, 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.

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, 2022 and 2021, as well as related strategy:

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments measured at NAV</u>	<u>Total</u>
Cash, money market, and short-term funds and certificates of deposit	\$ 4,832,455	—	—	—	4,832,455
Common stocks	50,712,606	—	—	—	50,712,606
Mutual funds	36,825,182	—	—	—	36,825,182
Alternative investments:					
Hedge funds (a)	—	—	—	8,575,416	8,575,416
Subtotal investments	92,370,243	—	—	8,575,416	100,945,659
Beneficial interest in perpetual trust	—	—	427,244	—	427,244
Total	\$ 92,370,243	—	427,244	8,575,416	101,372,903

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments measured at NAV</u>	<u>Total</u>
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

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

- (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:

	<u>2022 fair value</u>	<u>Unfunded commitments</u>	<u>2021 fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>
Hedge funds	\$ 8,575,416	5,000,000	8,168,326	—	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 US 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

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(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 U.S. generally accepted accounting principles 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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

Endowment funds consist of the following as of June 30, 2022 and 2021:

	June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	92,509,648	92,509,648
Board-designated endowment funds	—	—	—
Total endowment net assets	<u>\$ —</u>	<u>92,509,648</u>	<u>92,509,648</u>

	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	<u>\$ —</u>	<u>102,435,884</u>	<u>102,435,884</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022 and 2021 is as follows:

	June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	\$ —	102,435,884	102,435,884
Funds with deficiencies	—	—	—
Investment return:			
Net investment income	—	2,252,984	2,252,984
Net investment loss	—	(13,400,171)	(13,400,171)
Total investment return	—	(11,147,187)	(11,147,187)
Contributions to endowment		2,925,253	2,925,253
Amount expended	—	(1,704,302)	(1,704,302)
Endowment net assets, June 30, 2022	<u>\$ —</u>	<u>92,509,648</u>	<u>92,509,648</u>

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

	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

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, 2022 or 2021.

(e) 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, 2022 and 2021, the amount outstanding related to this borrowing, including accrued interest, net of repayments was \$0 and \$1,043,764, respectively.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(13) Net Assets

Net assets with donor restrictions consisted of amounts restricted for the following purposes at June 30, 2022 and 2021:

	2022	2021
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:		
Scholarships	\$ 48,884,830	55,500,864
Instruction	14,922,481	17,260,385
General operations	28,702,337	29,674,635
	92,509,648	102,435,884
Contributions receivable available for scholarships and student aids	547,000	471,000
Restricted gifts and grants available to support students and faculty, capital projects, and departmental and programmatic needs	29,132,244	21,603,001
Subject to expenditure for specified purposes:		
Student aid	9,400,123	9,998,877
Other	692,370	705,243
	\$ 132,281,385	135,214,005

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, 2022:

	2022	2021
Term endowments with donor restrictions	\$ 8,776,864	10,011,415
Net assets with donor restrictions: restricted in perpetuity	37,233,521	34,321,142
Net assets with donor restrictions: restricted by time and purpose	86,271,000	90,881,448
Net assets with donor restrictions	\$ 132,281,385	135,214,005

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021:

	2022	2021
Student aid	\$ 13,182,228	5,546,258
Instruction	2,388,965	2,059,173
Research	4,740,030	4,056,439
Public service	1,400,882	655,830
Academic support	2,251,710	1,608,826
Student services	1,048,302	849,771
Institutional support	47,074,645	27,225,507
Total net assets released from restrictions	\$ 72,086,762	42,001,804

(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.

At June 30, 2022 and 2021, existing financial assets and liquidity resources available within one year to meet general expenditures were as follows:

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

	2022	2021
Financial assets, at year-end	\$ 191,088,348	176,070,807
Less financial assets unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by commercial or contractual terms	(12,760,364)	(13,827,533)
Restricted by donor with time or purpose restrictions	(500,000)	(600,000)
Subject to appropriation and satisfaction of donor restrictions	(92,509,648)	(102,435,884)
Investment held in perpetual trust	(427,244)	(440,118)
Receipt or collections expected after one year	(5,839,996)	(5,937,051)
Financial assets available to meet cash needs for general expenditures within one year	\$ 79,051,096	52,830,221

(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) 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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

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 \$2,793,794 and \$4,162,362 as of June 30, 2022 and 2021, 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, 2022 and 2021. Future payments due by the University under the unconditional purchase obligation are as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ <u>1,406,574</u>
Total	\$ <u><u>1,406,574</u></u>

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, 2022 and 2021 were \$1,392,162 and \$1,261,742, respectively.

(c) 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 \$2,066,880. That cost is amortized over the 10-year term. Should CAU terminate the agreement early, CAU will be responsible to make payment to Sodexo at any unamortized balance of the remodeling costs. The outstanding balance was \$1,033,440 and \$1,377,920 for June 30, 2022 and 2021, 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.

(d) 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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 through January 11, 2023, which is the date the financial statements were available to be issued. There were no matters requiring disclosure as of this date.

SUPPLEMENTAL SCHEDULES

CLARK ATLANTA UNIVERSITY

Schedule of Changes in Net Assets

Year ended June 30, 2022

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
Revenue, gains, and other support:				
Tuition and fees, net	\$ 66,294,211	—	66,294,211	60,406,029
Government grants	5,813,214	64,878,592	70,691,806	51,813,139
Private gifts and grants	2,356,578	15,155,306	17,511,884	25,030,969
Net investment income	131,099	2,317,254	2,448,353	2,528,340
Auxiliary enterprises	16,281,964	—	16,281,964	3,518,938
Net realized and unrealized gains on investments	(1,314,496)	(14,385,112)	(15,699,608)	19,997,433
Other revenue	1,776,915	1,188,102	2,965,017	951,107
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>72,086,762</u>	<u>(72,086,762)</u>	<u>—</u>	<u>—</u>
Total revenue, and other support	<u>163,426,247</u>	<u>(2,932,620)</u>	<u>160,493,627</u>	<u>164,245,955</u>
Expenses:				
Instruction	35,253,592	—	35,253,592	31,248,801
Research	9,409,491	—	9,409,491	8,362,822
Academic support	10,035,882	—	10,035,882	10,061,295
Student services	13,437,536	—	13,437,536	9,960,377
Institutional support	36,296,034	—	36,296,034	30,909,464
Public service	2,727,757	—	2,727,757	2,078,329
Auxiliary enterprises	19,717,449	—	19,717,449	11,343,694
Student aid	<u>10,375,559</u>	<u>—</u>	<u>10,375,559</u>	<u>3,032,175</u>
Total expenses	<u>137,253,300</u>	<u>—</u>	<u>137,253,300</u>	<u>106,996,957</u>
Change in net assets	26,172,947	(2,932,620)	23,240,327	57,248,998
Net assets, beginning of year	<u>149,355,975</u>	<u>135,214,005</u>	<u>284,569,980</u>	<u>227,320,982</u>
Net assets, end of year	<u>\$ 175,528,922</u>	<u>132,281,385</u>	<u>307,810,307</u>	<u>284,569,980</u>

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY

Schedule of Changes in Net Assets

Year ended June 30, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2021</u>
Revenue, gains, and other support:			
Tuition and fees, net	\$ 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
Net investment income	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 restrictions:			
Satisfaction of program restrictions	42,001,804	(42,001,804)	—
Total revenue, and other support	<u>125,108,680</u>	<u>39,137,275</u>	<u>164,245,955</u>
Expenses:			
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 enterprises	11,343,694	—	11,343,694
Student aid	3,032,175	—	3,032,175
Total expenses	<u>106,996,957</u>	<u>—</u>	<u>106,996,957</u>
Change in net assets	18,111,723	39,137,275	57,248,998
Net assets, beginning of year	<u>131,244,252</u>	<u>96,076,730</u>	<u>227,320,982</u>
Net assets, end of year	<u>\$ 149,355,975</u>	<u>135,214,005</u>	<u>284,569,980</u>

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2022

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	\$ 175,528,922
Net assets with donor restrictions	Statement of financial position	132,281,385
Property and equipment, net (includes construction in progress, pre-implementation)	Note 5, property, plant and equipment	133,817,199
Less: Construction in progress	Note 5, property, plant and equipment	17,112,376
Notes payable (including unamortized bond premiums, net and unamortized issuance costs, net)	Statement of financial position	22,813
Mortgages payable	Statement of financial position	<u>473,528</u>
Long-term debt – for long term purposes, pre-implementation		496,341
Less: Term endowments with donor restrictions	Note 13, net assets	8,776,864
Less: Net assets with donor restrictions: restricted in perpetuity	Note 13, net assets	37,233,521
Denominator: total expenses and losses:		
Total expenses without donor restrictions	Statement of activities	137,253,300
Equity ratio:		
Numerator: modified net assets:		
Net assets without donor restrictions	Statement of financial position	175,528,922
Net assets with donor restrictions	Statement of financial position	132,281,385
Denominator: modified assets:		
Total assets	Statement of financial position	327,613,347
Net income ratio:		
Numerator: change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of activities	26,172,947
Denominator: total revenues and gains:		
Total revenues and gains without donor restrictions	Statement of activities	163,426,247

See accompanying independent auditors' report.