



SANTA CLARA UNIVERSITY

Consolidated Financial Statements

June 30, 2020

(With Summarized Comparative Financial Information as of
and for the year ended June 30, 2019)

(With Independent Auditors' Report Thereon)

SANTA CLARA UNIVERSITY
Consolidated Financial Statements

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KPMG LLP
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Independent Auditors' Report

The President and Board of Trustees
Santa Clara University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Santa Clara University (the University), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Santa Clara University as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the University's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 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 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 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

Santa Clara, California
October 16, 2020

SANTA CLARA UNIVERSITY

Consolidated Balance Sheet

June 30, 2020

(With comparative financial information as of June 30, 2019)

(In thousands of dollars)

Assets	2020	2019
Cash and cash equivalents	\$ 54,317	81,604
Contributions receivable, net	76,441	83,331
Student and other receivables, net	14,170	13,540
Investments	1,212,997	1,207,660
Funds held in trust by others	1,367	17,800
Other assets	10,106	10,204
Property, plant and equipment, net	<u>1,024,103</u>	<u>937,936</u>
Total assets	<u>\$ 2,393,501</u>	<u>2,352,075</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 67,479	66,442
Deposits and deferred revenue	31,057	28,662
Amounts held on behalf of others	57,192	54,783
Annuity and trust obligations	7,281	7,412
Asset retirement obligations	2,908	2,815
Bonds and notes payable	343,191	350,776
Obligations under capitalized leases	53,891	57,405
U.S. government loan advances	<u>4,399</u>	<u>6,869</u>
Total liabilities	<u>567,398</u>	<u>575,164</u>
Net assets:		
Without donor restrictions	744,846	747,949
With donor restrictions	<u>1,081,257</u>	<u>1,028,962</u>
Total net assets	<u>1,826,103</u>	<u>1,776,911</u>
Total liabilities and net assets	<u>\$ 2,393,501</u>	<u>2,352,075</u>

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2020

(With summarized financial information for the year ended June 30, 2019)

(In thousands of dollars)

	2020			2019
	Without donor Restrictions	With donor Restrictions	Total	
Operating:				
Revenues:				
Net tuition and fees (includes student financial aid of \$114,054 and \$107,590 in 2020 and 2019, respectively)	\$ 283,419	—	283,419	271,180
Contributions to annual funds	3,566	—	3,566	4,459
Grant revenues	6,694	—	6,694	6,146
Net return on operating investments	4,264	—	4,264	5,347
Other revenues	13,083	—	13,083	13,911
Auxiliary activities	34,645	—	34,645	44,314
Nonoperating net assets used in operations:				
Endowment appropriations used in operations	39,156	—	39,156	39,537
Released contributions used in operations	14,205	—	14,205	14,404
Total operating revenues and other support	399,032	—	399,032	399,298
Expenses:				
Academic related salaries and wages	115,764	—	115,764	111,234
Nonacademic salaries and wages	71,698	—	71,698	67,480
Benefits	64,232	—	64,232	58,494
Professional fees and contracted services	33,363	—	33,363	33,192
General operating expenses	56,359	—	56,359	63,171
Interest	13,660	—	13,660	16,046
Depreciation	51,078	—	51,078	47,457
Total expenses	406,154	—	406,154	397,074
(Decrease) increase in net assets from operations	(7,122)	—	(7,122)	2,224
Nonoperating:				
Contributions	363	67,554	67,917	95,905
Net return on nonoperating long-term investments	5,637	34,229	39,866	62,887
(Loss) gain on disposal of assets	(130)	—	(130)	7
Endowment appropriations used in operations	(39,156)	—	(39,156)	(39,537)
Released contributions used in operations	(14,205)	—	(14,205)	(14,404)
Net assets released from restrictions	52,840	(52,840)	—	—
Other changes, net	(1,330)	3,352	2,022	1,348
Change in net assets	(3,103)	52,295	49,192	108,430
Net assets at beginning of year	747,949	1,028,962	1,776,911	1,668,481
Net assets at end of year	\$ 744,846	1,081,257	1,826,103	1,776,911

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

(In thousands of dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 49,192	108,430
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,078	47,457
Accrued interest on zero coupon bonds	(183)	102
Amortization of original bond issue discount/premium and issuance costs	(980)	(980)
Loss (gain) on disposal of assets	130	(7)
Noncash gifts	(9,232)	(6,028)
Proceeds from sale of donated securities	5,077	288
Net realized and unrealized gain on investments	(34,366)	(53,370)
Contributions restricted for long-term investment	(55,170)	(68,018)
Changes in operating assets and liabilities:		
Contributions receivable	6,890	(7,761)
Student and other receivables	(630)	(1,168)
Other assets	98	(373)
Accounts payable and accrued expenses	(17,503)	6,001
Deposits and deferred revenue	2,395	3,696
Amounts held on behalf of others	2,409	3,323
Annuity and trust obligations	(131)	320
Asset retirement obligations	93	(1,107)
Net cash provided by operating activities	<u>(833)</u>	<u>30,805</u>
Cash flows from investing activities:		
Purchase of investments	(411,244)	(478,334)
Proceeds from sale of investments	440,273	438,692
Purchase of property, plant and equipment	<u>(118,835)</u>	<u>(128,469)</u>
Net cash used in investing activities	<u>(89,806)</u>	<u>(168,111)</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds	—	4,875
Payoff of debt	—	(4,830)
Debt issuance costs	—	(45)
Payments on bonds and notes payable	(6,422)	(6,828)
Draw downs from bond trustee for qualified expenditures	16,433	70,530
Principal payments on capital lease obligations	(3,514)	(3,497)
Change in U.S. government loan advances, net	(2,470)	58
Proceeds from sale of donated securities and real estate	4,155	5,757
Contributions restricted for long-term investment	<u>55,170</u>	<u>68,018</u>
Net cash provided by financing activities	<u>63,352</u>	<u>134,038</u>
Net decrease in cash and cash equivalents	(27,287)	(3,268)
Cash and cash equivalents at beginning of year	<u>81,604</u>	<u>84,872</u>
Cash and cash equivalents at end of year	<u>\$ 54,317</u>	<u>81,604</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 17,956	15,614
The University received noncash gifts of:		
Marketable securities	\$ 9,232	4,568
Real estate	—	1,450
Equipment	—	10
Noncash investing and financing activities:		
Purchase of property, plant and equipment in Accounts Payable	\$ 18,540	15,483

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2020

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The President and Board of Trustees of Santa Clara College (dba Santa Clara University) is an independent, coeducational institution of higher learning offering undergraduate and graduate degrees in more than 50 fields of study. Santa Clara University was founded in 1851 by the Society of Jesus on the site of Mission Santa Clara de Asis in Northern California. The Jesuit School of Theology of Santa Clara University and the Bronco Bench Foundation are affiliated entities and their financial information has been consolidated with Santa Clara University (collectively referred to as the University) and all interaffiliate transactions have been eliminated.

The University's primary source of revenue is tuition and fees from undergraduate, graduate, and law programs through the College of Arts & Sciences, Leavey School of Business, and the schools of Engineering, Education and Counseling Psychology, and Law as well as the Jesuit School of Theology. Other sources of revenue include room and board, contributions, grants, return on investments, and other sales and services

(b) Basis of Presentation

The University displays its net assets and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as net assets without donor restrictions and net assets with donor restrictions. Refer to note 1(s) and note 2 for further information regarding net asset classifications.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of operating cash, money market funds, and treasury instruments with original maturities of three months or less. Assets with characteristics of cash and cash equivalents that are held in endowment funds are reported as investments and not included in cash and cash equivalents within the statement of cash flows.

(d) Contributions

Unconditional promises to give are initially recorded at fair value. In subsequent periods, unconditional promises to give are recorded at the estimated net present value, net of an allowance for uncollectible amounts, and are classified in the appropriate net asset category. The University records contributions of land, buildings, or equipment as revenue without donor restriction unless the donor places restrictions on their use.

(e) Investments

In accordance with U.S. generally accepted accounting principles, the University reports investments at fair value based upon a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

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Notes to Consolidated Financial Statements

June 30, 2020

Level 2 – Inputs of other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The majority of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient, in accordance with Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*. Such assets are not classified in the fair value hierarchy.

(f) Funds Held in Trust by Others

Funds held in trust by others consists of the unexpended proceeds of bonds payable which will be used for construction of certain facilities.

(g) Fair Value of Financial Instruments

The University did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the University's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 5 for further information regarding investments and their fair value.

(i) Cash Equivalents, Student and Other Receivables, Accounts Payable, and Accrued Expenses

Fair value approximates book value due to the short maturity of these instruments. A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government or its designees.

(ii) Contributions Receivable

Contributions receivable are reported based on the discounted value of estimated cash flows. Pledges are discounted at an interest rate that reflects the risks inherent in those cash flows. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

(iii) Funds Held in Trust by Others

Funds held in trust by others are reported at fair value and are invested in short-term, highly liquid securities considered Level 1 in the fair value hierarchy.

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Notes to Consolidated Financial Statements

June 30, 2020

(iv) Capital Lease Obligations

The University's capital lease obligations bear interest at rates which approximate prevailing market rates for instruments with similar characteristics and, accordingly, the carrying value approximates fair value.

(v) Alternative Investments

Alternative investments, such as private equity interests, are recorded based on valuations provided by the general partners or external investment managers. As these generally are investments without a ready market to compare, the inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Management reviews and evaluates the valuations and has determined that the valuation methods and assumptions result in reasonable estimates of fair value. Refer to note 5 for fair value determination.

(vi) Annuity and Trust Obligations

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(h) Collections

The University's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. The collections, which have been acquired through contributions since the University's inception, are not recognized as assets in the accompanying consolidated balance sheet.

(i) Property, Plant and Equipment

Property, plant and equipment assets are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts in kind. Depreciation of property, plant, and equipment assets is computed using the straight-line method over estimated useful lives of 3 to 50 years. Amortization of capital leases is provided over the estimated useful lives of the assets or over the life of the lease, as applicable, using the straight-line method.

(j) Deposits and Deferred Revenue

Deposits and deferred revenue consist of deposits and tuition and fees collected for not yet completed summer and fall terms and other miscellaneous deferred revenue. Deposits and deferred revenue relating to tuition and fee revenue, less any refunds issued, will be recognized as revenue as services are rendered over the academic terms occurring in the year ending June 30, 2021. Also included in deposits and deferred revenue is \$7,557,000 which relates to a contract agreement. Revenue for this contract will be recognized each year over the life of the contract which expires in June 2030. The University applies the practical expedient in Accounting Standards Codification (ASC) 606-10-50-14 and therefore does not disclose information about performance obligations that have an origination and expected duration within the fiscal year.

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Notes to Consolidated Financial Statements

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(k) Annuity and Trust Obligations

The University has a variety of gift agreements, including charitable gift annuities and charitable remainder trusts, for which the University is the trustee. An estimated liability has been recorded for charitable gift annuities based upon Internal Revenue Service (IRS) actuarial tables. For charitable remainder trusts, the difference between the fair value of trust investments and the estimated University's remainder interests has been recorded as a liability.

(l) Bond Premiums and Issuance Costs

Bond premiums and issuance costs are amortized using a method that approximates the effective interest method over the life of the associated bond issue. Bond premiums are included in bonds and notes payable, and issuance costs are netted against bonds and notes payable in the accompanying consolidated balance sheet.

(m) Revenue Recognition

Student tuition, fees, and room and board are recognized in the period the services are provided. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first three weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately three to four weeks prior to the start of the academic term. Contributions, including unconditional promises to give, are recognized in the period received and are reported as increases in the appropriate category of net assets. Conditional contributions are not recorded as revenue until the conditions on which they depend have been substantially met. Return on investments are recorded on the accrual basis of accounting. Other sources of revenue are recognized in the fiscal year in which they are earned.

(n) Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions. The University deposits its cash with several financial institutions and its deposits, at times, exceed insured amounts. The University requires its investment managers to follow the University's investment policy, and the investment managers are subject to periodic review by the University's investment committee. The University's investments are comprised primarily of a diversified portfolio of marketable equity securities, investment-grade debt and alternative assets. The credit risk with respect to student receivables is considered minimal due primarily to the wide dispersion of the receivables. Of the \$84,841,000 of gross contributions receivable at June 30, 2020, \$59,944,000 is due from ten donors.

(o) Operations

Operating activities in the accompanying consolidated statements of activities include all revenues earned without donor restrictions and all expenses incurred by the University except nonoperating contributions, net return on nonoperating long-term investments underlying board designated endowments, (loss) gain on disposal of assets, and certain nonrecurring activities.

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Notes to Consolidated Financial Statements

June 30, 2020

(p) Use of Estimates

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

(q) Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

(r) Reclassifications

Certain reclassifications have been made to the 2019 comparative information to conform to the 2020 financial statement presentation.

(s) Recent Accounting Pronouncements

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: The University adopted ASU 2018-08 – *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during the year ended June 30, 2019. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The adoption did not result in a material change to how the University accounts for revenue from contributions, grants and contracts.

(t) Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Commencing March, 2020, undergraduate and graduate course instruction was conducted virtually and most students vacated the campus. The University issued refunds of \$12,100,000 in fiscal year 2020 for housing and dining services. Students continued to meet their academic requirements for the remainder of the 2019-20 academic year. In addition, the start of 2020-21 academic year will remain a virtual learning environment. While some faculty and staff are working on-campus to ensure continuity of essential operations, most faculty and staff have transitioned to remote work. Given the uncertainty over the progression of the virus and governmental emergency directives, there is no timetable for when instruction and campus operations will return to normal.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

SANTA CLARA UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020

(2) Net Assets

Net assets are reported in two categories based on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and are available for use in general operations or invested in property, plant and equipment. Net assets without donor restrictions may be designated for specific purposes by action of the board.
- Net assets with donor restrictions represent net assets that are subject to the following donor-imposed restrictions:
 - Net assets with donor restrictions for time and purpose represent net assets with donor-imposed restrictions that will be met either by actions of the University or the passage of time. When restrictions expire or assets are expended according to donor restrictions, net assets are reclassified to net assets without restrictions and are reported in the consolidated statement of activities as net assets released from restrictions.
 - Net assets with donor-imposed restrictions in perpetuity represent net assets subject to donor-imposed restrictions that are to be permanently maintained by the University. These consist of assets donated with stipulations that they be invested to provide a permanent source of income. It is the policy of the University to maintain the historic dollar value of these gifts in perpetuity. Generally, donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

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Notes to Consolidated Financial Statements
June 30, 2020

Net assets consisted of the following as of June 30, 2020 (in thousands):

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Without donor restrictions:			
Operations, scholarship support, other	\$ 124,275	—	124,275
Invested in property, plant, and equipment	438,515	—	438,515
Board-designated quasi-endowments	182,056	—	182,056
With donor restrictions for time and/or purpose:			
Donor-restricted quasi-endowment funds and unappropriated endowment earnings	—	508,245	508,245
Capital construction	—	118,046	118,046
Education and other program support	—	11,582	11,582
Financial aid and student loan program	—	5,266	5,266
Pledges	—	75,463	75,463
Annuity and life income funds	—	4,103	4,103
With donor restrictions in perpetuity:			
Financial aid endowments	—	175,443	175,443
Education and other program support endowments	—	108,935	108,935
Academic chair endowments	—	59,488	59,488
Pledges	—	7,840	7,840
Annuity and life income funds	—	6,846	6,846
	<u>\$ 744,846</u>	<u>1,081,257</u>	<u>1,826,103</u>

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Notes to Consolidated Financial Statements
June 30, 2020

Net assets consisted of the following as of June 30, 2019 (in thousands):

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Without donor restrictions:			
Operations, scholarship support, other	\$ 125,683	—	125,683
Invested in property, plant, and equipment	440,527	—	440,527
Board-designated quasi-endowments	181,739	—	181,739
With donor restrictions for time and/or purpose:			
Donor-restricted quasi-endowment funds and unappropriated endowment earnings	—	504,544	504,544
Capital construction	—	81,280	81,280
Education and other program support	—	14,361	14,361
Financial aid and student loan program	—	2,576	2,576
Pledges	—	75,494	75,494
Annuity and life income funds	—	4,533	4,533
With donor restrictions in perpetuity:			
Financial aid endowments	—	168,595	168,595
Education and other program support endowments	—	106,915	106,915
Academic chair endowments	—	57,967	57,967
Pledges	—	6,875	6,875
Annuity and life income funds	—	5,822	5,822
	<u>\$ 747,949</u>	<u>1,028,962</u>	<u>1,776,911</u>

(3) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Unconditional promises to be collected in:		
Less than one year	\$ 17,805	14,941
One to five years	57,339	63,902
More than five years	9,697	13,925
	<u>84,841</u>	<u>92,768</u>
Less allowance for uncollectible contributions	(3,475)	(2,860)
Less discount to present value	(4,925)	(6,577)
	<u>\$ 76,441</u>	<u>83,331</u>

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The discount rate utilized for purposes of calculating the present value of contributions receivable ranges from 2.0% – 4.5% based on the year the unconditional promise to give is received. The discount rate is determined at the time the unconditional promise to give is initially recognized and is not revised subsequently.

(4) Student and Other Receivables

Student and other receivables consisted of the following as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Government grants	\$ 2,343	1,952
Notes, loans, and other receivables	10,115	9,713
Student receivables	1,528	1,466
Accrued interest receivable	963	977
	<u>14,949</u>	<u>14,108</u>
Less allowance for doubtful accounts	<u>(779)</u>	<u>(568)</u>
	<u>\$ 14,170</u>	<u>13,540</u>

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

At June 30, 2020 and 2019, student loans held by the University included in notes, loans, and other receivables above consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Federal government programs	\$ 3,620	4,840
Institutional programs	34	25
	<u>3,654</u>	<u>4,865</u>
Less allowance for doubtful accounts	<u>(3)</u>	<u>(3)</u>
	<u>\$ 3,651</u>	<u>4,862</u>

The University participates in the Federal Perkins Loan Program (the Program). The availability of funds for loans under the Program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$4,399,000 at June 30, 2020 and \$6,869,000 at June 30, 2019 are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheet. Outstanding loans canceled under the Program result in a reduction of funds available for loan and a decrease in the liability to the government. At June 30, 2020 and 2019, no material amounts were past due under other student loan programs.

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Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Program are guaranteed by the government and, therefore, no reserves are placed on past due balances.

(5) Investments

Investments as of June 30, 2020 and 2019 are summarized as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Pooled cash and cash equivalents	\$ 89,800	71,275
Certificate of deposit investments	7,729	646
Mutual funds	150,580	124,809
Equity holdings	35,410	39,407
Fixed income holdings	117,872	143,899
Commingled funds	119,282	144,759
Hedge funds	254,300	246,611
Private equity	101,903	91,784
Real assets	66,706	106,687
Venture capital	220,835	175,934
Real estate	33,836	33,286
Beneficial interest in funds held by others	7,539	8,046
Notes and other	2,132	2,452
Net pending trades	5,073	18,065
	<u>\$ 1,212,997</u>	<u>1,207,660</u>

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The following tables summarize investment values by category of investment as of June 30, 2020 and 2019 (in thousands). Consistent with ASU 2015-07, investments measured at net asset value (NAV) are not classified in the fair value hierarchy:

	2020				Total fair value
	Investments measured at NAV	Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	
Pooled cash and cash equivalents	\$ —	89,800	—	—	89,800
Certificate of deposit investments	—	—	7,729	—	7,729
Mutual funds:					
Bonds	—	66,427	—	—	66,427
Equity	—	64,991	—	—	64,991
International equity	—	16,354	—	—	16,354
Real estate	—	2,808	—	—	2,808
Equity holdings:					
Domestic	—	35,410	—	—	35,410
Fixed income holdings:					
Corporate bonds	—	—	107,229	—	107,229
Municipal bonds	—	—	2,141	—	2,141
U.S. treasury bonds	—	—	8,502	—	8,502
Commingled funds:					
International equity	106,551	—	—	—	106,551
Corporate bonds	12,731	—	—	—	12,731
Hedge funds:					
Equity	23,679	—	—	—	23,679
Distressed debt	21,720	—	—	—	21,720
Fund of funds	207,618	—	—	—	207,618
Global opportunistic	1,283	—	—	—	1,283
Private equity	101,903	—	—	—	101,903
Real assets	61,293	—	—	5,413	66,706
Venture capital	215,538	—	—	5,297	220,835
Real estate	—	—	33,836	—	33,836
Beneficial interest in funds held by others	7,539	—	—	—	7,539
Notes and other	—	269	—	1,863	2,132
Net pending trades	—	5,073	—	—	5,073
	<u>\$ 759,855</u>	<u>281,132</u>	<u>159,437</u>	<u>12,573</u>	<u>1,212,997</u>

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	2019				Total fair value
	Investments measured at NAV	Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	
Pooled cash and cash equivalents	\$ —	71,275	—	—	71,275
Certificate of deposit investments	—	—	646	—	646
Mutual funds:					
Bonds	—	43,505	—	—	43,505
Equity	—	61,253	—	—	61,253
International equity	—	17,333	—	—	17,333
Real estate	—	2,718	—	—	2,718
Equity holdings:					
Domestic	—	39,407	—	—	39,407
Fixed income holdings:					
Corporate bonds	—	—	75,514	—	75,514
Municipal bonds	—	—	2,375	—	2,375
U.S. treasury bonds	—	—	66,010	—	66,010
Commingled funds:					
International equity	111,848	—	—	—	111,848
Corporate bonds	11,959	—	—	—	11,959
International government bonds	20,952	—	—	—	20,952
Hedge funds:					
Equity	22,782	—	—	—	22,782
Distressed debt	28,694	—	—	—	28,694
Fund of funds	193,404	—	—	—	193,404
Global opportunistic	1,731	—	—	—	1,731
Private equity	91,784	—	—	—	91,784
Real assets	102,175	—	—	4,512	106,687
Venture capital	173,190	—	—	2,744	175,934
Real estate	—	—	33,286	—	33,286
Beneficial interest in funds held by others	8,046	—	—	—	8,046
Notes and other	—	410	—	2,042	2,452
Net pending trades	—	18,065	—	—	18,065
	<u>\$ 766,565</u>	<u>253,966</u>	<u>177,831</u>	<u>9,298</u>	<u>1,207,660</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument included in the fair value hierarchy:

Pooled cash and cash equivalents – Pooled cash and cash equivalents consist of cash and cash equivalents held in the investment pool for capital contributions, manager related fees and expenses, and funding of new investments. Inflows to cash and cash equivalents include investment activities from partner distributions, manager redemptions, and income received. Cash and cash equivalents are recorded at fair value using quoted market prices and are classified as Level 1.

Certificate of deposit investments – The fair value of certificate of deposit investments, which are derived from various sources and pricing matrices, are classified as Level 2.

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Mutual Funds – Mutual funds consist of several distinct funds with varying portfolio compositions and objectives. These investments are traded on an active exchange, are priced using unadjusted market quotes for identical assets, and are classified as Level 1.

Equity holdings – Investments in equity holdings are measured at fair value using quoted market prices. They are classified as Level 1 and are traded in an active market for which closing stock prices are readily available.

Fixed income holdings – Investments in fixed income holdings include corporate bonds, municipal bonds, and U.S. treasury bonds. Fixed income holdings are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for similar assets in active markets.

Real estate investments – Investments in real estate include commercial and residential property holdings. Real estate investments are classified as Level 2 based on multiple sources of information such as appraisals and market comparables.

Net pending trades – Net pending trades consist of a) purchases made before year-end where the University has transferred cash to the fund manager but is not invested in the underlying fund until the next fiscal year, and b) withdrawals or distributions, where the investment has been sold but cash proceeds have not been received by the University at June 30. Net pending trades are recorded at fair value using quoted market prices and are classified as Level 1.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

There were no transfers between Level 1 and Level 2 investments, or between Level 2 and Level 3, for the years ended June 30, 2020 and 2019, for assets classified in the fair value hierarchy.

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The following table presents information for applicable investments regarding their funding commitments, redemption, and restrictions as of June 30, 2020 (in thousands):

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Commingled funds:				
International equity	\$ 106,551	—	weekly, monthly, n/a	6–10 days
Corporate bonds	12,731	—	monthly	6–7 days
Hedge funds:				
Equity	23,679	—	monthly, quarterly	10–90 days
Distressed debt	21,720	1,300	annually, n/a	90 days
Fund of funds	207,618	25,044	monthly, annually	90–365 days
Global opportunistic	1,283	—	n/a	n/a
Private equity	101,903	57,417	see below	see below
Real assets	66,706	37,412	see below	see below
Venture capital	220,835	43,193	see below	see below
Beneficial interest in funds held by others	7,539	—	see below	see below
	<u>\$ 770,565</u>	<u>164,366</u>		

The University holds investments in private equity, real assets, and venture capital in the amounts of \$101,903,000, \$66,706,000, and \$220,835,000, respectively, which do not allow for periodic redemption, but rather distributions are received through the liquidation of the underlying assets. At June 30, 2020, they had estimated termination dates that range from 2020 to 2037. Additionally, within distressed debt hedge funds the University holds \$11,652,000 in closed-end funds with estimated termination date that range from 2020 to 2024. Within fund of funds hedge funds, the University holds \$60,000 in funds which currently have lockup period of nine months. The global opportunities hedge funds holding does not allow for periodic redemption. The University also holds beneficial interest in funds that are managed by others. These funds, per donor restriction, are to be held in perpetuity by the third party and can never be redeemed.

The following schedule summarizes investment returns during 2020 and 2019, presented in “Net return on operating investments” and “Net return on nonoperating long-term investments” in the consolidated statement of activities (in thousands):

	<u>2020</u>	<u>2019</u>
Interest, dividends and other income	\$ 16,108	20,436
Net realized gains	17,776	54,428
Net unrealized gains (losses)	16,590	(1,058)
Direct management fees and other	(6,344)	(5,572)
Net return on investments	<u>\$ 44,130</u>	<u>68,234</u>

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(6) Endowment

The University's endowment consists of approximately 900 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The University's governing board has interpreted UPMIFA enacted in the State of California as requiring the preservation of the fair value of the original gift as of the gift date 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 (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Together, these amounts become the perpetual value of the funds. Net endowment return on investments that have not been appropriated for expenditure are classified as net assets with donor restrictions for time and/or purpose.

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 University and the donor-restricted endowment fund
3. General economic conditions
4. The possible 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's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current equities, fixed income, and alternative investments. Targeted asset allocation percentages for each of

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these components are reviewed periodically throughout the year for potential adjustment of asset mix while evaluating the relative risk of each component.

(d) Spending Policy

Endowment spending is determined using a weighted average calculation of two components. The first component is the prior year spending allocated for each endowment increased by an inflationary factor weighted by 40%. The second component is a 12-quarter rolling market value average times an established spending rate of 4.5% weighted by 60%. The combination of these two calculations is the endowment spending allocation.

Changes in endowment net assets and net asset composition for the year ended June 30, 2020, not including contributions receivable of \$7,840,000, are as follows (in thousands):

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	\$ 181,739	838,021	1,019,760
Investment return:			
Investment income	1,888	10,432	12,320
Net realized and unrealized gain on investments	2,319	25,380	27,699
Total investment return	4,207	35,812	40,019
Contributions	13	11,786	11,799
Appropriation of endowment assets for expenditure	(5,464)	(33,692)	(39,156)
Other changes:			
Transfers to board-designated endowment funds	1,550	(49)	1,501
Maturity of annuities	11	233	244
Endowment net assets, June 30, 2020	\$ 182,056	852,111	1,034,167

	2020		
	Without donor restrictions	With donor restrictions	Total
Composition of endowment net assets:			
Donor-restricted endowment funds	\$ —	852,111	852,111
Board-designated endowment funds	182,056	—	182,056
Total endowment net assets	\$ 182,056	852,111	1,034,167

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Changes in endowment net assets and net asset composition for the year ended June 30, 2019, not including contributions receivable of \$6,875,000, are as follows (in thousands):

	2019		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 179,304	799,944	979,248
Investment return:			
Investment income	2,001	12,991	14,992
Net realized and unrealized gain on investments	5,010	40,884	45,894
Total investment return	7,011	53,875	60,886
Contributions	3	17,688	17,691
Appropriation of endowment assets for expenditure	(6,077)	(33,460)	(39,537)
Other changes:			
Transfers to board-designated endowment funds	1,498	(281)	1,217
Maturity of annuities	—	255	255
Endowment net assets, June 30, 2019	<u>\$ 181,739</u>	<u>838,021</u>	<u>1,019,760</u>
Composition of endowment net assets:			
Donor-restricted endowment funds	\$ —	838,021	838,021
Board-designated endowment funds	181,739	—	181,739
Total endowment net assets	<u>\$ 181,739</u>	<u>838,021</u>	<u>1,019,760</u>

(e) Funds with Deficiencies

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. For June 30, 2020 and June 30, 2019, there were no deficiencies of this nature.

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(7) Plant Assets

Plant assets as of June 30, 2020 and 2019 are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Land	\$ 83,589	83,589
Buildings	924,930	852,767
Improvements other than buildings	111,213	109,632
Equipment	146,089	152,716
Library books	63,691	65,519
	<u>1,329,512</u>	<u>1,264,223</u>
Accumulated depreciation and amortization	<u>(453,955)</u>	<u>(421,822)</u>
	875,557	842,401
Construction in progress	<u>148,546</u>	<u>95,535</u>
	<u>\$ 1,024,103</u>	<u>937,936</u>

(8) Bonds and Notes Payable

Bonds and notes payable as of June 30, 2020 and 2019 are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
4% to 5% California Educational Facilities Authority (CEFA) Revenue Bonds Series 2017C maturing serially through April 1, 2037 and CEFA term bonds totaling \$29,760 maturing April 1, 2042, 2046 and 2048, secured by the full faith and credit of the University	\$ 52,485	52,485
2.475% to 5% CEFA Revenue Bonds Series 2017A&B maturing serially through April 1, 2037 and CEFA term bonds totaling \$73,930 maturing April 1, 2037, 2040, and 2047, secured by the full faith and credit of the University	122,565	122,565
3% to 5% CEFA Revenue Bonds Series 2015 maturing serially through April 1, 2036 and CEFA term bonds totaling \$54,440 maturing April 1, 2039 and 2045, secured by the full faith and credit of the University	97,870	100,100
3.5% to 5.25% CEFA Series 1999 bonds maturing serially through September 1, 2020 and CEFA term bonds totaling \$37,845 maturing September 1, 2023 and 2026, fully insured as to principal and interest, secured by the full faith and credit of the University	40,847	45,522

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	2020	2019
1.94% Bank of America Revenue Bonds maturing serially through July 1, 2025, secured by the full faith and credit of the University	\$ 4,875	4,875
	318,642	325,547
Unamortized premium and bond issuance costs, net	24,549	25,229
	\$ 343,191	350,776

The University's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. During the years ended June 30, 2020 and 2019, \$3,043,000 and \$1,199,000 of interest was capitalized, respectively. For the years ended June 30, 2020 and 2019, total interest expense, net of amounts capitalized, was \$13,694,000 and \$16,046,000, respectively. During the years ended June 30, 2020 and 2019, \$3,293,000 and \$3,423,000, respectively, represents interest expense associated with the University's capital lease obligations.

The annual debt service requirements subsequent to June 30, 2020 are as follows (in thousands):

	Principal maturities	Interest	Total
Year ending June 30:			
2021	\$ 8,025	13,851	21,876
2022	9,600	13,501	23,101
2023	12,434	13,090	25,524
2024	12,939	12,570	25,509
2025	13,469	12,015	25,484
Thereafter	262,175	139,906	402,081
	318,642	204,933	523,575
Unamortized premium and bond issuance costs, net	24,549	—	24,549
	\$ 343,191	204,933	548,124

The University has \$60,000,000 available under an unsecured revolving credit agreement that matures in September 2021. As of June 30, 2020 and 2019, no amounts were outstanding on lines of credit.

(9) Capital Leases

The University has an agreement to lease a student residential housing facility. Two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing the facility to the University. The lease term is for 234 months ending

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February 2031. At the end of the lease term, the University has two successive options to extend the lease for additional eight-year terms. The gross amount of buildings recorded under this capital lease was \$45,553,000 at June 30, 2020 and June 30, 2019. The amortization expense for the capital lease is calculated on a straight-line basis over the useful life of 234 months and included within the University's depreciation and amortization expense. This amount was \$2,336,056 for the years ended June 30, 2020 and June 30, 2019.

In November 2014, the University entered into an agreement to lease a commercial office building, which was remodeled to be used as office and classroom space. Two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing the facility to the University. The lease term is for 234 months ending April 2034. At the end of the lease term, the University has two successive options to extend the lease for additional ten-year terms. The gross amount of buildings recorded under this capital lease was \$23,800,000 at June 30, 2020 and June 30, 2019. The amortization expense for the capital lease is calculated on a straight-line basis over the useful life of 234 months and included within the University's depreciation and amortization expense. This amount was \$1,231,000 for the years ended June 30, 2020 and June 30, 2019.

Future minimum capital lease payments as of June 30, 2020 are as follows (in thousands):

	Capital lease
Year ending June 30:	
2021	\$ 6,355
2022	5,986
2023	6,061
2024	6,137
2025	6,217
Thereafter	47,664
Total minimum lease payments	78,420
Less amount representing interest	(24,529)
Present value of net minimum capital lease payments	\$ 53,891

(10) Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, scheduled principal and interest payments on bonds and capital leases, and capital construction costs have seasonal variations related to the timing of tuition payments, receipts of gifts and pledge payments, and transfers from the endowment. The University actively monitors liquidity required to meet general expenditures, while also maximizing the investment of funds in excess of daily requirements utilizing a combination of short and long-term operating investment strategies. In addition, management monitors the timing and availability of its financial assets in order to align cash inflows with anticipated outflows. The University's financial assets are included in cash and cash equivalents, contributions receivable, student

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and other receivables, investments, and funds held in trust by others. At June 30, 2020, existing financial assets and liquidity resources available for general expenditures within one year were as follows (in thousands):

Financial assets:

Cash and cash equivalents	\$	48,239
Student and other receivables		4,176
Contributions receivable for operations and capital projects		12,187
Investments – operating		136,461
Investments – appropriated endowment spending payout		41,500
Funds held in trust by others		1,367
		<hr/>
Total financial assets available within one year		243,930

Liquidity resources:

Bank line of credit		60,000
		<hr/>
Total financial assets and liquid resources available within one year	\$	<u>303,930</u>

In addition to financial assets and liquid resources available to meet general expenditures over the next year, the University seeks to operate within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows, which identified the sources and uses of the University's cash generated by operating activities for the year ending June 30, 2020.

The University also has board-designated endowments of \$182,056,000 as of June 30, 2020. Although the University does not routinely spend from its board-designated endowment funds other than amounts appropriated for general expenditures, amounts from these endowments could be made available if necessary. However, both the board-designated and donor-restricted endowment funds contain investments with lock-up provisions that reduce the total that could be made available (see note 5 for disclosures pertaining to investments).

(11) Defined Contribution Plan

The University provides retirement benefits for faculty, staff, and administrative employees through Internal Revenue Code (IRC), Section 401(a) and 403(b) plans. During 2020 and 2019, the University contributed approximately \$15,888,000 and \$14,840,000, respectively, to the defined contribution 401(a) retirement plan on behalf of its faculty, staff, and administrative employees. Contributions over the next five years are expected to be comparable to historical contributions, with moderate increases expected from salary increases and headcount changes. The University does not contribute to the 403(b) plan.

(12) Expenses by Natural and Functional Classification

The University's primary program activity is instruction, academic support and research. Facilities operation and maintenance, interest, and depreciation are allocated among functional classifications based on usage of space, square footage, building costs, and debt proceeds usage. Information technology costs are allocated based on software usage and the overall number of employees in the various functional categories. All other costs are charged directly to the appropriate functional category. Research expenses of \$5,784,000 are included in instruction, academic support and research. Expenses associated with

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fundraising activities of the University were \$15,857,000 and \$16,583,000 in 2020 and 2019, respectively, are included in administrative support.

Expenses by natural and functional classification for the year ended June 30, 2020, were as follows (in thousands):

	Program activities				Supporting activities		Total
	Instruction, academic support and research	Public service	Student services	Auxiliaries	Administrative support	Facilities operation and maintenance	
Academic related salaries and wages	\$ 115,075	689	—	—	—	—	115,764
Nonacademic salaries and wages	—	6,498	25,201	2,443	28,460	9,096	71,698
Benefits expense	37,898	2,503	9,267	1,074	9,890	3,600	64,232
Professional fees and contracted services	14,286	1,072	2,884	877	6,152	8,092	33,363
General operating expenses	13,600	2,683	16,542	9,450	11,888	2,196	56,359
Allocated expenses:							
Interest expense	5,776	—	341	6,563	522	458	13,660
Depreciation expense	23,001	143	7,095	13,345	3,169	4,325	51,078
Facilities and maintenance of plant	15,233	124	6,142	2,937	3,331	(27,767)	—
Total expenses	\$ 224,869	13,712	67,472	36,689	63,412	—	406,154

Expenses by natural and functional classification for the year ended June 30, 2019, were as follows (in thousands):

	Program activities				Supporting activities		Total
	Instruction, academic support and research	Public service	Student services	Auxiliaries	Administrative support	Facilities operation and maintenance	
Academic related salaries and wages	\$ 110,711	523	—	—	—	—	111,234
Nonacademic salaries and wages	—	6,070	24,097	2,405	25,871	9,037	67,480
Benefits expense	35,041	2,270	8,342	976	8,457	3,408	58,494
Professional fees and contracted services	12,635	1,035	2,929	1,111	6,777	8,705	33,192
General operating expenses	14,852	3,013	17,348	8,185	13,628	6,145	63,171
Allocated expenses:							
Interest expense	7,557	—	803	5,920	571	1,195	16,046
Depreciation expense	21,419	133	7,127	11,623	2,952	4,203	47,457
Facilities and maintenance of plant	18,024	130	6,754	4,547	3,238	(32,693)	—
Total expenses	\$ 220,239	13,174	67,400	34,767	61,494	—	397,074

(13) Income Taxes

The University is recognized by the Internal Revenue Service as an organization exempt from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is also exempt under California Revenue and Taxation Code Section 23701d. However, the University is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of

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the purpose for which it is granted exemption. The University receives some unrelated business income. Taxes on such income, if any, are not material to the University's consolidated financial statements.

(14) Related-Party Transactions and Amounts Held on Behalf of Others

The Jesuit Community is a separate entity and provides the University with teaching and administrative services. Compensation paid to the Jesuit Community for those services approximated \$3,466,000 and \$3,287,000 in 2020 and 2019, respectively, which is included in expenses in the accompanying consolidated statement of activities.

As of June 30, 2020 and 2019, \$34,835,000 and \$29,519,000, respectively, of gross contributions receivable are due from members of the Board of Trustees.

In fiscal year 2017 the University received a \$100,000,000 conditional pledge from a member of the University's Board of Trustees to support the construction of The Sobrato Campus for Discovery and Innovation. The first payment of \$25,000,000 was received during the year ended June 30, 2017. The second payment of \$25,000,000 was received during the year ended June 30, 2019. The third payment of \$25,000,000 was received during the year ended June 30, 2020. \$25,000,000 is conditional on the University securing a targeted amount of cash and or/written pledges from other donors and completing construction of The Sobrato Campus for Discovery and Innovation by specified dates. Due to its conditional nature, the \$25,000,000 pledge balance has not been recorded as a contribution receivable or contribution revenue.

During 2006, the University entered into an agreement with the Mission Cemetery owned by the Jesuit Community to participate in the University's investment activity by transferring cash into the University's endowment investment portfolio. The Mission Cemetery's investment at fair value is reflected in Amounts Held on Behalf of Others in the University's consolidated balance sheet. The fair value of the investment at June 30, 2020 is \$54,726,000. The University also holds \$2,195,000 in Amounts Held on Behalf of Others for the California Province of the Society of Jesus (CPSJ) Insurance Group of which it is a member and whose administrators are employees of the University. The remaining balance of \$271,000 as of June 30, 2020 in Amounts Held on Behalf of Others is held by the University on behalf of various other outside agencies.

As discussed in note 9, two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing facilities to the University.

(15) Commitments and Contingencies

As of June 30, 2020, the University has contractual obligations of approximately \$140,772,000 for completion of capital projects under construction. These obligations are expected to be payable over the next one and a half years and will be financed with certain debt proceeds, unexpended funds, and gifts. The University self-insures unemployment benefits. It is management's opinion that the amount provided in accrued expenses to cover expected claims is adequate.

The University is subject to audits for amounts received under federal government student financial aid awards and research grants from the federal government. Management believes such audits will not result in any material liabilities against the University.

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The University is a defendant in various legal actions. While the outcome of these actions is not currently determinable, management is of the opinion that any uninsured liability from such actions will not have a material effect on the University's financial position.

(16) Subsequent Events

The University has evaluated subsequent events from the date of the consolidated statement of financial position through October 16, 2020, the date on which the consolidated financial statements were issued. There are no subsequent events that require disclosure.