REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

UNIVERSITY OF PORTLAND

June 30, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

To the Board of Regents
University of Portland

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Portland (the University), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

Portland, Oregon
November 23, 2021

University of Portland
Statements of Financial Position
June 30, 2021 and 2020
(in thousands)

ASSETS

	2021	2020
ASSETS		
Cash and cash equivalents	$ 19,189	$ 5,544
Accounts receivable, net	1,117	1,557
Prepaid expenses, inventories, and deposits	611	579
Contributions receivable, net	11,381	22,380
Student loans receivable, net	5,049	5,716
Investments – beneficial interest in assets held by others	375,259	280,022
Investments	12,458	10,564
Property, plant, and equipment, net	319,396	309,950
Other assets	2,961	1,644
Total assets	$ 747,421	$ 637,956

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable and accrued liabilities	$ 10,332	$ 13,275
Line of credit	-	2,000
Deferred revenues and deposits	7,555	6,536
Government advances for student loans	2,243	2,367
Annuities payable	3,365	3,218
Bonds payable	84,045	86,191
Total liabilities	107,540	113,587
NET ASSETS		
Net assets without donor restrictions	303,596	269,874
Net assets with donor restrictions	336,285	254,495
Total net assets	639,881	524,369
Total liabilities and net assets	$ 747,421	$ 637,956

University of Portland
Statement of Activities
For the Year Ended June 30, 2021
(in thousands)

(with Summarized Comparative Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
OPERATING ACTIVITIES				
Revenues and gains				
Student tuition and fees	$ 187,504	$ -	$ 187,504	$ 195,742
Less scholarships	(90,721)	-	(90,721)	(90,887)
Net student tuition and fees	96,783	-	96,783	104,855
Room and board	5,211	-	5,211	20,927
Grants and contracts	6,270	488	6,758	4,212
Contributions	5,114	1,356	6,470	5,113
Investment return on endowment, distributed	1,266	6,119	7,385	8,232
Other investment gains	23,066	-	23,066	4,893
Other revenues and gains	4,058	-	4,058	5,331
Net assets released from restrictions and reclassifications	7,661	(7,661)	-	-
Total operating revenues, gains, and other support	149,429	302	149,731	153,563
Expenses				
Instruction, research, and academic support	63,095	-	63,095	67,112
Student services	28,738	-	28,738	31,057
Auxiliary enterprises	14,321	-	14,321	21,075
Institutional support	25,692	-	25,692	24,447
Total operating expenses	131,846	-	131,846	143,691
Increase in net assets from operating activities	17,583	302	17,885	9,872
NONOPERATING ACTIVITIES				
Contributions	-	1,598	1,598	9,446
Endowment gains, net of amounts distributed	15,767	85,953	101,720	5,590
Change in value of split interest agreements	-	595	595	(273)
Other	(1,216)	(5,070)	(6,286)	71
Net assets released from restrictions and reclassifications	1,588	(1,588)	-	-
Increase in net assets from nonoperating activities	16,139	81,488	97,627	14,834
CHANGE IN NET ASSETS	33,722	81,790	115,512	24,706
NET ASSETS, beginning of year	269,874	254,495	524,369	499,663
NET ASSETS, end of year	$ 303,596	$ 336,285	$ 639,881	$ 524,369

University of Portland
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 115,512	$ 24,706
Adjustments to reconcile change in net assets to net cash from (used in) operating activities		
Depreciation and amortization expense	11,429	11,308
Adjustment to allowance for doubtful accounts	(90)	(43)
Provision (recovery) for doubtful contributions receivable	993	(538)
(Decrease) increase in contributions receivable discount	(2,222)	576
Contributions restricted for long-term investment	(6,048)	(2,852)
Contributions subject to annuity and unitrust agreements	(26)	(40)
Change in value of assets held in charitable trusts	(595)	273
Net unrealized and realized gains on investments	(131,980)	(17,816)
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable	530	(53)
Prepaid expenses, inventories, and deposits	(32)	697
Contributions receivable	12,228	(6,564)
Other assets	(1,317)	248
Accounts payable, accrued liabilities, deferred revenues, and deposits	(1,924)	503
Annuities payable	147	(240)
Net cash (used in) from operating activities	(3,395)	10,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of student loans receivable, net	667	880
Purchases of investments	(4,247)	(14,514)
Proceeds from sale of investments	39,687	4,755
Purchases of property, plant, and equipment	(21,141)	(25,895)
Net cash from (used in) investing activities	14,966	(34,774)

University of Portland
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in endowment	$ 4,972	$ 1,776
Investment in plant	1,076	1,072
Loan fund	4	4
Investment subject to annuity and unitrust agreements	26	40
Change in advances from federal government for student loans	(124)	36
Payments on bonds payable	(1,880)	(1,820)
Payments on line of credit	(9,000)	-
Proceeds from line of credit	7,000	2,000
Net cash from financing activities	2,074	3,108
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,645	(21,501)
CASH AND CASH EQUIVALENTS, beginning of year	5,544	27,045
CASH AND CASH EQUIVALENTS, end of year	$ 19,189	$ 5,544
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest, including capitalized interest of $157 and $281 for the years ended June 30, 2021 and 2020, respectively	$ 3,384	$ 3,282

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The University of Portland (the University) is a private institution of higher education accredited by the Northwest Commission on Colleges and Universities and by other accrediting bodies for specific programs. It is affiliated with Congregation of Holy Cross – a Roman Catholic order of priests and brothers. The University offers students both graduate and undergraduate degrees in programs covering a wide variety of academic and professional disciplines. The University is a not-for-profit organization funded by student tuition revenue as well as outside contributions.

Basis of presentation

These financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, have been prepared to focus on the University as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net asset balances and transactions into two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are reported as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that either never expire, or will be satisfied by actions of the University and/or the passage of time. Items included in this net asset category are contributions and grants for land and depreciable assets; endowment, split-interest agreements; unconditional promises to give, regardless of purpose; and investment returns on donor-restricted endowments.

Revenues are reported as increases in net assets without donor restrictions unless such revenues are limited by donor-imposed restrictions or by law. 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 donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The University's measure of operations presented in the statement of activities includes revenues from tuition and fees, grants and contracts, contributions except those for endowments or land and depreciable assets, investment income from non-endowment investments, amounts appropriated for expenditure from endowments in the current year, and revenues from auxiliary enterprises and other sources. Operating expenses are reported by functional categories, after allocating costs for maintenance of plant, information services, interest on long-term indebtedness, depreciation and employee fringe benefits.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Nonoperating activities presented in the statements of activities include contributions for endowments, loan funds, and land and depreciable assets; unconditional promises to give and split-interest agreements, regardless of purpose; investment gains and losses on loan funds and endowments that have not been appropriated for expenditure in the current year; changes in the value of split-interest agreements; and gains and losses from changes in the value of assets due to the fluctuation of discount rates.

Revenue recognition

Student tuition and fees – The University uses the output measure for revenue recognition of student tuition and fees revenue which means that revenue is recognized pro-rata over each instructional course as performance obligations associated with the delivery of educational services are met. Registration and other fees that do not relate to instruction are recognized when no longer refundable. The University's accounts receivable represents unconditional rights to consideration from its contracts with students; accordingly, these receivables are not recorded until revenues are earned.

The University maintains an institutional tuition refund policy, which provides for a full or partial refund of tuition if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, the portion of revenue from these programs that is not yet earned is recorded as deferred revenue in the statements of financial position.

Almost half of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (ED). Disbursements under each program are subject to disallowance by the ED and repayment by the University. In addition, as an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the ED.

Student room and board – The University uses the output measure for revenue recognition of room and board revenue which means the revenue is recognized pro-rata as performance obligations associated with the delivery of room and board services are provided. The University's receivables represent unconditional rights to consideration from its contacts with students; accordingly, receivables are not recorded until revenues are earned.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

As with tuition and fees revenue, the University maintains an institutional refund policy for student room and board, which provides for a full or partial refund of room and board fees if a student withdraws during stated refund period. If a student withdraws at a time when only a portion, or none of the room and board is refundable, then, in accordance with its revenue recognition policy, the University continues to recognize room and board that was not refunded pro-rata over the applicable housing period. Students are generally billed for room and board prior to moving in. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statements of financial position.

Grants and contracts – Unconditional grants and contracts are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Individual governmental and private grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution – until the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Contributions and promises to give – Contributions, in cash or in-kind, including unconditional promises to give, are recognized in the period in which they are received. Unconditional promises to give are recognized as revenues in the period in which the unconditional promise is received. Conditional promises to give are not recognized until the barrier to entitlement is overcome and either a right of return or right of release has occurred. Contributions of assets other than cash are recorded at their estimated fair values. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and the nature of the fund-raising activity.

Contributed services are reported when specialized services are performed, or would otherwise be purchased or performed by employees, and when the University exercises control over the duties of the donor's services. These services totaling approximately $229 and $142, at June 30, 2021 and 2020, respectively, have been recorded as contribution revenue and instruction expense on the accompanying statement of activities with summarized comparative financial information for the year ended June 30, 2020.

Income and realized and unrealized gains (losses) on investments of endowment and similar funds are reported as (1) increases (decreases) in net assets with donor restrictions if applicable law or the terms of the gift require that they be added to the principal of a perpetual endowment fund; or impose restrictions on the use of the income; or (2) as increases (decreases) in net assets without donor restrictions in all other cases.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Gifts contributed for the purchase of property, plant, and equipment are reported as increases to net assets with donor restrictions and are released when the related assets are placed in service.

Cash and cash equivalents
Cash and cash equivalents consist primarily of demand deposits, certificates of deposit, money market funds, and U.S. government securities with original maturity dates of 90 days or less.

Beneficial interest in assets held by others
The University invests the majority of its endowment with a religious affiliate that shares the University's Catholic ministry and educational mission. These assets are held in the affiliate's endowment and are invested for the University's benefit. The endowment, managed to provide a stable source of financial support, is invested in a diversified portfolio with an allocation emphasizing equity-based instruments to obtain capital appreciation and current yield. Investments held in the affiliate's endowment include U.S. public equities, non-U.S. public equities, long/short public equities, fixed income securities, marketable alternatives, private equity, real estate, and other real assets. The University has no unfunded commitments related to its beneficial interest in assets held by others as of June 30, 2021.

The University may redeem its interest as necessary. Assets can be redeemed at the prior quarter net asset value as reported by the funds' investment managers. Redemption of up to 2 percent of the total units is allowed every month with payment in 30 days. Redemption requests of up to 12.5 percent of the total units are to be paid within two quarters. Full payout at a quarterly 12.5 percent rate would be made in two years.

Investments
Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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

(in thousands)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Receivables

Accounts receivable represents amounts due from various individuals and organizations and are recorded at the invoiced amount, net of an allowance for doubtful accounts. Student loans receivable are recorded at the invoiced amount, net of allowances (see Note 4). The allowance for doubtful accounts for all receivables represents the University's best estimate of the amount of probable credit losses in the University's existing accounts receivable and student loans receivable. The University determines the allowance by performing on-going evaluations of its creditors and students and their ability to make payments. The University determines the adequacy of the allowance based on length of time past due, historical experience and judgment of economic conditions. Account and loan balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote. As of June 30, 2021 and 2020, the accounts receivable allowance for doubtful accounts totaled $997 and $907, respectively.

Property, plant, and equipment

Property, plant, and equipment are recorded at cost on the date of acquisition or fair value at the date of donation in the case of gifts (see Note 7).

The University computes depreciation using the straight-line method over the estimated useful lives of fixed assets as follows:

Land improvements	60 years
Buildings	60 years
Library holdings	20 years
Real estate holdings	20 years
Furniture, fixtures, and equipment	10 years
Computer equipment	5 years

Additions and betterments of $5 or more are capitalized except for computer equipment and library holdings, which are capitalized at any value. Repairs and maintenance that do not extend the useful lives, or upgrade the functionality of the respective assets are expensed in the current period.

Deferred revenues and deposits

Deferred revenues and deposits consist primarily of tuition fees and housing deposits received in advance related to future academic periods.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Charitable gift annuities and charitable remainder trusts

The University has entered into several charitable gift annuity agreements and charitable remainder trusts whereby the donor contributes assets in exchange for distributions to the donor or other beneficiaries based on the value of the donation or the trust assets. These distributions may continue until the death of the donor or for a specified period of time. Upon the death of the donor, or at the end of the specified time, the remaining assets are available for the University's use. Assets received are recorded at fair value, and a liability equal to the present value of the expected future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the University recalculates the liability based on applicable mortality tables and discount rates. For the values reported as of June 30, 2021 and 2020, the University used 2000 CM mortality tables with a discount rate of 3.40%.

Comparative financial information

The 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Functional allocation of expenses

Expenses are allocated to programs and organized by functional categories that correlate to the educational mission. Natural expenses are charged directly to the appropriate program where possible, and expenses attributable to more than more one functional expense category (including costs for information services and operation and maintenance of plant, collectively labeled "Support Services" in Note 12) are allocated using a variety of cost allocation techniques, including square footage and employee head count.

Income taxes

The University is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the University qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The University recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The University recognizes interest accrued and penalties related to unrecognized tax benefits in administrative expense. During the years ended June 30, 2021 and 2020, the University recognized no interest and penalties. There were no unrecognized tax benefits at June 30, 2021 or 2020, and the University has no uncertain tax positions requiring accrual.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The University files an exempt organization income tax return and an unrelated business income tax return in the U.S. federal jurisdiction. The appropriate state and local returns are also filed for any unrelated business income.

Fair value measurements
Generally accepted accounting principles define fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the University's market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 – Inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model. Securities classified within Level 3 investments are based on valuations provided by the external investment managers. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. Management, in conjunction with the Vice President for Financial Affairs, reviews the valuation of the investments on a quarterly basis.

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value, or other valuation techniques. Most financial assets and liabilities for which the carrying amount approximates fair value are considered by the University to be Level 1 measurements in the fair value hierarchy.

Determination of the fair value of student loan receivables, which include federally sponsored student loans with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs. The University issued Oregon Facilities Authority (OFA) revenue bonds that are reported at an amortized cost of $84,045 and $86,191 at June 30, 2021 and 2020, respectively, in the statements of financial position. See Note 10 for other disclosures of debt obligations.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Endowments
The University is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which identifies specific factors that must be considered in the University's policies on investing and spending earnings from endowed funds (see Note 13).

Use of estimates
The preparation of these financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Related party transactions
Members of the University's Board of Regents and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover regents, senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Regents may participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws.

Subsequent events
Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The University recognizes in its financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The University's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position, but arose after the statements of financial position date and before the financial statements are available to be issued. The University has evaluated subsequent events through November 23, 2021, the date the financial statements were available to be issued.

(in thousands)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Recently adopted standards
In August 2018, the FASB issued Accounting Standard Update (ASU) No. 2018-13, *Fair Value Measurement* (Topic 820) – *Disclosure Framework Changes to the Disclosure Requirements for Fair Value*. This guidance modified the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The ASU was adopted retrospectively and has been applied to the disclosures as of June 30, 2021 and 2020, and for the year ended June 30, 2021. Adoption of ASU 2018-13 resulted in no significant changes in the presentation of the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability on the statement of financial position for all leases with terms longer than 12 months. The ASU was adopted prospectively and adopted as of July 1, 2020. The University elected to adopt the transition relief provisions from ASU 2018-11 and record the impact of adoption as of July 1, 2020 without restating prior year statement of financial position amounts. There was no cumulative effect adjustment to the opening balance of net assets required. Additional lease disclosures can be found in Note 8.

Note 2 – Liquidity and Availability

The University regularly monitors liquidity and availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures for its mission-related activities and the costs of service in support of those activities to be general expenditures. The following table presents the University's financial assets available for general use within one year:

	June 30, 2021	June 30, 2020
Financial assets:		
Cash	$ 18,881	$ 5,368
Accounts receivable, net	1,041	1,442
Contributions receivable, net	1,018	2,279
Investments	51,886	53,164
Endowment appropriation	9,563	8,531
Total financial assets available within one year	82,389	70,784
Liquidity resources:		
Available line of credit	15,000	13,000
Net assets without donor restrictions funds functioning as endowment, net of appropriation	48,101	31,842
Total financial assets and liquidity resources available within one year	$ 145,490	$ 115,626

(in thousands)

Note 2 – Liquidity and Availability (continued)

The University's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a reserve against unexpected liquidity needs, the University maintains a $15,000 line of credit of which $15,000 was available at June 30, 2021 (see Note 9).

The University also maintains funds not subject to donor restrictions that function as an endowment (see Note 13). With the consent of the University's Board of Regents, these funds may be drawn upon for general use. While a limit exists on the amount that may be drawn from the beneficial interest in assets held by others in any one-year period, a complete draw of the University's funds functioning as an endowment together with its regular appropriation would not exceed that limit.

Note 3 – Contributions Receivable

The University calculates contributions receivable as the present value of estimated future cash flows using a 4.25% to 6.00% discount rate. At June 30, 2021, contributions due from sixteen related party donors totaled $22,017 and represented 70% of outstanding contributions receivable. At June 30, 2020, contributions due from nineteen related party donors totaled $18,719 and represented 76% of outstanding contributions receivable. The annual payments are scheduled to be received as follows:

	June 30,	
	2021	2020
Less than one year	$ 3,992	$ 7,857
One to five years	5,692	11,207
More than five years	21,835	26,669
	31,519	45,733
Less discount	(11,788)	(14,010)
Less reserve for uncollectible accounts	(8,350)	(9,343)
Contributions receivable, net	$ 11,381	$ 22,380

Note 4 – Student Loans Receivable

Student loans receivable is comprised of Federal Perkins and Nursing Student loans (the Program) that are generally payable with interest at 3.00% and 5.00% over approximately 11 years following University attendance and institutional loan funds payable on similar terms. Principal payments, interest and losses due to cancellation are shared by the University and the U.S. government in proportion to their share of funds provided. The Program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations). Student loans are considered past-due if payment is not received by the 15th day of the month. Loans more than 60 days past-due are sent to a collection agency. The student loans receivable are as follows:

(in thousands)

Note 4 – Student Loans Receivable (continued)

	June 30, 2021	June 30, 2020
Federal Perkins loans	$ 1,968	$ 2,511
Federal Nursing loans	864	937
Institutional loans	3,535	3,690
	6,367	7,138
Less reserve for uncollectible accounts	(1,318)	(1,422)
Total student loans receivable, net	$ 5,049	$ 5,716

At June 30, 2021 and 2020, student loans receivable represented 0.68% and 0.90% of total assets, respectively.

On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permits disbursements to students of any kind after June 30, 2018. The University has been notified that the government will begin collecting the federal share of the University's Perkins Loan Revolving Funds sometime in the future. There were no funds advanced by the federal government for the years ended June 30, 2021 and 2020. Funds advanced in prior years by the Federal government, totaling $2,243 and $2,367 at June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as Government advances for student loans in the statements of financial position. Outstanding loans cancelled under the Program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under student loan programs:

	June 30, 2021	June 30, 2020
1–60 days	$ 252	$ 154
61–90 days	30	22
91+ days	1,322	1,240
Total past due	$ 1,604	$ 1,416

The University has recorded an allowance for doubtful accounts against the outstanding loan balances of $1,318 and $1,422 at June 30, 2021 and 2020, respectively. There were no write-offs of loan funds during the years ended June 30, 2021 and 2020.

(in thousands)

Note 5 – Investments

The fair value of investments is as follows:

	June 30, 2021	June 30, 2020
Equity holdings		
Domestic common stock	$ 7,018	$ 5,410
Foreign common stock	197	125
Mutual funds	97	74
Total equity holdings	7,312	5,609
Private equity funds	281	353
Corporate bonds	4,663	4,381
Cash surrender value of life insurance	202	221
Total investments	12,458	10,564
Beneficial interest in assets held by others	375,259	280,022
Total fair value of investments	$ 387,717	$ 290,586

The following schedule summarizes the investment return and its presentation in the statements of activities:

	June 30, 2021	June 30, 2020
Interest and dividend income	$ 1,586	$ 697
Net unrealized and realized gains on investments carried at fair value	131,980	17,816
Total investment return	133,566	18,513
Less investment return on endowment, distributed	(7,385)	(8,232)
Less other operating investment gains	(23,066)	(4,893)
Nonoperating investment gain	$ 103,115	$ 5,388

(in thousands)

Note 5 – Investments (continued)

Nonoperating returns reported on the statements of activities:

	June 30, 2021	June 30, 2020
Endowment gains, net of amounts distributed	$ 101,720	$ 5,590
Change in value of split interest agreements	595	(273)
Other investment income	800	71
Nonoperating investment gain	$ 103,115	$ 5,388

The University may employ derivatives and other strategies to hedge against market risks, arbitrage mispricing of related securities, and to replicate long or short positions more cost effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps and other vehicles that may be appropriate in certain circumstances.

The University did not directly hold any derivative securities as detailed above, but held shares of commingled investment vehicles, such as hedge funds of funds, which may hold such investments. Derivatives held by limited partnerships and commingled investment trusts in which the University invests, involve varying degrees of off-balance sheet risk, and may result in losses due to changes in the market.

Note 6 – Fair Value of Assets

The University used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value on a recurring basis in the financial statements:

Equity holdings – Equity holdings are comprised of marketable securities. Fair value is based on quoted market prices for identical assets, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar assets.

Corporate bonds – Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar securities.

Cash surrender value of life insurance – Fair value is based on the cash surrender value provided by each policy’s respective insurer, which represents the discounted cash flow of each policy.

Note 6 – Fair Value Assets (continued)

Private equity funds – Investments in private equity funds are carried at fair value as determined by the net asset value of the fund as determined in good faith by the fund manager. Because of inherent uncertainty in valuing investments in private equity funds for which no active market exists, the estimated value may differ significantly from the value that could be realized in a secondary market transaction, and the ultimate amounts realized could be significantly different from the values reported.

Investment strategies of such funds may include the use of margin and other forms of leverage including taking short positions, swaps, futures, options, warrants, private placements, forward contracts, trade claims and credit default swaps and real estate instruments, when deemed appropriate by fund managers. Other event-driven investment strategies include merger arbitrage, distressed securities and special situations. All investment objectives and strategies used by the fund managers comply with the University's Investment Policy.

The University is unable to redeem its investment in these private equity funds until the liquidation of the funds. The remaining lives of these funds range from one to three years with all commitments due on demand. At June 30, 2021, the University had outstanding commitments to invest an additional $196 with certain alternative investment managers through December 31, 2021. These commitments may or may not be called upon by the private equity funds; however, the University deems it unlikely that the private equity firms will call upon these commitments.

Beneficial interest in assets held by others – Fair value is based on the net asset value as reported by the affiliate, unless specific evidence indicates that net asset value should be adjusted. This may involve using significant unobservable inputs. The valuation methods utilized by the affiliate are subject to regular review by the University.

(in thousands)

Note 6 – Fair Value of Assets (continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Equity holdings	$ 7,312	$ -	$ -	$ 7,312
Corporate bonds	-	4,663	-	4,663
Cash surrender value of life insurance	-	202	-	202
Total investments in fair value hierarchy	7,312	4,865	-	12,177
Investments measured at NAV (practical expedient)				375,540
	$ 7,312	$ 4,865	$ -	$ 387,717

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments				
Equity holdings	$ 5,609	$ -	$ -	$ 5,609
Corporate bonds	-	4,381	-	4,381
Cash surrender value of life insurance	-	221	-	221
Total investments in fair value hierarchy	5,609	4,602	-	10,211
Investments measured at NAV (practical expedient)				280,375
	$ 5,609	$ 4,602	$ -	$ 290,586

There were no changes in valuation methods or assumptions during the years ended June 30, 2021 or 2020.

Note 6 – Fair Value of Assets (continued)

The University uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies by major class:

	Fair Value June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Private equity funds					
Event-driven private equity funds (a)	$ 3	$ -	N/A*	N/A*	N/A*
Multi-strategy private equity funds (b)	270	146	N/A*	N/A*	N/A*
Restructured companies private equity funds (c)	8	50	N/A*	N/A*	N/A*
Beneficial interest in assets held by others					
Multi-strategy (d)	375,259	-	Monthly	30 days– 2 years	N/A
	$ 375,540	$ 196			

* These funds are in private equity structure, with no ability to be redeemed.

(a) The primary objective is to achieve long-term capital appreciation primarily through investments in equity and debt obligations of corporations, partnerships, limited liability companies, and other similar entities that the managers believe are undervalued, offer an opportunity for growth if funded appropriately, and provide an attractive risk/return profile.

(b) These partnerships invest in closed-end private equity limited partnerships specializing in venture capital, buyout, mezzanine/subordinated debt, restructuring/distressed debt and special situation.

(c) These partnerships invest primarily in the securities of entities which are undergoing, are considered likely to undergo, or have undergone (i) reorganization under the federal bankruptcy law or similar laws in other countries or (ii) other extraordinary transactions, such as debt restructuring, reorganizations and liquidations outside of bankruptcy.

(d) Investment objectives seek to preserve the real purchasing power of the investment, while providing a stable source of financial support. To satisfy its long-term rate of return objectives, a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) is used. In addition, a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints is used.

(in thousands)

Note 7 – Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	June 30, 2021	June 30, 2020
Land and improvements	$ 38,919	$ 28,003
Buildings	298,407	289,917
Furniture, fixtures, and equipment	64,508	63,826
Library holdings	18,704	18,632
Real estate holdings	8,428	8,417
	428,966	408,795
Less accumulated depreciation	(130,339)	(120,485)
	298,627	288,310
Construction in progress	20,769	21,640
Property, plant, and equipment, net	$ 319,396	$ 309,950

Depreciation expense totaled $11,695 and $11,577 for the years ended June 30, 2021 and 2020, respectively.

The University periodically reviews its property, plant, and equipment to remove from its assets any fully depreciated items that have been discarded, or fully depreciated items that are no longer in use. The University removed $1,841 and $1,907 of fully depreciated assets from property, plant, and equipment in 2021 and 2020, respectively.

(in thousands)

Note 8 – Commitments and Contingencies

The University leases certain office equipment and facilities under an operating lease agreement expiring through May 2028. Future minimum payments under this lease are as follows for the years ending June 30:

2022	$	214
2023		214
2024		214
2025		214
2026		214
Thereafter		428
	$	1,498

The University incurred operating lease expenses of $870 and $910 for the years ended June 30, 2021 and 2020, respectively. The University has right-of-use lease liabilities of $1,277 and $0 for the years ended June 30, 2021 and 2020.

The University is obligated under a guarantee bond agreement with the Province of Alberta to provide educational services in the province. Under the terms of the agreement, if all services required are completed by the University, the obligation shall be null and void. As of June 30, 2021, the University is scheduled to provide the services as agreed upon. As such, no liability has been recorded.

Note 9 – Line of Credit

The University has an annually renewable line of credit on which it can borrow up to a maximum of $15,000. The line of credit was renewed during the year ended June 30, 2021 and is payable on demand, or on January 31, 2022, if no demand, and bears interest at either the bank's prime rate plus 0.25% or at LIBOR plus 1.75% at the time of borrowing. The University borrowed $7,000 and $2,000 on this line of credit during the years ended June 30, 2021 and 2020, respectively, and had an outstanding balance on this line of credit of $0 and $2,000 as of June 30, 2021 and 2020, respectively.

The line of credit agreement contains covenants that require the University to maintain certain financial ratios. The line of credit is secured by assets of the University.

(in thousands)

Note 10 – Bonds Payable

In May 2015, the University issued State of Oregon, Oregon Facilities Authority (University of Portland Projects) 2015 Series A and Series B bonds for $69,645 and $21,645, respectively, at a premium totaling $5,503. A portion of the proceeds were used to defease legally, and in substance, the 2007 series bonds. The remaining proceeds are being used for various building improvement and expansion projects.

Bonds payable consist of the following:

	June 30, 2021	June 30, 2020
Bonds payable, 2015 Series A, in annual principal installments of between $2,345 and $5,345, interest payable semiannually at 3.25% to 5.00%, secured by investments and revenues without donor restrictions, principal payments begin in 2027, due 2045	$ 69,645	$ 69,645
Bonds payable, 2015 Series B, in annual principal installments of between $1,690 and $2,280, interest payable semiannually at 1.70% to 4.10%, secured by investments and revenues without donor restrictions, due 2027	10,560	12,440
	80,205	82,085
Add unamortized premium	3,840	4,106
Total bonds payable	$ 84,045	$ 86,191

The following is a summary of scheduled principal maturities of bonds payable for the years ending June 30:

2022	$ 1,945
2023	2,020
2024	2,100
2025	2,190
2026	2,280
Thereafter	69,670
	$ 80,205

(in thousands)

Note 10 – Bonds Payable (continued)

Interest expense was $3,367 and $3,267 for the years ended June 30, 2021 and 2020, respectively.

The loan agreement associated with the above referenced bonds contains a covenant that requires the University to maintain an unrestricted debt service coverage ratio of 1.1 annually for each fiscal year.

Note 11 – Defined Contribution Plan

The University has a defined contribution retirement plan covering substantially all employees under arrangements with the TIAA 403(b) plan. Retirement plan expense was $4,850 and $4,849 for the years ended June 30, 2021 and 2020, respectively.

Note 12 – Functional Expenses

The tables below present natural categories of expenses and their allocation by functional category for the years ended June 30, 2021 and 2020, respectively:

	Year Ended June 30, 2021					
	Instruction, Research, & Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Support Services	Total Expenses
Salaries and wages	$ 34,697	$ 9,929	$ 635	$ 9,850	$ 5,898	$ 61,009
Employee benefits	10,657	2,897	433	4,087	2,421	20,495
Services purchased	1,173	3,129	2,646	6,263	1,239	14,450
Depreciation	4,119	2,034	4,237	325	980	11,695
Interest expense	998	644	1,507	165	53	3,367
Supplies	2,408	1,731	36	409	577	5,161
Other	2,792	5,267	-	3,344	4,266	15,669
Personnel and program costs	56,844	25,631	9,494	24,443	15,434	131,846
Allocation of support services	6,251	3,107	4,827	1,249	(15,434)	-
Total functional expenses	$ 63,095	$ 28,738	$ 14,321	$ 25,692	$ -	$ 131,846

(in thousands)

Note 12 – Functional Expenses (continued)

	Year ended June 30, 2020					
	Instruction, Research, & Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Support Services	Total Expenses
Salaries and wages	$ 35,348	$ 10,961	$ 1,153	$ 9,669	$ 7,055	$ 64,186
Employee benefits	10,498	2,908	1,100	5,809	2,570	22,885
Services purchased	3,260	3,476	6,521	4,677	1,528	19,462
Depreciation	3,478	2,209	5,250	452	188	11,577
Interest expense	981	623	1,481	129	53	3,267
Supplies	2,460	1,437	60	355	907	5,219
Other	4,263	6,082	221	1,994	4,535	17,095
Personnel and program costs	60,288	27,696	15,786	23,085	16,836	143,691
Allocation of support services	6,824	3,361	5,289	1,362	(16,836)	-
Total functional expenses	$ 67,112	$ 31,057	$ 21,075	$ 24,447	$ -	$ 143,691

Fundraising expenses of $1,865 and $2,469, exclusive of expenditures for alumni relations and news and publications, are included in institutional expense in the statement of activities for the year ended June 30, 2021 with summarized comparative financial information for the year ended June 30, 2020.

Note 13 – Endowments

The University's endowment consists of approximately 550 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the University's governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The State of Oregon has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), the provisions of which apply to endowment funds. The Board of Regents of the University has interpreted the Act 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 gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 13 – Endowments (continued)

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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

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. There were no deficiencies of this nature in net assets with donor restrictions as of June 30, 2021 and 2020.

Return objectives and risk parameters

The University 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. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as those funds designated by the board to function as endowments. Under this policy, as approved by the Board of Regents, the endowment assets are invested in a manner that is intended to produce results over the long-term that meet or exceed the aggregate amount needed to support both the endowment spending policy and growth in principal commensurate with the rate of inflation.

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 yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(in thousands)

Note 13 – Endowments (continued)

Spending policy and how the investment objectives relate to spending policy
The University has a policy of appropriating for distribution each year 4.5% of its endowment fund's average market value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment, which is expected to exceed this appropriation by, at least, the general rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment.

Endowment net asset composition by type of fund at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 273,037	$ 273,037
Funds functioning as endowment	49,369	-	49,369
	$ 49,369	$ 273,037	$ 322,406

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 33,151	$ 184,433	$ 217,584
Investment return			
Investment income	248	1,338	1,586
Net appreciation	16,814	90,735	107,549
Total investment return	17,062	92,073	109,135
Contributions	465	2,403	2,868
Investment return on endowment, distributed	(1,274)	(6,120)	(7,394)
Other changes	(35)	248	213
Endowment net assets, end of year	$ 49,369	$ 273,037	$ 322,406

(in thousands)

Note 13 – Endowments (continued)

Endowment net asset composition by type of fund at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 184,433	$ 184,433
Funds functioning as endowment	33,151	-	33,151
	$ 33,151	$ 184,433	$ 217,584

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 32,050	$ 177,075	$ 209,125
Investment return			
Investment income	111	586	697
Net appreciation	2,041	11,084	13,125
Total investment return	2,152	11,670	13,822
Contributions	-	2,739	2,739
Investment return on endowment, distributed	(1,192)	(7,040)	(8,232)
Other changes	141	(11)	130
Endowment net assets, end of year	$ 33,151	$ 184,433	$ 217,584

(in thousands)

Note 14 – Net Assets Released from Restrictions

During 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, completing the construction of depreciable assets, or by occurrence of other events specified by donors, as follows:

	June 30, 2021	June 30, 2020
Capital projects	$ 1,588	$ 15,504
Endowment related	5,978	5,495
Other	1,683	1,484
	$ 9,249	$ 22,483

Note 15 – Net Assets

Purpose and time restrictions

Net assets with donor restrictions contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the University. These net assets are available for the following specific purposes, or time restrictions have been placed on the use of the funds as noted in the following schedule at June 30:

	June 30, 2021	June 30, 2020
Investments restricted for payments to annuity and trust beneficiaries	$ 488	$ 363
Unappropriated appreciation on perpetual endowments	169,977	84,024
Gifts and bequests restricted for investment in land, buildings, and equipment	45,063	53,496
Scholarships	1,337	1,510
Loan fund	7,364	7,158
Other net assets with purpose and time restrictions	3,962	3,471
Total net assets with donor restrictions – purpose and time restricted	$ 228,191	$ 150,022

(in thousands)

Note 15 – Net Assets (continued)

Perpetual in nature

Net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity, and consist of the following at June 30:

	June 30, 2021	June 30, 2020
Endowment funds	$ 103,060	$ 100,409
Annuities and trusts	5,034	4,064
Total net assets with donor restrictions – perpetual in nature	$ 108,094	$ 104,473

Note 16 – Legal Contingencies

The University is subject to legal proceedings generally incidental to its business. Although the final outcome of any legal proceeding is subject to many variables and cannot be predicted with any degree of certainty, the University presently believes that the ultimate outcome resulting from these proceedings would not have a material effect on the University's financial position or changes in its net assets.

Note 17 – Concentration of Credit Risk

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and other investments, and accounts and loans receivable. The University places substantially all of its cash and liquid investments with financial institutions; however, cash balances generally exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by an investment manager. Student loans and receivables are due from a variety of sources. As of June 30, 2021 and 2020, management considers the University to have no significant concentration of credit risk.

Beneficial interest in assets held by others represents 50% and 44% of total assets at June 30, 2021 and 2020, respectively.

Note 18 – Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the University's operations.

The University transitioned its students to online learning and most of its employees to remote work in mid-March of 2020. The State of Oregon and Multnomah County Public Health officials implemented health and safety guidelines to allow employees and students back to in-person instruction. Restrictions on student housing have had the most significant impact to revenues. The University refunded $5,520 of student room and board in March through June 2020, in addition to other costs associated with distance learning, working from home, and preparing the campus for the return of students and employees.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act was signed into law. Among other things, the CARES Act allocated $14 billion to higher education through the creation of the Education Stabilization Fund, or the Higher Education Emergency Relief Fund (HEERF). The University received a total of $2,672 in HEERF I (CARES Act) funding. Fifty percent of the emergency funds received by the University went directly to students in the form of emergency grants to cover expenses related to the disruption of campus operations due to COVID-19 as required by the CARES Act. The institutional half was used to offset the room and board refunds mentioned earlier.

The University was granted an additional $3,831 for HEERF II or CRRSAA (Coronavirus Response and Relief Supplemental Appropriations Act) funding. The student portion of $1,336 (an amount equal to the 50% student portion from HEERF I) was disbursed directly to students and the institutional portion of $2,495 was used to offset the remaining student room and board refunds and COVID-19 testing expenses.

For the 2020-21 academic year, instruction was virtual in the fall. In spring, first-year students were given the option to live on campus to participate in a hybrid of in-person and virtual instruction. While uncertainty over the progression of the virus and governmental emergency directive remains, regular in-person instruction and campus operations for all students and employees have resumed as of the start of the 2021-22 academic year with precautions in place.

The University administration has been closely monitoring the impact of COVID-19 on the University's operations, including the impact on the students and employees. The duration and intensity of the pandemic is uncertain but may influence student enrollment and housing decisions, donor decisions, investment performance, and may also negatively impact collections of University receivables.

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