



Vanderbilt Financial Report

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2020 FINANCIAL REPORT

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Letter from the Chancellor and Provost

Vanderbilt's values of collaboration, inclusion and commitment to excellence in everything we do are among the traits that drew both of us to this great university. They set Vanderbilt apart and will continue to serve as our foundational strength for many years to come.

The university's long history of sound financial stewardship stems from these core values. It has propelled many of our greatest achievements, from attracting top scholars, students and staff members from around the globe to providing a world-class educational experience across all our colleges and schools. Even with the profound challenges the university has faced during the first half of 2020, careful and thoughtful management of resources has enabled us to continue having a transformative impact as a leading research university within higher education, in our local communities and around the world.

This is an extraordinary moment for our society. Vanderbilt is fortunate to have a solid financial foundation, which allows us to continue making a difference in the world and fulfilling our mission—from researching ways to treat COVID-19 and developing systems to combat racial injustice, to helping our talented students reach their full potential.

Vanderbilt is positioned to emerge stronger and more optimistic than ever before. We look forward to supporting the university's continued tradition of excellence and to the vibrant future ahead for Vanderbilt.

Sincerely,



Daniel Diermeier
Chancellor, Vanderbilt University



Susan R. Wentz
Provost, Vanderbilt University

Vanderbilt University Statistics

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
STUDENTS					
Undergraduate	6,886	6,861	6,885	6,871	6,883
Graduate and professional	6,245	5,963	5,707	5,716	5,684
Total fall enrollment	13,131	12,824	12,592	12,587	12,567
Undergraduate admissions					
Applied	37,310	34,313	31,462	32,442	31,464
Accepted	3,402	3,298	3,415	3,487	3,674
Enrolled	1,604	1,602	1,607	1,601	1,607
Selectivity	9.1%	9.6%	10.9%	10.7%	11.7%
Yield	47.1%	48.6%	47.1%	45.9%	43.7%
Degrees conferred					
Baccalaureate	1,691	1,700	1,716	1,716	1,723
Master's	1,512	1,382	1,477	1,487	1,421
M.D.	82	100	79	98	104
Other doctoral	568	599	583	585	564
Total degrees conferred	3,853	3,781	3,855	3,886	3,812
Undergraduate six-year graduation rate	92.6%	93.0%	93.6%	91.5%	92.3%
Undergraduate tuition	\$ 50,800	\$ 48,600	\$ 46,500	\$ 44,496	\$ 43,620
% increase over prior year	4.5%	4.5%	4.5%	2.0%	2.0%

FACULTY AND STAFF ¹

Full-time faculty	1,466	1,468	1,431	1,421	1,404
Full-time staff	4,555	4,245	4,205	4,177	4,060
Part-time faculty	324	348	339	318	323
Part-time staff	448	412	346	521	509
Total faculty and staff	6,793	6,473	6,321	6,437	6,296

GRANT AND CONTRACT FUNDING

(in thousands)

Government sponsors	\$ 165,532	\$ 160,958	\$ 151,580	\$ 155,446	\$ 147,980
Private sponsors	30,199	27,656	22,298	24,345	31,087
Facilities and administrative costs recovery	62,233	60,408	56,868	57,489	55,426
Total grants and contracts	\$ 257,964	\$ 249,022	\$ 230,746	\$ 237,280	\$ 234,493

ENDOWMENT

Market value (in thousands)	\$ 6,917,371	\$ 6,270,877	\$ 4,608,461	\$ 4,136,465	\$ 3,795,586
Endowment return	-0.1%	6.7%	12.6%	11.5%	-4.3%
Endowment per student	\$ 526,797	\$ 488,995	\$ 365,983	\$ 328,630	\$ 302,028
Endowment payout	4.7%	4.5%	4.7%	5.1%	4.7%

¹ On April 29, 2016, Vanderbilt University ("VU") and Vanderbilt University Medical Center ("VUMC") became two separate legal entities. Vanderbilt transferred clinical services operations, post-graduate training programs, and clinical department research activities, along with related assets and liabilities, to VUMC as a newly incorporated Tennessee not-for-profit corporation in exchange for \$1.230 million of consideration. This transaction drove a decrease in faculty and staff numbers from fiscal 2015 to 2016. In addition to the faculty employed by VU at the end of fiscal years 2020, 2019, 2018, 2017, and 2016, some employees of VUMC held VU faculty appointments. These additional VUMC-employed, VU faculty comprised:

VUMC - employed, VU faculty appointments	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Full-time	2,892	2,817	2,830	2,680	2,463
Part-time	101	93	116	131	125
Total	2,993	2,910	2,946	2,811	2,588

FINANCIAL OVERVIEW

The university ended fiscal 2020 with \$175 million of net operating results compared to \$161 million in fiscal 2019. Vanderbilt's net assets without donor restrictions decreased \$29 million from fiscal 2019 to 2020 primarily driven by investment returns.

OPERATING REVENUES

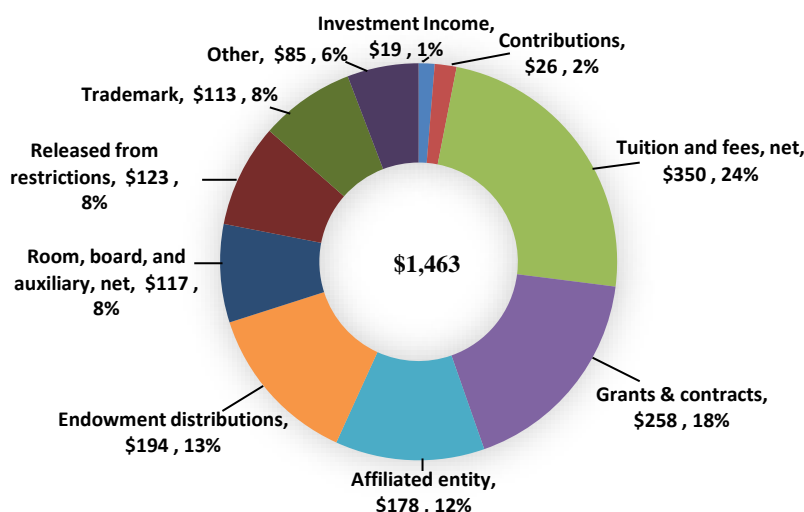
Vanderbilt's operating revenues without donor restrictions for the years ended June 30, 2020, and June 30, 2019, were as follows:

<i>(in millions)</i>	2020	2019
Tuition and educational fees, net	\$ 350	\$ 319
Government grants and contracts	166	161
Private grants and contracts	30	28
F&A costs recovery	62	60
Contributions	26	27
Endowment distributions	194	171
Investment income	19	52
Room, board, and other auxiliary services, net	117	119
Trademark, license, and royalty revenue	113	108
Affiliated entity revenue	178	178
Other sources	85	90
Net assets released from restrictions	123	117
Total operating revenue	\$ 1,463	\$ 1,430

Operating revenues without donor restrictions increased \$33 million, or 2%, to \$1,463 million in fiscal 2020 from \$1,430 million in fiscal 2019. Tuition and fees, net, increased by \$31 million due to changes in student enrollment, credit hours, and board-approved increases in tuition rates. Endowment distributions increased by \$23 million due to payouts from the additional investments in the endowment from the securitization of one of the university's trademark revenue streams. Net assets released from restrictions increased by \$6 million due to an increased fulfillment of donor restrictions on net assets during the year allowing utilization of gifts and endowment distributions from prior periods. Revenue from government and private sponsors increased by \$5 million and \$2 million, respectively, due to both new federal awards and building relationships with foundations and other non-federal sponsors to expand resources for research. Trademark, license, and royalty revenue increased by \$5 million. These increases were offset by decreases in investment income of \$33 million primarily due to market volatility related to the COVID-19 global pandemic, other sources of revenue of \$5 million, and current-use contributions of \$1 million.

Operating Revenues without Donor Restrictions by Type (Fiscal 2020)

(in millions)



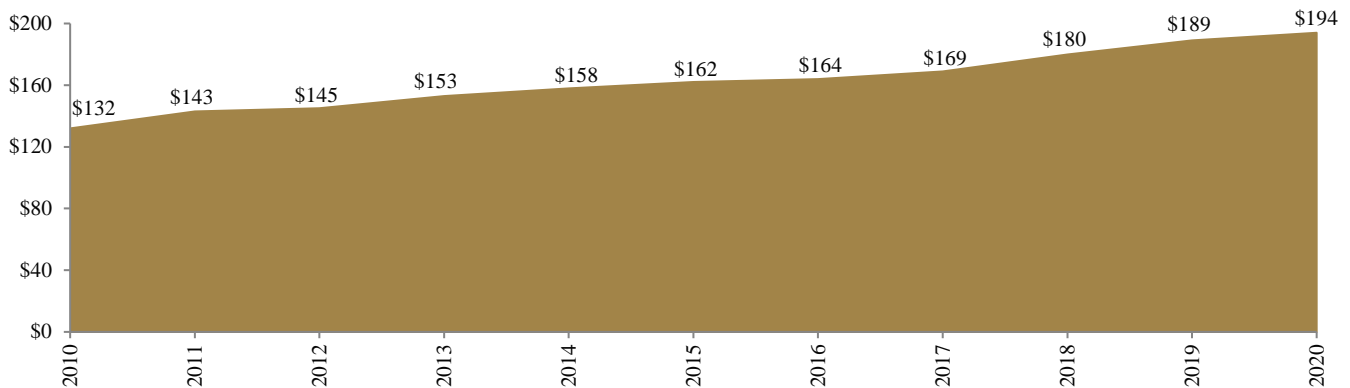
TUITION, ROOM, AND BOARD

Supporting Vanderbilt's commitment to student access and affordability, the university provides significant financial aid to students and their families. In fiscal 2020, Vanderbilt provided \$303 million in support to its students for tuition, room, and board as shown in the table below.

	Undergraduate	Professional	Graduate	Total
<i>Student count</i>	6,886	4,023	2,222	13,131
<i>(in millions)</i>				
Tuition and fees	\$ 364	\$ 190	\$ 60	\$ 614
Financial aid ⁽¹⁾	(155)	(58)	(51)	(264)
Tuition and fees, net	\$ 209	\$ 132	\$ 9	\$ 350
Room and board	78	-	-	78
Financial aid ⁽¹⁾	(39)	-	-	(39)
Room and board, net	\$ 39	\$ -	\$ -	\$ 39
Total financial aid⁽¹⁾	\$ 194	\$ 58	\$ 51	\$ 303
Average financial aid per student	\$ 28,000	\$ 14,000	\$ 23,000	\$ 23,000

¹ Financial aid excludes Pell Grants of \$5 million as these amounts represent agency funds.

Undergraduate Financial Aid fiscal 2010 - 2020 (in millions)



Vanderbilt expanded its undergraduate financial aid significantly over the past decade. In fiscal 2020, undergraduate aid as a percentage of gross tuition, room and board, and educational fees was 44%. Nearly half of Vanderbilt's undergraduate financial aid was funded in fiscal 2020 and 2019. The university's Opportunity Vanderbilt no-loan initiative, which began in fiscal 2009, is critical to this support. Through fiscal 2020, generous donors have committed, through gifts and pledges, \$462 million to support undergraduate financial aid. A portion of operations (\$114 million), endowment distributions and gifts (\$75 million), and external agencies (\$5 million) funded fiscal 2020 undergraduate aid.

GRANTS AND CONTRACTS

Direct grant revenue increased by \$7 million, or 4%, to \$196 million in fiscal 2020 from \$189 million in fiscal 2019. Government grants and contracts revenue increased \$5 million, or 3%, to \$166 million in fiscal 2020 from \$161 million in fiscal 2019, due to increases from the Department of Health and Human Services. Private grants and contracts revenues increased \$2 million, or 7%, over the same period to \$30 million in fiscal 2020 from \$28 million in fiscal 2019, due to drug discovery contracts.

As shown in the following table, the largest source of direct government grant and contract revenue was the Department of Health and Human Services (primarily the National Institutes of Health, or NIH).

Grants and Contracts Revenues by Funding Source

<i>(in millions)</i>	2020	%	2019	%
Department of Health and Human Services	\$ 97	59%	\$ 89	55%
National Science Foundation	18	11%	17	11%
Department of Education	17	10%	20	12%
Department of Defense	12	7%	14	9%
Department of Energy	10	6%	10	6%
Other government agencies	12	7%	11	7%
Total government grants and contracts by funding source	\$ 166	100%	\$ 161	100%

Sponsored research and project awards represent research funding commitments not yet expended by Vanderbilt and include multiple-year grants and contracts from government sources, foundations, associations, and corporations. As of June 30, 2020 and 2019, such awards totaled \$262 million and \$279 million, respectively, as shown in the following table.

Sponsored Program Awards

<i>(in millions)</i>	2020	2019
Government awards	\$ 239	\$ 231
Private awards	23	48
Total sponsored research and project awards	\$ 262	\$ 279

PHILANTHROPY

Vanderbilt reports contributions revenue within the consolidated financial statements based on U.S. GAAP. This basis for measurement differs from guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines focus on philanthropic distributions of private resources (primarily gifts and foundation grants) to benefit the public.

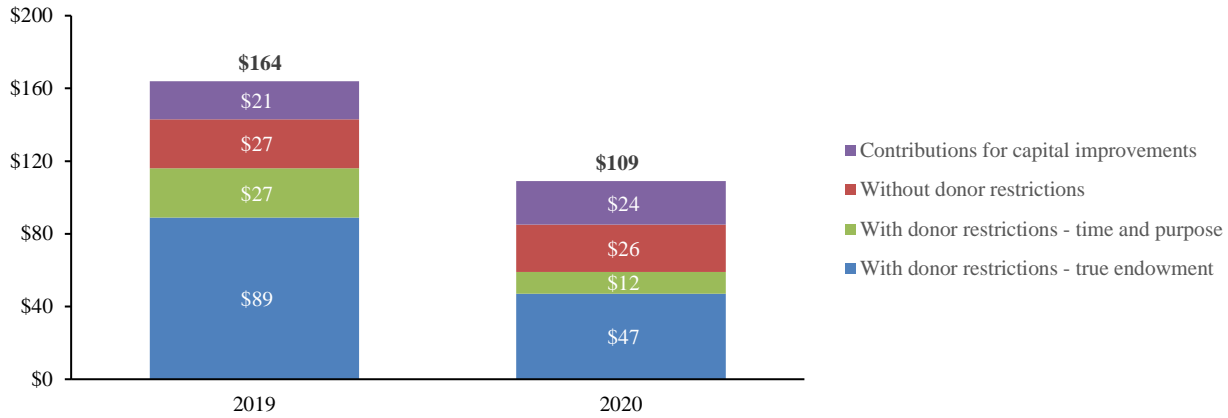
GAAP to CASE Reconciliation

<i>(in millions)</i>	2020
Contributions revenue	
Without donor restriction	\$ 26
With donor restriction – time and purpose	12
With donor restriction – true endowment	47
Total contributions revenue	85
Total contributions for capital improvements	24
Total consolidated GAAP contributions revenue	\$ 109
Grants and similar agreements meeting CASE guidelines (gifts per CASE standards)	\$ 7
Net increase in contributions receivable	(1)
Other	(1)
Total CASE reported gifts (cash basis)	\$ 114

Vanderbilt reported \$109 million in consolidated contributions revenue, including pledges and contributions for capital improvements, a 34% decrease over the \$164 million fiscal 2019 level.

Consolidated Contributions (GAAP Basis)

(in millions)



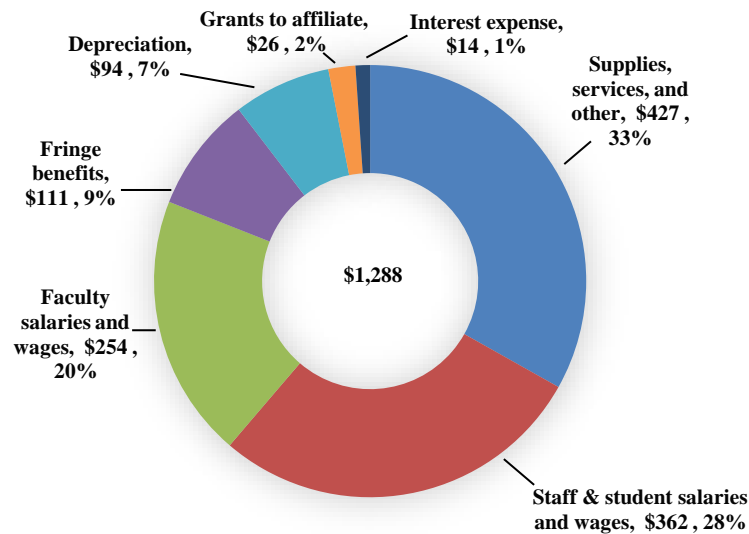
OPERATING EXPENSE

(in millions)	2020	2019
Salaries, wages, and benefits	\$ 727	\$ 701
Supplies, services, and other	427	439
Interest expense	14	17
Depreciation	94	87
Grants to affiliate	26	25
Total operating expenses	\$ 1,288	\$ 1,269

Consolidated operating expenses increased \$19 million to \$1,288 million in fiscal 2020 from \$1,269 million in fiscal 2019. The primary driver of this increase was a \$26 million, or 4%, increase in salaries, wages, and benefits partially attributable to the Voluntary Staff Departure Incentive Program (VSDIP). Supplies, services, and other decreased \$12 million, or 3%, to \$427 million in fiscal 2020 from \$439 million in fiscal 2019 driven by decreases across expense categories, primarily as a result of COVID-19 expense reductions.

Operating Expenses by Type (Fiscal 2020)

(in millions)



OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

<i>(in millions)</i>	2020	2019
Change in appreciation of endowment, net of distributions	\$ (192)	\$ 59
Change in appreciation of other investments, net of distributions	(9)	10
Change in appreciation of interest rate exchange agreements	(7)	(9)
Capital contributions and releases from restriction	17	46
Nonoperating net asset reclassifications	(3)	4
Other nonoperating activity	(1)	(15)
Total changes from nonoperating	\$ (195)	\$ 95

Fiscal 2020 nonoperating activity primarily consisted of a negative change in appreciation of endowment, net of distributions of \$192 million, a decrease of \$251 million compared to fiscal 2019. The change in value for the endowment resulted from a negative 0.1% investment return offset by 4.7% of the endowment utilized for distributions during fiscal 2020, compared to a 6.7% investment return and 4.5% of the endowment utilized for distributions during fiscal 2019. In addition, releases from restrictions for capital contributions, totaled \$17 million in fiscal 2020. Releases from restrictions for capital contributions occurred at the time the asset or building was placed into service and included the following in fiscal 2020: \$15 million for residential colleges, \$1 million for the Divinity School, and \$1 million for Student Athletics facilities.

Noncontrolling Interests

Net assets related to noncontrolling interests decreased \$8 million to \$30 million in fiscal 2020 from \$38 million in fiscal 2019 due to distributions of \$6 million and a negative change in appreciation on investment of \$2 million during fiscal 2020.

SUMMARY OF FINANCIAL POSITION

Vanderbilt's summarized Statements of Financial Position as of June 30, 2020, and June 30, 2019, were as follows:

<i>(in millions)</i>	2020	2019
ASSETS		
Cash and cash equivalents	\$ 629	\$ 828
Accounts and contributions receivable	214	211
Investments	7,034	6,924
Right of use assets	64	-
Property, plant, and equipment, net	1,448	1,197
Prepaid expenses and other assets	69	73
Total assets	\$ 9,458	\$ 9,233
LIABILITIES		
Payables and accrued liabilities	\$ 265	\$ 258
Deferred revenue	25	30
Deferred trademark revenue	1,645	1,345
Interest rate exchange agreements	-	23
Long-term debt and commercial paper	541	542
Securities sold short	352	362
Lease liabilities	67	-
Total liabilities	2,895	2,560
NET ASSETS		
Without donor restrictions	3,500	3,529
With donor restrictions	3,063	3,144
Total net assets	6,563	6,673
Total liabilities and net assets	\$ 9,458	\$ 9,233

Vanderbilt's assets increased \$225 million from fiscal 2019 to fiscal 2020. This increase is primarily attributable to an increase in net property, plant, and equipment of \$251 million as a result of strategic property acquisitions and ongoing construction of residential colleges. In addition, Vanderbilt recognized a right of use asset of \$64 million in fiscal 2020 in accordance with the Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Cash and cash equivalents decreased \$199 million, or 24%, from fiscal 2019 to fiscal 2020 primarily attributable to private placement net proceeds temporarily invested pending use for residential college construction at the end of fiscal 2019 that was deployed in fiscal 2020. Investments increased \$110 million, or 2%, to \$7,034 million in fiscal 2020 from \$6,924 million in fiscal 2019. The endowment, net of securities sold short, returned negative 0.1% and its value increased to \$6,917 million in fiscal 2020 from \$6,271 million in fiscal 2019 after the impact of distributions in support of operations and the addition of new gifts and quasi-endowments, including the addition of the proceeds from the most recent securitization transaction.

Total liabilities increased \$335 million, or 13%, from fiscal 2019 to fiscal 2020. This increase is primarily attributable to the increase of \$300 million in deferred trademark revenue to be recognized over the next 30 years in accordance with the most recent trademark securitization transaction.

Cash and Liquidity

Vanderbilt continues to invest operating assets in a conservative, diversified manner to ensure adequate security and liquidity under a variety of stress scenarios. Investments, along with cash and cash equivalents, provide liquidity support for Vanderbilt's operations. Of these combined amounts, based on prevailing market conditions as of June 30, 2020, \$681 million of liquid assets were available on a same-day basis and an additional \$1,714 million was available within 30 days. This strong liquidity position contributes to the university's ability to satisfy potential liquidity risks. Vanderbilt maintains the highest short-term ratings from the major credit rating agencies.

To provide supplemental liquidity support, Vanderbilt maintains three separate lines of credit in the amounts of \$250 million, \$75 million, and \$50 million with three separate banks. These lines of credit may be drawn upon for any general use purpose.

Capital Expenditures

Maintaining the university's campus, which dates back to 1873, and investing in the university's capital assets is fundamental to achieving Vanderbilt's mission.

Over the past decade, Vanderbilt has focused increasingly on revitalizing the campus and student experience through the continued construction and renovation of residential colleges in direct support of the academic strategic plan:

- Offering students a rich and diverse intellectual community that educates the whole person and cultivates lifelong learning;
- Investing in multi- and inter-disciplinary programs to lead in defining and addressing important problems facing society, while pursuing new and exciting opportunities;
- Transforming education models through technology and research; and
- Building distinctive and distinguished programs that develop and offer effective solutions to pressing health and healthcare problems.

Additionally, these investments serve to support FutureVU, Vanderbilt's land use planning initiative, the goal of which is to ensure the Vanderbilt University campus is designed and prepared at every level to support its students, faculty, and staff in their work each day to carry out the university's mission and values.

Capital Projects

<i>(in millions)</i>	2020	2019
Housing projects	\$ 134	\$ 97
Academic projects	33	37
Minor capital expenditures	40	31
Infrastructure projects	25	4
Acquisitions	117	23
Student Athletics projects	4	2
Total capital projects	\$ 353	\$ 194

During fiscal 2020, Vanderbilt University invested \$353 million in capital projects and acquisitions as compared to \$194 million in fiscal 2019. This enabled progress on several significant projects, including, but not limited to:

- Continuing construction of Nicholas S. Zeppos College, which will contribute to the living and learning experience on the West End edge of campus;
- Continuing aesthetic and utility updates to the West End and Central Neighborhoods that will improve pedestrian pathways and accommodate the increased square footage in the residential colleges;
- Renovations to Peabody's Home Economics and Mayborn buildings that will create better uses of space and enhancements to the buildings' infrastructure and mechanics while preserving many significant historic architectural components; and
- Acquisition of properties adjacent to Vanderbilt's campus.

As capital projects conclude or new acquisitions occur during the fiscal year, capital asset balances increase. A total of \$215 million of completed projects and purchased property and equipment came into service during fiscal 2020.

The Board of Trust Executive Committee reviews the university's five-year capital plan annually; however, major capital projects are approved individually. The FY2020 – FY2024 capital plan brings a continued focus on the academic strategic plan, including the student experience through investments in new residential colleges, humanities and science spaces through the College of Arts and Science, and historic Peabody campus buildings and infrastructure.

ENDOWMENT

For fiscal 2020, Vanderbilt's endowment portfolio returned negative 0.1%. The endowment ended fiscal 2020 with a total market value of \$6,917 million, compared to \$6,271 million at the end of fiscal 2019. The difference between the investment return and change in absolute value of the endowment was attributable to the net impact of new endowment gifts, additions to institutional endowments (quasi-endowments), investment returns, costs for managing the endowment including internal management costs of \$12 million, and the distribution of endowment funds to support university operations. During fiscal 2020, the university added \$979 million to the endowment portfolio through new gifts, recapitalizations, and additions to institutional endowments. Endowment distributions totaled \$311 million in fiscal 2020, compared to \$281 million in fiscal 2019. These distributions support the university's education, research, and public service missions.

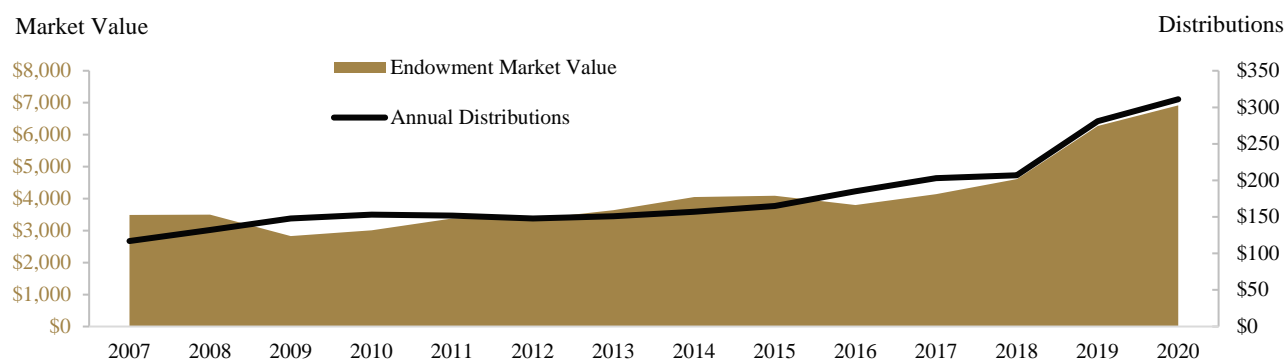
The world witnessed a number of historic events over the course of this fiscal year. The October assassination of Jamal Khashoggi, a Saudi dissident, put the world on the verge of a major global destabilization. In December, the U.S. House of Representatives passed two articles of impeachment against President Donald Trump, and in February 2020 the U.S. Senate acquitted him of all charges. Saudi Arabia initiated an oil price war with Russia in March, facilitating a 68% quarterly fall in the price of Brent oil. In April, the May contract for West Texas Intermediate oil traded below -\$40 per barrel. In May, George Floyd died after Derek Chauvin, a white police officer, pressed his knee to Floyd's neck for nearly eight minutes during an arrest, leading to demonstrations in over 400 cities throughout all 50 U.S. states and internationally. And by the end of June, the COVID-19 pandemic had been ongoing for six months, with the global cumulative incidence surpassing 10 million cases and 500 thousand deaths. The global economy collapsed into a recession and continuing jobless claims in the U.S. stood at over 17 million at the end of June.

Yet the global capital market environment was generally fine. Global equity markets gained 2%, with significant performance dispersion across U.S. large caps (up 7%), U.S. small caps (down 7%), non-U.S. developed markets (down 5%), and emerging markets (down 3%). U.S. bond markets rallied (up 9%) as long-term U.S. Treasury yields dropped, and credit spreads only widened modestly from the beginning to the end of the year. Commodity prices collapsed (down 34%), and the value of the U.S. dollar declined modestly.

Looking into the future, substantial headwinds lie ahead. U.S. equity valuations are even higher than before the COVID-19 pandemic took hold and the economy fell into recession. European economies also have shrunk, and their problems are compounded by “Brexit” dynamics. China came out of the pandemic early but continues to suffer from an overvalued property market plagued by excess capacity. Globally, markets are wrestling with exploding government debt, changing regulatory pressures, and uncertainty about trade wars, all of which represent risks to the global capital markets. In addition, the upcoming U.S. election in November likely will contribute to market volatility. That said, these challenges will from time to time present chances to be opportunistic in deploying new investments, as was the case in March. Meanwhile, Vanderbilt has built a strong foundation for the endowment by collaborating with some of the world’s best investment managers across all asset classes.

Endowment Market Value and Annual Distributions

(in millions)



Endowment Asset Allocation

As of June 30, 2020 (% of portfolio)

	Allocation
Global Equities	28%
Hedged strategies	25%
Commodities	1%
Fixed income	9%
Cash and cash equivalents	5%
Total public investments	68%
Private capital	26%
Real estate	2%
Natural resources	4%
Total nonmarketable	32%
Total endowment	100%

LOOKING FORWARD

Through swift and effective measures to carefully manage financial resources, Vanderbilt ended fiscal 2020 with a solid foundation for the future. Notwithstanding its positive financial position, Vanderbilt must face the challenges of the current economic environment and the uncertainty ahead. The outbreak of COVID-19 continues to cause domestic and global disruption in operations for institutions of higher education. To slow the spread of COVID-19, Vanderbilt has implemented a robust response plan in an effort to protect the health of the Vanderbilt community and promote the continuity of our mission of academics and research. Vanderbilt has instituted cost-saving measures due to the uncertainties regarding the ultimate financial impact of COVID-19 and will continue to closely monitor the situation to ensure resources are focused and effectively managed to meet the needs of the Vanderbilt community while protecting and preserving the financial foundation for the future. Vanderbilt will continue to build the financial resilience to withstand the uncertainties of the future.

Despite these pressures, Vanderbilt continues its traditions of innovative education, groundbreaking research, and need-blind admissions to attract the best and brightest students. With a solid financial foundation and continued focus on strategic priorities, Vanderbilt's future is bright and optimistic.

Vanderbilt's audited financial statements and other key financial metrics for fiscal 2020 are included in the following pages.



Report of Independent Auditors

To the Board of Trust of
The Vanderbilt University

We have audited the accompanying consolidated financial statements of The Vanderbilt University and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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 the consolidated financial statements based on our audits. We conducted our audits 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 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 our 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, we consider internal control relevant to the University'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 University'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 financial position of The Vanderbilt University and its subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 2, 2020

Vanderbilt University

Consolidated Statements of Financial Position

As of June 30, 2020 and 2019 (in thousands)

	June 2020	June 2019
ASSETS		
Cash and cash equivalents	\$ 629,150	\$ 828,455
Accounts receivable, net	90,935	88,328
Prepaid expenses and other assets	19,107	18,789
Contributions receivable, net	123,081	122,947
Student loans and other notes receivable, net	21,782	23,173
Investments	7,003,641	6,885,893
Investments allocable to noncontrolling interests	29,981	38,106
Right-of-use assets	64,168	-
Property, plant, and equipment, net	1,447,896	1,196,792
Interests in trusts held by others	27,853	30,693
Total assets	\$ 9,457,594	\$ 9,233,176
LIABILITIES		
Accounts payable and accrued liabilities	\$ 122,071	\$ 111,171
Accrued compensation and withholdings	93,471	86,103
Deferred revenue	24,764	29,920
Deferred trademark revenue	1,645,053	1,344,670
Actuarial liabilities	29,361	33,544
Government advances for student loans	21,227	26,994
Long-term debt	541,042	542,246
Fair value of securities sold short	351,425	362,309
Fair value of interest rate exchange agreements	-	22,742
Lease liabilities	66,622	-
Total liabilities	2,895,036	2,559,699
NET ASSETS		
Without donor restrictions, controlled by Vanderbilt	3,469,474	3,490,599
Without donor restrictions, related to noncontrolling interests	29,981	38,106
Total net assets without donor restrictions	3,499,455	3,528,705
With donor restrictions	3,063,103	3,144,772
Total net assets	6,562,558	6,673,477
Total liabilities and net assets	\$ 9,457,594	\$ 9,233,176

The accompanying notes are an integral part of the consolidated financial statements.

Vanderbilt University

Consolidated Statement of Activities

Year Ended June 30, 2020 (in thousands)

	2020		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Tuition and educational fees, net	\$ 349,568	\$ -	\$ 349,568
Grants and contracts:			
Government sponsors	165,532	-	165,532
Private sponsors	30,199	-	30,199
Facilities and administrative costs recovery	62,233	-	62,233
Total grants and contracts	<u>257,964</u>	<u>-</u>	<u>257,964</u>
Contributions	25,752	59,090	84,842
Endowment distributions	194,504	116,476	310,980
Investment income	18,993	(3,770)	15,223
Room, board, and other auxiliary services, net	117,373	-	117,373
Trademark, license, and royalty revenue	113,362	-	113,362
Affiliated entity revenue	177,998	-	177,998
Other sources	84,578	-	84,578
Net assets released from restrictions	122,790	(122,790)	-
Total revenues and other support	<u>1,462,882</u>	<u>49,006</u>	<u>1,511,888</u>
EXPENSES			
Salaries, wages, and benefits	727,587	-	727,587
Supplies, services, and other	426,732	-	426,732
Interest expense	13,741	-	13,741
Depreciation	93,682	-	93,682
Grants to affiliate	26,171	-	26,171
Total expenses	<u>1,287,913</u>	<u>-</u>	<u>1,287,913</u>
Results of operations	<u>174,969</u>		
OTHER CHANGES IN NET ASSETS			
Change in appreciation of endowment, net of distributions	(191,621)	(140,541)	(332,162)
Change in appreciation of other investments, net of distributions	(8,861)	-	(8,861)
Change in appreciation of interest rate exchange agreements, net	(6,957)	-	(6,957)
Contributions for capital improvements	-	23,737	23,737
Net assets released from restrictions for capital improvements	17,104	(17,104)	-
Nonoperating net asset reclassifications	(3,233)	3,233	-
Other nonoperating activity	(2,526)	-	(2,526)
Total other changes in net assets	<u>(196,094)</u>	<u>(130,675)</u>	<u>(326,769)</u>
Changes in net assets controlled by Vanderbilt	(21,125)	(81,669)	(102,794)
Changes in net assets related to noncontrolling interests	(8,125)	-	(8,125)
Total changes in net assets	<u>\$ (29,250)</u>	<u>\$ (81,669)</u>	<u>\$ (110,919)</u>
Net assets, June 30, 2019	<u>\$ 3,528,705</u>	<u>\$ 3,144,772</u>	<u>\$ 6,673,477</u>
Net assets, June 30, 2020	<u>\$ 3,499,455</u>	<u>\$ 3,063,103</u>	<u>\$ 6,562,558</u>

The accompanying notes are an integral part of the consolidated financial statements.

Vanderbilt University

Consolidated Statement of Activities

Year Ended June 30, 2019 (in thousands)

	2019		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Tuition and educational fees, net	\$ 319,301	\$ -	\$ 319,301
Grants and contracts:			
Government sponsors	160,958	-	160,958
Private sponsors	27,656	-	27,656
Facilities and administrative costs recovery	60,408	-	60,408
Total grants and contracts	249,022	-	249,022
Contributions	27,325	116,458	143,783
Endowment distributions	170,967	110,481	281,448
Investment income	52,251	1,543	53,794
Room, board, and other auxiliary services, net	118,483	-	118,483
Trademark, license, and royalty revenue	107,850	-	107,850
Affiliated entity revenue	178,045	-	178,045
Other sources	90,297	-	90,297
Net assets released from restrictions	116,668	(116,668)	-
Total revenues and other support	1,430,209	111,814	1,542,023
EXPENSES			
Salaries, wages, and benefits	700,594	-	700,594
Supplies, services, and other	438,963	-	438,963
Interest expense	16,818	-	16,818
Depreciation	87,296	-	87,296
Grants to affiliate	25,335	-	25,335
Total expenses	1,269,006	-	1,269,006
Results of operations	161,203		
OTHER CHANGES IN NET ASSETS			
Change in appreciation of endowment, net of distributions	58,825	53,867	112,692
Change in appreciation of other investments, net of distributions	10,120	-	10,120
Change in appreciation of interest rate exchange agreements, net	(8,469)	-	(8,469)
Contributions for capital improvements	-	20,847	20,847
Net assets released from restrictions for capital improvements	46,145	(46,145)	-
Nonoperating net asset reclassifications	3,872	(3,872)	-
Other nonoperating activity	(15,110)	-	(15,110)
Total other changes in net assets	95,383	24,697	120,080
Changes in net assets controlled by Vanderbilt	256,586	136,511	393,097
Changes in net assets related to noncontrolling interests	(11,311)	-	(11,311)
Total changes in net assets	\$ 245,275	\$ 136,511	\$ 381,786
Net assets, June 30, 2018	\$ 3,283,430	\$ 3,008,261	\$ 6,291,691
Net assets, June 30, 2019	\$ 3,528,705	\$ 3,144,772	\$ 6,673,477

The accompanying notes are an integral part of the consolidated financial statements.

Vanderbilt University

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019 (in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ (110,919)	\$ 381,786
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Change in net assets related to noncontrolling interests	8,125	11,311
Realized and unrealized loss (gain) on investments, net	32,118	(453,695)
Contributions for capital improvements and endowment	(36,470)	(111,465)
Contributions of donated securities	(36,714)	(22,653)
Proceeds from sale of donated securities	4,719	4,994
Depreciation	93,682	87,296
Amortization of bond discounts and premiums	(6,834)	(996)
Amortization of right-of-use assets	(9,807)	-
Payments to terminate interest rate exchange agreements	(29,699)	(13,815)
Loss from disposals of property, plant, and equipment	5,194	4,892
Loss from sale of promissory note receivable	-	10,512
Net change in fair value of interest rate exchange agreements	(22,742)	(5,347)
Change in:		
Accounts receivable, net of accrued investment income	(2,784)	71,723
Prepaid expenses and other assets	(318)	5,795
Contributions receivable, net	(134)	(33,300)
Interests in trusts held by others	2,372	196
Accounts payable and accrued liabilities, net of nonoperating items	5,491	(6,572)
Accrued compensation and withholdings	7,368	3,396
Deferred revenue	(5,156)	(21,540)
Deferred trademark revenue	300,383	1,344,670
Actuarial liabilities	(4,183)	(2,059)
Lease liabilities	12,261	-
Net cash provided by operating activities	205,953	1,255,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(8,966,496)	(7,905,977)
Proceeds from sales of investments	8,735,155	6,899,302
Purchases of investments allocable to noncontrolling interests	(140)	(497)
Proceeds from sales of investments allocable to noncontrolling interests	5,760	11,450
Change in accrued investment income	176	(148)
Payments to terminate interest rate exchange agreements	29,699	13,815
Acquisitions of property, plant, and equipment	(344,572)	(173,000)
Proceeds from sale of promissory notes receivable	-	79,071
Student loans and other notes receivable disbursed	(2,208)	(2,203)
Principal collected on student loans and other notes receivable	3,599	5,995
Net cash used in investing activities	(539,027)	(1,072,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for capital improvements and endowment	36,471	111,465
Change in government advances for student loans	(5,767)	1,393
Payments to retire or defease debt	(114,370)	(122,582)
Proceeds from debt refinancing	120,000	300,000
Proceeds from sale of donated securities restricted for capital improvements and endowment	31,996	17,659
Proceeds from noncontrolling interests in investment partnerships	140	497
Payments to noncontrolling interests in investment partnerships	(5,760)	(11,450)
Net cash provided by financing activities	62,710	296,982
Net (decrease) increase in cash, cash equivalents, and restricted cash	(270,364)	479,919
Cash and cash equivalents and restricted cash at beginning of year	\$ 1,309,217	\$ 829,298
Cash and cash equivalents and restricted cash at end of year	\$ 1,038,853	\$ 1,309,217
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 19,362	\$ 16,694
Donated securities	\$ 36,714	\$ 22,653
Accrued liabilities related to additions of property, plant, and equipment	\$ 41,024	\$ 35,616

The accompanying notes are an integral part of the consolidated financial statements.

Vanderbilt University

Notes to the Consolidated Financial Statements

1. ORGANIZATION

The Vanderbilt University (“Vanderbilt” or the “university”) is a private, coeducational, not-for-profit, nonsectarian institution located in Nashville, Tennessee. Founded in 1873, Vanderbilt owns and operates educational and research facilities as part of its mission to be a leading center for informed and creative teaching, scholarly research, and public service. Vanderbilt provides educational services to approximately 6,900 undergraduate and 6,200 graduate and professional students enrolled across its 10 schools and colleges.

The consolidated financial statements include the accounts of all entities in which Vanderbilt has a significant financial interest and over which Vanderbilt has control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (“GAAP”). Vanderbilt eliminates all material intercompany accounts and transactions in consolidation.

Net Asset Classifications

Based on the existence or absence of donor-imposed restrictions, Vanderbilt classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. This classification includes all revenues, gains, and losses not restricted by donors. Vanderbilt reports all expenses as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met by either actions of Vanderbilt or the passage of time. These net assets may include unconditional pledges, split-interest agreements, interests in trusts held by others, and donor-restricted endowments. Generally, the donor-imposed restrictions of these assets permit Vanderbilt to use a portion of the income earned on related investments for specific purposes.

Vanderbilt reports expirations of donor restrictions on net assets, (i.e., the passage of time and/or fulfillment of donor-imposed stipulations), as net assets released from restrictions between the applicable net asset classes in the consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents are liquid assets with minimal interest rate risk and maturities of three months or less when purchased. Such assets, reported at fair value, primarily consist of depository account balances, money market funds, and short-term U.S. Treasury securities. Cash designated for investment is included within investments in the accompanying consolidated statements of financial position.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the consolidated statements of financial position that correspond to the amounts reported in the consolidated statements of cash flows.

	2020	2019
Cash and cash equivalents	\$ 629,150	\$ 828,455
Cash included in assets restricted to investments	409,703	480,762
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 1,038,853	\$ 1,309,217

Prepaid Expenses and Other Assets

Prepaid expenses and other assets primarily represent prepaid expenses and other segregated investment-related assets managed by third parties related to a legacy deferred compensation program that are earmarked to ultimately settle certain liabilities recorded in accrued payroll and withholdings. Vanderbilt excludes this latter group of assets, reported at fair value, from the investments category since it will not directly benefit from the investment return.

Fair Value Measurements

Fair value measurements represent the price received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Inputs to the valuation techniques used are prioritized to measure fair value by

Vanderbilt University

giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Vanderbilt gives consideration to certain investment funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. Vanderbilt uses net asset value per share or its equivalent in estimating the fair value of interests in investment companies for which a readily determinable fair value is not available. Pursuant to ASU 2015-07, Vanderbilt reports these assets separately within the fair value hierarchy.

Investments

Vanderbilt reports investments at fair value using the three-level hierarchy established under GAAP. After review and evaluation, Vanderbilt utilizes estimates provided by fund managers for certain alternative investments, mainly investments in limited partnerships where a ready market for the investments does not exist.

Vanderbilt has exposure to a number of risks including liquidity, interest rate, counterparty, basis, tax, regulatory, market, and credit risks for both marketable and nonmarketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities will occur to an extent that could materially affect the amounts reported in Vanderbilt's financial statements.

Vanderbilt sometimes uses derivatives to manage investment market risks and exposure. The consolidated financial statements contain derivatives, which consist of both internally managed transactions and those entered into through external investment managers, at fair value. The most common instruments utilized are futures contracts and hedges against currency risk for investments denominated in currencies other than U.S. dollars. For internally managed transactions, Vanderbilt utilizes futures contracts with durations of less than three months.

Vanderbilt records purchases and sales of securities on the trade dates, and realized gains and losses are determined based on the average historical cost of the securities sold. Vanderbilt reports net receivables and payables arising from unsettled trades as a component of investments.

Unless donor-restricted endowment gift agreements require separate investment, Vanderbilt manages all endowment investments as an investment pool.

Investments Allocable to Noncontrolling Interests and Net Assets Related to Noncontrolling Interests

Vanderbilt reports the respective assets for entities in which other organizations are minority equity participants at fair value as investments allocable to noncontrolling interests on the consolidated statements of financial position.

The balance representing such organizations' minority or noncontrolling interests is recorded based on contractual provisions, which represent an estimate of a settlement value assuming the entity was liquidated in an orderly fashion as of the report date.

Leases

Vanderbilt determines if an arrangement is or contains a lease at inception. Vanderbilt has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases in which Vanderbilt is a lessee are included in right-of-use assets and lease liabilities on the consolidated statements of financial position. These assets and liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date discounted using an appropriate incremental borrowing rate. Options to extend or terminate a lease are included in the amount recognized to the extent that Vanderbilt is reasonably certain to exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease payments based on an index or rate, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement. Rental revenue arising from operating leases in which Vanderbilt is a lessor is included in room, board, and other auxiliary services, net in the consolidated statements of activities.

Vanderbilt has elected the short-term lease exception under ASU 2016-02, Leases (ASC Topic 842) for all leases, and therefore, leases with an initial term of 12 months or less are not included on the consolidated statements of financial position. Additionally, Vanderbilt elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed the university to carry forward its identification of contracts that are or contain leases.

Split-Interest Agreements and Interests in Trusts Held by Others

Vanderbilt's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and life income funds for which Vanderbilt serves as trustee. Vanderbilt reports assets held in these trusts in investments at fair value. Vanderbilt recognizes contribution revenue at the dates the trusts are established, net of the liabilities for the present value of the estimated future payments to the donors and/or other beneficiaries. Annually, Vanderbilt records the change in fair value of split-interest agreements based on the assets that are associated with each trust and recalculates the liability for the present value of the estimated future payments to the donors and/or other beneficiaries.

Vanderbilt is also the beneficiary of certain trusts held and administered by others. Vanderbilt records its share of these trust assets at fair value as interests in trusts held by others with any resulting gains or losses reported as investment income with donor restrictions.

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Property, Plant, and Equipment

Purchased property, plant, and equipment, recorded at cost, includes, where appropriate, capitalized interest on construction financing. Vanderbilt capitalizes donated assets at fair value on the date of donation, expenses repairs and maintenance costs as incurred, and expenses additions to the library collection at the time of purchase.

Vanderbilt calculates depreciation using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives. Vanderbilt follows the half-year convention to calculate depreciation associated with construction-related assets (e.g., land improvements, buildings, leasehold improvements, and fixed equipment). Under the half-year convention, Vanderbilt treats fixed assets constructed during the year as if placed in service on January 1, regardless of in-service date. All other purchased assets (e.g., moveable equipment) begin depreciation on the in-service date. Vanderbilt removes property, plant, and equipment from the accounting records upon disposal.

Conditional asset retirement obligations related to legal requirements to perform certain future activities associated with the retirement, disposal, or abandonment of assets are accrued utilizing site-specific surveys to estimate the net present value for applicable future costs (e.g., asbestos abatement or removal).

Vanderbilt reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Vanderbilt recognizes an impairment charge when the fair value of the asset or group of assets is less than the carrying value.

Debt Portfolio Financial Instruments

Vanderbilt reports long-term debt at carrying value. The carrying value of Vanderbilt's debt is the par amount adjusted for the net unamortized amount of bond premiums and/or discounts. Vanderbilt utilizes interest rate exchange agreements as part of its debt portfolio management strategy. The consolidated statements of activities include any gain or loss resulting from recording the fair value of derivative financial instruments as a nonoperating item.

Parties to interest rate exchange agreements are subject to risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. Vanderbilt deals only with high-quality counterparties that meet rating criteria for financial stability and credit worthiness. Additionally, the agreements require the posting of collateral when amounts subject to credit risk under the contracts exceed specified levels.

Contributions

Vanderbilt recognizes unconditional promises to give (pledges) as contribution revenue upon receipt of a commitment from the donor, with payments due in future periods reported as increases in net assets with donor restrictions at the estimated present value of future cash flows. Vanderbilt recognizes pledges net of an allowance for amounts estimated to be uncollectible based upon past collection experience and other judgmental factors.

Vanderbilt records contributions with donor-imposed restrictions as net assets without donor restrictions revenue if the university receives the contribution and meets the restrictions in the same reporting period. Otherwise, Vanderbilt records contributions with donor-imposed restrictions as increases in net assets with donor restrictions.

After meeting donor stipulations, Vanderbilt releases contributions from restriction and recognizes these contributions as net assets without restriction. Vanderbilt releases from restrictions contributions for capital improvements and recognizes these contributions as nonoperating revenue when the related asset is placed in service.

In contrast to unconditional promises, Vanderbilt does not record conditional promises (primarily bequest intentions and conditional grants) until the university meets donor stipulations.

Measure of Operations

The university's measure of operations, the change in net assets without donor restriction from operating activity, as presented in the consolidated statement of activities includes revenue from tuition and fees (net of financial aid), grants and contracts, trademark revenue, revenue from affiliates, contributions for operating programs, endowment distributions in support of operations, and other revenues. Vanderbilt reports operating expenses on the consolidated statement of activities by natural classification.

The university's nonoperating activity within the consolidated statement of activities includes endowment and other investment returns, changes in the fair value of derivative financial instruments, contributions for capital improvements, and other nonrecurring items.

Income Taxes

Vanderbilt is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code ("the Code"), and generally is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Vanderbilt is, however, subject to federal and state income tax on unrelated business income, and provision for such taxes is included in the accompanying consolidated financial statements. Vanderbilt regularly evaluates its tax position and does not believe it has any material uncertain tax positions that require disclosure or adjustment to the consolidated financial statements.

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On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted. TCJA impacts Vanderbilt in several ways, including imposing excise taxes on certain excess compensation and net investment income, and establishing new rules for calculating unrelated business taxable income. Vanderbilt has reflected the tax assets, liabilities, and payables in the consolidated financial statements based on reasonable estimates under the currently available regulatory guidance on the TCJA. Vanderbilt continues to evaluate the impact of the TCJA on current and future tax positions.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Newly Adopted Accounting Standards

On July 1, 2019, Vanderbilt adopted ASU 2016-02, Leases (ASC Topic 842). ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The new standard aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing key information about leasing arrangements. Vanderbilt adopted this standard on July 1, 2019 and applied the guidance to each lease that had commenced as of that date. As a result, prior comparative periods were not adjusted. As permitted by the ASU, Vanderbilt elected not to apply recognition requirements in the standard to leases that, at their commencement dates, had lease terms of 12 months or less. Additionally, Vanderbilt elected the package of practical expedients permitted under the ASU’s transition guidance, which allowed Vanderbilt to carry forward its identification of contracts that are or contain leases. As a result of implementing the new standard, the consolidated statement of financial position as of July 1, 2019 includes right-of-use assets of \$74.9 million and lease liabilities of \$74.9 million representative of Vanderbilt’s discounted future lease payments. Vanderbilt’s adoption of the new standard in fiscal 2020 required extensive quantitative and qualitative financial statement disclosures regarding Vanderbilt’s lease arrangements (refer to Note 14). In conjunction with the adoption of ASU 2016-02, Vanderbilt also adopted the following ASUs that clarified specific topics within ASC Topic 842: ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-20, Leases (ASC Topic 842), Narrow Scope Improvements; and ASU 2019-01, Leases (ASC Topic 842), Codification Improvements.

On July 1, 2019, Vanderbilt adopted ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard is effective for entities that are not considered public business entities for annual periods beginning after December 15, 2018. Vanderbilt early adopted the provisions of ASU 2016-01 eliminating the fair value disclosures for financial instruments not recognized at fair value for fiscal 2016. The adoption of the remaining provisions of ASU 2016-01 did not materially impact the consolidated financial statements and related disclosures.

On July 1, 2019, Vanderbilt adopted ASU 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies and eliminates certain existing provisions and introduces new fair value measurement disclosure requirements. The adoption of this ASU did not materially impact the consolidated financial statements and related disclosures.

On July 1, 2019, Vanderbilt retrospectively adopted ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. The standard was applied in a retrospective approach for each period presented and did not materially affect the consolidated statement of cash flows.

On July 1, 2019, Vanderbilt retrospectively adopted ASU 2016-18, Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. Vanderbilt applied this update to the consolidated statement of cash flows for both periods presented. As a result of ASU 2016-18, cash of \$480.8 million and cash of \$409.7 million included within investments in fiscal years 2019 and 2020, respectively, have been designated as cash and are included in the consolidated statements of cash flows. Further, the presentation in the consolidated statements of cash flows of purchases and sales of investments no longer includes the impact of increases or decreases in cash classified as investments.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30 were as follows (*in thousands*):

	2020	2019
Total assets	\$ 9,457,594	\$ 9,233,176
Less nonfinancial assets:		
Property, plant, and equipment, net	1,447,896	1,196,792
Prepaid expenses and other assets	19,107	18,789
Right-of-use assets	64,168	-
Less assets unavailable for general expenditure within one year:		
Endowment funds, including institutional endowments ^{1,2}	7,268,796	6,633,185
Contributions receivable, greater than one year	111,371	76,739
Interests in trusts held by others and investments allocable to minority interests	57,834	68,799
Annuities, trusts and other illiquid investments	26,568	29,041
Student Loans and other notes receivable, net	21,782	23,173
Financial assets available within one year	\$ 440,072	\$ 1,186,658

¹Total endowment funds unavailable within one year as of June 30, 2020 includes endowment net assets of \$6,917.4 million, which is net of securities sold short of \$351.4 million. Total endowment net assets of \$6,917.4 million comprises \$6,915.8 million of endowment funds recorded as "Investments" on the consolidated statements of financial position, \$353.0 million of endowment cash reflected in "Cash and cash equivalents" in the consolidated statements of financial position and is net of securities sold short of \$351.4 million reflected in "Fair value of securities sold short" in the consolidated statements of financial position. Includes institutional endowments of \$442.9 million of working capital previously invested alongside the endowment.

²Total endowment funds as of June 30, 2019 is \$6,270.9 million and is net of securities sold short of \$362.3 million reflected in "Fair value of securities sold short" in the consolidated statements of financial position.

Vanderbilt has \$440.1 million of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$276.1 million, accounts receivable of \$90.9 million, contributions receivable, less than one year of \$11.7 million, and short-term investments of \$61.3 million.

Vanderbilt manages its financial assets for availability when its operating expenditures, liabilities and other obligations come due. In addition, Vanderbilt invests cash in excess of daily requirements in short-term investments or fixed income securities. To supplement working capital and investment commitments, Vanderbilt had a general line of credit totaling \$250.0 million as of June 30, 2020, with no outstanding borrowings under this agreement. The line of credit agreement was renewed in September 2020 and expires in September 2021. Additionally, in fiscal year 2020, Vanderbilt entered into two separate additional general lines of credit totaling \$75 million and \$50 million, respectively. The \$75 million line of credit matures in June 2021 and the \$50 million line of credit matures in April 2021. In fiscal years 2020 and 2019, Vanderbilt did not borrow against any of its general use lines of credit to support operations. Vanderbilt's commercial paper limitation is \$200.0 million; Vanderbilt had no amounts of commercial paper outstanding as of June 30, 2020.

Vanderbilt provides liquidity support for debt with short-term remarketing periods through self-liquidity. Additionally, Vanderbilt has institutional endowments of \$3,969.5 million as of June 30, 2020. Although Vanderbilt does not intend to spend from its institutional endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its institutional endowment funds could be made available if necessary. However, both the endowments with donor-restrictions and institutional endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (refer to Notes 7 and 13 for disclosures about investments).

4. ACCOUNTS RECEIVABLE

The major components of accounts receivable as of June 30 were as follows (*in thousands*):

	2020	2019
VUMC related agreements	\$ 46,842	\$ 42,431
Research and sponsored programs	35,188	34,729
Tuition and fees	2,418	2,352
Accrued investment income	1,161	1,337
Other	8,154	8,538
Accounts receivable	93,763	89,387
Less: Allowance for uncollectible amounts	(2,828)	(1,059)
Accounts receivable, net	\$ 90,935	\$ 88,328

Vanderbilt records allowances for uncollectible amounts based on management's assessment of expected net collections considering historical trends and current economic factors.

Vanderbilt's accounts receivable balance at June 30, 2020, includes \$35.2 million related to research and sponsored programs, and \$46.8 million related to agreements with VUMC. These receivables account for 90% of total net receivables at June 30, 2020.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 were as follows (*in thousands*):

	2020	2019
Unconditional promises expected to be collected:		
in one year or less	\$ 11,710	\$ 46,208
between one year and five years	115,837	90,117
in more than five years	9,431	3,930
Contributions receivable	136,978	140,255
Less: Discount	(634)	(5,565)
Less: Allowance for uncollectible promises	(13,263)	(11,743)
Contributions receivable, net	\$ 123,081	\$ 122,947

Vanderbilt discounts contributions receivable at a rate commensurate with the scheduled timing of receipt. Vanderbilt applied discount rates ranging from 0.2% to 0.3% to amounts outstanding as of June 30, 2020 and 2019. Vanderbilt's methodology for calculating the allowance for uncollectible promises consists of analyzing write-offs as a percentage of gross pledges receivable along with assessing the age and activity of outstanding pledges.

Contributions receivable, net as of June 30, were as follows (*in thousands*):

	2020	2019
Restricted for programs and other operational purposes	\$ 17,089	\$ 15,601
Restricted for capital improvements	35,745	25,719
Restricted for endowment	70,247	81,627
Contributions receivable, net	\$ 123,081	\$ 122,947

In addition to pledges reported as contributions receivable, Vanderbilt had cumulative bequest intentions and conditional promises to give of approximately \$531.0 million and \$469.9 million as of June 30, 2020 and 2019, respectively. Due to their conditional nature, Vanderbilt does not recognize these intentions to give as assets.

6. STUDENT LOANS AND OTHER NOTES RECEIVABLE

Student loans and other notes receivable as of June 30 were as follows (*in thousands*):

	2020			2019		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student loans:						
Federal	\$ 18,521	\$ (105)	\$ 18,416	\$ 20,459	\$ (2,045)	\$ 18,414
Institutional	3,217	(575)	2,642	4,292	(599)	3,693
Total student loans	21,738	(680)	21,058	24,751	(2,644)	22,107
Faculty mortgages	724	-	724	1,066	-	1,066
Student loans, other notes receivable, and related allowances	\$ 22,462	\$ (680)	\$ 21,782	\$ 25,817	\$ (2,644)	\$ 23,173

Vanderbilt remains committed to “no loans” for its undergraduate students, meaning that the university is meeting full-demonstrated financial need with scholarship and grant assistance. For other groups (e.g., professional school students), participation in several federal revolving loan programs, including the Perkins, Nursing, and Health Professionals Student Loan programs, has continued.

Vanderbilt carries loans to students at cost, which, based on secondary market information, approximates the fair value of education loans with similar interest rates and payment terms. The availability of funds for new loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans.

Vanderbilt assigns loans receivable from students under governmental loan programs, also carried at cost, to the federal government or its designees. Vanderbilt classifies refundable advances from the federal government as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under a governmental program result in a reduction of the funds available for loan and a decrease in Vanderbilt’s liability to the government.

Vanderbilt establishes bad debt allowances based on prior collection experience and current economic factors, which, in management’s judgment, could influence the ability of loan recipients to repay amounts due. When deemed uncollectible, Vanderbilt writes off institutional loan balances.

In an effort to attract and retain a world-class faculty, Vanderbilt provides various incentives and historically provided home mortgage financing assistance in select situations. Deeds of trust on properties concentrated in the surrounding region collateralize these notes. Vanderbilt has not recorded an allowance for doubtful accounts for loans based on their collateralization and prior collection history.

7. INVESTMENTS

Investments consist of the following as of June 30 (*in thousands*):

	2020	2019
Short-term securities ¹	\$ 144	\$ 147
Global equities ¹	2,042,582	2,028,872
Fixed income ¹	668,993	910,880
Hedged strategies ⁵	1,825,953	1,597,304
Private capital ³	1,889,593	1,661,409
Real estate ³	163,199	156,756
Natural resources ³	300,834	358,253
Commodities ²	96,918	148,759
Trusts ⁴	26,568	29,041
Other investments ⁴	18,838	32,578
Total value ⁶	\$ 7,033,622	\$ 6,923,999
Total cost	\$ 5,716,770	\$ 5,381,404

¹ Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value.

² Quoted prices in active markets determine fair value.

³ Fund managers provide the net asset value of Vanderbilt’s ownership interests at the fund level to establish fair value.

⁴ Carrying value provides a reasonable estimate of fair value for certain components.

⁵ Quoted prices in active markets determine fair value or fund managers provide the net asset value per share of the specific investment to establish fair value. Includes \$409.7 million and \$480.8 million of cash and cash equivalents classified as investments in fiscal 2020 and 2019, respectively.

⁶ Net of securities sold short of \$351.4 million and \$362.3 million, total value of investments is \$6,682.2 million and \$6,561.7 million in fiscal 2020 and 2019, respectively.

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Included in the amounts above are investments allocable to noncontrolling interests (i.e., minority limited partners) reported at fair value. Changes in noncontrolling interests net assets for the fiscal year ended June 30, 2020, were as follows:

Fair value as of June 30, 2019	\$ 38,106
Distributions to minority limited partners	(5,760)
Capital commitments funded by minority limited partners	140
Appreciation allocable to minority limited partners	(2,505)
Fair value as of June 30, 2020	\$ 29,981

Short-term securities primarily comprise short-term U.S. Treasury bills.

Global equities consist of investment funds globally diversified across public markets including U.S. markets, other developed markets, and emerging and frontier markets. Fund managers of these investments have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

Fixed income includes investments directed towards capital preservation and predictable yield as well as more opportunistic strategies focused on generating return on price appreciation. These investments are primarily public investments such as U.S. Treasuries and other government obligations, investment-grade corporate bonds, high-yield corporate bonds, bank debt, commercial mortgage-backed securities, residential non-agency mortgage-backed securities, asset-backed securities, direct lending, and below investment-grade developed and emerging market sovereign debt. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, and limited partnership interests.

Hedged strategies investments reflect multiple strategies such as event driven, relative value, and equity funds to diversify risks and reduce volatility in the portfolio generally in hedge fund structures. These strategies also include investments in both long and short primarily credit-oriented securities. Investments may include mortgage-backed securities, trade finance, debt and asset-backed securities, repurchase agreements, senior loans, bank loans, and cash designated for investment. The fair value of open short positions is recorded as a liability and Vanderbilt records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position. By entering into short sales, Vanderbilt bears the market risk of increases in the value of the security sold short in excess of the proceeds received. Possible losses from short sales differ from losses that could be incurred from purchases of securities because losses from short sales may be unlimited whereas losses from purchases cannot exceed the total amount invested.

Private capital consists of illiquid investments in buyouts, distressed debt, mezzanine debt, growth equity, and venture capital. Vanderbilt may make investments through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Real estate comprises illiquid investments in residential and commercial real estate assets, projects, publicly traded REITs or land held directly through separately managed accounts, limited partnership interests, and direct investments in properties. The nature of the investments in this category is such that distributions generally reflect liquidation of the underlying assets of the funds.

Natural resources include illiquid investments in timber, oil and gas production, mining, energy, and related services businesses held directly or in commingled limited partnership funds.

Commodities include public investments such as commodity futures, commodity-related equities, and private investments in energy, power, infrastructure, and timber. Investments may be made through commingled vehicles, separately managed accounts, synthetic transactions, limited partnership interests, and direct investments.

Trusts are Vanderbilt's split-interest agreements with donors, including charitable gift annuities, life income funds, and other non-endowed trusts.

8. ENDOWMENT

Endowment-related assets include donor-restricted endowments and institutional endowments (quasi-endowments). Vanderbilt's endowment does not include gift annuities, interests in trusts held by others, contributions pending donor designation, or contributions receivable.

Interpretation of Relevant Law

The Board of Trust's interpretation of its fiduciary responsibilities for donor-restricted endowments under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requirements, barring the existence of any donor-specific provisions, is to preserve intergenerational equity. Under this broad guideline, future endowment beneficiaries should receive at least the same level of real economic support as the current generation. The overarching objective is to preserve and enhance the real (inflation-adjusted) purchasing power of the endowment in

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perpetuity. Vanderbilt invests assets to provide a relatively predictable and stable stream of earnings to meet spending needs and attain long-term return objectives without the assumption of undue risks.

UPMIFA specifies that unless stated otherwise in a gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, Vanderbilt reports both the historical value for such endowments and the net accumulated appreciation, including recapitalizations, as net assets with donor restrictions. In this context, historical value represents the original value of initial contributions restricted as perpetual endowments plus the original value of subsequent contributions and, if applicable, the value of accumulations made in accordance with the direction of specific donor gift agreements.

Spending Policy

Specific appropriation for expenditure of Vanderbilt's endowment funds occurs each spring when the Board of Trust approves the university's operating budget for the subsequent fiscal year. For fiscal years 2020 and 2019, Vanderbilt's Board of Trust approved endowment distributions based on 5.0% of the average of the previous three calendar year-end market values. Vanderbilt reinvests actual realized endowment return earned in excess of distributions. For years when the endowment return is less than the distribution, the endowment pool's cumulative returns from prior years cover the shortfall.

Vanderbilt may not fully expend Board-appropriated endowment distributions in a particular fiscal year. In some cases, Vanderbilt will reinvest distributions into the endowment. Institutional endowments, which are Board-designated, include amounts for student scholarships and support for faculty research and teaching.

The table below summarizes Vanderbilt's endowment for the fiscal years ended June 30 (*in thousands*):

2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowments with donor-restrictions	\$ -	\$ 2,745,595	\$ 2,745,595
Reinvested distributions of donor-restricted endowments	117,974	84,301	202,275
Institutional endowments ¹	3,969,501	-	3,969,501
Endowment net assets as of June 30, 2020	\$ 4,087,475	\$ 2,829,896	\$ 6,917,371

¹ Includes institutional endowments of \$442.9 million of working capital previously invested alongside the endowment.

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowments with donor-restrictions	\$ -	\$ 2,822,479	\$ 2,822,479
Reinvested distributions of donor-restricted endowments	123,981	85,977	209,958
Institutional endowments	3,238,440	-	3,238,440
Endowment net assets as of June 30, 2019	\$ 3,362,421	\$ 2,908,456	\$ 6,270,877

The purposes of endowments with donor-restrictions as of June 30 were as follows (*in thousands*):

	2020	2019
Student scholarships	\$ 1,093,497	\$ 1,106,455
Endowed chairs	803,254	830,699
Operational support, not yet appropriated	523,072	548,721
Program support	228,564	235,445
Research	68,585	69,866
Capital improvements	33,587	33,312
Faculty support and lectureships	31,547	32,903
Other	47,790	51,055
Total endowments with donor-restrictions	\$ 2,829,896	\$ 2,908,456

Return Objectives and Parameters

Currently, the endowment portfolio consists of three primary components designed to serve a specific role in establishing the right balance between risk and return. These three components are global, public, and private equity investments. Vanderbilt expects these three components, including private capital and many hedge funds, to produce favorable returns in environments of accelerated growth and economic expansion. Vanderbilt expects hedged strategies and fixed income investments to generate stable returns and preserve capital during periods of poor equity performance. Vanderbilt uses real estate and natural resources allocations to provide an inflation hedge.

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Funds with Deficiencies

From time to time, the fair value of assets associated with an endowed fund may fall below the level that a donor or UPMIFA requires in terms of maintenance of perpetual duration endowments. Vanderbilt has a policy that permits spending from underwater funds, unless specifically prohibited by the donor or relevant laws and regulations. As of June 30, 2020 and 2019, Vanderbilt had 159 and 22 funds, respectively, with deficiencies of this nature resulting from unfavorable market declines that occurred after the investment of recent contributions with donor restrictions. Vanderbilt believes these declines are modest in relation to the total market value for donor-restricted endowments and that these deficiencies will be relatively short-term in nature. The amount of such deficiencies for the fiscal years ended June were as follows:

	2020	2019
Aggregate original gift amount	\$ 107,163	\$ 20,425
Aggregate fair value	104,438	20,317
Aggregate deficiency	\$ 2,725	\$ 108

Changes in endowment net assets for the fiscal years ended June 30 were as follows (*in thousands*):

2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of June 30, 2019	\$ 3,362,421	\$ 2,908,456	\$ 6,270,877
Endowment investment return, net	(16,359)	(4,947)	(21,306)
Gifts and additions to endowment, net ¹	916,806	61,974	978,780
Endowment distributions	(175,393)	(135,587)	(310,980)
Endowment net assets as of June 30, 2020	\$ 4,087,475	\$ 2,829,896	\$ 6,917,371

¹ Includes institutional endowments of \$442.9 million of working capital previously invested alongside the endowment.

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of June 30, 2018	\$ 1,828,851	\$ 2,779,610	\$ 4,608,461
Endowment investment return, net	211,984	182,172	394,156
Gifts and additions to endowment, net	1,474,728	74,980	1,549,708
Endowment distributions	(153,142)	(128,306)	(281,448)
Endowment net assets as of June 30, 2019	\$ 3,362,421	\$ 2,908,456	\$ 6,270,877

9. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30 were as follows (*in thousands*):

	2020	2019
Land	\$ 183,399	\$ 127,885
Buildings and improvements	1,836,830	1,745,802
Moveable equipment	351,882	332,983
Construction in progress	271,162	140,075
Property, plant, and equipment	2,643,273	2,346,745
Less: Accumulated depreciation	(1,195,377)	(1,149,953)
Property, plant, and equipment, net	\$ 1,447,896	\$ 1,196,792

Buildings and improvements include \$15.6 million and \$15.3 million of leasehold improvements in the years ended June 30, 2020 and 2019. Vanderbilt reports property, plant, and equipment at cost or, if a gift, at fair value as of the date of the gift, net of accumulated depreciation. Vanderbilt computes depreciation using the straight-line method over the estimated useful lives of the assets: 10 to 50 years for buildings, building improvements, and land improvements, the shorter of the asset life or life of the lease including renewal options for leasehold improvements, and 3 to 25 years for machinery and equipment.

Purchases for the library collection are not included in the amounts above as Vanderbilt expenses such items at the time of purchase. As of June 30, 2020, the estimated replacement cost for library collections, including processing costs to properly identify, catalog, and shelve materials, totaled \$445.6 million.

Vanderbilt reported capitalized interest of \$4.7 million and \$1.4 million to construction in progress and/or buildings and improvements in the years ended June 30, 2020 and 2019.

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Vanderbilt reviews property, plant, and equipment for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The university recognizes an impairment loss if the carrying amount of a long-lived asset exceeds its fair value and is not recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Vanderbilt did not recognize any impairment losses in fiscal 2020 or 2019.

Vanderbilt identified conditional asset retirement obligations, primarily for the costs of asbestos removal and disposal, resulting in liabilities of \$2.8 million and \$3.4 million as of June 30, 2020 and 2019, respectively. These liability estimates, included in Accounts payable and accrued liabilities in the consolidated statements of financial position, use an inflation rate of 0.33% and 4.0% and a discount rate of 3.33% and 5.0% based on relevant factors at origination as of June 30, 2020 and 2019.

10. LONG-TERM DEBT

Long-term debt consists of bonds and notes payable with scheduled final maturity dates at least one year after the original issuance date.

Outstanding long-term debt reflected in the financial statements at carrying value as of June 30 were as follows (*in thousands*):

	Fiscal Year of Maturity	Fixed Coupon Interest Rates as of June 30, 2020	Fiscal 2020 Effective Interest Rate ¹	Outstanding Principal	
				2020	2019
FIXED-RATE DEBT					
Series 2009A - Tax-exempt	2020	n/a	4.6%	\$ -	\$ 2,360
Series 2012D - Tax-exempt	2038	n/a	2.4%	-	106,230
Series 2016 - Taxable	2047	1.32% - 3.44%	3.0%	122,120	127,900
Series 2018 – Private Placement	2049	3.93%	3.9%	300,000	300,000
Series 2019 – Private Placement	2038	2.51%	2.5%	120,000	-
Fixed-rate debt (par amount)			3.5%	\$ 542,120	\$ 536,490
Net unamortized premium			-	-	6,879
Cost of Issuance			-	(1,078)	(1,123)
Total long-term debt			3.5%	541,042	542,246

¹ Exclusive of interest rate exchange agreements. Inclusive of these agreements, the overall portfolio effective interest rate was 3.6%.

All debt instruments are general obligations of Vanderbilt. Vanderbilt did not pledge any of its assets as collateral for this debt.

The components of interest for total long-term debt and interest rate exchange agreements follow (*in thousands*):

	2020	2019
Payments for interest costs	\$ 19,362	\$ 16,694
Accrued interest expense	\$ 13,741	\$ 16,818

Payments for interest costs occur on varying scheduled payment dates for debt and settlement dates for interest rate exchange agreements. Vanderbilt calculates accrued interest expense for its debt and interest rate exchange agreements based on applicable interest rates for the respective fiscal year. Accrued interest expense of \$13.7 million and \$16.8 million in fiscal 2020 and 2019, respectively, included capitalized interest of \$4.7 million and \$1.4 million, respectively.

Principal retirements and scheduled sinking fund requirements based on nominal maturity schedules for long-term debt due in subsequent fiscal years are as follows (*in thousands*):

2021	\$ 8,955
2022	8,665
2023	8,885
2024	16,125
2025	16,345
Thereafter	483,145
Total long-term debt principal retirements	\$ 542,120

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On November 14, 2019, Vanderbilt executed a note purchase agreement for \$100.0 million, 3.00% senior notes (private placement) with funding of all proceeds occurring on July 1, 2020, in fiscal 2021 (the “Series 2020 Private Placement”). The Series 2020 Private Placement proceeds will provide \$100.0 million of new project funding to finance construction of residential colleges and other strategic capital projects.

On December 5, 2019, Vanderbilt executed a fixed-rate term loan agreement with a regional bank for \$120.0 million at 2.51% (the “Series 2019 Private Placement”). The Series 2019 Private Placement proceeds: (i) refunded the Series 2012D Tax Exempt debt, inclusive of an escrow to the call date of those bonds, and (ii) provided \$5.8 million of new project funding to finance strategic capital projects.

11. INTEREST RATE EXCHANGE AGREEMENTS

Effective June 15, 2020, Vanderbilt had no remaining interest rate exchange agreements. These agreements resulted in periodic net cash settlements paid to, or received from, the counterparty. Adjustments to interest expense for net settlements due to the counterparties totaled \$0.6 million and \$2.3 million in fiscal 2020 and 2019, respectively.

Vanderbilt estimates the fair value of interest rate exchange agreements by calculating the present value sum of future net cash settlements that reflect market yields as of the measurement date and estimated amounts that Vanderbilt would pay to terminate the contracts as of the report date. Vanderbilt considers current interest rates and creditworthiness of the interest rate exchange counterparties when estimating termination settlements. The estimated fair value of Vanderbilt’s outstanding interest rate exchange agreements represented liabilities of zero and \$22.7 million as of June 30, 2020 and 2019, respectively.

Vanderbilt did not enter into any new interest rate exchange agreements during fiscal 2020 or 2019. During fiscal 2020, Vanderbilt terminated its remaining \$50.0 million notional fixed-rate payer interest rate exchange agreement at a cost of \$29.7 million.

The fair value of interest rate exchange agreements, reported in the nonoperating section of the consolidated statements of activities, resulted in a net loss of \$7.0 million and a net loss of \$8.5 million in fiscal 2020 and 2019, respectively. The \$7.0 million change in appreciation of interest rate exchange agreements in fiscal 2020 includes a \$0.5 million unrealized loss to adjust the discount rate to reflect counterparty credit risk and \$29.7 million of termination costs, which were partially offset by a \$23.2 million net unrealized gain due to the termination of fixed-rate payer rate exchange agreements. The \$8.5 million change in appreciation of interest rate exchange agreements in fiscal 2019 includes a \$0.6 million unrealized loss to adjust the discount rate to reflect counterparty credit risk and \$13.8 million of termination costs, which were partially offset by a \$5.9 million net unrealized gain due to the termination of fixed-rate payer interest rate exchange agreements.

As of the last remaining interest rate exchange agreement termination on June 15, 2020, thirty-year LIBOR was 0.94%. Termination costs are reflected in the appreciation of interest rate exchange agreements in the respective periods. Thirty-year LIBOR was 2.2% as of June 30, 2019.

The interest rate exchange agreements include collateral pledging requirements based on the fair value of the contracts. There was no collateral held by counterparties as of June 30, 2019.

The notional amount of Vanderbilt’s remaining outstanding interest rate exchange agreement as of June 30 was as follows (*in thousands*):

Description	Rate Paid	Rate Received	Maturity	2020	2019
Fixed-payer interest rate exchange agreement	4.15%	68% of one-month LIBOR ¹	Terminated	\$ -	\$ 50,000

¹ LIBOR (London Interbank Offered Rate) is a reference rate based on interest rates at which global banks borrow funds from other banks in the London interbank lending market.

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12. NET ASSETS

The following is a summary of net assets as of June 30 (*in thousands*):

2020	Without donor restriction	With donor restriction	Total
Operations	\$ 120,259	\$ -	\$ 120,259
Deferred trademark license revenue	(1,645,053)	-	(1,645,053)
Net investment in plant	906,793	-	906,793
Endowment funds	4,087,475	2,829,896	6,917,371
Donor pledges and gifts	-	162,883	162,883
Split-interest agreements	-	70,324	70,324
Net assets controlled by Vanderbilt	3,469,474	3,063,103	6,532,577
Net assets related to noncontrolling interests	29,981	-	29,981
Total net assets as of June 30, 2020	\$ 3,499,455	\$ 3,063,103	\$ 6,562,558

2019	Without donor restriction	With donor restriction	Total
Operations	\$ 818,991	\$ -	\$ 818,991
Deferred trademark license revenue	(1,344,670)	-	(1,344,670)
Net investment in plant	653,857	-	653,857
Endowment funds	3,362,421	2,908,456	6,270,877
Donor pledges and gifts	-	158,475	158,475
Split-interest agreements	-	77,841	77,841
Net assets controlled by Vanderbilt	3,490,599	3,144,772	6,635,371
Net assets related to noncontrolling interests	38,106	-	38,106
Total net assets as of June 30, 2019	\$ 3,528,705	\$ 3,144,772	\$ 6,673,477

13. FAIR VALUE MEASUREMENT

Vanderbilt utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 consist of quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 include inputs other than quoted prices in Level 1 directly or indirectly observable for the assets or liabilities.

Level 3 are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety is classified depends on the lowest level input that is significant to the fair value measurement.

The significance of the unobservable inputs to the overall fair value measurement determines the classification of a financial instrument within level 3.

The consolidated statements of activities reflect: all net realized and unrealized gains and losses on level 3 investments as appreciation of endowment or appreciation of other investments; gains and losses on investments allocable to noncontrolling interests as a component of appreciation of endowment; and net realized and unrealized gains and losses on interests in trusts held by others as appreciation of other investments.

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Rollforwards of amounts for level 3 financial instruments for the fiscal years ended June 30 follow (in thousands):

	Beginning balance as of June 30, 2019	Net realized and unrealized gains (losses) ¹	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2020
LEVEL 3 ASSETS						
Private capital	\$ 2,368	\$ -	\$ -	\$ -	\$ -	\$ 2,368
Real estate	194	-	-	(176)	-	18
Natural resources	34,003	(2,994)	-	(2,741)	-	28,268
Trusts	29,041	(1,363)	24,990	(26,100)	-	26,568
Other investments	2,827	487	-	(1,143)	-	2,171
Interests in trusts held by others	30,693	(2,538)	-	(302)	-	27,853
Total Level 3	\$ 99,126	\$ (6,408)	\$ 24,990	\$ (30,462)	\$ -	\$ 87,246

¹Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the university at June 30, 2020, is \$ (9,634.4) and is reflected in "Appreciation of endowment, net of distributions" for private capital and natural resources categories as well as "Investment income (loss)" for remaining categories in the consolidated statement of activities.

	Beginning balance as of June 30, 2018	Net realized and unrealized gains (losses) ¹	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2019
LEVEL 3 ASSETS						
Private capital	\$ 2,368	\$ -	\$ -	\$ -	\$ -	\$ 2,368
Real estate	194	-	-	-	-	194
Natural resources	34,649	2,019	-	(2,665)	-	34,003
Trusts	34,577	1,102	2,250	(8,888)	-	29,041
Other investments	2,741	86	-	-	-	2,827
Interests in trusts held by others	30,753	(231)	231	(60)	-	30,693
Total Level 3	\$ 105,282	\$ 2,976	\$ 2,481	\$ (11,613)	\$ -	\$ 99,126

¹Total change in unrealized gains/(losses) relating to Level 3 investment assets held by the university at June 30, 2019, is \$1,469.1 and is reflected in "Appreciation of endowment, net of distributions" for private capital and natural resources categories as well as "Investment income (loss)" for remaining categories in the consolidated statement of activities.

The following tables present the amounts within each valuation hierarchy level for those assets and liabilities carried at fair value: cash and cash equivalents; investments; investments allocable to noncontrolling interests (in Vanderbilt-controlled real estate and other partnerships); interests in trusts held by others; securities sold short; and the fair value of interest rate exchange agreements.

Also included in the following tables, as a measure of liquidity, are the redemption terms and restrictions of investments, along with the numbers of days' notice required to liquidate these investments. Most investments classified as levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Vanderbilt's ability to redeem its interest at or near the financial statement date determines the net assets' classification as level 2 or level 3. Vanderbilt defines near-term as within 90 days of the financial statement date. The total asset values for short-term securities, global equities, fixed income, hedged strategies, and commodities provide varying levels of liquidity, with daily to annual redemption frequencies. These strategies allow Vanderbilt to provide notice to the fund managers to exit from the respective funds in the time periods noted.

The total asset values for private capital, real estate, natural resources, and other investments are illiquid as of June 30, 2020. These amounts predominantly consist of limited partnerships. Under the terms of these limited partnership agreements, Vanderbilt is obligated to remit additional funding periodically as capital calls are exercised by the general partner. These partnerships have a limited existence and the agreements may provide for annual extensions relative to the timing for disposing portfolio positions and returning capital to investors. Depending on market conditions, the ability or inability of a fund to execute its strategy, and other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may liquidate the fund prematurely. Unforeseen events prevent Vanderbilt from anticipating such changes. As a result, the timing and amount of future capital calls or distributions in any particular year are uncertain and the related asset values are illiquid.

Trusts are restricted by donors according to the underlying gift agreement with assets held to satisfy annuity obligations or until a remainder portion becomes available upon termination. As such, trusts are illiquid until termination, the timing of which is unknown.

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The following tables summarize the fair value measurements and terms for redemptions or liquidations for those assets and liabilities carried at fair value as of June 30 (*in thousands*):

Assets Reported at Fair Value as of June 30, 2020						
	Fair Value Measurements					Total
	Level 1	Level 2	Level 3	NAV		
Cash and cash equivalents	\$ 629,150	\$ -	\$ -	\$ -	\$ -	\$ 629,150
Short-term securities	144	-	-	-	-	144
Global equities	1,526,526	78,051	-	438,005	-	2,042,582
Fixed income	196,284	472,709	-	-	-	668,993
Hedged strategies	930,859	567,188	-	327,906	-	1,825,953
Private capital	35,908	-	2,368	1,851,317	-	1,889,593
Real estate	-	-	18	163,181	-	163,199
Natural resources	374	-	28,268	272,192	-	300,834
Commodities	96,918	-	-	-	-	96,918
Trusts	-	-	26,568	-	-	26,568
Other investments	(6,179)	22,846	2,171	-	-	18,838
Interests in trusts held by others	-	-	27,853	-	-	27,853
Total assets reported at fair value	\$ 3,409,984	\$ 1,140,794	\$ 87,246	\$ 3,052,601	\$ -	\$ 7,690,625

Liabilities Reported at Fair Value as of June 30, 2020						
Securities sold short	\$ 306,111	\$ 45,314	\$ -	\$ -	\$ -	\$ 351,425
Total liabilities reported at fair value	\$ 306,111	\$ 45,314	\$ -	\$ -	\$ -	\$ 351,425

Assets Reported at Fair Value as of June 30, 2019						
	Fair Value Measurements					Total
	Level 1	Level 2	Level 3	NAV		
Cash and cash equivalents	\$ 828,455	\$ -	\$ -	\$ -	\$ -	\$ 828,455
Short-term securities	147	-	-	-	-	147
Global equities	1,436,345	85,994	-	506,533	-	2,028,872
Fixed income	334,064	467,597	-	109,219	-	910,880
Hedged strategies	800,304	468,358	-	328,642	-	1,597,304
Private capital	37,547	-	2,368	1,621,494	-	1,661,409
Real estate	-	-	194	156,562	-	156,756
Natural resources	170	-	34,003	324,080	-	358,253
Commodities	148,759	-	-	-	-	148,759
Trusts	-	-	29,041	-	-	29,041
Other investments	4,217	25,534	2,827	-	-	32,578
Interests in trusts held by others	-	-	30,693	-	-	30,693
Total assets reported at fair value	\$ 3,590,008	\$ 1,047,483	\$ 99,126	\$ 3,046,530	\$ -	\$ 7,783,147

Liabilities Reported at Fair Value as of June 30, 2019						
Securities sold short	\$ 268,322	\$ 93,987	\$ -	\$ -	\$ -	\$ 362,309
Interest rate exchange agreements	-	22,742	-	-	-	22,742
Total liabilities reported at fair value	\$ 268,322	\$ 116,729	\$ -	\$ -	\$ -	\$ 385,051

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Redemption Terms and Restrictions as of June 30, 2020 and 2019

	2020 Fair Value	Redemption Terms	Redemption Restrictions
Cash and cash equivalents	\$ 629,150	Daily, with same-day to 90 day notice	No restrictions
Short-term securities	144	Daily, with 1 day notice	No restrictions
Global equities	2,042,582	Daily to annually, with 1 to 90 day notice	Lock-up provision ranging from none to 2 years
Fixed income	668,993	Daily to annually, with 1 to 365 day notice	No restrictions
Hedged strategies	1,825,953	Daily to annually, with 15 to 90 day notice	Lock-up provision ranging from none to 2 years
Private capital	1,889,593	N/A	Not redeemable
Real estate	163,199	N/A	Not redeemable
Natural resources	300,834	N/A	Not redeemable
Commodities	96,918	Daily, with 1 to 30 day notice	No restrictions
Trusts	26,568	N/A	Not redeemable
Other investments	18,838	N/A	Not redeemable
Interests in trusts held by others	27,853	N/A	Not redeemable

14. LEASES

On July 1, 2019, Vanderbilt adopted Topic 842 by applying the guidance at adoption date. As a result, the comparative information as of June 30, 2019, has not been adjusted. Beginning July 1, 2019, Vanderbilt has recognized operating right of use assets (ROU) and lease liabilities for Vanderbilt's leases on its consolidated statements of financial position. Upon adoption of Topic 842, the balances at adoption date of prepaid and accrued rent, lease incentives and unamortized assets and liabilities were reclassified and are now presented within operating lease ROU assets on Vanderbilt's consolidated statement of financial position.

Vanderbilt is obligated under numerous operating leases to pay base rent through the respective lease expiration dates. Operating leases primarily consist of equipment and real property for educational campus facilities and office space with remaining lease terms of up to 8 years through fiscal 2028. Variable lease payments based on an index or rate, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement. Vanderbilt has elected the short-term lease exception under Topic 842 for all leases and as such, leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position. Vanderbilt recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The following tables summarize the total lease expenses components incurred for the fiscal years ended June 30 (*in thousands*):

	2020	2019
Operating lease expense	\$ 12,940	\$ 13,215
Short-term lease expense	2,510	1,815
Total lease expense	\$ 15,450	\$ 15,030

Other lease information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	13,415
Right-of-use assets obtained in exchange for new operating lease liabilities	1,211
Weighted-average remaining lease term - operating leases	6.44 Years
Weighted-discount rate - operating leases	2.50%

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The undiscounted cash flows due by fiscal year related to significant non-cancelable operating leases with initial terms in excess of one year as of June 30, 2020, along with a reconciliation to the discounted amount recorded as of June 30, 2020 were as follows (*in thousands*):

2021	\$ 12,944
2022	11,733
2023	11,109
2024	10,718
2025	10,516
Thereafter	15,130
Total undiscounted cash flows	\$ 72,150
Less amount representing imputed interest	5,528
Total lease obligation	\$ 66,622

Property leases for buildings owned by Vanderbilt University Medical Center (61%) and 2100 West End Avenue (30%) account for approximately 91% of the total future minimum rentals as of June 30, 2020.

Vanderbilt is the lessor in several long-term non-cancelable operating leases for commercial space through fiscal year 2114. Property leases owned by Vanderbilt University and leased by Vanderbilt University Medical Center account for approximately 98% of the total future minimum operating rental revenue as of June 30, 2020.

Future minimum operating rental revenue due as of June 30, 2020 is summarized below (*in thousands*):

2021	\$ 30,725
2022	29,876
2023	29,209
2024	28,913
2025	28,956
Thereafter	1,783,786
Total future minimum rentals	\$ 1,931,465

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15. REVENUE RECOGNITION

The following table presents Vanderbilt's sources of revenue as of June 30 as follows (*in thousands*):

	2020	2019
Tuition and educational fees, net		
Undergraduate [net of financial aid, \$155,586 and \$151,484, respectively]	\$ 208,413	\$ 193,033
Professional [net of financial aid, \$58,150 and \$55,170, respectively]	132,206	119,326
Graduate [net of financial aid, \$50,872 and \$48,596, respectively]	8,949	6,942
Total tuition and educational fees, net	349,568	319,301
Grants:		
Government sponsors ¹	129,181	130,589
Private sponsors ¹	10,049	12,392
Facilities and administrative costs recovery ¹	41,650	42,149
Contracts:		
Government sponsors ²	36,351	30,369
Private sponsors ³	20,150	15,264
Facilities and administrative costs recovery ⁴	20,583	18,259
Total grants and contracts	257,964	249,022
Contributions ¹	84,842	143,783
Endowment distributions ¹	310,980	281,448
Investment income ¹	15,223	53,794
Room, board, and other auxiliary services, net		
Room and board, net [net of financial aid, \$38,661 and \$37,869, respectively]	39,161	50,189
Auxiliary revenue from affiliates	35,752	33,190
External rental revenue ¹	11,313	12,027
West Trace	11,026	-
Vanderbilt Legends Club	9,560	9,951
Parking and vehicle registration	4,889	4,693
Commissions revenue	2,254	2,696
Other auxiliary services	3,418	5,737
Total room, board, and other auxiliary services, net	117,373	118,483
Trademark, license, and royalty revenue	113,362	107,850
Affiliated entity revenue	177,998	178,045
Other sources		
Television revenue	33,491	31,786
Tournament revenue	12,538	12,352
Student athletics ticket revenue	9,551	7,426
Conference and seminar revenue	5,249	6,320
Miscellaneous revenue from affiliate	5,338	6,259
Child care operations	2,175	2,375
Other miscellaneous revenue	16,236	23,779
Total other source	84,578	90,297
Total revenues and other support	\$ 1,511,888	\$ 1,542,023

¹ Not considered revenue from contracts with customers

² Revenue from government sponsors includes contracts with customers of \$33 million and contributions of \$3 million in fiscal 2020 and contracts with customers of \$23 million and contributions of \$7 million in fiscal 2019.

³ Revenue from private sponsors includes contracts with customers of \$20 million in fiscal 2020 and contracts with customers of \$14 million and contributions of \$1 million in fiscal 2019.

⁴ Revenue from facilities and administrative costs recovery includes contracts with customers of \$19 million and contributions of \$1 million in fiscal 2020 and contracts with customers of \$16 million and contributions of \$2 million in fiscal 2019.

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Vanderbilt's related revenue recognition policies are:

Tuition and educational fees, net—Vanderbilt recognizes student tuition and educational fees in the amount that reflects the consideration expected for providing academic services in the year those services occur. Vanderbilt reflects financial aid provided for tuition and educational fees as a reduction to the expected consideration. Financial aid does not include payments made to students for services provided to Vanderbilt or financial aid applied to undergraduate room and board. 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 Vanderbilt's refund policy. Refunds issued reduce the amount of tuition recognized. Tuition payments from students are due approximately 30 days after the invoice date.

Grants and contracts—Vanderbilt records revenues related to grants and contracts in two portfolio categories based on the source of the funds:

Government Sponsors provide funding for research largely to advance knowledge for public or academic benefit in direct support of Vanderbilt's mission. Vanderbilt primarily considers these sponsored research agreements to be contributions (nonreciprocal transactions). Vanderbilt recognizes grant and contract revenue associated with contributions from government sponsors as earned when the conditions are met (allowable expenses have been incurred). Additionally, a small portion of government-sponsored awards qualifies as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. Vanderbilt recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Private Sponsors consist of private agencies, professional associations, private foundations, corporate foundations and corporations and may be either donors or sponsors depending on the nature, intent, and expectations of the funding they are providing. Vanderbilt recognizes revenue associated with contributions from private sponsors as the conditions are met. Additionally, some private sponsor awards qualify as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. Vanderbilt recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Facilities and administrative (F&A) costs recovery—Vanderbilt recognizes F&A costs recovery as revenue. This activity represents reimbursement, primarily from the federal government, of F&A costs on sponsored activities. Vanderbilt's federal F&A cost recovery rate for on-campus research was 58.0% in fiscal 2020 and 57.0% in fiscal 2019. Vanderbilt's federal F&A off-campus research adjacent and remote cost recovery rates was 29.4% in fiscal 2020 and 28.5% in fiscal 2019.

Endowment distributions—Endowment distributions reported as operating revenue consist of endowment return (regardless of when such income arose) distributed to support operational needs in the current period. Vanderbilt's Board of Trust approves the distribution amount from the endowment pool on an annual basis, determined by applying a spending rate to an average of the previous three calendar year-end market values. The primary objective of the endowment distribution methodology is to reduce the impact of capital market fluctuations on operational programs.

Investment income—Investment income consists of distributions associated with working capital assets invested in long-term pooled investments managed in conjunction with endowment funds and dividends, interest, and gains/losses on other university investments. Vanderbilt reports any difference between total returns for pooled working capital assets and the aforementioned distributions as nonoperating activity.

Trademark, license, and royalty revenue—The Trademark License Agreement ("TML") between Vanderbilt and VUMC comprises the majority of trademark, license, and royalty revenue. Vanderbilt recognizes all trademark, license, and royalty revenues upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements, which generally result in recognition of the revenue over the term of the agreement. In July 2018, Vanderbilt recorded \$1.43 billion related to the securitized trademark revenue stream as deferred revenue on the Statement of Financial Position and recognizes related revenue upon satisfaction of the performance obligation in accordance with the 30-year term of the underlying agreement. In December 2019, Vanderbilt sold 30 years of a portion of the 1%-of-VUMC revenue TML payment stream in exchange for cash consideration of \$332 million.

Affiliated entity revenue—Affiliated entity revenue represents amounts received from VUMC to support and ensure sustainability of the upstream research pipeline and other academic initiatives and to compensate Vanderbilt for the provision of operating and capital infrastructure services to VUMC, primarily in campus infrastructure, campus safety and security, and various support functions. Vanderbilt recognizes affiliated entity revenues as the related services upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

Other revenue—Vanderbilt recognizes revenue from other sources as the related services are provided and/or amounts are otherwise earned upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

16. FUNCTIONAL CLASSIFICATION OF EXPENSES AND ALLOCATIONS

Vanderbilt presents functional classification of expenses in accordance with the mission of the university. Vanderbilt's primary programs are instruction and academic support, research and public services, and student services. Support activities are incurred in support of these primary programs.

For operating expenses that benefit multiple functional categories, Vanderbilt allocates these expenses to reflect the full cost of all activities. Based on the functional uses of space on its campus, Vanderbilt allocated operation and maintenance of facilities, depreciation, and interest on indebtedness across functional expense categories.

The following tables summarize operating expenses by natural and functional classification for the fiscal years ended June 30 (*in thousands*):

	Instruction & academic support	Research & public service	Student services	Total program expenses	Support activities	Total expenses
2020						
Salaries, wages, and benefits	\$ 353,746	\$ 127,109	\$ 64,363	\$ 545,218	\$ 182,369	\$ 727,587
Supplies, services, and other	153,542	72,822	44,559	270,923	155,809	426,732
Interest	2,513	984	814	4,311	9,430	13,741
Depreciation	22,652	15,469	10,616	48,737	44,945	93,682
Grants to affiliate	-	26,171	-	26,171	-	26,171
Total expenses	\$ 532,453	\$ 242,555	\$ 120,352	\$ 895,360	\$ 392,553	\$ 1,287,913

	Instruction & academic support	Research & public service	Student services	Total program expenses	Support activities	Total expenses
2019						
Salaries, wages, and benefits	\$ 344,478	\$ 123,406	\$ 64,687	\$ 532,571	\$ 168,023	\$ 700,594
Supplies, services, and other	131,625	96,265	54,962	282,852	156,111	438,963
Interest	2,830	1,265	768	4,863	11,955	16,818
Depreciation	20,488	16,082	11,234	47,804	39,492	87,296
Grants to affiliate	-	25,335	-	25,335	-	25,335
Total expenses	\$ 499,421	\$ 262,353	\$ 131,651	\$ 893,425	\$ 375,581	\$ 1,269,006

17. RETIREMENT PLANS

Vanderbilt's eligible faculty and staff members participate in the defined contribution retirement plan administered by a third-party investment firm. For these employees, this plan requires employee and matching employer contributions. The employee immediately vests in these contributions upon eligibility.

Vanderbilt funds the obligations under these plans through payroll transfers to the respective retirement plan administrators with the corresponding expenses recognized in the year incurred. Vanderbilt's retirement plan contributions for fiscal 2020 and 2019 were \$21.2 million and \$20.5 million, respectively.

18. COMMITMENTS AND CONTINGENCIES

(A) *Construction.* As of June 30, 2020, Vanderbilt had contractual commitments for approximately \$122.3 million of projects under construction and equipment purchases. The largest component of this commitment amount was for residential college hall construction for \$88.2 million.

(B) *Litigation.* On May 17, 2016, a former Vanderbilt football player filed suit against the NCAA, the SEC, and Vanderbilt in the Middle District of Florida in Orlando seeking class action status for students who played football at Vanderbilt between 1952 and 2010. The suit is styled *Walthour v. Vanderbilt University, et al.*, No. 16-cv-834 (M.D. Fl.). Walthour alleged he suffered "several" concussions and now has cognitive functioning problems, such as loss of memory, mood swings, sensitivity to light, and blackouts. The suit has been transferred to the Northern District of Illinois for pre-trial purposes as a tag-along action to the multidistrict litigation styled *In re: National Collegiate Athletic Association Student-Athlete Concussion Injury Litigation*, MDL No. 2492.

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Vanderbilt believes that the outcome of this action will not have a significant effect on its consolidated financial position. Vanderbilt is otherwise involved in various legal actions occurring in the normal course of activities which will not have a material adverse effect on Vanderbilt's financial position.

(C) *Regulations.* Vanderbilt's compliance with regulations and laws is subject to future government reviews and interpretations, as well as regulatory actions unknown at this time. Vanderbilt believes that any potential liability from such reviews would not have a significant effect on Vanderbilt's consolidated financial position.

(D) *Employee Health and Workers Compensation Insurance.* Vanderbilt is self-insured for employee health insurance and workers compensation coverage. Vanderbilt bases estimated liabilities upon studies conducted by independent actuarial firms.

(E) *Federal and State Contracts and Other Requirements.* Expenditures related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. Amounts of expenditures that granting agencies might disallow cannot be determined at this time. These amounts affect government grants and contract revenue as well as facilities and administrative cost recovery. Vanderbilt would not expect these costs to materially impact the consolidated financial position.

(F) *Partnership Investment Commitments.* Vanderbilt had \$878.8 million of commitments to venture capital, real estate, and private equity investments as of June 30, 2020. At the request of the general partners, Vanderbilt may be required to contribute funds over the next several years. Vanderbilt expects to finance these commitments with available cash and expected proceeds from the sales of securities. Included in these commitments is \$9.5 million of commitments for which Vanderbilt is a secondary guarantor for commitments in certain investment vehicles where minority limited partners in subsidiaries that Vanderbilt controls have the primary obligations.

19. RELATED PARTIES

Intermittently, members of Vanderbilt's Board of Trust or Vanderbilt employees may be directly or indirectly associated with companies engaged in business activities with the university. Accordingly, Vanderbilt has a written conflict of interest policy that requires, among other things, that members of the university community (including trustees) may not review, approve, or administratively control contracts or business relationships when (a) the contract or business relationship is between Vanderbilt and a business in which the individual or a family member has a material financial interest or (b) the individual or a family member is an employee of the business and is directly involved with activities pertaining to Vanderbilt.

Furthermore, Vanderbilt's conflict of interest policy extends beyond the foregoing business activities in that disclosure is required for any situation in which an applicable individual's financial, professional, or other personal activities may directly or indirectly affect, or have the appearance of affecting, an individual's professional judgment in exercising any university duty or responsibility, including the conduct or reporting of research.

The policy extends to all members of the university community (including trustees, university officials, and faculty and staff and their immediate family members). Each applicable person is required to certify compliance with the conflict of interest policy on an annual basis. This certification includes specifically disclosing whether Vanderbilt conducts business with an entity in which he or she (or an immediate family member) has a material financial interest as well as any other situation that could appear to present a conflict with Vanderbilt's best interests. When situations exist relative to the conflict of interest policy, Vanderbilt takes active measures to manage appropriately the actual or perceived conflict in the best interests of the university, including periodic reporting of the measures taken to the Audit Committee of the Vanderbilt University Board of Trust.

See Note 20 to the consolidated financial statements for discussion regarding the ongoing economic relationship between Vanderbilt and VUMC.

20. VANDERBILT UNIVERSITY MEDICAL CENTER

Vanderbilt has an ongoing economic relationship with VUMC in the form of an Academic Affiliation Agreement ("AAA"), a Trademark Licensing Agreement, a Ground Lease, and a Master Service Agreement ("MSA").

The AAA recognizes the ongoing academic, research, and clinical affiliation between the university and VUMC for all of the university's degree-granting, certificate, and research programs. The AAA serves to allocate responsibility between the university and VUMC for jointly administered academic programs, residency programs, and ongoing roles and rights of the university. The AAA will remain in effect until termination of the TML or Ground Lease.

Pursuant to the TML, the university grants, subject to certain consents and approvals, a perpetual license to VUMC to use various university-owned licensed marks in connection with VUMC's fundamental activities. The licensed marks, which VUMC will continue to use as the

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primary brands of VUMC, include virtually all those currently in use by VUMC. The TML will remain in effect until termination of the AAA or Ground Lease.

In July 2018, Vanderbilt securitized 30 years of one of the university's trademark revenue streams and sold the remaining \$89.6 million balance of a promissory note receivable. This securitization occurred on a true-sale basis to a group of external investors in exchange for net cash consideration of \$1.43 billion and a special interest obligation equivalent to the remaining future promissory note interest stream. In December 2019, Vanderbilt securitized 30 years of a portion of the 1%-of-VUMC revenue TML payment stream in exchange for cash consideration of \$332 million. This securitization occurred on a true-sale basis.

The Ground Lease allows VUMC to use the land on which its campus and related buildings are located. The initial term of the Ground Lease ends June 30, 2114, with the option to extend for up to two additional terms of 50 to 99 years each upon mutual agreement by Vanderbilt and VUMC.

Vanderbilt and VUMC provide specified services to one another for agreed-upon consideration as outlined in the MSA. Vanderbilt continues to provide services to VUMC such as IT support, utilities, and law enforcement staffing. VUMC will continue to provide graduate medical education and training to Vanderbilt. The terms of these service agreements between Vanderbilt and VUMC are unique to each agreement.

21. SUBSEQUENT EVENTS

Vanderbilt evaluated events subsequent to June 30, 2020, through October 2, 2020, the date of issuance of the consolidated financial statements.

Vanderbilt did not identify any material subsequent events for recognition or disclosure other than the renewal of the general line of credit totaling \$250.0 million, as disclosed in Note 3, and the funding of the 2020 Private Placement, as disclosed in Note 10.



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