

# Vanderbilt Financial Report

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2021 FINANCIAL REPORT

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## **Letter from Chancellor Daniel Diermeier**

The 2020–21 academic year was unlike any other in Vanderbilt University’s history. Our community showed tremendous resilience as we navigated three crises at once: the generation-defining public health challenges of the COVID-19 pandemic; the resulting economic downturn, which led to the loss of more than 650,000 jobs in higher education alone; and a nationwide reckoning for social justice.

Vanderbilt emerged from this historic moment stronger than ever. When global markets tumbled in the spring of 2020, Vanderbilt was well-protected because of the proactive financial planning we undertook in the moments of crisis, combined with a strong financial foundation that had been built through prudent stewardship by Chancellor Emeritus Nicholas S. Zeppos over the previous decade. As a result, we not only avoided drastic measures such as layoffs and pay reductions that other universities made, but we also seized the opportunity to make once-in-a-generation investments in areas like faculty recruitment, graduate education and athletics. Each of these pursuits has strengthened Vanderbilt’s ability to emerge from this crisis stronger than ever and to plan for the future with determination and confidence.

Our current financial strength also bodes well for Vanderbilt’s forward momentum. Vanderbilt’s endowment now totals more than \$10 billion—making ours one of the largest private university endowments in the United States. In addition, this report includes statistics regarding our operating revenues, grant and contract funding, and undergraduate admissions.

Vanderbilt stands at a moment of renewed ambition as our strong financial results in FY21 allow for continued investments in financial aid, capital projects and other key areas. We are as committed as ever to empowering the leaders of tomorrow, and to advancing the research, discovery and creative expression that are increasingly vital in our global society.

With my first full year as Vanderbilt’s chancellor behind me, I look forward to building upon our many strengths, and to reaching new levels of excellence.

Sincerely,



Daniel Diermeier  
Chancellor, Vanderbilt University

# Vanderbilt University Statistics

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
<b>STUDENTS</b>					
Undergraduate	7,057	6,886	6,861	6,885	6,871
Graduate and professional	6,480	6,245	5,963	5,707	5,716
Total fall enrollment	13,537	13,131	12,824	12,592	12,587
Undergraduate admissions					
Applied	36,646	37,310	34,313	31,462	32,442
Accepted	4,259	3,402	3,298	3,415	3,487
Enrolled	1,698	1,604	1,602	1,607	1,601
Selectivity	11.6%	9.1%	9.6%	10.9%	10.7%
Yield	39.9%	47.1%	48.6%	47.1%	45.9%
Degrees conferred					
Baccalaureate	1,712	1,691	1,700	1,716	1,716
Master's	1,459	1,512	1,382	1,477	1,487
M.D.	97	82	100	79	98
Other doctoral	671	568	599	583	585
Total degrees conferred	3,939	3,853	3,781	3,855	3,886
Undergraduate six-year graduation rate	93.4%	92.6%	93.0%	93.6%	91.5%
Undergraduate tuition	\$ 52,780	\$ 50,800	\$ 48,600	\$ 46,500	\$ 44,496
% increase over prior year	3.9%	4.5%	4.5%	4.5%	2.0%

## FACULTY AND STAFF <sup>1</sup>

Full-time faculty	1,442	1,466	1,468	1,431	1,421
Full-time staff	3,937	4,555	4,245	4,205	4,177
Part-time faculty	298	324	348	339	318
Part-time staff	277	448	412	346	521
Total faculty and staff	5,954	6,793	6,473	6,321	6,437

## GRANT AND CONTRACT FUNDING

(in thousands)

Government sponsors	\$ 188,306	\$ 165,532	\$ 160,958	\$ 151,580	\$ 155,446
Private sponsors	31,551	30,199	27,656	22,298	24,345
Facilities and administrative costs recovery	64,709	62,233	60,408	56,868	57,489
Total grants and contracts	\$ 284,566	\$ 257,964	\$ 249,022	\$ 230,746	\$ 237,280

## ENDOWMENT

Market value (in thousands)	\$ 10,928,513	\$ 6,917,371	\$ 6,270,877	\$ 4,608,461	\$ 4,136,465
Endowment return	57.1%	-0.1%	6.7%	12.6%	11.5%
Endowment per student	\$ 807,307	\$ 526,797	\$ 488,995	\$ 365,983	\$ 328,630
Endowment payout	3.9%	4.7%	4.5%	4.7%	5.1%

<sup>1</sup> 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. In addition to the faculty employed by VU at the end of fiscal years 2021, 2020, 2019, 2018, and 2017, some employees of VUMC held VU faculty appointments. These additional VUMC-employed, VU faculty comprised:

VUMC-employed, VU faculty appointments	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Full-time	2,970	2,892	2,817	2,830	2,680
Part-time	104	101	93	116	131
Total	3,074	2,993	2,910	2,946	2,811

## FINANCIAL OVERVIEW

The university ended fiscal 2021 with \$224 million of net operating results compared to \$175 million in fiscal 2020. Vanderbilt's net assets without donor restrictions increased \$2 billion from fiscal 2020 to 2021 primarily driven by investment returns.

### OPERATING REVENUES

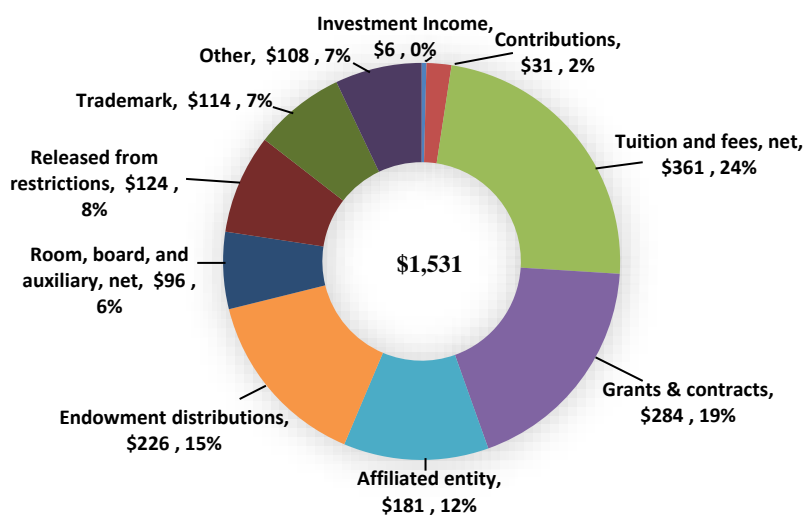
Vanderbilt's operating revenues without donor restrictions for the years ended June 30, 2021, and June 30, 2020, were as follows:

<i>(in millions)</i>	2021	2020
Tuition and educational fees, net	\$ 361	\$ 350
Government grants and contracts	188	166
Private grants and contracts	31	30
F&A costs recovery	65	62
Contributions	31	26
Endowment distributions	226	194
Investment income	6	19
Room, board, and other auxiliary services, net	96	117
Trademark, license, and royalty revenue	114	113
Affiliated entity revenue	181	178
Other sources	108	85
Net assets released from restrictions	124	123
<b>Total operating revenue</b>	<b>\$ 1,531</b>	<b>\$ 1,463</b>

Operating revenues without donor restrictions increased \$68 million, or 5%, to \$1,531 million in fiscal 2021 from \$1,463 million in fiscal 2020. Endowment distributions increased by \$32 million due to payouts from the additional investments in the endowment from the securitization of one of the university's trademark revenue streams. Other sources increased \$23 million as a result of a one-time distribution from the Southeastern Conference (SEC). Revenue from government sponsors increased by \$22 million due to new federal awards to expand resources for research, as well as grants supporting emergency relief from the COVID-19 global pandemic. Tuition and fees, net, increased by \$11 million due to changes in student enrollment, credit hours, and board-approved increases in tuition rates. These increases were primarily offset by decreases in room, board, and other auxiliary services, net of \$21 million primarily due to efforts to reduce campus density as a result of the COVID-19 global pandemic.

### Operating Revenues without Donor Restrictions by Type (Fiscal 2021)

*(in millions)*



## TUITION, ROOM, AND BOARD

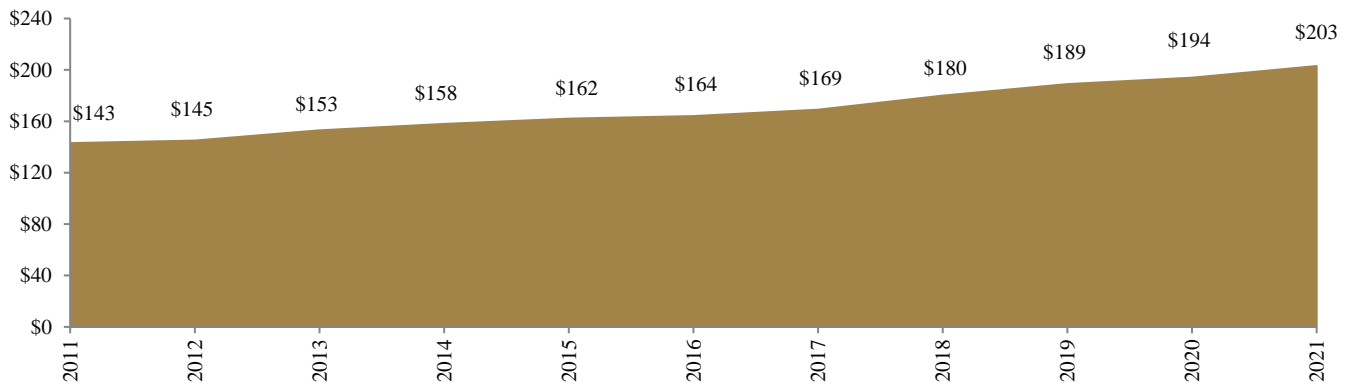
Supporting Vanderbilt's commitment to student access and affordability, the university provides significant financial aid to students and their families. In fiscal 2021, Vanderbilt provided \$313 million in support to its students for tuition, room, and board as shown in the table below.

	Undergraduate	Professional	Graduate	Total
<i>Student count</i>	7,057	4,237	2,243	13,537
<i>(in millions)</i>				
Tuition and fees	\$ 387	\$ 201	\$ 60	\$ 648
Financial aid <sup>(1)</sup>	(177)	(58)	(52)	(287)
<b>Tuition and fees, net</b>	<b>\$ 210</b>	<b>\$ 143</b>	<b>\$ 8</b>	<b>\$ 361</b>
Room and board	56	-	-	56
Financial aid <sup>(1)</sup>	(26)	-	-	(26)
<b>Room and board, net</b>	<b>\$ 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30</b>
<b>Total financial aid<sup>(1)</sup></b>	<b>\$ 203</b>	<b>\$ 58</b>	<b>\$ 52</b>	<b>\$ 313</b>
<b>Average financial aid per student<sup>(2)</sup></b>	<b>\$ 29,000</b>	<b>\$ 14,000</b>	<b>\$ 23,000</b>	<b>\$ 23,000</b>

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

<sup>2</sup> Rounded to the nearest thousand.

### Undergraduate Financial Aid fiscal 2011–2021 (in millions)



Vanderbilt expanded its undergraduate financial aid significantly over the past decade. In fiscal 2021, undergraduate aid as a percentage of gross tuition, room and board, and educational fees was 46%. Nearly half of Vanderbilt's undergraduate financial aid was funded in fiscal 2021 and 2020. The university's Opportunity Vanderbilt no-loan initiative, which began in fiscal 2009, is critical to this support. Through fiscal 2021, generous donors have committed, through gifts and pledges, \$479 million to support undergraduate financial aid. A portion of operations (\$125 million), endowment distributions and gifts (\$73 million), and external agencies (\$5 million) funded fiscal 2021 undergraduate aid.

## GRANTS AND CONTRACTS

Direct grant revenue increased by \$23 million, or 12%, to \$219 million in fiscal 2021 from \$196 million in fiscal 2020. Government grants and contracts revenue increased \$22 million, or 13%, to \$188 million in fiscal 2021 from \$166 million in fiscal 2020, due to grants supporting emergency relief from the COVID-19 global pandemic and increases from the Department of Education and the Department of Health and Human Services. Private grants and contracts revenues increased \$1 million, or 3%, over the same period to \$31 million in fiscal 2021 from \$30 million in fiscal 2020, 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>	2021	%	2020	%
Department of Health and Human Services	\$ 98	52%	\$ 97	59%
Department of Education	37	20%	17	10%
National Science Foundation	19	10%	18	11%
Department of Defense	13	7%	12	7%
Department of Energy	9	5%	10	6%
Other government agencies	12	6%	12	7%
<b>Total government grants and contracts by funding source</b>	<b>\$ 188</b>	<b>100%</b>	<b>\$ 166</b>	<b>100%</b>

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, 2021 and 2020, such awards totaled \$246 million and \$262 million, respectively, as shown in the following table.

### Sponsored Program Awards

<i>(in millions)</i>	2021	2020
Government awards	\$ 217	\$ 239
Private awards	29	23
<b>Total sponsored research and project awards</b>	<b>\$ 246</b>	<b>\$ 262</b>

### 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

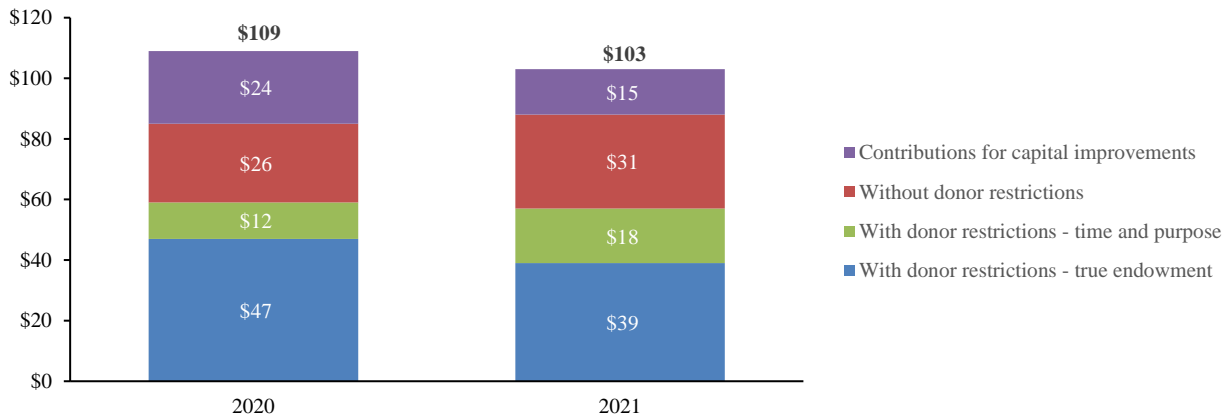
<i>(in millions)</i>	2021
Contributions revenue	
Without donor restriction	\$ 31
With donor restriction – time and purpose	18
With donor restriction – true endowment	39
Total contributions revenue	88
Total contributions for capital improvements	15
<b>Total consolidated GAAP contributions revenue</b>	<b>\$ 103</b>
Grants and similar agreements meeting CASE guidelines (gifts per CASE standards)	\$ 7
Net decrease in contributions receivable	16
Other	3
<b>Total CASE reported gifts (cash basis)</b>	<b>\$ 129</b>

Vanderbilt reported \$103 million in consolidated contributions revenue, including pledges and contributions for capital improvements, a 6% decrease over the \$109 million fiscal 2020 level.



### Consolidated Contributions (GAAP Basis)

(in millions)



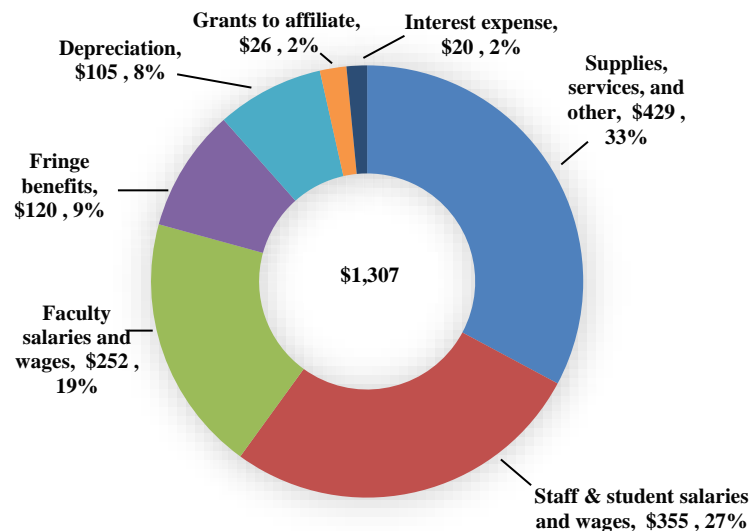
### OPERATING EXPENSE

(in millions)	2021	2020
Salaries, wages, and benefits	\$ 727	\$ 727
Supplies, services, and other	429	427
Interest expense	20	14
Depreciation	105	94
Grants to affiliate	26	26
<b>Total operating expenses</b>	<b>\$ 1,307</b>	<b>\$ 1,288</b>

Consolidated operating expenses increased \$19 million to \$1,307 million in fiscal 2021 from \$1,288 million in fiscal 2020. The primary drivers of this increase were \$11 million, or 12%, in depreciation expense and \$6 million, or 43%, in interest expense. Salaries, wages, and benefits remained flat as a result of COVID-19 expense mitigation strategies. Supplies, services, and other expenses included approximately \$25 million one-time COVID-19 expenses for testing, supplies, cleaning, and technology, offset by reductions in expenses primarily as a result of canceled travel and events.

### Operating Expenses by Type (Fiscal 2021)

(in millions)



## OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

<i>(in millions)</i>	2021	2020
Change in appreciation of endowment, net of distributions	\$ 2,132	\$ (192)
Change in appreciation of other investments, net of distributions	-	(9)
Change in appreciation of interest rate exchange agreements	-	(7)
Capital contributions and releases from restriction	4	17
Nonoperating net asset reclassifications	-	(3)
Other nonoperating activity	-	(1)
<b>Total changes from nonoperating</b>	<b>\$ 2,136</b>	<b>\$ (195)</b>

Fiscal 2021 nonoperating activity primarily consisted of a change in appreciation of endowment, net of distributions, of \$2,132 million, an increase of \$2,324 million compared to fiscal 2020. The change in value for the endowment resulted from a 57.1% investment return offset by 3.9% of the endowment utilized for distributions during fiscal 2021, compared to a negative 0.1% investment return and 4.7% of the endowment utilized for distributions during fiscal 2020. In addition, releases from restrictions for capital contributions totaled \$4 million in fiscal 2021. Releases from restrictions for capital contributions occurred at the time the asset or building was placed into service and included \$3 million for residential colleges in fiscal 2021.

### Noncontrolling Interests

Net assets related to noncontrolling interests decreased \$1 million to \$29 million in fiscal 2021 from \$30 million in fiscal 2020 due to distributions of \$10 million and a change in appreciation on investment of \$9 million during fiscal 2021.

## SUMMARY OF FINANCIAL POSITION

Vanderbilt's summarized Statements of Financial Position as of June 30, 2021, and June 30, 2020, were as follows:

<i>(in millions)</i>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,124	\$ 629
Accounts and contributions receivable	202	214
Investments	10,953	7,034
Right of use assets	62	64
Property, plant, and equipment, net	1,472	1,448
Prepaid expenses and other assets	71	69
<b>Total assets</b>	<b>\$ 13,884</b>	<b>\$ 9,458</b>
<b>LIABILITIES</b>		
Payables and accrued liabilities	\$ 282	\$ 265
Deferred revenue	41	25
Deferred trademark revenue	1,885	1,645
Long-term debt and commercial paper	632	541
Securities sold short	506	352
Lease liabilities	65	67
<b>Total liabilities</b>	<b>3,411</b>	<b>2,895</b>
<b>NET ASSETS</b>		
Without donor restrictions	5,859	3,500
With donor restrictions	4,614	3,063
<b>Total net assets</b>	<b>10,473</b>	<b>6,563</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,884</b>	<b>\$ 9,458</b>

Vanderbilt's assets increased \$4,426 million from fiscal 2020 to fiscal 2021. This increase is primarily attributable to an increase in investments of \$3,919 million, or 56%, to \$10,953 million in fiscal 2021 from \$7,034 million in fiscal 2020. The endowment, net of securities sold short, returned 57.1% and its value increased to \$10,928 million in fiscal 2021 from \$6,917 million in fiscal 2020 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. Cash and cash equivalents increased \$495 million, or 79%, from fiscal 2020 to fiscal 2021 primarily attributable to private placement net proceeds pending use for residential college construction and endowment cash.

Total liabilities increased \$516 million, or 18%, from fiscal 2020 to fiscal 2021. This increase is primarily attributable to the increase of \$277 million in deferred trademark revenue to be recognized over the next 29 years in accordance with the most recent trademark securitization transaction. The addition of the most recent trademark securitization was offset by current year recognition of \$37 million.

### 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, 2021, \$1,415 million of liquid assets were available on a same-day basis and an additional \$2,460 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 are 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 interdisciplinary 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 care 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>	2021	2020
Housing projects	\$ 74	\$ 134
Academic projects	16	33
Minor capital expenditures	33	40
Infrastructure projects	8	25
Acquisitions	-	117
Athletics projects	6	4
<b>Total capital projects</b>	<b>\$ 137</b>	<b>\$ 353</b>

During fiscal 2021, Vanderbilt University invested \$137 million in capital projects as compared to \$353 million in fiscal 2020. The university purposefully reduced planned fiscal 2021 capital expenditures due to concerns regarding the COVID-19 pandemic, yet progress was made on several significant projects, including, but not limited to:

- Opening of Nicholas S. Zeppos College and continued construction of Rothschild College, which contribute to the living and learning experience in the West End Neighborhood of campus;
- Completion of aesthetic and utility updates to the West End and Central Neighborhoods that improved pedestrian pathways and accommodates the increased square footage in the residential colleges;
- Renovations to Peabody College's Home Economics and Mayborn buildings that created better uses of space and enhanced the buildings' infrastructure and mechanics while preserving many significant historical architectural components; and
- Renovations to athletics facilities including the football locker room and stadium upgrades that enhance the experience for student-athletes and fans.

As capital projects conclude or new acquisitions occur during the fiscal year, capital asset balances increase. A total of \$293 million of completed projects and purchased property and equipment came into service during fiscal 2021.

The Board of Trust Executive Committee reviews the university's five-year capital plan annually; however, major capital projects are approved individually. The FY 2021–25 capital plan brings a continued focus on the academic strategic plan, including the student experience, through investments in new residential colleges, science buildings, acquisitions, infrastructure, and athletics.

## ENDOWMENT

For fiscal 2021, Vanderbilt's endowment portfolio returned 57.1%. The endowment ended fiscal 2021 with a total market value of \$10,928 million, compared to \$6,917 million at the end of fiscal 2020. 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), costs for managing the endowment including internal management costs and endowment excise tax of \$26 million, and the distribution of endowment funds to support university operations. During fiscal 2021, the university added \$424 million to the endowment portfolio through new gifts, recapitalizations, and additions to institutional endowments. Endowment distributions totaled \$348 million in fiscal 2021, compared to \$311 million in fiscal 2020. These distributions support the university's education, research, and public service missions.

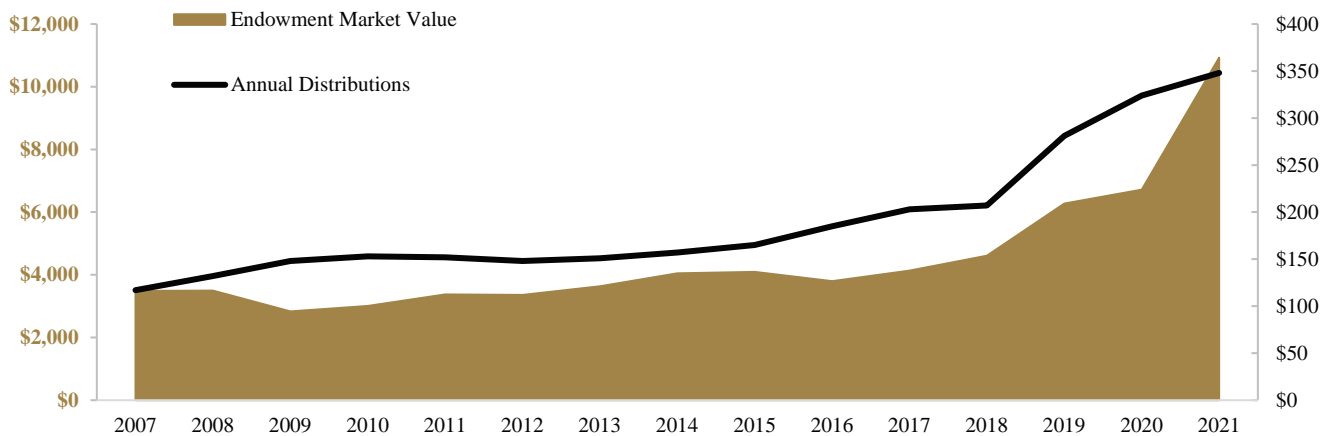
The continued rise and spread of COVID-19 dominated the news this fiscal year and probably represents the most significant event of a generation. By the end of the fiscal year, the World Health Organization (WHO) had reported 182 million cumulative cases and 3.95 million deaths worldwide. But the WHO also reported 2.95 billion doses of SARS-CoV-2 vaccines administered globally by the end of the fiscal year, and 1.17 billion individuals had received at least one dose. The global economy recovered from a deep recession first in China, then in the United States, followed by Europe.

The global capital market environment was very strong. Global equity markets gained 39%, with significant gains across U.S. large caps (up 41%), U.S. small caps (up 62%), non-U.S. developed markets (up 34%), and emerging markets (up 41%). U.S. bond markets stalled (flat) as long-term U.S. Treasury yields rose but this was generally offset by a tightening of credit spreads. Commodity prices surged (up 57%), and the value of the U.S. dollar declined modestly.

Looking into the future, substantial headwinds lie ahead. U.S. equity valuations are near all-time highs despite uncertainty regarding a number of issues including COVID-19 vaccination rates and corporate earnings dispersion. The future of monetary and fiscal spending has made inflation the most hotly debated topic in U.S. capital markets. Market participants and federal policymakers seem somewhat evenly split between increasing inflation concerns in one camp, and others who believe the recent spike in consumer prices to be transitory. European economies are rebounding but continue to lag the U.S. recovery. China came out of the pandemic first but continues to suffer from a number of excesses. Globally, emerging markets are wrestling with the unpredictable nature of COVID-19 on a country-by-country basis. Increased geopolitical tensions, particularly between the U.S. and China (as well as ongoing uncertainty in the Middle East) represent risks to the global capital markets. That said, these challenges will from time-to-time present chances to be opportunistic in deploying new investments. 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, 2021 (% of portfolio)

	<b>Allocation</b>
Global Equities	23%
Hedged strategies	22%
Commodities	2%
Fixed income	7%
Cash and cash equivalents	5%
<b>Total public investments</b>	<b>59%</b>
Private capital	35%
Real estate	2%
Natural resources	4%
<b>Total nonmarketable</b>	<b>41%</b>
<b>Total endowment</b>	<b>100%</b>

## LOOKING FORWARD

Fiscal 2021 has been an unexpected year with the growing spread of COVID-19 challenging us in unprecedented ways. Through exceptional teamwork, collaboration, thoughtful planning, and persistence, Vanderbilt was able to successfully mitigate overall financial losses. The tireless efforts of the faculty, staff, and students at Vanderbilt to preserve our campus and forge ahead by focusing on our mission made a tremendous impact and we are grateful for their support during this exceptional year.

As we look ahead, Vanderbilt faces many challenges but also embraces the opportunities to further our mission through advancing interdisciplinary, pathbreaking research and finding ways to bring students together to enable them to learn from peers with different perspectives and experiences.

The COVID-19 pandemic is ongoing, including additional surges of infections. Staff members are continuing to work around the clock to ensure the health and safety of our campus. We have learned about the flexibility and agility of our students, faculty, and staff and are grateful for their resilience as we do our best to return to a more traditional college experience.

We are confident that, as a community united by our mission, Vanderbilt will progress and emerge as a stronger institution continuing to deliver world-class research and education for generations to come. We will prudently manage our financial resources to support the challenges and opportunities in the years that lie ahead.

Vanderbilt's audited financial statements and other key financial metrics for fiscal 2021 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, 2021 and 2020, 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, 2021 and 2020, 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*

September 30, 2021

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# Vanderbilt University

## Consolidated Statements of Financial Position

As of June 30, 2021 and 2020 (in thousands)

	June 2021	June 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,124,103	\$ 629,150
Accounts receivable, net	94,267	90,935
Prepaid expenses and other assets	16,874	19,107
Contributions receivable, net	106,762	123,081
Student loans and other notes receivable, net	19,328	21,782
Investments	10,924,017	7,003,641
Investments allocable to noncontrolling interests	28,808	29,981
Right-of-use assets	62,359	64,168
Property, plant, and equipment, net	1,472,148	1,447,896
Interests in trusts held by others	34,829	27,853
<b>Total assets</b>	<b>\$ 13,883,495</b>	<b>\$ 9,457,594</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 123,580	\$ 122,071
Accrued compensation and withholdings	102,478	93,471
Deferred revenue	40,552	24,764
Deferred trademark revenue	1,885,071	1,645,053
Actuarial liabilities	38,075	29,361
Government advances for student loans	18,663	21,227
Long-term debt	632,128	541,042
Fair value of securities sold short	506,093	351,425
Lease liabilities	64,527	66,622
<b>Total liabilities</b>	<b>3,411,167</b>	<b>2,895,036</b>
<b>NET ASSETS</b>		
Without donor restrictions, controlled by Vanderbilt	5,829,618	3,469,474
Without donor restrictions, related to noncontrolling interests	28,808	29,981
Total net assets without donor restrictions	5,858,426	3,499,455
With donor restrictions	4,613,902	3,063,103
<b>Total net assets</b>	<b>10,472,328</b>	<b>6,562,558</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,883,495</b>	<b>\$ 9,457,594</b>

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



# Vanderbilt University

## Consolidated Statement of Activities

Year Ended June 30, 2021 (in thousands)

	2021		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Tuition and educational fees, net	\$ 361,041	\$ -	\$ 361,041
Grants and contracts:			
Government sponsors	188,306	-	188,306
Private sponsors	31,551	-	31,551
Facilities and administrative costs recovery	64,709	-	64,709
Total grants and contracts	284,566	-	284,566
Contributions	31,315	56,899	88,214
Endowment distributions	225,569	121,971	347,540
Investment income	6,364	29,087	35,451
Room, board, and other auxiliary services, net	96,040	-	96,040
Trademark, license, and royalty revenue	113,811	-	113,811
Affiliated entity revenue	180,664	-	180,664
Other sources	107,841	-	107,841
Net assets released from restrictions	123,981	(123,981)	-
<b>Total revenues and other support</b>	<b>1,531,192</b>	<b>83,976</b>	<b>1,615,168</b>
<b>EXPENSES</b>			
Salaries, wages, and benefits	727,226	-	727,226
Supplies, services, and other	429,450	-	429,450
Interest expense	19,506	-	19,506
Depreciation	104,791	-	104,791
Grants to affiliate	25,816	-	25,816
<b>Total expenses</b>	<b>1,306,789</b>	<b>-</b>	<b>1,306,789</b>
<b>Results of operations</b>	<b>224,403</b>		
<b>OTHER CHANGES IN NET ASSETS</b>			
Change in appreciation of endowment, net of distributions	2,131,810	1,455,927	3,587,737
Change in appreciation of other investments, net of distributions	220	-	220
Contributions for capital improvements	-	14,607	14,607
Net assets released from restrictions for capital improvements	3,849	(3,849)	-
Nonoperating net asset reclassifications	(138)	138	-
<b>Total other changes in net assets</b>	<b>2,135,741</b>	<b>1,466,823</b>	<b>3,602,564</b>
<b>Changes in net assets controlled by Vanderbilt</b>	<b>2,360,144</b>	<b>1,550,799</b>	<b>3,910,943</b>
<b>Changes in net assets related to noncontrolling interests</b>	<b>(1,173)</b>	<b>-</b>	<b>(1,173)</b>
<b>Total changes in net assets</b>	<b>\$ 2,358,971</b>	<b>\$ 1,550,799</b>	<b>\$ 3,909,770</b>
<b>Net assets, June 30, 2020</b>	<b>\$ 3,499,455</b>	<b>\$ 3,063,103</b>	<b>\$ 6,562,558</b>
<b>Net assets, June 30, 2021</b>	<b>\$ 5,858,426</b>	<b>\$ 4,613,902</b>	<b>\$ 10,472,328</b>

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
<b>REVENUES AND OTHER SUPPORT</b>			
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	257,964	-	257,964
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)	-
<b>Total revenues and other support</b>	<b>1,462,882</b>	<b>49,006</b>	<b>1,511,888</b>
<b>EXPENSES</b>			
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
<b>Total expenses</b>	<b>1,287,913</b>	<b>-</b>	<b>1,287,913</b>
<b>Results of operations</b>	<b>174,969</b>		
<b>OTHER CHANGES IN NET ASSETS</b>			
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)
<b>Total other changes in net assets</b>	<b>(196,094)</b>	<b>(130,675)</b>	<b>(326,769)</b>
<b>Changes in net assets controlled by Vanderbilt</b>	<b>(21,125)</b>	<b>(81,669)</b>	<b>(102,794)</b>
<b>Changes in net assets related to noncontrolling interests</b>	<b>(8,125)</b>	<b>-</b>	<b>(8,125)</b>
<b>Total changes in net assets</b>	<b>\$ (29,250)</b>	<b>\$ (81,669)</b>	<b>\$ (110,919)</b>
<b>Net assets, June 30, 2019</b>	<b>\$ 3,528,705</b>	<b>\$ 3,144,772</b>	<b>\$ 6,673,477</b>
<b>Net assets, June 30, 2020</b>	<b>\$ 3,499,455</b>	<b>\$ 3,063,103</b>	<b>\$ 6,562,558</b>

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

# Vanderbilt University

## Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020 (in thousands)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Change in total net assets</b>	<b>\$ 3,909,770</b>	<b>\$ (110,919)</b>
<b>Adjustments to reconcile change in total net assets to net cash provided by operating activities:</b>		
Change in net assets related to noncontrolling interests	1,173	8,125
Realized and unrealized (gain) loss on investments, net	(4,065,829)	32,118
Contributions for capital improvements and endowment	(49,915)	(36,470)
Contributions of donated securities	(27,537)	(36,714)
Proceeds from sale of donated securities	7,953	4,719
Depreciation	104,791	93,682
Amortization of bond discounts and premiums	41	(6,834)
Amortization of right-of-use assets	12,960	(9,807)
Payments to terminate interest rate exchange agreements	-	(29,699)
Loss from disposals of property, plant, and equipment	2,259	5,194
Net change in fair value of interest rate exchange agreements	-	(22,742)
Change in:		
Accounts receivable, net of accrued investment income	(3,609)	(2,784)
Prepaid expenses and other assets	2,233	(318)
Contributions receivable, net	16,319	(134)
Interests in trusts held by others	(2,945)	2,372
Accounts payable and accrued liabilities, net of nonoperating items	17,957	5,491
Accrued compensation and withholdings	9,007	7,368
Deferred revenue	15,788	(5,156)
Deferred trademark revenue	240,018	300,383
Actuarial liabilities	8,714	(4,183)
Lease liabilities	(13,246)	12,261
<b>Net cash provided by operating activities</b>	<b>185,902</b>	<b>205,953</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(9,490,344)	(8,966,496)
Proceeds from sales of investments	9,939,296	8,735,155
Purchases of investments allocable to noncontrolling interests	(240)	(140)
Proceeds from sales of investments allocable to noncontrolling interests	9,880	5,760
Change in accrued investment income	277	176
Payments to terminate interest rate exchange agreements	-	29,699
Acquisitions of property, plant, and equipment	(147,750)	(344,572)
Student loans and other notes receivable disbursed	(1,942)	(2,208)
Principal collected on student loans and other notes receivable	4,396	3,599
<b>Net cash provided by (used in) investing activities</b>	<b>313,573</b>	<b>(539,027)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions for capital improvements and endowment	49,915	36,471
Change in government advances for student loans	(2,564)	(5,767)
Payments to retire or defease debt	(8,955)	(114,370)
Proceeds from new debt issuances	100,000	120,000
Proceeds from sale of donated securities restricted for capital improvements and endowment	19,584	31,996
Proceeds from noncontrolling interests in investment partnerships	240	140
Payments to noncontrolling interests in investment partnerships	(9,880)	(5,760)
<b>Net cash provided by financing activities</b>	<b>148,340</b>	<b>62,710</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>647,815</b>	<b>(270,364)</b>
<b>Cash and cash equivalents and restricted cash at beginning of year</b>	<b>\$ 1,038,853</b>	<b>\$ 1,309,217</b>
<b>Cash and cash equivalents and restricted cash at end of year</b>	<b>\$ 1,686,668</b>	<b>\$ 1,038,853</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 20,681	\$ 19,362
Accrued liabilities related to additions of property, plant, and equipment	\$ 24,576	\$ 41,024

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 7,000 undergraduate and 6,500 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.

	2021	2020
Cash and cash equivalents	\$ 1,124,103	\$ 629,150
Cash included in investments	562,565	409,703
<b>Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows</b>	<b>\$ 1,686,668</b>	<b>\$ 1,038,853</b>

#### 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.

### **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 fine art and library collections 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.

### **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 statements 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 statements of activities by natural classification.

The university's nonoperating activity within the consolidated statements 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.

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, 2020, Vanderbilt prospectively adopted Accounting Standards Update (ASU) 2019-03, Not-for-Profit Entities (Topic 958) Updating the Definition of Collections. ASU 2019-03 improves the definition of collections in the Financial Accounting Standards Board (FASB) Master Glossary by realigning it with the definition in the American Alliance of Museums' Code of Ethics for Museums and introduces enhanced disclosure requirements. The adoption of this ASU did not materially impact the consolidated financial statements and related disclosures.

### Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Statements. ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. The amendments of ASU 2016-13 are intended to provide financial statement users with more decision-useful information related to expected credit losses on financial instruments and other commitments to extend credit by replacing the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. ASU 2016-13 was originally effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. In November of 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates, which deferred the effective dates of these standards for certain entities. Based on the updated guidance, ASU 2016-13 is effective fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments apply to Not-for-Profit entities that receive contributed nonfinancial assets. The amendments address presentation and disclosure of contributed nonfinancial assets. The term “nonfinancial asset” includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in ASU 2020-07 should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Vanderbilt is currently evaluating the effect of adoption to the financial statements.

## 3. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Total assets	\$ 13,883,495	\$ 9,457,594
Less nonfinancial assets:		
Property, plant, and equipment, net	1,472,148	1,447,896
Prepaid expenses and other assets	16,874	19,107
Right-of-use assets	62,359	64,168
Less assets unavailable for general expenditure within one year:		
Endowment funds, including institutional endowments <sup>1,2</sup>	11,434,606	7,268,796
Contributions receivable, greater than one year	93,702	111,371
Interests in trusts held by others and investments allocable to minority interests	63,637	57,834
Annuities, trusts and other illiquid investments	32,813	26,568
Student loans and other notes receivable, net	19,328	21,782
<b>Financial assets available within one year</b>	<b>\$ 688,028</b>	<b>\$ 440,072</b>

<sup>1</sup> Total endowment net assets as of June 30, 2021, of \$10,928.5 million comprises \$10,805.3 million of endowment funds recorded as “Investments” on the consolidated statements of financial position, \$629.3 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 \$506.1 million reflected in “Fair value of securities sold short” in the consolidated statements of financial position.

<sup>2</sup> Total endowment net assets as of June 30, 2020, 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.

## Vanderbilt University

Vanderbilt has \$688.0 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 \$494.8 million, accounts receivable of \$94.3 million, contributions receivable, less than one year of \$13.1 million, and short-term investments of \$85.8 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, 2021, with no outstanding borrowings under this agreement. The line of credit agreement expired in September 2021 and was renewed upon expiration. Additionally, in fiscal 2021, Vanderbilt renewed two separate additional general lines of credit totaling \$75 million and \$50 million, respectively. The \$75 million line of credit matures in June 2022 and the \$50 million line of credit matures in May 2022. In fiscal years 2021 and 2020, 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, 2021.

Vanderbilt provides liquidity support for debt with short-term remarketing periods through self-liquidity. Additionally, Vanderbilt has institutional endowments of \$6,392.0 million as of June 30, 2021. 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 12 for disclosures about investments).

### 4. ACCOUNTS RECEIVABLE

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

	2021	2020
VUMC-related agreements	\$ 53,476	\$ 46,842
Research and sponsored programs	34,842	35,188
Tuition and fees	3,047	2,418
Accrued investment income	884	1,161
Other	4,748	8,154
<b>Accounts receivable</b>	<b>96,997</b>	<b>93,763</b>
Less: Allowance for uncollectible amounts	(2,730)	(2,828)
<b>Accounts receivable, net</b>	<b>\$ 94,267</b>	<b>\$ 90,935</b>

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, 2021, includes \$53.4 million related to agreements with VUMC and \$34.8 million related to research and sponsored programs. These receivables account for 94% of total net receivables as of June 30, 2021.

### 5. CONTRIBUTIONS RECEIVABLE

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

	2021	2020
Unconditional promises expected to be collected:		
in one year or less	\$ 13,060	\$ 11,710
between one year and five years	90,614	115,837
in more than five years	19,807	9,431
<b>Contributions receivable</b>	<b>123,481</b>	<b>136,978</b>
Less: Discount	(1,429)	(634)
Less: Allowance for uncollectible promises	(15,290)	(13,263)
<b>Contributions receivable, net</b>	<b>\$ 106,762</b>	<b>\$ 123,081</b>

Vanderbilt discounts contributions receivable at a rate commensurate with the scheduled timing of receipt. Vanderbilt applied discount rates ranging from 0.1% to 1.0% to amounts outstanding as of June 30, 2021 and 2020. 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.



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

	2021	2020
Restricted for programs and other operational purposes	\$ 28,460	\$ 17,089
Restricted for capital improvements	32,310	35,745
Restricted for endowment	45,992	70,247
<b>Contributions receivable, net</b>	<b>\$ 106,762</b>	<b>\$ 123,081</b>

In addition to pledges reported as contributions receivable, Vanderbilt had cumulative bequest intentions and conditional promises to give of approximately \$574.8 million and \$531.0 million as of June 30, 2021 and 2020, 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*):

	2021			2020		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student loans:						
Federal	\$ 16,970	\$ (125)	\$ 16,845	\$ 18,521	\$ (105)	\$ 18,416
Institutional	2,526	(556)	1,970	3,217	(575)	2,642
<b>Total student loans</b>	<b>19,496</b>	<b>(681)</b>	<b>18,815</b>	<b>21,738</b>	<b>(680)</b>	<b>21,058</b>
Faculty mortgages	513	-	513	724	-	724
<b>Student loans, other notes receivable, and related allowances</b>	<b>\$ 20,009</b>	<b>\$ (681)</b>	<b>\$ 19,328</b>	<b>\$ 22,462</b>	<b>\$ (680)</b>	<b>\$ 21,782</b>

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 canceled 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*):

	2021	2020
Short-term securities <sup>1</sup>	\$ 207	\$ 144
Global equities <sup>1</sup>	2,618,367	2,042,582
Fixed income <sup>1</sup>	790,994	668,993
Hedged strategies <sup>5</sup>	2,543,523	1,825,953
Private capital <sup>3</sup>	4,000,321	1,889,593
Real estate <sup>3</sup>	222,252	163,199
Natural resources <sup>3</sup>	495,264	300,834
Commodities <sup>2</sup>	213,498	96,918
Trusts <sup>4</sup>	32,813	26,568
Private credit <sup>1</sup>	8,211	-
Other investments <sup>4</sup>	27,375	18,838
<b>Total value <sup>6</sup></b>	<b>\$ 10,952,825</b>	<b>\$ 7,033,622</b>
<b>Total cost</b>	<b>\$ 6,511,088</b>	<b>\$ 5,716,770</b>

<sup>1</sup> 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.

<sup>2</sup> Quoted prices in active markets determine fair value.

<sup>3</sup> Fund managers provide the net asset value of Vanderbilt's ownership interests at the fund level to establish fair value.

<sup>4</sup> Carrying value provides a reasonable estimate of fair value for certain components.

<sup>5</sup> 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 \$562.6 million and \$409.7 million of cash and cash equivalents classified as investments in fiscal 2021 and 2020, respectively.

<sup>6</sup> Net of securities sold short of \$506.1 million and \$351.4 million, total value of investments is \$10,446.7 million and \$6,682.2 million in fiscal 2021 and 2020, respectively.

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, 2021, were as follows:

<b>Fair value as of June 30, 2020</b>	<b>\$ 29,981</b>
Distributions to minority limited partners	(9,880)
Capital commitments funded by minority limited partners	240
Appreciation allocable to minority limited partners	8,467
<b>Fair value as of June 30, 2021</b>	<b>\$ 28,808</b>

*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 toward 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.

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**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 nonendowed trusts.

**Private credit** includes privately originated or negotiated investments, comprising potentially higher yielding, illiquid opportunities across a range of risk and return profiles. They are not traded on the public markets.

## 8. ENDOWMENT

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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 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 2021 and 2020, 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*):

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>2021</b>			
Endowments with donor restrictions	\$ -	\$ 4,228,470	\$ 4,228,470
Reinvested distributions of donor-restricted endowments	177,822	130,236	308,058
Institutional endowments	6,391,984	-	6,391,984
<b>Endowment net assets as of June 30, 2021</b>	<b>\$ 6,569,806</b>	<b>\$ 4,358,706</b>	<b>\$ 10,928,512</b>

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

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

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

	<b>2021</b>	<b>2020</b>
Student scholarships	\$ 1,693,435	\$ 1,093,497
Endowed chairs	1,236,272	803,254
Operational support, not yet appropriated	791,757	523,072
Program support	353,024	228,564
Research	105,540	68,585
Capital improvements	53,210	33,587
Faculty support and lectureships	50,377	31,547
Other	75,091	47,790
<b>Total endowments with donor restrictions</b>	<b>\$ 4,358,706</b>	<b>\$ 2,829,896</b>

### **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.

### **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, 2021 and 2020, Vanderbilt had zero and 159 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:

	<b>2021</b>	<b>2020</b>
Aggregate original gift amount	\$ -	\$ 107,163
Aggregate fair value	-	104,438
<b>Aggregate deficiency</b>	<b>\$ -</b>	<b>\$ 2,725</b>

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

<b>2021</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets as of June 30, 2020	\$ 4,087,475	\$ 2,829,896	\$ 6,917,371
Endowment investment return, net	2,338,031	1,596,850	3,934,881
Gifts and additions to endowment, net	350,901	72,899	423,800
Endowment distributions	(206,601)	(140,939)	(347,540)
<b>Endowment net assets as of June 30, 2021</b>	<b>\$ 6,569,806</b>	<b>\$ 4,358,706</b>	<b>\$ 10,928,512</b>

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<b>2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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 <sup>1</sup>	916,806	61,974	978,780
Endowment distributions	(175,393)	(135,587)	(310,980)
<b>Endowment net assets as of June 30, 2020</b>	<b>\$ 4,087,475</b>	<b>\$ 2,829,896</b>	<b>\$ 6,917,371</b>

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

## 9. PROPERTY, PLANT, AND EQUIPMENT

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

	<b>2021</b>	<b>2020</b>
Land	\$ 183,338	\$ 183,399
Buildings and improvements	2,099,304	1,836,830
Moveable equipment	347,034	351,882
Construction in progress	108,394	271,162
Property, plant, and equipment	2,738,070	2,643,273
Less: Accumulated depreciation	(1,265,922)	(1,195,377)
<b>Property, plant, and equipment, net</b>	<b>\$ 1,472,148</b>	<b>\$ 1,447,896</b>

Buildings and improvements include \$14.4 million and \$15.6 million of leasehold improvements in the years ended June 30, 2021 and 2020, respectively. 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 fine art and library collections are not included in the amounts above as Vanderbilt expenses such items at the time of purchase. As of June 30, 2021, the estimated replacement cost, including processing costs to properly identify, catalog, and shelve materials, for library collections totaled \$445.6 million and for fine art collections totaled \$42.2 million. Any proceeds from deaccessioned collection items are used for the direct care of existing collections. Direct care is an investment that enhances the life, usefulness, or quality of the collection.

Vanderbilt reported capitalized interest of \$1.9 million and \$4.7 million to construction in progress and/or buildings and improvements in the years ended June 30, 2021 and 2020, respectively.

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 2021 or 2020.

Vanderbilt identified conditional asset retirement obligations, primarily for the costs of asbestos removal and disposal, resulting in liabilities of \$3.0 million and \$2.8 million as of June 30, 2021 and 2020, 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% as of June 30, 2021 and 2020, and a discount rate of 2.49% and 3.33% as of June 30, 2021 and 2020, respectively, based on relevant factors at origination.

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## 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, 2021	Fiscal 2021 Effective Interest Rate	Outstanding Principal	
				2021	2020
<b>FIXED-RATE DEBT</b>					
Series 2016 - Taxable	2047	1.45%–3.44%	3.1%	118,965	122,120
Series 2018 – Private Placement	2049	3.93%	3.9%	300,000	300,000
Series 2019 – Private Placement	2038	2.51%	2.5%	114,200	120,000
Series 2020 – Private Placement	2050	3.00%	3.0%	100,000	-
<b>Fixed-rate debt (par amount)</b>			<b>3.4%</b>	<b>\$ 633,165</b>	<b>\$ 542,120</b>
Cost of Issuance			-	(1,037)	(1,078)
<b>Total long-term debt</b>			<b>3.4%</b>	<b>\$ 632,128</b>	<b>\$ 541,042</b>

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

Payments for interest costs occur on varying scheduled payment dates for debt. Vanderbilt calculates accrued interest expense for its debt based on applicable interest rates for the respective fiscal year. Interest expense of \$19.5 million and \$13.7 million in fiscal 2021 and 2020, respectively, is net of capitalized interest of \$1.9 million and \$4.7 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*):

2022	\$ 8,665
2023	8,885
2024	16,125
2025	16,345
2026	16,605
Thereafter	566,540
<b>Total long-term debt principal retirements</b>	<b>\$ 633,165</b>

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.

## 11. NET ASSETS

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

<b>2021</b>	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Operations	\$ 185,977	\$ -	\$ 185,977
Deferred trademark license revenue	(1,885,071)	-	(1,885,071)
Net investment in plant	958,906	-	958,906
Endowment funds	6,569,806	4,358,706	10,928,512
Donor pledges and gifts	-	163,515	163,515
Split-interest agreements	-	91,681	91,681
Net assets controlled by Vanderbilt	5,829,618	4,613,902	10,443,520
Net assets related to noncontrolling interests	28,808	-	28,808
<b>Total net assets as of June 30, 2021</b>	<b>\$ 5,858,426</b>	<b>\$ 4,613,902</b>	<b>\$ 10,472,328</b>

<b>2020</b>	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
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
<b>Total net assets as of June 30, 2020</b>	<b>\$ 3,499,455</b>	<b>\$ 3,063,103</b>	<b>\$ 6,562,558</b>

## 12. 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, 2020	Net realized and unrealized gains (losses) <sup>1</sup>	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2021
<b>LEVEL 3 ASSETS</b>						
Private capital	\$ 2,368	\$ 1,051	\$ -	\$ (3,419)	\$ -	\$ -
Real estate	18	-	-	(2)	-	16
Natural resources	28,268	2,516	-	(15,558)	-	15,226
Trusts	26,568	7,690	1,480	(2,925)	-	32,813
Other investments	2,171	113	-	(847)	-	1,437
Interests in trusts held by others	27,853	7,669	-	(693)	-	34,829
<b>Total Level 3</b>	<b>\$ 87,246</b>	<b>\$ 19,039</b>	<b>\$ 1,480</b>	<b>\$ (23,444)</b>	<b>\$ -</b>	<b>\$ 84,321</b>

<sup>1</sup>Total unrealized gains/(losses) relating to level 3 investment assets held by the university at June 30, 2021, is \$13,964.6 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, 2019	Net realized and unrealized gains (losses) <sup>1</sup>	Purchases	Sales	Transfers into/(out of) level 3	Ending balance as of June 30, 2020
<b>LEVEL 3 ASSETS</b>						
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
<b>Total Level 3</b>	<b>\$ 99,126</b>	<b>\$ (6,408)</b>	<b>\$ 24,990</b>	<b>\$ (30,462)</b>	<b>\$ -</b>	<b>\$ 87,246</b>

<sup>1</sup>Total 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.

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, private credit, and other investments are illiquid as of June 30, 2021. 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.



## Vanderbilt University

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*):

<b>Assets Reported at Fair Value as of June 30, 2021</b>						
	Fair Value Measurements					Total
	Level 1	Level 2	Level 3	NAV		
Cash and cash equivalents	\$ 1,124,103	\$ -	\$ -	\$ -	\$ -	\$ 1,124,103
Short-term securities	207	-	-	-	-	207
Global equities	2,092,745	64,185	-	461,437	-	2,618,367
Fixed income	281,688	509,306	-	-	-	790,994
Hedged strategies	1,444,050	662,050	-	437,423	-	2,543,523
Private capital	13,991	2,216	-	3,984,114	-	4,000,321
Real estate	-	-	16	222,236	-	222,252
Natural resources	258	-	15,226	479,780	-	495,264
Commodities	213,498	-	-	-	-	213,498
Trusts	-	-	32,813	-	-	32,813
Private credit	-	-	-	8,211	-	8,211
Other investments	5,397	20,541	1,437	-	-	27,375
Interests in trusts held by others	-	-	34,829	-	-	34,829
<b>Total assets reported at fair value</b>	<b>\$ 5,175,937</b>	<b>\$ 1,258,298</b>	<b>\$ 84,321</b>	<b>\$ 5,593,201</b>	<b>\$ -</b>	<b>\$ 12,111,757</b>

<b>Liabilities Reported at Fair Value as of June 30, 2021</b>						
Securities sold short	\$ 416,017	\$ 90,076	\$ -	\$ -	\$ -	\$ 506,093
<b>Total liabilities reported at fair value</b>	<b>\$ 416,017</b>	<b>\$ 90,076</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 506,093</b>

<b>Assets Reported at Fair Value as of June 30, 2020</b>						
	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
<b>Total assets reported at fair value</b>	<b>\$ 3,409,984</b>	<b>\$ 1,140,794</b>	<b>\$ 87,246</b>	<b>\$ 3,052,601</b>	<b>\$ -</b>	<b>\$ 7,690,625</b>

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

## Vanderbilt University

### Redemption Terms and Restrictions as of June 30, 2021 and 2020

	2021 Fair Value	Redemption Terms	Redemption Restrictions
Cash and cash equivalents	\$ 1,124,103	Daily, with same-day to 90-day notice	No restrictions
Short-term securities	207	Daily, with 1-day notice	No restrictions
Global equities	2,618,367	Daily to annually, with 1- to 90-day notice	Lock-up provision ranging from none to 2 years
Fixed income	790,994	Daily to annually, with 1- to 365-day notice	No restrictions
Hedged strategies	2,543,523	Daily to annually, with 15- to 90-day notice	Lock-up provision ranging from none to 2 years
Private capital	4,000,321	N/A	Not redeemable
Real estate	222,252	N/A	Not redeemable
Natural resources	495,264	N/A	Not redeemable
Commodities	213,498	Daily, with 1- to 30-day notice	No restrictions
Trusts	32,813	N/A	Not redeemable
Private credit	8,211	N/A	Not redeemable
Other investments	27,375	N/A	Not redeemable
Interests in trusts held by others	34,829	N/A	Not redeemable

### 13. LEASES

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 statements 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 10 years through fiscal 2032. 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 statements 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*):

	2021	2020
Operating lease expense	\$ 13,229	\$ 12,940
Short-term lease expense	5,620	2,510
<b>Total lease expense</b>	<b>\$ 18,849</b>	<b>\$ 15,450</b>

#### Other lease information

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

Operating cash flows from operating leases	\$ 13,667
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,316
Weighted-average remaining lease term - operating leases	6.36 Years
Weighted-discount rate - operating leases	2.48%

## Vanderbilt University

The undiscounted cash flows due by fiscal year related to significant noncancelable operating leases with initial terms in excess of one year as of June 30, 2021, along with a reconciliation to the discounted amount recorded as of June 30, 2021, were as follows (*in thousands*):

2022	\$ 12,897
2023	12,675
2024	12,364
2025	12,173
2026	12,024
Thereafter	7,371
Total undiscounted cash flows	\$ 69,504
<b>Less amount representing imputed interest</b>	<b>4,977</b>
<b>Total lease obligation</b>	<b>\$ 64,527</b>

Property leases for buildings owned by Vanderbilt University Medical Center (54%) and 2100 West End Avenue (28%) account for approximately 82% of the total future minimum rentals as of June 30, 2021.

Vanderbilt is the lessor in several long-term noncancelable 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, 2021.

Future minimum operating rental revenue due as of June 30, 2021, is summarized below (*in thousands*):

2022	\$ 31,105
2023	30,467
2024	30,074
2025	30,101
2026	29,463
Thereafter	1,740,799
<b>Total future minimum rentals</b>	<b>\$ 1,892,009</b>

## 14. REVENUE RECOGNITION

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

	2021	2020
Tuition and educational fees, net		
Undergraduate [net of financial aid, \$176,515 and \$155,586, respectively]	\$ 210,096	\$ 208,413
Professional [net of financial aid, \$58,349 and \$58,150, respectively]	142,434	132,206
Graduate [net of financial aid, \$52,153 and \$50,872, respectively]	8,511	8,949
Total tuition and educational fees, net	361,041	349,568
Grants:		
Government sponsors <sup>1</sup>	152,265	129,181
Private sponsors <sup>1</sup>	8,243	10,049
Facilities and administrative costs recovery <sup>1</sup>	40,756	41,650
Contracts:		
Government sponsors <sup>2</sup>	36,041	36,351
Private sponsors <sup>3</sup>	23,308	20,150
Facilities and administrative costs recovery <sup>4</sup>	23,953	20,583
Total grants and contracts	284,566	257,964
Contributions <sup>1</sup>	88,214	84,842
Endowment distributions <sup>1</sup>	347,540	310,980
Investment income <sup>1</sup>	35,451	15,223
Room, board, and other auxiliary services, net		
Room and board, net [net of financial aid, \$26,376 and \$38,661, respectively]	30,097	39,161
Auxiliary revenue from affiliates	34,795	35,752
Vanderbilt Legends Club	10,530	9,560
West Trace	7,318	11,026
External rental revenue <sup>1</sup>	6,557	11,313
Parking and vehicle registration	3,431	4,889
Commissions revenue	1,714	2,254
Other auxiliary services	1,598	3,418
Total room, board, and other auxiliary services, net	96,040	117,373
Trademark, license, and royalty revenue	113,811	113,362
Affiliated entity revenue	180,664	177,998
Other sources		
Television revenue	57,684	33,491
Tournament revenue	17,895	12,538
Miscellaneous reimbursement from third parties	8,803	-
Miscellaneous revenue from affiliate	3,927	5,338
Conference and seminar revenue	3,258	5,249
Child care operations	3,006	2,175
Student athletics ticket revenue	21	9,551
Other miscellaneous revenue	13,247	16,236
Total other sources	107,841	84,578
<b>Total revenues and other support</b>	<b>\$ 1,615,168</b>	<b>\$ 1,511,888</b>

<sup>1</sup> Not considered revenue from contracts with customers

<sup>2</sup> Revenue from government sponsors includes contracts with customers of \$34.0 million and contributions of \$2.0 million in fiscal 2021 and contracts with customers of \$33.0 million and contributions of \$3.0 million in fiscal 2020.

<sup>3</sup> Revenue from private sponsors includes contracts with customers of \$23 million in fiscal 2021 and contracts with customers of \$20 million in fiscal 2020.

<sup>4</sup> Revenue from facilities and administrative costs recovery includes contracts with customers of \$23 million and contributions of \$1 million in fiscal 2021 and contracts with customers of \$19 million and contributions of \$1 million in fiscal 2020.

## Vanderbilt University

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** is recognized by Vanderbilt 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 2021 and in fiscal 2020. Vanderbilt's federal F&A off-campus research adjacent and remote cost recovery rate was 29.4% in fiscal 2021 and in fiscal 2020.

**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 \$331.6 million. In February 2021, Vanderbilt sold 29 years of an additional portion of the 1%-of-VUMC revenue TML payment stream in exchange for cash consideration of \$277.2 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.

## 15. 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
<b>2021</b>						
Salaries, wages, and benefits	\$ 342,719	\$ 126,654	\$ 71,517	\$ 540,890	\$ 186,336	\$ 727,226
Supplies, services, and other	143,498	71,539	45,901	260,938	168,512	429,450
Interest	2,459	1,024	753	4,236	15,270	19,506
Depreciation	22,861	16,926	11,662	51,449	53,342	104,791
Grants to affiliate	-	25,816	-	25,816	-	25,816
<b>Total expenses</b>	<b>\$ 511,537</b>	<b>\$ 241,959</b>	<b>\$ 129,833</b>	<b>\$ 883,329</b>	<b>\$ 423,460</b>	<b>\$ 1,306,789</b>

	Instruction & academic support	Research & public service	Student services	Total program expenses	Support activities	Total expenses
<b>2020</b>						
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
<b>Total expenses</b>	<b>\$ 532,453</b>	<b>\$ 242,555</b>	<b>\$ 120,352</b>	<b>\$ 895,360</b>	<b>\$ 392,553</b>	<b>\$ 1,287,913</b>

## 16. RETIREMENT PLANS

Vanderbilt's eligible faculty and staff members participate in a 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 2021 and 2020 were \$21.0 million and \$21.2 million, respectively.

## 17. COMMITMENTS AND CONTINGENCIES

(A) *Construction.* As of June 30, 2021, Vanderbilt had contractual commitments for approximately \$196.9 million of projects under construction and equipment purchases. The largest component of this commitment amount was for residential college hall construction for \$155.8 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 pretrial 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 \$1,047.3 million of commitments to venture capital, real estate, and private equity investments as of June 30, 2021. 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 \$8.5 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.

## 18. RELATED PARTIES

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

## 19. VANDERBILT UNIVERSITY MEDICAL CENTER

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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

## *Vanderbilt University*

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 \$331.6 million. This securitization occurred on a true-sale basis. In February 2021, Vanderbilt securitized 29 years of a portion of the 1%-of-VUMC revenue TML payment stream in exchange for cash consideration of \$277.2 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.

## **20. SUBSEQUENT EVENTS**

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Vanderbilt evaluated events subsequent to June 30, 2021, through September 30, 2021, the date of issuance of the consolidated financial statements.

On July 12, 2021, Vanderbilt issued \$50.0 million of taxable commercial paper to support a strategic asset acquisition and other capital plans.

On July 15, 2021, Vanderbilt completed a strategic asset acquisition of land and property for a total purchase consideration of \$55.0 million. This transaction will be recorded as an asset acquisition in accordance with Accounting Standards Codification (ASC) 805, Business Combinations.

On July 20, 2021, Vanderbilt reached a settlement related to litigation for unpaid royalties and vindication of other intellectual property claims in the middle district of Tennessee. As part of the settlement, Vanderbilt received \$30.0 million.

Vanderbilt did not identify any other material subsequent events for recognition or disclosure.





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