



**VANDERBILT
FINANCIAL REPORT**

★ 2022 ★

2022 FINANCIAL REPORT



Contents

| | |
|--|----|
| Letter from Chancellor Daniel Diermeier..... | 3 |
| Vanderbilt University Statistics..... | 4 |
| Financial Overview | 6 |
| Consolidated Financial Statements | |
| Report of Independent Auditors..... | 16 |
| Consolidated Statements of Financial Position..... | 18 |
| Consolidated Statements of Activities | 19 |
| Consolidated Statements of Cash Flows | 21 |
| Notes to the Consolidated Financial Statements | 22 |

Letter from Chancellor Daniel Diermeier

In a fiscal year rocked by market volatility, supply chain challenges and crises at home and abroad, Vanderbilt University remained strong in every respect.

The value of our endowment exceeded \$10 billion during this period, a record high. Our strong financial capacity made it possible for us to advance more of our mission of transformative education and pathbreaking research—funding scholarships, research, and the labs, equipment and infrastructure that expand the possibilities for innovation and discovery for students and researchers.

In another fiscal milestone, we, together with our partners at Vanderbilt University Medical Center, received more than \$1 billion in annual research funding, affirming our place among the world’s foremost research institutions. Projects supported by the funding include the engineering of monoclonal antibodies that can be rapidly deployed to avert and treat future pathogens; the development of a stretch of “smart highway” along a Nashville-area interstate; and the development of teaching methods to improve math outcomes for those with learning difficulties.

Of course, fiscal soundness is only one measure of a successful university. I’m pleased to report that today’s Vanderbilt students are our most qualified and diverse ever, and our faculty our most expert and accomplished. Through our Destination Vanderbilt recruiting initiative, we added more renowned scholars, innovators and thinkers with the aim of making Vanderbilt a premier center of exploration, innovation and artistic expression. We’ll continue to do that with new investments in research and discovery.

Nearly two and a half years after the onset of the COVID-19 pandemic, and on the cusp of our sesquicentennial, Vanderbilt University is stronger, by every metric, than at any time in our history. Founded to be a great university of the South, Vanderbilt is now positioned to define The Great University of the 21st Century—one true to the ideals of what a university should be, with an impact that is local, national and global.

It is my pleasure to share this year’s Financial Report with you. Thank you for your interest in Vanderbilt University.



Daniel Diermeier
Chancellor, Vanderbilt University

Vanderbilt University Statistics

| | 2021/2022 | 2020/2021 | 2019/2020 | 2018/2019 | 2017/2018 |
|--|-----------|-----------|-----------|-----------|-----------|
| STUDENTS | | | | | |
| Undergraduate | 7,111 | 7,057 | 6,886 | 6,861 | 6,885 |
| Graduate and professional | 6,685 | 6,480 | 6,245 | 5,963 | 5,707 |
| Total fall enrollment | 13,796 | 13,537 | 13,131 | 12,824 | 12,592 |
| Undergraduate admissions | | | | | |
| Applied | 47,152 | 36,646 | 37,310 | 34,313 | 31,462 |
| Accepted | 3,368 | 4,259 | 3,402 | 3,298 | 3,415 |
| Enrolled | 1,626 | 1,698 | 1,604 | 1,602 | 1,607 |
| Selectivity | 7.1% | 11.6% | 9.1% | 9.6% | 10.9% |
| Yield | 48.3% | 39.9% | 47.1% | 48.6% | 47.1% |
| Degrees conferred | | | | | |
| Baccalaureate | 1,715 | 1,712 | 1,691 | 1,700 | 1,716 |
| Master's | 1,674 | 1,459 | 1,512 | 1,382 | 1,477 |
| M.D. | 99 | 97 | 82 | 100 | 79 |
| Other doctoral | 735 | 671 | 568 | 599 | 583 |
| Total degrees conferred | 4,223 | 3,939 | 3,853 | 3,781 | 3,855 |
| Undergraduate six-year graduation rate | 92.6% | 93.4% | 92.6% | 93.0% | 93.6% |
| Undergraduate tuition | \$ 54,840 | \$ 52,780 | \$ 50,800 | \$ 48,600 | \$ 46,500 |
| % increase over prior year | 3.9% | 3.9% | 4.5% | 4.5% | 4.5% |

FACULTY AND STAFF ¹

| | | | | | |
|-------------------------|-------|-------|-------|-------|-------|
| Full-time faculty | 1,465 | 1,442 | 1,466 | 1,468 | 1,431 |
| Full-time staff | 4,362 | 3,937 | 4,555 | 4,245 | 4,205 |
| Part-time faculty | 271 | 298 | 324 | 348 | 339 |
| Part-time staff | 370 | 277 | 448 | 412 | 346 |
| Total faculty and staff | 6,468 | 5,954 | 6,793 | 6,473 | 6,321 |

GRANT AND CONTRACT FUNDING

(in thousands)

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Government sponsors | \$ 181,007 | \$ 188,306 | \$ 165,532 | \$ 160,958 | \$ 151,580 |
| Private sponsors | 22,540 | 31,551 | 30,199 | 27,656 | 22,298 |
| Facilities and administrative costs recovery | 68,277 | 64,709 | 62,233 | 60,408 | 56,868 |
| Total grants and contracts | \$ 271,824 | \$ 284,566 | \$ 257,964 | \$ 249,022 | \$ 230,746 |

ENDOWMENT

| | | | | | |
|-----------------------------|---------------|---------------|--------------|--------------|--------------|
| Market value (in thousands) | \$ 10,206,068 | \$ 10,928,512 | \$ 6,917,371 | \$ 6,270,877 | \$ 4,608,461 |
| Endowment return | -4.4% | 57.1% | -0.1% | 6.7% | 12.6% |
| Endowment per student | \$ 739,785 | \$ 807,307 | \$ 526,797 | \$ 488,995 | \$ 365,983 |
| Endowment payout | 3.5% | 3.9% | 4.7% | 4.5% | 4.7% |

¹ On April 29, 2016, Vanderbilt University ("VU") and Vanderbilt University Medical Center ("VUMC") became two separate legal entities. Vanderbilt transferred clinical services operations, post-graduate training programs, and clinical department research activities, along with related assets and liabilities, to VUMC as a newly incorporated Tennessee not-for-profit corporation in exchange for \$1,230 million of consideration. In addition to the faculty employed by VU for all the years presented, some employees of VUMC held VU faculty appointments. These additional VUMC-employed, VU faculty comprised:

| VUMC-employed, VU faculty appointments | 2021/2022 | 2020/2021 | 2019/2020 | 2018/2019 | 2017/2018 |
|--|-----------|-----------|-----------|-----------|-----------|
| Full-time | 3,018 | 2,970 | 2,892 | 2,817 | 2,830 |
| Part-time | 160 | 104 | 101 | 93 | 116 |
| Total | 3,178 | 3,074 | 2,993 | 2,910 | 2,946 |



Financial Overview

FINANCIAL OVERVIEW

The university ended fiscal 2022 with \$234 million of net operating results compared to \$224 million in fiscal 2021. Vanderbilt's net assets without donor restrictions decreased \$227 million from fiscal 2021 to 2022 primarily driven by investment returns.

OPERATING REVENUES

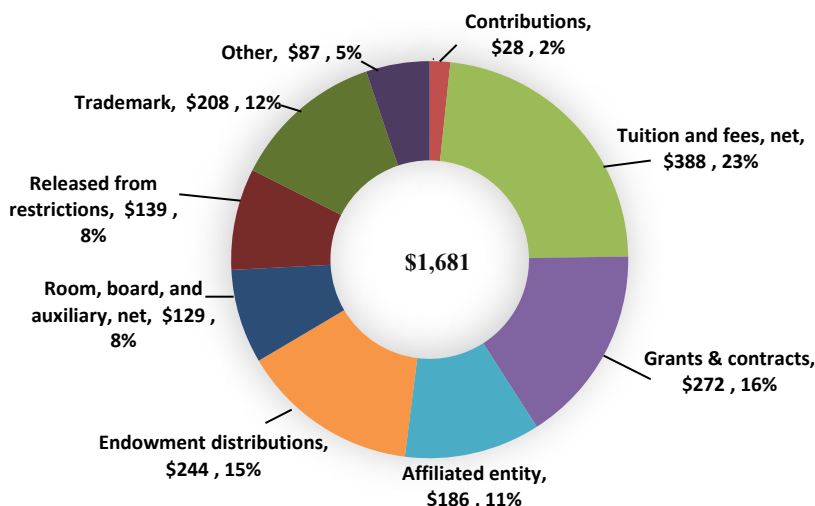
Vanderbilt's operating revenues without donor restrictions for the years ended June 30, 2022, and June 30, 2021, were as follows:

| <i>(in millions)</i> | 2022 | 2021 |
|--|-----------------|-----------------|
| Tuition and educational fees, net | \$ 388 | \$ 361 |
| Government grants and contracts | 181 | 188 |
| Private grants and contracts | 23 | 31 |
| F&A costs recovery | 68 | 65 |
| Contributions | 28 | 31 |
| Endowment distributions | 244 | 226 |
| Room, board, and other auxiliary services, net | 129 | 96 |
| Trademark, license, and royalty revenue | 208 | 114 |
| Affiliated entity revenue | 186 | 181 |
| Other sources | 87 | 114 |
| Net assets released from restrictions | 139 | 124 |
| Total operating revenue | \$ 1,681 | \$ 1,531 |

Operating revenues without donor restrictions increased \$150 million, or 10%, to \$1,681 million in fiscal 2022 from \$1,531 million in fiscal 2021. Trademark, license, and royalty revenue increased by \$94 million primarily related to royalties associated with the Center for Technology Transfer & Commercialization. Room, board, and other auxiliary services, net, increased by \$33 million primarily due to higher residence hall occupancy resulting from a return to standard campus occupancy in fiscal 2022 compared to efforts to reduce campus density as a result of the COVID-19 global pandemic in fiscal 2021. Tuition and fees, net, increased by \$27 million due to changes in student enrollment, credit hours, and board-approved increases in tuition rates. Endowment distributions increased by \$18 million due to payouts from the additional investments in the endowment. These increases were primarily offset by decreases in other sources of \$27 million as a result of a one-time distribution from the Southeastern Conference (SEC) in fiscal 2021. In addition, total revenue related to grants and contracts decreased by \$12 million due to the inclusion of grants supporting emergency relief from the COVID-19 global pandemic in fiscal 2021.

Operating Revenues without Donor Restrictions by Type (Fiscal 2022)

(in millions)



TUITION, ROOM, AND BOARD

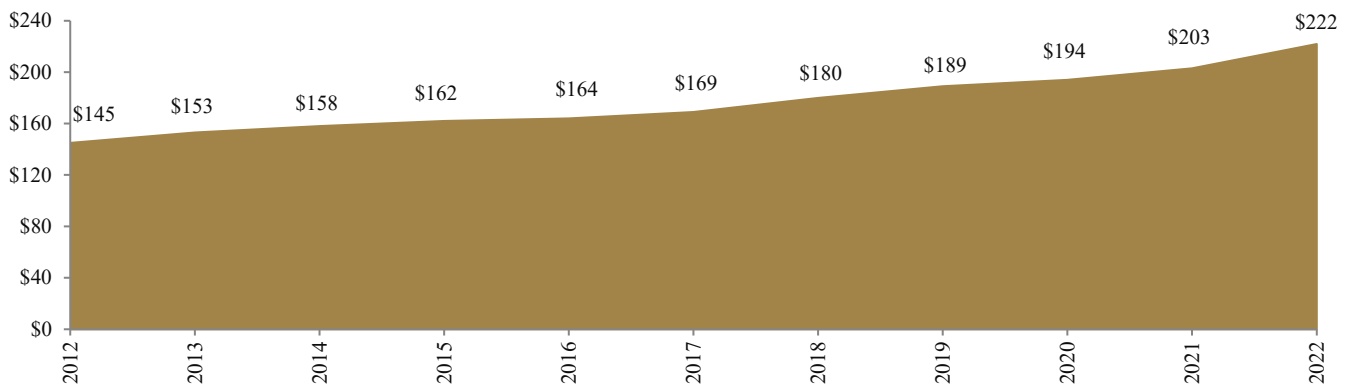
Supporting Vanderbilt's commitment to student access and affordability, the university provides significant financial aid to students and their families. In fiscal 2022, Vanderbilt provided \$341 million in support to its students for tuition, room, and board as shown in the table below.

| | Undergraduate | Professional | Graduate | Total |
|--|------------------|------------------|------------------|------------------|
| <i>Student count</i> | 7,111 | 4,479 | 2,206 | 13,796 |
| <i>(in millions)</i> | | | | |
| Tuition and fees | \$ 404 | \$ 217 | \$ 64 | \$ 685 |
| Financial aid ⁽¹⁾ | (178) | (64) | (55) | (297) |
| Tuition and fees, net | \$ 226 | \$ 153 | \$ 9 | \$ 388 |
| Room and board | 91 | - | - | 91 |
| Financial aid ⁽¹⁾ | (44) | - | - | (44) |
| Room and board, net | \$ 47 | \$ - | \$ - | \$ 47 |
| Total financial aid⁽¹⁾ | \$ 222 | \$ 64 | \$ 55 | \$ 341 |
| Average financial aid per student⁽²⁾ | \$ 31,000 | \$ 14,000 | \$ 25,000 | \$ 25,000 |

¹ Financial aid excludes Pell Grants of \$6 million as these amounts represent agency funds.

² Rounded to the nearest thousand.

Undergraduate Financial Aid fiscal 2012–2022 (in millions)



Vanderbilt expanded its undergraduate financial aid significantly over the past decade. In fiscal 2022, undergraduate aid as a percentage of gross tuition, room and board, and educational fees was 45%. Since fiscal 2012, undergraduate aid has grown by 53%. The university's Opportunity Vanderbilt no-loan initiative, which began in fiscal 2009, is crucial to this support. Through fiscal 2022, generous donors have committed, through gifts and pledges, \$510 million to support undergraduate financial aid. A portion of operations (\$142 million), endowment distributions and gifts (\$75 million), and external agencies (\$5 million) funded fiscal 2022 undergraduate aid.

GRANTS AND CONTRACTS

Direct grant revenue decreased by \$15 million, or 7%, to \$204 million in fiscal 2022 from \$219 million in fiscal 2021. Government grants and contracts revenue decreased \$7 million, or 4%, to \$181 million in fiscal 2022 from \$188 million in fiscal 2021, due to the lack of grants supporting emergency relief from the COVID-19 global pandemic received in fiscal 2021 and decreases from the Department of Education. Private grants and contracts revenues decreased \$8 million, or 26%, over the same period to \$23 million in fiscal 2022 from \$31 million in fiscal 2021, due to drug discovery awards that met major milestones in fiscal 2021 which allowed for revenue recognition in the prior year.

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> | 2022 | % | 2021 | % |
|--|---------------|-------------|---------------|-------------|
| Department of Health and Human Services | \$ 106 | 59% | \$ 98 | 52% |
| National Science Foundation | 20 | 11% | 19 | 10% |
| Department of Education | 16 | 9% | 37 | 20% |
| Department of Defense | 14 | 8% | 13 | 7% |
| Department of Energy | 8 | 4% | 9 | 5% |
| Other government agencies | 17 | 9% | 12 | 6% |
| Total government grants and contracts by funding source | \$ 181 | 100% | \$ 188 | 100% |

Sponsored research and project awards represent research funding commitments not yet expended by Vanderbilt and include multiple-year grants and contracts from government sources, foundations, associations, and corporations. As of June 30, 2022 and 2021, such awards totaled \$258 million and \$246 million, respectively, as shown in the following table.

Sponsored Program Awards

| <i>(in millions)</i> | 2022 | 2021 |
|--|---------------|---------------|
| Government awards | \$ 220 | \$ 217 |
| Private awards | 38 | 29 |
| Total sponsored research and project awards | \$ 258 | \$ 246 |

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> | 2022 | 2021 |
|--|---------------|---------------|
| Contributions revenue | | |
| Without donor restriction | \$ 28 | \$ 31 |
| With donor restriction – time and purpose | 23 | 18 |
| With donor restriction – true endowment | 67 | 39 |
| Total contributions revenue | 118 | 88 |
| Total contributions for capital improvements | 13 | 15 |
| Total consolidated GAAP contributions revenue | \$ 131 | \$ 103 |
| Grants and similar agreements meeting CASE guidelines (gifts per CASE standards) | \$ 6 | \$ 7 |
| Net decrease in contributions receivable | 1 | 16 |
| Other | (3) | 3 |
| Total CASE reported gifts (cash basis) | \$ 135 | \$ 129 |

Vanderbilt reported \$131 million in consolidated contributions revenue, including pledges and contributions for capital improvements, a 27% increase over the \$103 million fiscal 2021 level.

Consolidated Contributions (GAAP Basis)

(in millions)



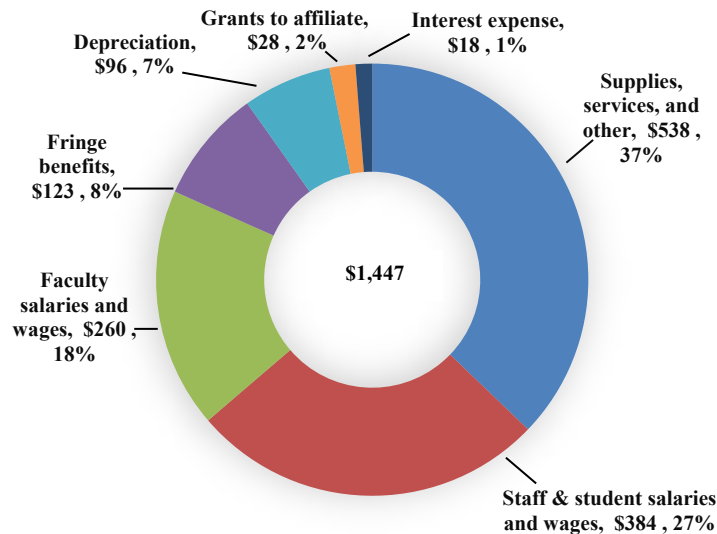
OPERATING EXPENSE

| (in millions) | 2022 | 2021 |
|---------------------------------|-----------------|-----------------|
| Salaries, wages, and benefits | \$ 767 | \$ 727 |
| Supplies, services, and other | 538 | 429 |
| Interest expense | 18 | 20 |
| Depreciation | 96 | 105 |
| Grants to affiliate | 28 | 26 |
| Total operating expenses | \$ 1,447 | \$ 1,307 |

Consolidated operating expenses increased \$140 million to \$1,447 million in fiscal 2022 from \$1,307 million in fiscal 2021. The primary drivers of this increase were a \$109 million increase in supplies, services, and other expenses driven by a return to standard operations on campus after COVID-19 and a \$40 million increase in salaries, wages, and benefits as a result of increased headcount. These increases were offset by a decrease in depreciation expense of \$9 million and a decrease in interest expense of \$2 million.

Operating Expenses by Type (Fiscal 2022)

(in millions)



OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

| <i>(in millions)</i> | 2022 | 2021 |
|---|-----------------|-----------------|
| Change in appreciation of endowment, net of distributions | \$ (503) | \$ 2,132 |
| Change in appreciation of other investments, net of distributions | 46 | - |
| Capital contributions and releases from restriction | 10 | 4 |
| Nonoperating net asset reclassifications | (2) | - |
| Total changes from nonoperating | \$ (449) | \$ 2,136 |

Fiscal 2022 nonoperating activity primarily consisted of a change in appreciation of endowment, net of distributions of \$(503) million, a decrease of \$2,635 million compared to fiscal 2021. The change in value for the endowment resulted from a -4.4% investment return offset by 3.5% of the endowment utilized for distributions during fiscal 2022, compared to a 57.1% investment return and 3.9% of the endowment utilized for distributions during fiscal 2021. Change in appreciation of other investments, net of distributions, increased \$46 million which represents the appreciation on the \$200 million Treasury lock agreement entered into during fiscal 2022 to hedge a portion of a future debt issuance. In addition, releases from restrictions for capital contributions totaled \$10 million in fiscal 2022. Releases from restrictions for capital contributions occurred at the time the asset or building was placed into service and included \$5 million for residential colleges, \$4 million related to athletic facilities, and \$1 million related to Greek housing renovations in fiscal 2022.

Noncontrolling Interests

Net assets related to noncontrolling interests decreased \$12 million to \$17 million in fiscal 2022 from \$29 million in fiscal 2021 due to distributions of \$8 million and a change in appreciation on investment of \$4 million during fiscal 2022.

SUMMARY OF FINANCIAL POSITION

Vanderbilt's summarized Statements of Financial Position as of June 30, 2022, and June 30, 2021, were as follows:

| <i>(in millions)</i> | 2022 | 2021 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,184 | \$ 1,124 |
| Accounts and contributions receivable, net | 220 | 202 |
| Investments | 10,402 | 10,953 |
| Right of use assets | 58 | 62 |
| Property, plant, and equipment, net | 1,634 | 1,472 |
| Prepaid expenses and other assets | 64 | 71 |
| Total assets | \$ 13,562 | \$ 13,884 |
| LIABILITIES | | |
| Payables and accrued liabilities | \$ 345 | \$ 282 |
| Deferred revenue | 49 | 41 |
| Deferred trademark revenue | 1,841 | 1,885 |
| Long-term debt and commercial paper | 673 | 632 |
| Securities sold short | 614 | 506 |
| Lease liabilities | 61 | 65 |
| Total liabilities | 3,583 | 3,411 |
| NET ASSETS | | |
| Without donor restrictions | 5,632 | 5,859 |
| With donor restrictions | 4,347 | 4,614 |
| Total net assets | 9,979 | 10,473 |
| Total liabilities and net assets | \$ 13,562 | \$ 13,884 |

Vanderbilt's assets decreased \$322 million, or 2%, from fiscal 2021 to fiscal 2022. Investments decreased \$551 million, or 5%, to \$10,402 million in fiscal 2022 from \$10,953 million in fiscal 2021. The endowment, net of securities sold short, returned -4.4% and its value decreased to \$10,206 million in fiscal 2022 from \$10,928 million in fiscal 2021 after the impact of distributions in support of operations and the addition of new gifts and quasi-endowments. These decreases are offset by an increase in property, plant, and equipment, net, of \$162 million, or 11%, driven by \$227 million in additions, net, offset by \$65 million in accumulated depreciation. Cash and cash equivalents increased \$60 million, or 5%, from fiscal 2021 to fiscal 2022 primarily attributable to working capital cash from spring tuition, endowment distributions, and grant-related draws.

Total liabilities increased \$172 million, or 5%, from fiscal 2021 to fiscal 2022. This increase is primarily attributable to the increase of \$108 million in the fair value of securities sold short and the increases in accounts payable and accrued liabilities of \$63 million. The fair value of open short positions is recorded as a liability, \$614 million in fiscal 2022, and the university 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 short sales, the university bears the market risk of increases in the value of the security sold short in excess of the proceeds received.

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, 2022, \$1,315 million of liquid assets were available on a same-day basis and an additional \$2,419 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 two separate lines of credit in the amounts of \$250 million and \$100 million with two different 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 multidisciplinary 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> | 2022 | 2021 |
|-------------------------------|---------------|---------------|
| Minor capital expenditures | \$ 80 | \$ 33 |
| Housing projects | 68 | 74 |
| Acquisitions | 55 | - |
| Academic projects | 42 | 16 |
| Athletics projects | 10 | 6 |
| Infrastructure projects | 2 | 8 |
| Total capital projects | \$ 257 | \$ 137 |

During fiscal 2022, Vanderbilt University invested \$257 million in capital projects as compared to \$137 million in fiscal 2021. This enabled progress on several significant projects, including, but not limited to:

- Continued expansion of the residential college program, including completion of Rothschild College, which contributes to the living and learning experience of upper-division students in the West End Neighborhood of campus;
- Continued renovation and expansion of the Owen Graduate School of Management, which will enhance Owen's world-class culture of excellence in teaching, research, and placement and enable flexibility in new programs;
- Renovations to athletics facilities, including men's and women's basketball locker rooms and stadium upgrades, that enhance the experience for student-athletes and fans; and
- Acquisition of property adjacent to Vanderbilt's campus.

As capital projects conclude or new acquisitions occur during the fiscal year, capital asset balances increase. A total of \$101 million of completed projects and purchased property and equipment came into service during fiscal 2022.

The Board of Trust Executive Committee reviews the university's five-year capital plan annually; however, major capital projects are approved individually. The fiscal 2022–26 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 2022, Vanderbilt's endowment portfolio returned -4.4%. The endowment ended fiscal 2022 with a total market value of \$10,206 million, compared to \$10,928 million at the end of fiscal 2021. 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 \$22 million, and the distribution of endowment funds to support university operations. During fiscal 2022, the university added \$123 million to the endowment portfolio through new gifts, recapitalizations, and additions to institutional endowments. Endowment distributions totaled \$374 million in fiscal 2022, compared to \$348 million in fiscal 2021. These distributions support the university's education, research, and public service missions.

COVID-19 and its subvariants continued to dominate the news in fiscal 2022. By the end of the fiscal year, the World Health Organization had reported 543 million cumulative cases and 6.33 million deaths worldwide. The U.S. Centers for Disease Control and Prevention reported

87 million cumulative cases and more than a million deaths. Even as individuals continue to get vaccinated and as China continues its “zero-COVID” approach, a risk of collateral damage to global economic growth still remains.

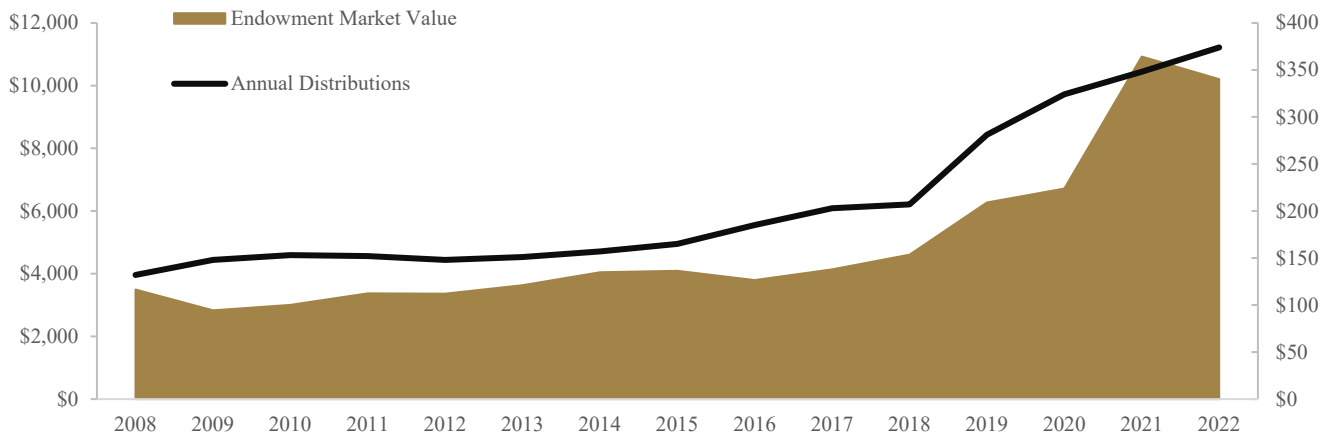
The other major threat to the global economy is the commitment of major central banks in the U.S., Europe, Canada, and parts of Asia to tighten financial conditions to control the highest inflation rates in more than four decades. This monetary policy tightening is a threat to economic growth in general, and capital markets in particular.

The global capital market environment has suffered, particularly in the back half of the fiscal year. Global equity markets returned -16%, with significant losses across U.S. large caps (down 11%), U.S. small caps (down 25%), non-U.S. developed markets (down 17%), and emerging markets (down 25%). U.S. bond markets also suffered losses (down 10%) as long-term U.S. Treasury yields rose, and credit spreads widened. Commodity prices surged (up 45%, after gaining 57% in the prior fiscal year), with oil prices a major contributing factor (up from \$75 to \$115 per barrel over the course of the year).

Looking into the future, substantial headwinds lie ahead. U.S. equity valuations remain elevated despite the recent market correction. Inflation is the most hotly debated topic in U.S. capital markets. Market participants and federal policymakers seem to have given up on the belief among some that the recent spike in consumer prices is transitory. European markets are pressured by central bank tightening, Russia’s ongoing invasion of Ukraine, the potential disruption of natural gas supplies from Russia and its impact on economic growth, and political turmoil in some countries, including Italy. China continues to suffer from a number of excesses. Globally, emerging markets are wrestling with the strength of the U.S. dollar. 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 sturdy 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, 2022 (% of portfolio)

| | Allocation |
|---------------------------------|-------------|
| Global equities | 18% |
| Hedged strategies | 24% |
| Commodities | 2% |
| Fixed income | 7% |
| Cash and cash equivalents | 5% |
| Total public investments | 56% |
| Private capital | 36% |
| Real estate | 2% |
| Natural resources | 6% |
| Total nonmarketable | 44% |
| Total endowment | 100% |

LOOKING FORWARD

The formal celebration of Vanderbilt's sesquicentennial will begin in March 2023 and encompass a year of events recognizing the university's development over 150 years from a regional institution to a globally renowned university known for transformative education and research. Vanderbilt was founded in 1873 with a \$1 million gift from "Commodore" Cornelius Vanderbilt. His intent was to establish an institution to "contribute to strengthening the ties that should exist between all sections of our common country."

As Vanderbilt prepares to mark its sesquicentennial in 2023, a new program will support exploration of the university's past and future. The Office of the Chancellor is launching the Sesquicentennial Grant Program to fund activities and projects that engage with the university's history, look to its future, and explore what makes Vanderbilt distinctive and unique. The grants will be used to support a range of activities and programs, including but not limited to academic forums, research, performances, exhibitions, events, and celebrations.

In advance of this historical year, Vanderbilt launched a refreshed visual identity in fiscal 2022 designed to reflect the university's forward momentum and to build pride and visibility across the institution, including its athletics program. The refresh also included a completely redesigned university seal. The seal features a new Latin motto, the university's first: *Crescere aude*, which translates to "dare to grow."

In order to grow Vanderbilt's campus and further our mission, Vanderbilt is embarking on the next phase of its residential colleges program with the re-envisioning of Highland Quadrangle along 25th Avenue South. This initiative, which includes construction of three new residential colleges for upper-division students, will build upon the successful living-learning environments already in place on The Martha Rivers Ingram Commons and in the West End Neighborhood.

Vanderbilt opened its first residential college, The Ingram Commons, to first-year students in 2008. Since then, five additional residential colleges for upper-division students have been constructed in the West End Neighborhood, expanding the university's efforts to provide students, faculty and staff with an intentional, mutually beneficial educational and living experience. Rothschild College, the newest of the West End Neighborhood residential colleges, opened for the fall 2022 semester.

While the COVID-19 pandemic disrupted normal operation on campus for several years and continues to pose many challenges, Vanderbilt has continued to embrace 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. Vanderbilt aspires to shape the future of higher education and to foster the creation of knowledge that improves the human condition. As a result of operations in fiscal 2022, Vanderbilt is exceptionally well positioned to meet current and future challenges facing higher education and society.

Vanderbilt's audited financial statements and other key financial metrics for fiscal 2022 are included in the following pages.



Consolidated Financial Statements



Report of Independent Auditors

To the Board of Trust of Vanderbilt University

Opinion

We have audited the accompanying consolidated financial statements of Vanderbilt University and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from Chancellor Daniel Diermeier, Vanderbilt University Statistics, and the Financial Overview, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

September 30, 2022

Vanderbilt University

Consolidated Statements of Financial Position

As of June 30, 2022 and June 30, 2021 (in thousands)

| | <u>June 2022</u> | <u>June 2021</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,184,069 | \$ 1,124,103 |
| Accounts receivable, net | 114,800 | 94,267 |
| Prepaid expenses and other assets | 14,923 | 16,874 |
| Contributions receivable, net | 105,568 | 106,762 |
| Student loans and other notes receivable, net | 17,926 | 19,328 |
| Investments | 10,384,751 | 10,924,017 |
| Investments allocable to noncontrolling interests | 17,061 | 28,808 |
| Right-of-use assets | 58,145 | 62,359 |
| Property, plant, and equipment, net | 1,634,036 | 1,472,148 |
| Interests in trusts held by others | 31,063 | 34,829 |
| Total assets | \$ 13,562,342 | \$ 13,883,495 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 202,284 | \$ 123,580 |
| Accrued compensation and withholdings | 89,925 | 102,478 |
| Deferred revenue | 48,781 | 40,552 |
| Deferred trademark revenue | 1,841,610 | 1,885,071 |
| Actuarial liabilities | 36,308 | 38,075 |
| Government advances for student loans | 16,770 | 18,663 |
| Commercial paper and other short-term debt | 49,728 | - |
| Long-term debt | 623,504 | 632,128 |
| Fair value of securities sold short | 614,316 | 506,093 |
| Lease liabilities | 60,652 | 64,527 |
| Total liabilities | 3,583,878 | 3,411,167 |
| NET ASSETS | | |
| Without donor restrictions, attributable to Vanderbilt | 5,614,870 | 5,829,618 |
| Without donor restrictions, related to noncontrolling interests | 17,061 | 28,808 |
| Total net assets without donor restrictions | 5,631,931 | 5,858,426 |
| With donor restrictions | 4,346,533 | 4,613,902 |
| Total net assets | 9,978,464 | 10,472,328 |
| Total liabilities and net assets | \$ 13,562,342 | \$ 13,883,495 |

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

Vanderbilt University

Consolidated Statement of Activities

Year Ended June 30, 2022 (in thousands)

| | 2022 | | |
|--|------------------------------|---------------------------|----------------------|
| | Without Donor Restriction | With Donor Restriction | Total |
| REVENUES AND OTHER SUPPORT | | | |
| Tuition and educational fees, net | \$ 387,874 | \$ - | \$ 387,874 |
| Grants and contracts: | | | |
| Government sponsors | 181,007 | - | 181,007 |
| Private sponsors | 22,540 | - | 22,540 |
| Facilities and administrative costs recovery | 68,277 | - | 68,277 |
| Total grants and contracts | 271,824 | - | 271,824 |
| Contributions | 27,922 | 89,878 | 117,800 |
| Endowment distributions | 244,440 | 130,008 | 374,448 |
| Room, board, and other auxiliary services, net | 129,317 | - | 129,317 |
| Trademark, license, and royalty revenue | 208,566 | - | 208,566 |
| Affiliated entity revenue | 185,527 | - | 185,527 |
| Other sources | 86,898 | (14,182) | 72,716 |
| Net assets released from restrictions | 138,511 | (138,511) | - |
| Total revenues and other support | 1,680,879 | 67,193 | 1,748,072 |
| EXPENSES | | | |
| Salaries, wages, and benefits | 766,643 | - | 766,643 |
| Supplies, services, and other | 538,361 | - | 538,361 |
| Interest expense | 17,878 | - | 17,878 |
| Depreciation | 95,889 | - | 95,889 |
| Grants to affiliate | 28,100 | - | 28,100 |
| Total expenses | 1,446,871 | - | 1,446,871 |
| Results of operations | 234,008 | | |
| OTHER CHANGES IN NET ASSETS | | | |
| Change in appreciation of endowment, net of distributions | (502,778) | (339,586) | (842,364) |
| Change in appreciation of other investments | 45,988 | - | 45,988 |
| Contributions for capital improvements | - | 13,055 | 13,055 |
| Net assets released from restrictions for capital improvements | 9,900 | (9,900) | - |
| Nonoperating net asset reclassifications | (1,869) | 1,869 | - |
| Other nonoperating activity | 3 | - | 3 |
| Total other changes in net assets | (448,756) | (334,562) | (783,318) |
| Changes in net assets attributable to Vanderbilt | (214,748) | (267,369) | (482,117) |
| Changes in net assets related to noncontrolling interests | (11,747) | - | (11,747) |
| Total changes in net assets | \$ (226,495) | \$ (267,369) | \$ (493,864) |
| Net assets, June 30, 2021 | \$ 5,858,426 | \$ 4,613,902 | \$ 10,472,328 |
| Net assets, June 30, 2022 | \$ 5,631,931 | \$ 4,346,533 | \$ 9,978,464 |

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 |
| REVENUES AND OTHER SUPPORT | | | |
| 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 |
| 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 | 114,205 | 29,087 | 143,292 |
| Net assets released from restrictions | 123,981 | (123,981) | - |
| Total revenues and other support | 1,531,192 | 83,976 | 1,615,168 |
| EXPENSES | | | |
| 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 |
| Total expenses | 1,306,789 | - | 1,306,789 |
| Results of operations | 224,403 | | |
| OTHER CHANGES IN NET ASSETS | | | |
| 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 | - |
| Total other changes in net assets | 2,135,741 | 1,466,823 | 3,602,564 |
| Changes in net assets attributable to Vanderbilt | 2,360,144 | 1,550,799 | 3,910,943 |
| Changes in net assets related to noncontrolling interests | (1,173) | - | (1,173) |
| Total changes in net assets | \$ 2,358,971 | \$ 1,550,799 | \$ 3,909,770 |
| Net assets, June 30, 2020 | \$ 3,499,455 | \$ 3,063,103 | \$ 6,562,558 |
| Net assets, June 30, 2021 | \$ 5,858,426 | \$ 4,613,902 | \$ 10,472,328 |

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

Vanderbilt University

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021 (in thousands)

| | 2022 | 2021 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in total net assets | \$ (493,864) | \$ 3,909,770 |
| Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities: | | |
| Change in net assets related to noncontrolling interests | 11,748 | 1,173 |
| Realized and unrealized loss (gain) on investments, net | 456,930 | (4,065,829) |
| Contributions for capital improvements and endowment | (56,954) | (49,915) |
| Contributions of donated securities | (21,821) | (27,537) |
| Proceeds from sale of donated securities | 3,081 | 7,953 |
| Depreciation | 95,889 | 104,791 |
| Amortization of bond discounts and premiums | 41 | 41 |
| Amortization of right-of-use assets | 12,799 | 12,960 |
| Loss from disposals of property, plant, and equipment | 603 | 2,259 |
| Change in: | | |
| Accounts receivable, net of accrued investment income | (20,601) | (3,609) |
| Prepaid expenses and other assets | 1,951 | 2,233 |
| Contributions receivable, net | 1,194 | 16,319 |
| Interests in trusts held by others | (165) | (2,945) |
| Accounts payable and accrued liabilities, net of nonoperating items | 62,614 | 17,957 |
| Accrued compensation and withholdings | (12,553) | 9,007 |
| Deferred revenue | 8,229 | 15,788 |
| Deferred trademark revenue | (43,461) | 240,018 |
| Actuarial liabilities | (1,767) | 8,714 |
| Lease liabilities | (12,461) | (13,246) |
| Net cash (used in) provided by operating activities | (8,568) | 185,902 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (8,193,224) | (9,490,344) |
| Proceeds from sales of investments | 8,741,715 | 9,939,296 |
| Purchases of investments allocable to noncontrolling interests | - | (240) |
| Proceeds from sales of investments allocable to noncontrolling interests | 8,140 | 9,880 |
| Change in accrued investment income | 67 | 277 |
| Acquisitions of property, plant, and equipment | (242,288) | (147,750) |
| Student loans and other notes receivable disbursed | (2,646) | (1,942) |
| Principal collected on student loans and other notes receivable | 4,048 | 4,396 |
| Net cash provided by investing activities | 315,812 | 313,573 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions for capital improvements and endowment | 56,954 | 49,915 |
| Change in government advances for student loans | (1,893) | (2,564) |
| Principal payments of debt | (8,903) | (8,955) |
| Proceeds from new debt issuances | 49,966 | 100,000 |
| Proceeds from sale of donated securities restricted for capital improvements and endowment | 18,740 | 19,584 |
| Proceeds from noncontrolling interests in investment partnerships | - | 240 |
| Payments to noncontrolling interests in investment partnerships | (8,140) | (9,880) |
| Net cash provided by financing activities | 106,724 | 148,340 |
| Net increase in cash, cash equivalents, and restricted cash | 413,968 | 647,815 |
| Cash and cash equivalents and restricted cash at beginning of year | \$ 1,686,668 | \$ 1,038,853 |
| Cash and cash equivalents and restricted cash at end of year | \$ 2,100,636 | \$ 1,686,668 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 21,273 | \$ 20,681 |
| Accrued liabilities related to additions of property, plant, and equipment | \$ 40,667 | \$ 24,576 |

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 7,100 undergraduate and 6,700 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.

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,184,069 | \$ 1,124,103 |
| Cash included in investments | 916,567 | 562,565 |
| Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows | \$ 2,100,636 | \$ 1,686,668 |

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 elected the practical expedient which allows for the use of 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. Vanderbilt reports these assets separately from the fair value hierarchy in Note 12.

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.

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.

Vanderbilt University

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, 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.

The Tax Cuts and Jobs Act ("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.

Vanderbilt University

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, 2021, Vanderbilt adopted ASU 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU was issued by the Financial Accounting Standards Board (FASB) to address the lack of transparency in the measurement of contributed nonfinancial assets as well as the amount of those contributions used in the university's programs and other activities. Under ASU 2020-07, Not-For-Profit entities should present contributed nonfinancial assets as a separate line item in the consolidated statement of activities and also quantitatively disclose the disaggregation of such assets by type. Further, an entity should disclose various qualitative information regarding the assets such as valuation techniques, how the assets were used, and restrictions on use. Contributed nonfinancial assets are not material to Vanderbilt's financial statements and, therefore, separate line-item presentation and additional disclosures are not presented.

On July 1, 2021, Vanderbilt early adopted ASU 2021-09, Leases (Topic 842): Lessors – Discount Rate for Lessees That Are Not Public Business Entities. Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in Update 2021-09 allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose to which asset classes it has elected to apply a risk-free rate. Vanderbilt did not make this policy election and will continue to apply incremental borrowing rates. As such, 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. Vanderbilt is currently evaluating the effect of adoption on the financial statements and related disclosures.

3. LIQUIDITY AND AVAILABILITY

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

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Total assets | \$ 13,562,342 | \$ 13,883,495 |
| Less nonfinancial assets: | | |
| Property, plant, and equipment, net | 1,634,036 | 1,472,148 |
| Prepaid expenses and other assets | 14,923 | 16,874 |
| Right-of-use assets | 58,145 | 62,359 |
| Less assets unavailable for general expenditure within one year: | | |
| Endowment funds, including institutional endowments | 10,232,068 | 10,805,303 |
| Contributions receivable, greater than one year | 87,276 | 93,702 |
| Interests in trusts held by others and investments allocable to minority interests | 48,124 | 63,637 |
| Annuities, trusts and other illiquid investments ¹ | 69,183 | 32,813 |
| Student loans and other notes receivable, net | 17,926 | 19,328 |
| Financial assets available within one year | \$ 1,400,661 | \$ 1,317,331 |

¹ Includes the positive mark-to-market on the \$200.0 million notional 24-month Treasury Lock as of June 30, 2022, of \$46.0 million which is recorded in "Investments" on the consolidated statements of financial position.

Vanderbilt has \$1,400.7 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 \$1,184.1 million, accounts receivable of \$114.8 million, contributions receivable, less than one year of \$18.3 million, and short-term investments of \$83.5 million.

Vanderbilt University

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 two general lines of credit of \$250.0 million and \$100.0 million as of June 30, 2022. The line of credit agreement of \$250.0 million matured and was renewed in September 2022. The \$100.0 million line of credit matures in June 2023. One line of credit agreement of \$50.0 million expired in May 2022 and was not renewed upon expiration. In fiscal years 2022 and 2021, Vanderbilt did not borrow against any of its general use lines of credit to support operations. Vanderbilt's commercial paper limitation is \$300.0 million; Vanderbilt had \$50.0 million (par) of taxable commercial paper outstanding as of June 30, 2022, and none 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 \$5,945.1 million as of June 30, 2022. 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*):

| | 2022 | 2021 |
|---|-------------------|------------------|
| VUMC-related agreements | \$ 52,055 | \$ 53,476 |
| Research and sponsored programs | 37,887 | 34,842 |
| Royalty distributions receivable | 19,227 | 1,392 |
| Tuition and fees | 3,273 | 3,047 |
| Accrued investment income | 817 | 884 |
| Other | 4,601 | 3,356 |
| Accounts receivable | 117,860 | 96,997 |
| Less: Allowance for uncollectible amounts | (3,060) | (2,730) |
| Accounts receivable, net | \$ 114,800 | \$ 94,267 |

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, 2022, includes \$52.1 million related to agreements with VUMC and \$37.9 million related to research and sponsored programs. These receivables account for 73% of total net receivables as of June 30, 2022.

5. CONTRIBUTIONS RECEIVABLE

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Unconditional promises expected to be collected: | | |
| in one year or less | \$ 18,292 | \$ 13,060 |
| between one year and five years | 99,850 | 90,614 |
| in more than five years | 13,519 | 19,807 |
| Contributions receivable | 131,661 | 123,481 |
| Less: Discount | (7,685) | (1,429) |
| Less: Allowance for uncollectible promises | (18,408) | (15,290) |
| Contributions receivable, net | \$ 105,568 | \$ 106,762 |

Vanderbilt discounts contributions receivable at a rate commensurate with the scheduled timing of receipt. Vanderbilt applied discount rates ranging from 2.8% to 3.0% and 0.1% to 1.0% to amounts outstanding as of June 30, 2022 and 2021, respectively. 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.

Vanderbilt University

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Restricted for programs and other operational purposes | \$ 31,698 | \$ 28,460 |
| Restricted for capital improvements | 30,742 | 32,310 |
| Restricted for endowment | 43,128 | 45,992 |
| Contributions receivable, net | \$ 105,568 | \$ 106,762 |

In addition to pledges reported as contributions receivable, Vanderbilt had cumulative bequest intentions, conditional grants, and conditional promises to give of approximately \$633.9 million and \$574.8 million as of June 30, 2022 and 2021, 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*):

| | 2022 | | | 2021 | | |
|--|-------------------|------------------|------------------|-------------------|------------------|------------------|
| | Receivable | Allowance | Net | Receivable | Allowance | Net |
| Student loans: | | | | | | |
| Federal | \$ 16,070 | \$ (132) | \$ 15,938 | \$ 16,970 | \$ (125) | \$ 16,845 |
| Institutional | 1,435 | (351) | 1,084 | 2,526 | (556) | 1,970 |
| Total student loans | 17,505 | (483) | 17,022 | 19,496 | (681) | 18,815 |
| Faculty mortgages | 904 | - | 904 | 513 | - | 513 |
| Student loans, other notes receivable, and related allowances | \$ 18,409 | \$ (483) | \$ 17,926 | \$ 20,009 | \$ (681) | \$ 19,328 |

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*):

| | 2022 | 2021 |
|------------------------------------|----------------------|----------------------|
| Short-term securities ¹ | \$ 196 | \$ 207 |
| Global equities ¹ | 1,977,690 | 2,618,367 |
| Fixed income ¹ | 773,495 | 790,994 |
| Hedged strategies ² | 2,575,991 | 2,543,523 |
| Private capital ³ | 3,841,567 | 4,000,321 |
| Real estate ³ | 236,009 | 222,252 |
| Natural resources ³ | 723,229 | 495,264 |
| Commodities ⁴ | 192,619 | 213,498 |
| Trusts ⁵ | 23,195 | 32,813 |
| Private credit ¹ | 4,411 | 8,211 |
| Other investments ^{5,6} | 53,410 | 27,375 |
| Total value ⁷ | \$ 10,401,812 | \$ 10,952,825 |

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

² Quoted prices in active markets determine fair value, or fund managers provide the net asset value per share of the specific investment to establish fair value. Includes \$916.6 million and \$562.6 million of cash and cash equivalents classified as investments in fiscal 2022 and 2021, respectively.

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

⁴ Quoted prices in active markets determine fair value.

⁵ Carrying value provides a reasonable estimate of fair value for certain components.

⁶ Includes the positive mark-to-market on the \$200.0 million notional 24-month Treasury Lock as of June 30, 2022, of \$46.0 million which is recorded in "Investments" on the consolidated statements of financial position.

⁷ Net of securities sold short of \$614.3 million and \$506.1 million, total value of investments is \$9,741.5 million and \$10,446.7 million in fiscal 2022 and 2021, 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, 2022, were as follows (*in thousands*):

| | |
|---|------------------|
| Fair value as of June 30, 2021 | \$ 28,808 |
| Distributions to minority limited partners | (8,140) |
| Capital commitments funded by minority limited partners | - |
| Appreciation allocable to minority limited partners | (3,607) |
| Fair value as of June 30, 2022 | \$ 17,061 |

Changes in noncontrolling interests net assets for the fiscal year ended June 30, 2021, were as follows (*in thousands*):

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

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-

Vanderbilt University

oriented securities. Investments may include mortgage-backed securities, trade finance, debt and asset-backed securities, repurchase agreements, senior loans, bank loans, and cash designated for investment. The fair value of open short positions is recorded as a liability and Vanderbilt records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position. By entering into short sales, Vanderbilt bears the market risk of increases in the value of the security sold short in excess of the proceeds received. Possible losses from short sales differ from losses that could be incurred from purchases of securities because losses from short sales may be unlimited whereas losses from purchases cannot exceed the total amount invested.

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

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

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

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

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

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 2022 and 2021, 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.

Vanderbilt University

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

| 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Endowments with donor restrictions | \$ - | \$ 3,974,041 | \$ 3,974,041 |
| Reinvested distributions of donor-restricted endowments | 163,604 | 123,357 | 286,961 |
| Institutional endowments | 5,945,066 | - | 5,945,066 |
| Endowment net assets as of June 30, 2022 | \$ 6,108,670 | \$ 4,097,398 | \$ 10,206,068 |

| 2021 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| 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 |
| Endowment net assets as of June 30, 2021 | \$ 6,569,806 | \$ 4,358,706 | \$ 10,928,512 |

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

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Student scholarships | \$ 1,613,037 | \$ 1,693,435 |
| Endowed chairs | 1,150,565 | 1,236,272 |
| Operational support, not yet appropriated | 732,738 | 791,757 |
| Program support | 328,096 | 353,024 |
| Research | 99,266 | 105,540 |
| Capital improvements | 51,147 | 53,210 |
| Faculty support and lectureships | 49,669 | 50,377 |
| Other | 72,880 | 75,091 |
| Total endowments with donor restrictions | \$ 4,097,398 | \$ 4,358,706 |

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, 2022 and 2021, Vanderbilt had 106 and zero 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 (*in thousands*):

| | 2022 | 2021 |
|--------------------------------|-----------------|-------------|
| Aggregate original gift amount | \$ 29,370 | \$ - |
| Aggregate fair value | 27,398 | - |
| Aggregate deficiency | \$ 1,972 | \$ - |

Vanderbilt University

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

| 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets as of June 30, 2021 | \$ 6,569,806 | \$ 4,358,706 | \$ 10,928,512 |
| Endowment investment return, net | (280,728) | (189,712) | (470,440) |
| Gifts and additions to endowment, net | 44,591 | 77,853 | 122,444 |
| Endowment distributions | (224,999) | (149,449) | (374,448) |
| Endowment net assets as of June 30, 2022 | \$ 6,108,670 | \$ 4,097,398 | \$ 10,206,068 |

| 2021 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| 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) |
| Endowment net assets as of June 30, 2021 | \$ 6,569,806 | \$ 4,358,706 | \$ 10,928,512 |

9. PROPERTY, PLANT, AND EQUIPMENT

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

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Land | \$ 237,573 | \$ 183,338 |
| Buildings and improvements | 2,116,130 | 2,099,304 |
| Moveable equipment | 345,075 | 347,034 |
| Construction in progress | 266,091 | 108,394 |
| Property, plant, and equipment | 2,964,869 | 2,738,070 |
| Less: Accumulated depreciation | (1,330,833) | (1,265,922) |
| Property, plant, and equipment, net | \$ 1,634,036 | \$ 1,472,148 |

Buildings and improvements include \$14.4 million of leasehold improvements in both the years ended June 30, 2022 and 2021. 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 three 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, 2022, the estimated replacement cost, including processing costs to properly identify, catalog, and shelve materials, for library collections totaled \$464.0 million and for fine art collections totaled \$43.7 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 \$3.5 million and \$1.9 million to construction in progress and/or buildings and improvements in the years ended June 30, 2022 and 2021, 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 2022 or 2021.

Vanderbilt identified conditional asset retirement obligations, primarily for the costs of asbestos removal and disposal, resulting in liabilities of \$3.8 million and \$3.0 million as of June 30, 2022 and 2021, respectively. These liability estimates, included in accounts payable and accrued liabilities in the consolidated statements of financial position, use an inflation rate of 4.16% and 0.33% as of June 30, 2022 and 2021, respectively, and a discount rate of 4.37% and 2.49% as of June 30, 2022 and 2021, respectively, based on relevant factors at origination.

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, 2022 | Fiscal 2022 Effective Interest Rate | Outstanding Principal | |
|--|----------------------------|---|---|-----------------------|-------------------|
| | | | | 2022 | 2021 |
| FIXED-RATE DEBT | | | | | |
| Series 2016 - Taxable | 2047 | 1.65%–3.44% | 3.1% | \$ 115,760 | \$ 118,965 |
| Series 2018 – Private Placement | 2049 | 3.93% | 3.9% | 300,000 | 300,000 |
| Series 2019 – Private Placement | 2038 | 2.51% | 2.5% | 108,740 | 114,200 |
| Series 2020 – Private Placement | 2050 | 3.00% | 3.0% | 100,000 | 100,000 |
| Fixed-rate debt (par amount) | | | 3.4% | \$ 624,500 | \$ 633,165 |
| Cost of Issuance | | | - | (996) | (1,037) |
| Total long-term debt | | | 3.4% | \$ 623,504 | \$ 632,128 |
| Taxable commercial paper | | | 0.3% | 49,728 | - |
| Total long-term debt and commercial paper | | | 3.2% | \$ 673,232 | \$ 632,128 |

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 \$17.9 million and \$19.5 million in fiscal 2022 and 2021, respectively, is net of capitalized interest of \$3.5 million and \$1.9 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*):

| | |
|---|-------------------|
| 2023 | \$ 8,885 |
| 2024 | 16,125 |
| 2025 | 16,345 |
| 2026 | 16,605 |
| 2027 | 17,535 |
| Thereafter | 549,005 |
| Total long-term debt principal retirements | \$ 624,500 |

In July 2021, Vanderbilt issued \$50.0 million (par) Commercial Paper under its existing Taxable CP Program Series C to finance a strategic real estate acquisition adjacent to campus and other projects. The exact timing of anticipated payoff of the Commercial Paper is still under discussion internally. On November 14, 2019, Vanderbilt executed a note purchase agreement for \$100.0 million, 3.0% 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 provide \$100.0 million of new project funding to finance construction of residential colleges and other strategic capital projects.

On December 6, 2021, Vanderbilt executed a 24-month Treasury Lock (the “Lock”) with a national, United States bank using the underlying 30-year U.S. Treasury rate. The notional amount of the Lock is \$200.0 million. The all-in locked rate, including the forward and execution premium, is 1.8%. Maturity on the Lock is December 6, 2023. No collateral postings are required during the term of the Lock. Vanderbilt executed this Lock in anticipation of future long-term debt issuances in fiscal years 2024 – 2025. The exact timing and amount of these future debt issuances are still under discussion internally as part of Vanderbilt’s long-term strategic capital planning evaluation process. As of June 30, 2022, the positive mark-to-market on this Lock was \$46.0 million and is recorded in “Investments” on the consolidated statements of financial position.

11. NET ASSETS

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

| 2022 | Without donor restriction | With donor restriction | Total |
|--|--------------------------------------|-----------------------------------|---------------------|
| Operations | \$ 221,687 | \$ - | \$ 221,687 |
| Deferred trademark license revenue | (1,841,610) | - | (1,841,610) |
| Net investment in plant | 1,126,123 | - | 1,126,123 |
| Endowment funds | 6,108,670 | 4,097,398 | 10,206,068 |
| Donor pledges and gifts | - | 176,944 | 176,944 |
| Split-interest agreements | - | 72,191 | 72,191 |
| Net assets attributable to Vanderbilt | 5,614,870 | 4,346,533 | 9,961,403 |
| Net assets related to noncontrolling interests | 17,061 | - | 17,061 |
| Total net assets as of June 30, 2022 ¹ | \$ 5,631,931 | \$ 4,346,533 | \$ 9,978,464 |

¹ Total net assets with donor restrictions as of June 30, 2022, includes net asset with donor restrictions restricted in perpetuity of \$1,654,864.

| 2021 | Without donor restriction | With donor restriction | Total |
|--|--------------------------------------|-----------------------------------|----------------------|
| 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 attributable to Vanderbilt | 5,829,618 | 4,613,902 | 10,443,520 |
| Net assets related to noncontrolling interests | 28,808 | - | 28,808 |
| Total net assets as of June 30, 2021 ¹ | \$ 5,858,426 | \$ 4,613,902 | \$ 10,472,328 |

¹ Total net assets with donor restrictions as of June 30, 2021, includes net asset with donor restrictions restricted in perpetuity of \$1,598,094.

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 realized and unrealized gains and losses net of expenses on 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 other sources.

Vanderbilt University

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

| | Beginning balance as of June 30, 2021 | Net realized and unrealized gains (losses) ¹ | Purchases | Sales | Transfers into/(out of) level 3 | Ending balance as of June 30, 2022 |
|------------------------------------|---|---|-----------------|--------------------|---------------------------------------|--|
| LEVEL 3 ASSETS | | | | | | |
| Real estate | \$ 16 | \$ - | \$ - | \$ - | \$ - | \$ 16 |
| Natural resources | 15,226 | 859 | - | (16,085) | - | - |
| Trusts | 32,813 | (3,842) | 2,207 | (7,983) | - | 23,195 |
| Other investments | 1,437 | 63 | 364 | (216) | - | 1,648 |
| Interests in trusts held by others | 34,829 | (3,766) | - | - | - | 31,063 |
| Total Level 3 | \$ 84,321 | \$ (6,686) | \$ 2,571 | \$ (24,284) | \$ - | \$ 55,922 |

¹ Total unrealized gains/(losses) relating to level 3 investment assets held by the university at June 30, 2022, is (\$24,043.7) and is reflected in "Appreciation of endowment, net of distributions" for private capital and natural resources categories as well as "Other sources" for remaining categories in the consolidated statement of activities.

| | Beginning balance as of June 30, 2020 | Net realized and unrealized gains (losses) ¹ | Purchases | Sales | Transfers into/(out of) level 3 | Ending balance as of June 30, 2021 |
|------------------------------------|---|---|-----------------|--------------------|---------------------------------------|--|
| LEVEL 3 ASSETS | | | | | | |
| 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 |
| Total Level 3 | \$ 87,246 | \$ 19,039 | \$ 1,480 | \$ (23,444) | \$ - | \$ 84,321 |

¹ 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 "Other sources" 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, 2022, and 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*):

| | Fair Value Measurements | | | | | Total |
|--|-------------------------|---------------------|------------------|---------------------|--|----------------------|
| | Level 1 | Level 2 | Level 3 | NAV | | |
| Cash and cash equivalents | \$ 1,184,069 | \$ - | \$ - | \$ - | | \$ 1,184,069 |
| Short-term securities | 196 | - | - | - | | 196 |
| Global equities | 1,707,847 | 59,533 | - | 210,310 | | 1,977,690 |
| Fixed income | 234,873 | 482,167 | - | 56,455 | | 773,495 |
| Hedged strategies ¹ | 1,559,700 | 626,787 | - | 389,504 | | 2,575,991 |
| Private capital | 17,019 | 4,825 | - | 3,819,723 | | 3,841,567 |
| Real estate | - | - | 16 | 235,993 | | 236,009 |
| Natural resources | 122 | - | - | 723,107 | | 723,229 |
| Commodities | 192,619 | - | - | - | | 192,619 |
| Trusts | - | - | 23,195 | - | | 23,195 |
| Private credit | - | - | - | 4,411 | | 4,411 |
| Other investments ² | (12,404) | 64,166 | 1,648 | - | | 53,410 |
| Interests in trusts held by others | - | - | 31,063 | - | | 31,063 |
| Total assets reported at fair value | \$ 4,884,041 | \$ 1,237,478 | \$ 55,922 | \$ 5,439,503 | | \$ 11,616,944 |

| Liabilities Reported at Fair Value as of June 30, 2022 | | | | | | |
|---|-------------------|-------------------|-------------|-------------|--|-------------------|
| Securities sold short | \$ 511,012 | \$ 103,304 | \$ - | \$ - | | \$ 614,316 |
| Total liabilities reported at fair value | \$ 511,012 | \$ 103,304 | \$ - | \$ - | | \$ 614,316 |

¹ Includes \$916.6 million of cash and cash equivalents classified as investments.

² Includes the positive mark-to-market on the \$200.0 million notional 24-month Treasury Lock as of June 30, 2022, of \$46.0 million which is recorded in "Investments" on the consolidated statements of financial position.

| | 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 | 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 |
| Total assets reported at fair value | \$ 5,175,937 | \$ 1,258,298 | \$ 84,321 | \$ 5,593,201 | | \$ 12,111,757 |

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

¹ Includes \$562.6 million of cash and cash equivalents classified as investments.

Vanderbilt University

Redemption Terms and Restrictions as of June 30, 2022

| | 2022 Fair Value | Redemption Terms | Redemption Restrictions |
|------------------------------------|-----------------|---|---|
| Cash and cash equivalents | \$ 1,184,069 | Daily, with same-day to 90-day notice | No restrictions |
| Short-term securities | 196 | Daily, with 1-day notice | No restrictions |
| Global equities | 1,977,690 | Daily to annually, with 1- to 90-day notice | Lock-up provision ranging from none to 2 years |
| Fixed income | 773,495 | Daily to annually, with 1- to 365-day notice | No restrictions |
| Hedged strategies | 2,575,991 | Daily to annually, with 15- to 90-day notice | Lock-up provision ranging from none to 2 years |
| Private capital | 3,841,567 | N/A | Not redeemable |
| Real estate | 236,009 | N/A | Not redeemable |
| Natural resources | 723,229 | N/A | Not redeemable |
| Commodities | 192,619 | Daily, with 1- to 30-day notice | No restrictions |
| Trusts | 23,195 | N/A | Not redeemable |
| Private credit | 4,411 | N/A | Not redeemable |
| Other investments | 53,410 | N/A | Not redeemable |
| Interests in trusts held by others | 31,063 | N/A | Not redeemable |

13. LEASES

Vanderbilt has recognized operating right-of-use assets (ROU) and lease liabilities for leases on its consolidated statements of financial position. The balances of prepaid and accrued rent, lease incentives, and unamortized assets and liabilities are 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*):

| | 2022 | 2021 |
|----------------------------|------------------|------------------|
| Operating lease expense | \$ 12,824 | \$ 13,229 |
| Short-term lease expense | 3,846 | 5,620 |
| Total lease expense | \$ 16,670 | \$ 18,849 |

| Other lease information | 2022 | 2021 |
|--|------------|------------|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 12,917 | \$ 13,667 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | \$ 6,560 | \$ 2,316 |
| Weighted-average remaining lease term - operating leases | 6.36 Years | 6.36 Years |
| Weighted-discount rate - operating leases | 2.08% | 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, 2022, along with a reconciliation to the discounted amount recorded as of June 30, 2022, were as follows (*in thousands*):

| | | |
|--|----|------------------|
| 2023 | \$ | 13,761 |
| 2024 | | 13,405 |
| 2025 | | 13,234 |
| 2026 | | 13,094 |
| 2027 | | 5,260 |
| Thereafter | | 6,372 |
| Total undiscounted cash flows | | \$ 65,126 |
| Less amount representing imputed interest | | 4,474 |
| Total lease obligation | | \$ 60,652 |

Property leases for buildings owned by Vanderbilt University Medical Center (49%) and 2100 West End Avenue (25%) account for approximately 74% of the total future minimum rentals as of June 30, 2022.

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, 2022.

Future minimum operating rental revenue due as of June 30, 2022, is summarized below (*in thousands*):

| | | |
|-------------------------------------|----|---------------------|
| 2023 | \$ | 31,581 |
| 2024 | | 31,230 |
| 2025 | | 30,973 |
| 2026 | | 29,728 |
| 2027 | | 23,376 |
| Thereafter | | 1,718,359 |
| Total future minimum rentals | | \$ 1,865,247 |

14. REVENUE RECOGNITION

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

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Tuition and educational fees, net | | |
| Undergraduate [net of financial aid, \$177,814 and \$176,515, respectively] | \$ 226,061 | \$ 210,096 |
| Professional [net of financial aid, \$64,455 and \$58,349, respectively] | 152,871 | 142,434 |
| Graduate [net of financial aid, \$55,092 and \$52,153, respectively] | 8,942 | 8,511 |
| Total tuition and educational fees, net | 387,874 | 361,041 |
| Grants: | | |
| Government sponsors ¹ | 141,974 | 152,265 |
| Private sponsors ¹ | 7,692 | 8,243 |
| Facilities and administrative costs recovery ¹ | 42,880 | 40,756 |
| Contracts: | | |
| Government sponsors ² | 39,033 | 36,041 |
| Private sponsors ³ | 14,848 | 23,308 |
| Facilities and administrative costs recovery ⁴ | 25,397 | 23,953 |
| Total grants and contracts | 271,824 | 284,566 |
| Contributions ¹ | 117,800 | 88,214 |
| Endowment distributions ¹ | 374,448 | 347,540 |
| Room, board, and other auxiliary services, net | | |
| Room and board, net [net of financial aid, \$44,453 and \$26,376, respectively] | 47,188 | 30,097 |
| Auxiliary revenue from affiliates | 34,837 | 34,795 |
| West Trace | 15,181 | 7,318 |
| Vanderbilt Legends Club | 11,123 | 10,530 |
| External rental revenue ¹ | 7,727 | 6,557 |
| Parking and vehicle registration | 5,434 | 3,431 |
| Commissions revenue | 3,183 | 1,714 |
| Other auxiliary services | 4,644 | 1,598 |
| Total room, board, and other auxiliary services, net | 129,317 | 96,040 |
| Trademark, license, and royalty revenue | 208,566 | 113,811 |
| Affiliated entity revenue | 185,527 | 180,664 |
| Other sources | | |
| Television revenue | 37,798 | 57,684 |
| Tournament revenue | 14,151 | 17,895 |
| Student athletics ticket revenue | 5,726 | 21 |
| Conference and seminar revenue | 4,697 | 3,258 |
| Child care operations | 3,906 | 3,006 |
| Miscellaneous revenue from affiliate | 2,780 | 3,927 |
| Miscellaneous reimbursement from third parties | - | 8,803 |
| Investment (loss) income ¹ | (14,565) | 35,451 |
| Other miscellaneous revenue | 18,223 | 13,247 |
| Total other sources | 72,716 | 143,292 |
| Total revenues and other support | \$ 1,748,072 | \$ 1,615,168 |

¹ Not considered revenue from contracts with customers

² Revenue from government sponsors includes contracts with customers of \$38.0 million and contributions of \$1.0 million in fiscal 2022 and contracts with customers of \$34.0 million and contributions of \$2.0 million in fiscal 2021.

³ Revenue from private sponsors includes contracts with customers of \$15.0 million in fiscal 2022 and contracts with customers of \$23.0 million in fiscal 2021.

⁴ Revenue from facilities and administrative costs recovery includes contracts with customers of \$25.0 million in fiscal 2022 and contracts with customers of \$23.0 million and contributions of \$1.0 million in fiscal 2021.

Vanderbilt University

Vanderbilt's related revenue recognition policies are:

Tuition and educational fees, net—Vanderbilt recognizes student tuition and educational fees as performance obligations are satisfied over time 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 as performance obligations are satisfied based on the terms of the agreement.

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 58.5% and 58.0% in fiscal 2022 and in fiscal 2021, respectively. Vanderbilt's federal F&A off-campus research remote cost recovery rate was 26.0% in fiscal 2022 and in fiscal 2021. Vanderbilt's federal F&A off-campus research adjacent cost recovery rate was 29.5% and 29.4% in fiscal 2022 and in fiscal 2021, respectively.

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.

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 upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

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. Investment income is included in "Other sources" on the consolidated statements of activities.

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 |
|-------------------------------|--------------------------------|---------------------------|-------------------|------------------------|--------------------|---------------------|
| 2022 | | | | | | |
| Salaries, wages, and benefits | \$ 359,736 | \$ 131,342 | \$ 68,873 | \$ 559,951 | \$ 206,692 | \$ 766,643 |
| Supplies, services, and other | 224,535 | 74,951 | 63,678 | 363,164 | 175,197 | 538,361 |
| Interest | 2,594 | 975 | 686 | 4,255 | 13,623 | 17,878 |
| Depreciation | 21,921 | 15,927 | 9,964 | 47,812 | 48,077 | 95,889 |
| Grants to affiliate | - | 28,100 | - | 28,100 | - | 28,100 |
| Total expenses | \$ 608,786 | \$ 251,295 | \$ 143,201 | \$ 1,003,282 | \$ 443,589 | \$ 1,446,871 |

| | Instruction & academic support | Research & public service | Student services | Total program expenses | Support activities | Total expenses |
|-------------------------------|--------------------------------|---------------------------|-------------------|------------------------|--------------------|---------------------|
| 2021 | | | | | | |
| 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 |
| Total expenses | \$ 511,537 | \$ 241,959 | \$ 129,833 | \$ 883,329 | \$ 423,460 | \$ 1,306,789 |

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 2022 and 2021 were \$21.5 million and \$21.0 million, respectively.

17. COMMITMENTS AND CONTINGENCIES

(A) *Construction.* As of June 30, 2022, Vanderbilt had contractual commitments for approximately \$136.9 million of projects under construction and equipment purchases. The largest component of this commitment amount was for residential college construction for \$82.7 million and \$31.0 million for Kirkland Hall: Sesquicentennial Renovation.

(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.

Vanderbilt University

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 \$1,535.8 million of commitments to venture capital, real estate, and private equity investments as of June 30, 2022. 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 \$6.1 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

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

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

Vanderbilt evaluated events subsequent to June 30, 2022, through September 30, 2022, the date of issuance of the consolidated financial statements.

On August 2, 2022, Vanderbilt completed a strategic asset acquisition of land and property for a total purchase consideration of \$3.8 million. This transaction will be recorded as an asset acquisition in accordance with Accounting Standards Codification (ASC) 805, Business Combinations.

On August 29, 2022, Vanderbilt announced an agreement for naming rights for the football stadium for \$31.0 million to be collected and recognized over the life of the 10-year agreement.

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

