Tufts UNIVERSITY

Annual Financial Report 2022

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Tufts University Highlights

(Fiscal years ended June 30, 2022 and 2017)

	2022	2017
FINANCIAL ($ in thousands)		
Total operating revenue without donor restrictions (unrestricted)	$1,131,442	$897,101
Total net assets	$3,258,725	$2,408,949
Land, buildings and equipment, net	$1,175,997	$1,039,672
Investments	$3,041,475	$2,243,077
Bonds and notes payable	$966,753	$778,596
CREDIT RATING		
Standard & Poor's	AA-	AA-
Moody's	Aa3	Aa2
STUDENTS		
Enrollment (full-time equivalent enrollment)		
Undergraduate	6,559	5,421
Graduate	3,883	3,338
Professional	2,091	2,053
Certificate and other	115	205
Total full-time equivalent enrollment	12,648	11,017
Undergraduate admission		
Applicants	34,882	21,101
Selectivity	9.7%	15.0%
Yield	50%	45%
SAT (mean)	1,494*	1,460
ACT (mean)	34.0*	-
Total undergraduate student charges (tuition, room, board, mandatory fees)	$79,210	$65,996
PERSONNEL		
Faculty	1,288	1,275
Staff	3,264	3,203
Total full-time equivalent	4,552	4,478
FACILITIES		
Gross square feet	5,562,910	5,461,911

Campuses – Medford/Somerville, Boston (Health Sciences campus, SMFA campus), Grafton

*Test scores for matriculating students who asked Tufts to consider their SAT/ACT scores

Tufts University
2022 Financial Report

Tufts University continued its strong trajectory in operating performance in Fiscal Year 2022, producing a 3.6% margin, the strongest since Fiscal Year 2011. The university achieved this result as it kept pace with continuing pressures on expenses and keeping our students, faculty, staff, and visitors safe from the impacts of COVID-19 despite the downward trajectory of equity markets during the second half of the fiscal year.

Critical investments were made in our highest-priority areas: undergraduate and graduate financial aid; diversity, equity, inclusion, and justice (DEIJ), which furthers our work on Tufts as an anti-racist institution; and environmental sustainability. Joyce Cummings Center opened this year on the Medford/Somerville campus, adjacent to the new Green Line MBTA station which is expected to open during Fiscal Year 2023. Planning is underway for a new dormitory building, renovations to major academic buildings on the Medford/Somerville campus, and engineering Tufts' path to carbon neutrality across the four campuses.

Tufts University and Tufts Medicine continue integration activities for a joint research enterprise and expansion of academic programs between Tufts University School of Medicine and Tufts Medicine to advance both institutions' ability to compete for research opportunities, align educational missions, and attract and retain prominent and accomplished faculty.

In addition, the Office of the Provost, the Executive Vice President, and the rest of the academic and administrative leadership have worked collaboratively to enhance the university's strategic planning and budgeting process. This annual process will lead to a cohesive set of approved annual and multi-year university, school, and unit strategic priorities and budgets. The process will now provide an opportunity for the major central divisions to hear from the schools directly so that each can better support those objectives.

Demand and selectivity metrics flourish for Tufts' strong undergraduate programs. Tufts applications grew by 11.8% to 34,882 applications for Fall 2023 enrollment for the School of the Museum of Fine Arts, Engineering, and Arts and Sciences undergraduate programs, making this the largest and most diverse applicant pool ever. Tufts' acceptance rate fell to 9.7% with a matriculation rate of 50.2%, resulting in 1,697 first-year students, deliberately smaller than the previous year's cohort, which included students who deferred admissions for a year during the pandemic. The university's full-time enrollment grew to 12,648 undergraduate and graduate students across the four campuses, a 14.8% increase over the last five years.

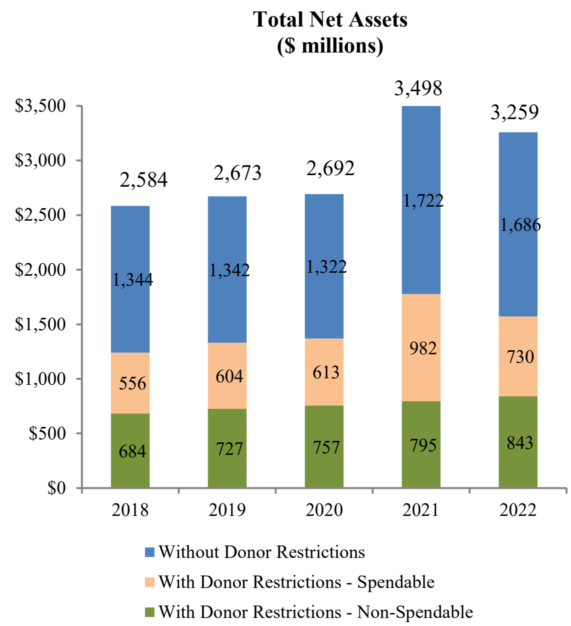
Operating revenue increased by 10.0% over the prior fiscal year, while expenses increased 9.3% driven by inflationary pressures on purchased services, materials, and supplies, as well as employee compensation adjustments reflecting tight employment markets, and a one-time appreciation bonus for employee effort during the challenging first year-plus of the pandemic. Renewed travel spending grew as pandemic constraints eased, in addition to increased interest costs resulting from the 2021A debt issuance.

Revenue improvement was led by an 11.4% increase in tuition and fees, with undergraduate enrollment exceeding expectations as demand for a Tufts undergraduate education continues to grow and students returned from leaves of absence attributed to COVID-19 concerns. Tufts' commitment to financial aid continues, as illustrated by the 14.0% increase in total distributed aid compared to the prior fiscal year. Auxiliary enterprises and clinical and other educational activities revenue substantially improved, with a 190.0% and 8.4% increase, respectively, compared to the prior fiscal year as residential life and clinical operations returned to pre-pandemic levels. Tufts also experienced strong growth in government grants and contracts and contributions and private grants during the fiscal year with increases of 5.9% and 5.8% respectively.

Key Financial Highlights (5-year trend) *(in millions of dollars)*	**2018**	**2019**	**2020**	**2021**	**2022**
Operating revenue*	$909	$954	$971	$1,028	$1,131
Operating expenses*	904	946	960	998	1,091
Operating results*	5.4	8.5	10.9	30.2	40.7
Net assets	2,584	2,673	2,692	3,498	3,259
Endowment	1,893	1,910	1,937	2,699	2,391

* Without donor restrictions (Unrestricted)

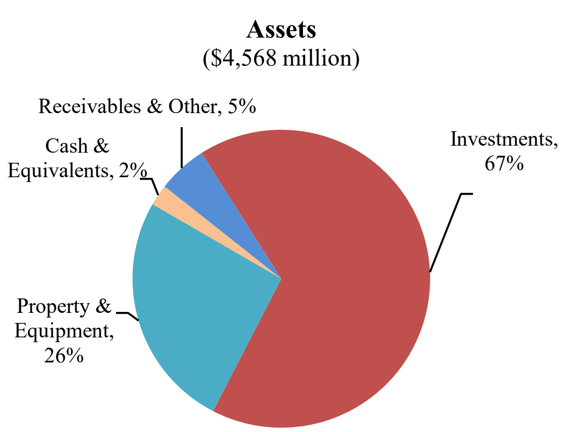
$3.3 Billion in Net Assets



STATEMENT OF FINANCIAL POSITION

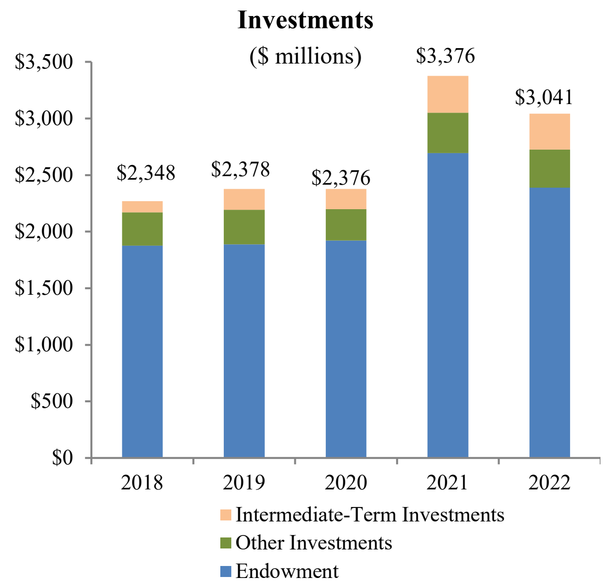
ASSETS

The university has assets of $4.57 billion, which includes investments representing 67% and property and equipment representing 26% of the total. Total assets decreased by $298 million, or 6%, during Fiscal Year 2022 due to decreases in investments and right-of-use lease assets. Offsetting these decreases were increases in cash and receivables.



Investments

Long-term and intermediate-term investments totaled $3.04 billion at the end of Fiscal Year 2022, decreasing approximately $335 million from the prior year-end. Long-term investments totaled $2.73 billion. Intermediate-term investments totaled $316 million. Please refer to the 2022 Endowment and Investment Report section of this report for additional discussion of the endowment and investments.

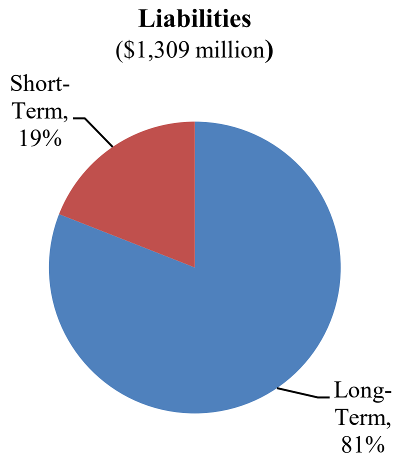


Land, Buildings, and Equipment

Land, buildings, and equipment had a $1.2 billion book value, net of depreciation, at the end of Fiscal Year 2022, growing approximately $10 million, or 1%, from the prior year. Total Fiscal Year 2022 capital expenditures were $81 million. Joyce Cummings Center, a 148-thousand square foot academic building, opened in Fall 2021. Other completed projects include the Ellis Oval turf field installation and 160 St. Alphonsus Street purchase. Significant projects underway during Fiscal Year 2022 include the Clinical Skills and Simulation Center on the Boston campus, 114 Professors Row improvements, Hill Hall envelope repairs, Arnold HVAC design work, Eaton Hall renovation, Huskins Baseball Field improvements, and 4 Colby Street HVAC upgrades.

LIABILITIES

Liabilities totaled $1.3 billion at the end of Fiscal Year 2022, a decrease of $58 million, or 4%, compared to the prior fiscal year end. This was primarily due to reductions in interest rate agreement liabilities as a result of market interest rate increases, as well as decreases in lease liabilities and bonds and notes payable, both resulting from payments made.



Long-term liabilities include bonds and notes payable, interest rate agreements, lease liabilities, and government advances for student loans. Current liabilities include accounts payable, deferred revenue, and other liabilities.

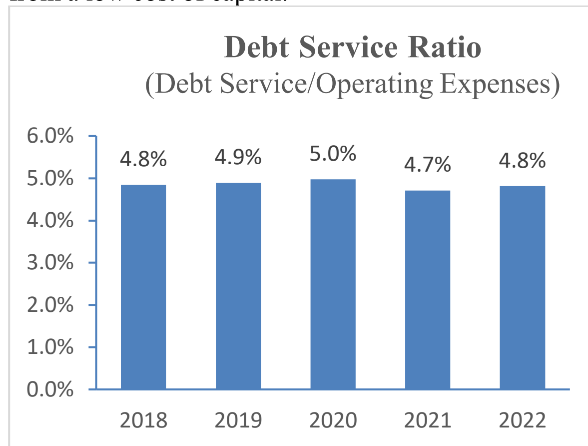
Debt

The university's outstanding debt totaled $966.8 million at the end of Fiscal Year 2022, a decrease of almost $13.8 million compared to the prior fiscal-year end. The university's debt is rated Aa3 by Moody's.

The liability associated with interest-rate agreements decreased to $40.9 million at the end of Fiscal Year 2022, compared to $70.7 million at the end of the prior fiscal year. These long-term agreements are matched to the university's variable rate debt to effectively create fixed-rate obligations. The agreements do not contain financial covenants or require the university to post collateral. The liability associated with the agreements, which is a function of market interest rates, reflects the market termination cost as of the end of the fiscal year. The university does not intend to retire the agreements and therefore does not expect to incur the obligation for early retirement.

The university's overall weighted average cost of capital as of June 30, 2022 was 4.08%, and the average life was 38.5 years.

The debt service to operating expense ratio, which measures the impact of annual debt service (interest and principal payments) on operations, was 4.8% in Fiscal Year 2022. This is consistent with the university's goal of maintaining debt service levels at no more than 5.0% of operating expenses. Over the past five years, the ratio ranged between 4.7% and 5.0%, enabling the university to maintain its strong credit ratings while benefiting from a low cost of capital.



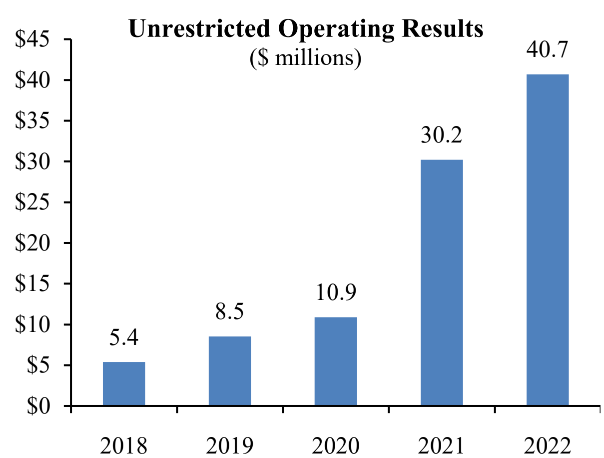
STATEMENT OF ACTIVITIES

Operating Result without Donor Restrictions

Net unrestricted operating results contributed $40.7 million to unrestricted net assets in Fiscal Year 2022, compared to $30.2 million in Fiscal Year 2021.

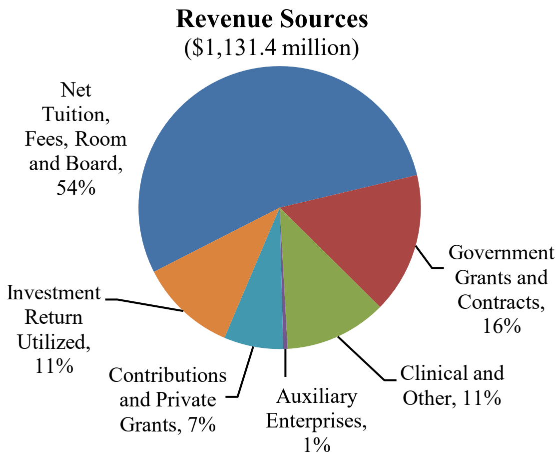
Unrestricted operating revenue was $1,131.4 million in Fiscal Year 2022, an increase of $103.3 million from the prior fiscal year. Growth was driven by increases in tuition, fees, room and board revenue resulting from higher undergraduate and graduate enrollment and planned rate increases. Increased auxiliary and clinical revenue as services increased coming out of the pandemic, greater utilization of endowment earnings for operations, increased government grant and contract revenue, and contributions all helped to drive to revenue growth.

Operating expenses grew $92.9 million in Fiscal Year 2022 to $1,090.8 million, driven by increases in compensation, travel and events, and other spending as pandemic restrictions were lifted, as well as increases in legal costs, depreciation, and interest.



REVENUE

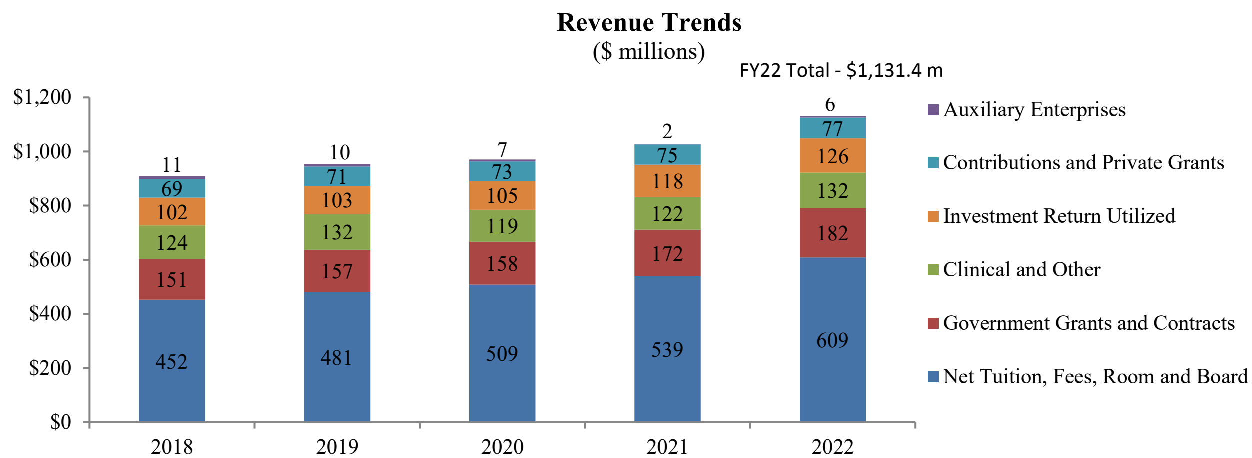
Unrestricted operating revenue increased 10.0% in Fiscal Year 2022, bringing the five-year compound annual growth rate to 4.8%. The university's diverse revenue base mitigates the impact of changes in any one revenue source.



in the new doctor of physical therapy and online master's in public health programs in the School of Medicine, as well as growth from deferred enrollments in School of Arts and Sciences, the School of Engineering, and the Fletcher School.

Financial Aid

Financial aid for both undergraduate and graduate degree programs was $188.3 million in Fiscal Year 2022, an increase of 14.2% over the prior fiscal year. This amount includes $176.0 million in scholarships reported in net revenue on the Statement of Activities and another $12.3 million of aid in excess of student charges reported in expenses on the Statement of Activities. This excess, which typically represents amounts awarded to students who live off-campus to pay off-campus living expenses, was $1.8 million higher than in the prior fiscal year, and includes awards for pass-through COVID-19 student aid provided by the federal Higher Education Emergency Relief Fund (HEERF).



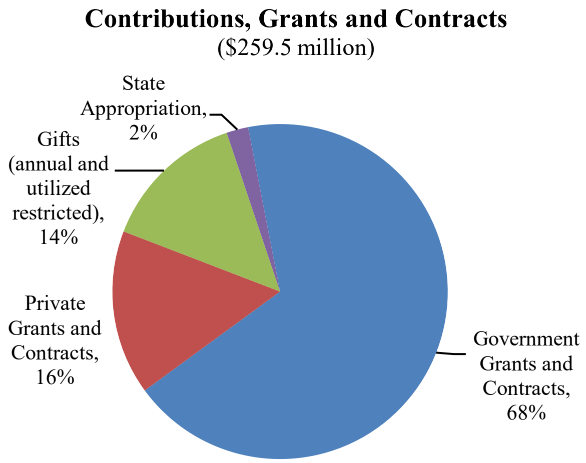
Tuition, Fees, and Room and Board

Gross tuition, fees, and room and board increased 13.1% to $784.7 million due to tuition and fee increases and an increased enrollment of 974 students. Net tuition, fees, and room and board (gross revenue minus financial aid) grew $69.4 million, or 12.9%, to $608.7 million. Room and board increased 18.5 million, or 35.4%, as a result of fee increases, increased occupancy due to higher enrollment, and the return of students who had studied remotely in Fiscal Year 2021.

Undergraduate total student charges increased 3.55% while undergraduate enrollment increased by 560 students, including an increase of 112 undergraduate students in the School of the Museum of Fine Arts. Enrollment in graduate and professional degree programs increased by 414 students, including growth

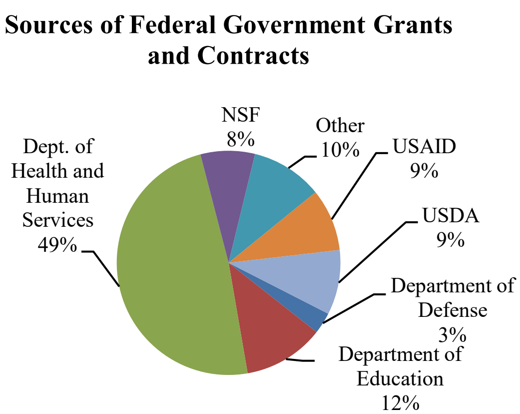
Contributions, Grants, and Contracts

Contributions, grants, and contracts, which includes government and private research grants and contracts (including COVID-19 relief funding), the Commonwealth of Massachusetts appropriation for Cummings School, annual fund gifts, and utilized restricted gifts, totaled $259.5 million, an increase of $12.7 million, or 5.1%, from the prior fiscal year.



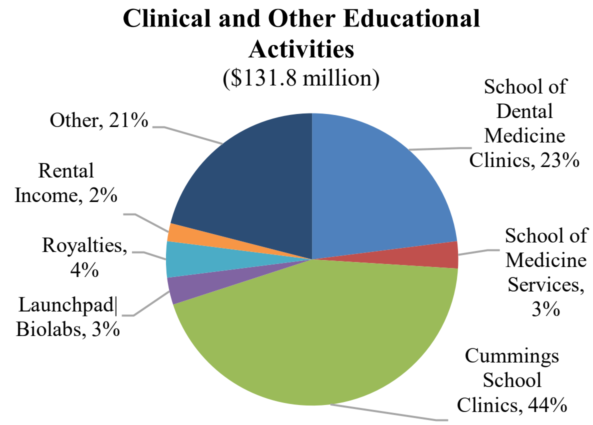
Government grants and contracts increased $10.1 million, or 5.9%. This total includes $13.0 million in federal COVID-19 relief funding, which represents a decrease of $3.1 million compared to the prior fiscal year. Private grants and contracts increased $6.6 million, or 19%, while gifts decreased $4.0 million, or 9.9%.

In Fiscal Year 2022, relative funding levels from U.S. government agencies were consistent with those from the prior year. The majority of U.S. government-sponsored activity continues to be supported by the Department of Health and Human Services (DHHS) making up 49% of the total, with several other government agencies included in the balance, as shown below.



Clinical and Other Educational Activities

Revenue from clinical and other educational activities was 8.4% higher than in the prior fiscal year, increasing to $131.8 million. This revenue source is primarily composed of clinical revenue from Cummings School of Veterinary Medicine and the School of Dental Medicine, but also includes service revenue from the School of Medicine, rent, royalties, and income from Tufts Launchpad|Biolabs. Clinical revenue at the School of Dental Medicine increased $5.2 million, or 20.5%, and revenue at Cummings School of Veterinary Medicine increased $6.0 million, or 11.5%, as patient volumes increased from pandemic-impacted lows in the prior fiscal year.



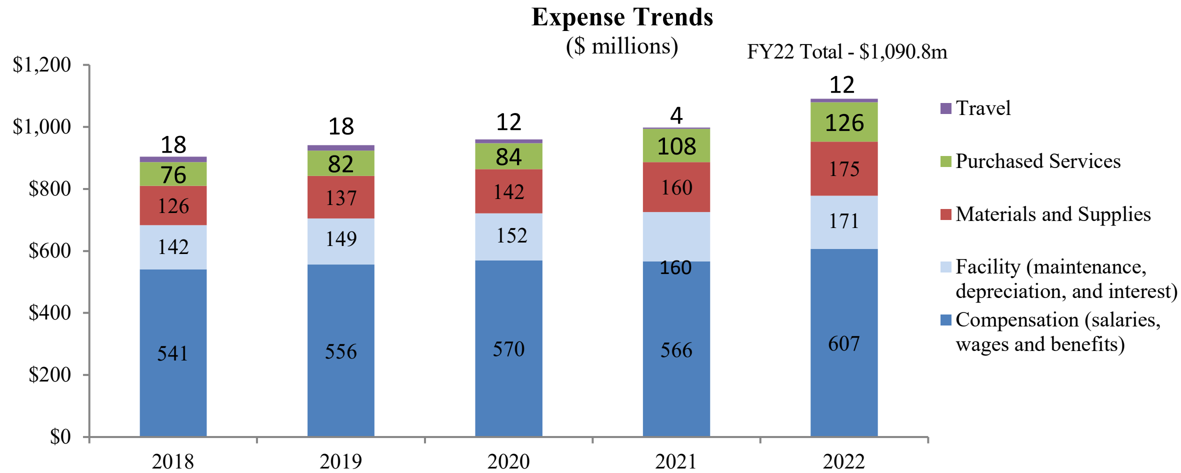
Royalties decreased $4.8 million compared to the prior fiscal year in which there was a one-time assignment of a license agreement for Tufts' intellectual property to a large pharmaceutical company as part of an asset purchase agreement. Tufts Launchpad|Biolabs continued its growth, with an 8.4% increase in revenue to $4.2 million.

Investment Return Utilized

Investment return utilized increased to $118.3 million, a 12.2% increase compared to the prior fiscal year. This amount includes investment income distributed and utilized from the endowment and other investments as well as income earned on working capital.

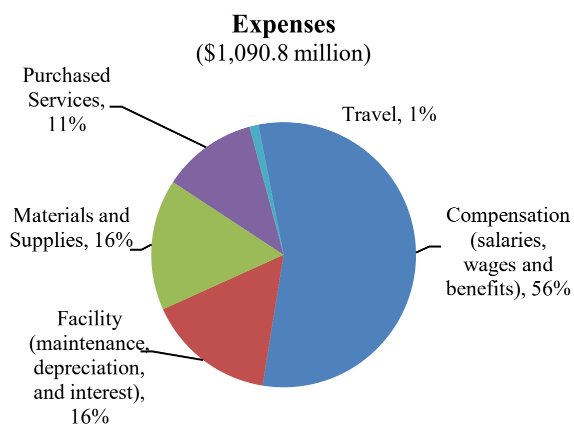
The endowment and other investment return utilized increased $11.1 million, or 10.9%, despite a reduction in the payout rate that was previously increased in Fiscal Year 2021 in response to the impact of COVID-19 on revenue. This was driven by increased market value and a distribution from the Omidyar-Tufts Active Citizenship Trust. Please refer to the 2022 Endowment and Investment Report section of this report for additional discussion on the endowment and investments utilization.

The working capital income utilized increased $1.7 million from the prior fiscal year primarily due to increased short-term interest rates.



EXPENSES

Operating expenses increased 9.3% to $1,090.8 million, bringing the five-year compound-annual growth rate to 4.3%. While compensation remains the largest expense, it dropped from 57% to 56% of total expenses proportionally with increases in purchased services and travel.



Compensation Costs (Salaries, Wages, and Benefits)

Compensation costs increased $41.0 million, or 7.2%, to $607.5 million in Fiscal Year 2022, causing the five-year compound annual growth rate to decrease to 2.6%.

The salaries and wages component of compensation costs increased $36.0 million, or 7.8%, with an average merit pool of 3.0% and $4.7 million in appreciation bonuses given to employees. As hiring restrictions imposed to help mitigate the financial impact of the pandemic were lifted, full-time equivalent faculty and staff increased by 99. The five-year compounded annual growth rates for salaries and wages for faculty and staff were 2.5% and 2.8%, respectively.

Benefit expenses totaled $112.4 million in Fiscal Year 2022, a 4.7% increase over the prior fiscal year. (Health insurance, contributions to the university's 401(a) plan, and employer payroll taxes make up over 90% of benefits costs.) The five-year compounded annual growth rate in benefits was 2.4% through Fiscal Year 2022.

The university has a self-insured medical plan for employees in lieu of a premium-only/fully insured plan. As a result, those costs for claims accrue directly to the employer and employees. Medical costs increased 9.8% year-over-year as medical visits and procedures recovered from lower utilization due to the pandemic.

Non-Compensation Costs

Non-compensation costs, totaling $483.3 million for the year, increased $51.8 million, or 12.0%, from the prior fiscal year causing an increase in the five-year compounded annual growth rate to 6.6% for Fiscal Year 2022.

Materials and supplies costs (e.g., consumables, rent, periodicals, aid, and software) increased $15.1 million, or 9.4%, due in part to: increased rent expense for hotels used for first-year student housing and COVID-19 isolation; increased technology expenses; increased dining expenses as a result of inflation and higher enrollments; and increased catering, event and consumable expenses as a result of higher activity levels across all four campuses. Additional financial aid in excess of student charges contributed further to the increase. This overall growth was partially offset by lower accounting adjustments to right-of-use assets and lease liabilities compared to the prior fiscal year.

Purchased services costs (e.g., subcontracted services on grants and contracts and professional, consulting, and legal services) increased $17.6 million, or 16.3%, primarily due to increases in outside legal fees, revenue share costs related to online program delivery, temporary and outsourced labor, and subcontracting costs on grants and contracts. These increases were offset by decreases in royalty expenses and costs for the COVID-19 surveillance testing program.

Facilities-related costs (facilities and maintenance, depreciation, and interest) increased $10.9 million, or 6.8%. Facilities and maintenance costs (e.g., utilities, custodial service, and repairs and replacements) increased $0.7 million, or 1.2%, with increased utility costs offset by reduction in costs for the set up of modular units for COVID-19 isolation that took place in Fiscal Year 2021. Depreciation increased $3.7 million, or 5.4%, due to the completion of Joyce Cummings Center, while interest expenses increased $6.5 million, or 20.3%, as a result of the 2021A debt issuance at the end of Fiscal Year 2021.

Travel cost increased $8.1 million, or 217.4%, with resumption of travel and events as COVID-19 restrictions were lifted.

STATEMENT OF ACTIVITIES

Operating Results with Donor Restrictions and Non-operating Activities

Restricted Operating Results

Operating results with donor restrictions added $27.6 million to net assets. This amount includes $39.9 million in unconditional restricted private grant funding received or awarded and $30.3 million in restricted contributions received or pledged. This was offset by $66.2 million in assets released for use for which restrictions were met, including $25.1 million of private grant funding, $17.5 million in restricted contributions, and $23.6 million of restricted endowment distributions.

Non-Operating Activities

Non-operating activities resulted in a loss of $307.9 million to the university's net assets in Fiscal Year 2022, largely driven by investment returns.

Investment returns reinvested, net of utilization to support operations, resulted in a loss of $403.8 million. Contributors were weaker investment returns due to market volatility and the fact that the return on investments was less than the distribution for use from those investments. Please refer to 2022 Endowment and Investment Report section of this report for additional discussion on the endowment and investments.

Non-operating contributions and grants (endowed gifts, capital gifts, gifts-in-kind, capital grants and bequests received) added $73.1 million to the university's net assets, predominantly due to $55.8 million in endowment contributions, $6.6 million in capital grants, $5.6 million in gifts for facilities, and $4.6 million in gifts-in-kind.

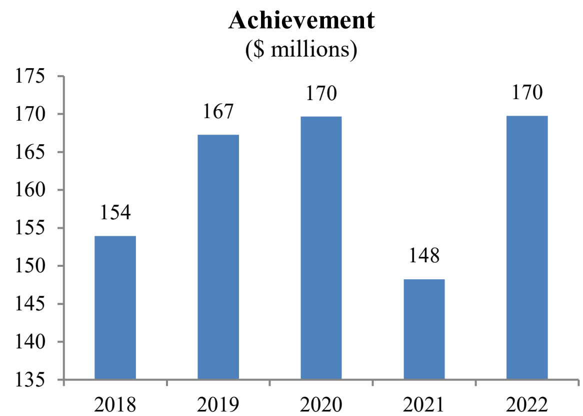
At the end of Fiscal Year 2022, the university recorded a $29.8 million gain related to long-term interest rate agreements. The liability associated with these agreements decreased as a result of year-over-year increases in market interest rates.

ADVANCEMENT

$1.4 billion for the Brighter World Campaign

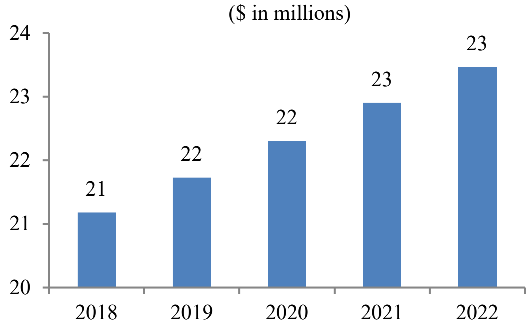
In Fiscal Year 2018, Tufts publicly launched the largest fundraising initiative in its history, a $1.5 billion comprehensive fundraising campaign called *Brighter World: The Campaign for Tufts*. The campaign is strengthening Tufts' unique constellation of schools, expanding access to higher education for increasingly diverse students, enabling innovative research in fields where the university has distinctive strengths, and helping to sharpen the university's focus and ability to influence and improve the world through civic engagement.

Through June 30, 2022, Tufts has raised 90% of the *Brighter World Campaign* goal, with achievement totaling $1.4 billion. Alumni, parents, friends, corporations and foundations have all contributed to the campaign, with 45% of the total raised from university alumni. Cumulative campaign support directed to financial aid totals $310 million. Further, $455 million has been raised to support the university's endowment.



In Fiscal Year 2022, the university exceeded its fundraising goal of $160 million, securing $170 million in new pledges and gifts, representing a 15% increase year over year. This marks the eighth consecutive year of exceeding $100 million in annual achievement. Approximately 43% of fiscal year achievement ($73 million) was in support of teaching and research. Over $598 million has now been raised for this campaign priority over the course of the *Brighter World Campaign*. Endowed gifts and pledges totaled $48 million, $31 million of which was designated for financial aid. The university's annual fund, which provides support for Tufts' most immediate needs and priorities, accounted for approximately $23 million of the funds raised, a 2% increase year over year. In Fiscal Year 2022, about 36,000 individual donors supported Tufts.

Annual Giving
($ in millions)



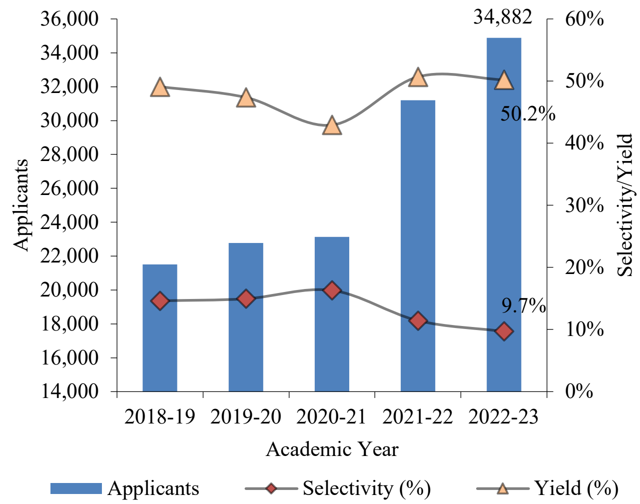
Corporations and foundations provided more than $51 million in new commitments in Fiscal Year 2022, up from $36 million in the prior fiscal year. Planned gifts added nearly $22 million in achievement, and have contributed approximately $244 million to the campaign thus far. In Fiscal Year 2022, the university met and surpassed its campaign goal of welcoming 1,000 new members to the Charles Tufts Society (which is the group of individuals who have included Tufts in their estate plans), with 1,038 having joined over the course of the campaign.

UNDERGRADUATE STUDENT DEMAND AND ACADEMIC STRENGTH

The university continues to experience strong student demand, an important contributor to Tufts' financial strength. For Academic Year 2021-22, the number of undergraduate applicants increased to 34,882, with an entering undergraduate class of 1,697 students.

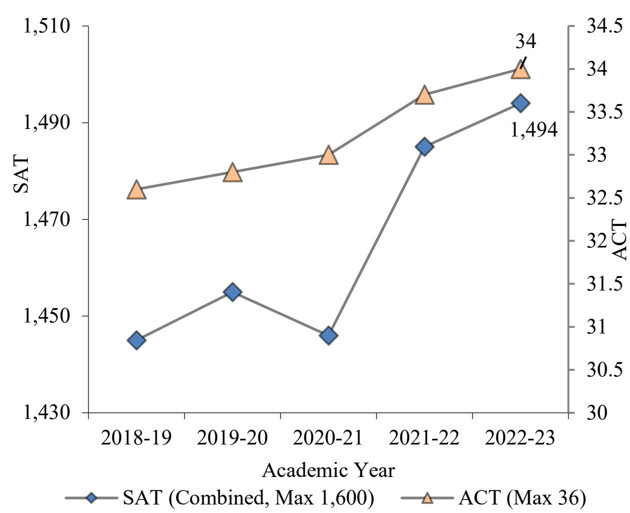
Tufts continues to be a highly selective university. For Academic Year 2022–2023, the number of applicants who were accepted stood at 9.7% and the percentage of students accepted who matriculated was 50.2%, continuing long-term trends that illustrate Tufts' continued strength in the marketplace. The graph at right shows these trends for the entering Class of 2026. As a strong indication of Tufts as a first-choice university, the university received 3,305 Early Decision applications, the highest ever received.

Undergraduate Student Demand



The academic strength of matriculating undergraduate students as measured by SAT and ACT scores continues to be excellent. The mean combined SAT and ACT scores of Tufts' entering undergraduate class continue the trend of academically strong cohorts and mirror the scores of students at other highly selective institutions. For undergraduate applicants seeking to enroll for the Fall 2021 semester, the university introduced a test-optional admission policy for a three-year period. Academic Year 2021-22 represents the second year in this three-year trial period.

Mean SAT and ACT Scores
(Entering Undergraduate Class)



2022-23 scores for only students that requested scores be considered.

Tufts University
2022 Endowment and Investment Report

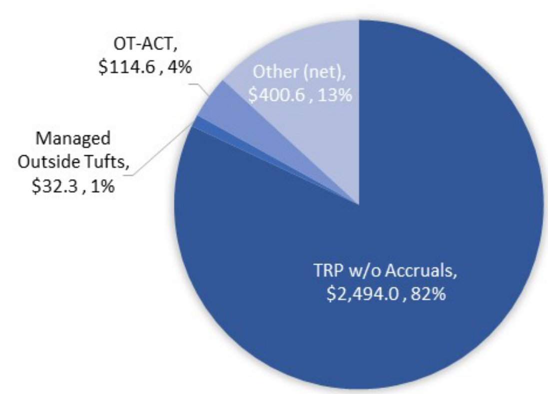
The members of the Board and Investment Committee at Tufts look at the endowment return over multiple periods, and not any single year, as a means of providing a base of support for the university's activities. Endowment assets of the university are invested in a diversified manner. This should allow the endowment to produce results that meet the core objective of supporting the current operating budget while still preserving and enhancing the long-term value of the endowment so that future generations can enjoy the same standard of excellence as Tufts' current generation of faculty, students, and staff. In Fiscal Year 2022, the portfolio returned a decline of 9.8%. Detailed performance information is provided below.

In addition to selecting and monitoring the investments in the endowment, the Investment Committee and Investment Office support all the constituencies of the university, including donors, administrators, and University Advancement, in understanding the strategic value of endowment to the university's long-term financial health. This fiscal year brought meaningful coordination and communication between the Investment Office and the University Finance team with respect to managing both the impact of currently high inflation levels as well as strategic planning (should inflation remain elevated).

The university's long-term and intermediate-term assets stood at $3.0 billion at the end of Fiscal Year 2022. Of these, $2.4 billion are endowment assets. Endowment assets include funds from multiple sources.

A meaningful component are funds designated as unrestricted by the Board of Trustees, transferred to the endowment in the early years of the last decade when the university produced operating surpluses. Another critically important component of the endowment is funds established by individual donors, each supporting a specific purpose within each of the university's schools. Other components include life-income trusts, separately managed accounts, and the Omidyar-Tufts Active Citizenship Trust (OT-ACT).

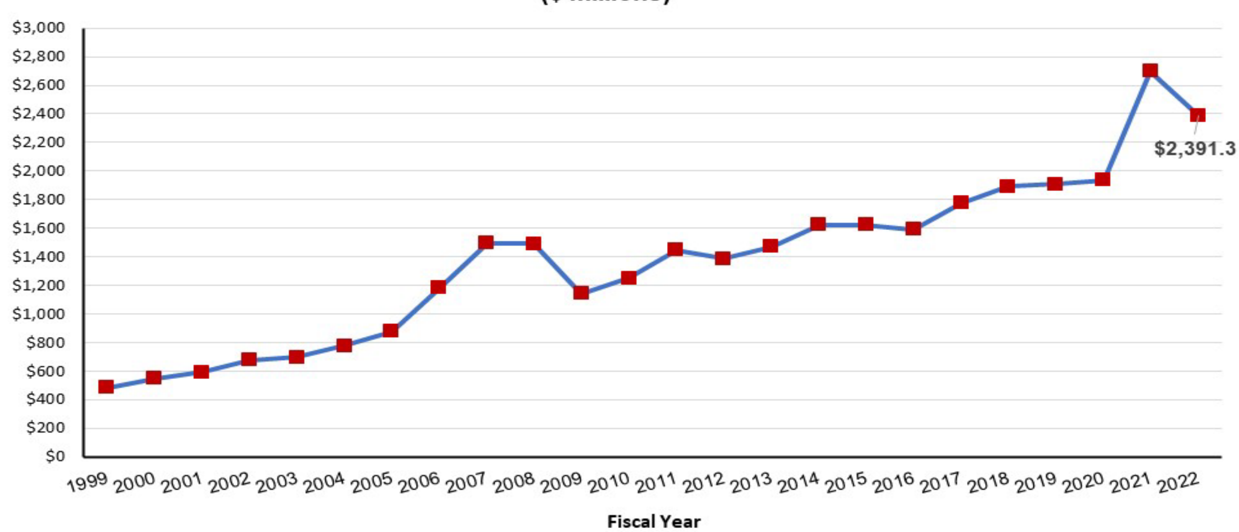
TOTAL LONG-TERM ASSETS
$3,041.5 million as of June 30, 2022



Investment Objectives and Strategy

The value of the Total Return Pool (TRP), where the majority of the long-term assets (both endowment and

TOTAL ENDOWMENT
($ millions)



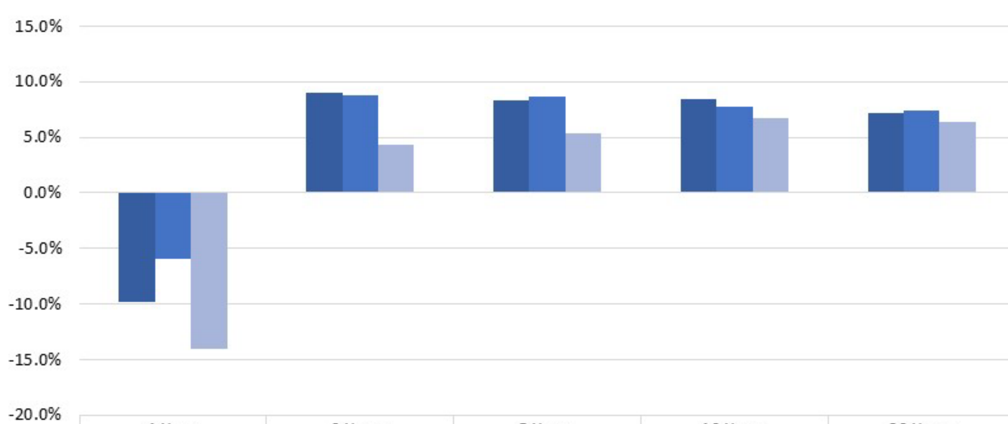
non-endowment) are invested, was $2.5 billion as of June 30, 2022. Of this balance, $2.2 billion belonged to the endowment and the balance to other long-term investments. The pool's target long-term rate of return of payout plus inflation represents a dual objective of steady support for university operations while ensuring the preservation of long-term value for future generations of faculty, researchers, and students.

Performance

Entering Fiscal Year 2022, U.S. inflation stood at 5.4% according to the U.S. Bureau of Labor Statistics, but was expected to decline as pandemic-driven fiscal support and pent-up consumer demand subsided and supply chain bottlenecks were resolved. However, inflation began to increase leading into the end of the calendar year and conditions were exacerbated by the Russian invasion of Ukraine in February. By the end of Fiscal Year 2022, U.S. inflation stood at 9.1% and the US Federal Reserve and other central banks around the world had begun to raise interest rates to combat persistent inflation. Capital markets responded to rising interest rate expectations and, over the six-month period between January and June of 2022, global equity markets declined by 20.2% and U.S. bond markets declined by 10.4%. This drawdown defined the fiscal year period in capital markets, with global equity markets dropping 15.8% and U.S. bond markets down 10.3% for the 12-month period.[1]

As noted above, the TRP is a diversified, equity-oriented portfolio designed to meet long-term return objectives while mitigating a portion of the downside risk associated with an equity-biased portfolio. This was highlighted in Fiscal Year 2022, when the TRP declined 9.8% while the investment policy benchmark (a simple 70% global equity / 30% U.S. bond portfolio) declined by 14.0%. As shown in the graph below, the TRP has outperformed this benchmark over 1-, 3-, 5-, 10-, and 20-year horizons. The TRP is also benchmarked against a custom benchmark, which reflects the portfolio's strategic asset allocation over time. The TRP lagged the custom benchmark (-5.9%) on a 1-year basis due to relative performance in areas such as life sciences, technology, and international markets. This 1-year result places the longer-term TRP performance slightly above or below the custom benchmark over longer time horizons depending on the period. Lastly, against the long-term policy objective (payout to the university plus inflation), the TRP has out-performed on a 10-year basis but slightly trails on a 20-year basis.

Annualized Returns (net of fees) ending June 30, 2022



	1 Year	3 Years	5 Years	10 Years	20 Years
Tufts Actual*	-9.8%	9.0%	8.3%	8.4%	7.2%
Tufts Reference Portfolio	-5.9%	8.8%	8.7%	7.8%	7.4%
Tufts Investment Policy	-14.0%	4.3%	5.4%	6.7%	6.4%

*Tufts Actual returns are gross of administrative fees.

[1] MSCI All-Country World Index (global equity); Bloomberg US Aggregate Bond Index (US bonds)

Fiscal Year Summary

Fiscal 2022 was an active year for the Investment Office. In addition to rebalancing activity required to manage the portfolio's risk profile during a volatile period, the Investment Office made adjustments within the marketable portfolio to reflect the higher interest rate environment over the intermediate term.

Long-term secular themes, such as healthcare and life sciences innovation and acceleration of technology adoption across consumer and enterprise markets, continue to be well-represented in the private investment portfolio.

Endowment vs. Investments ($ millions)

	Endowment		Non-Endowment		Total
Total Return Pool	Endowed Funds	2,214	Working Capital and Agency	280	2,494
Other Investments	Omidyar-Tufts Active Citizenship Trust	115	Intermediate-term Investments	316	547
	Outside Trusts, Planned Giving, Pledges Receivable less Planned Giving Liabilities	62	457 Plan and Other Investments	54	
Total		2,391		650	3,041

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Report of Independent Auditors

To the Board of Trustees of
Tufts University

Opinion

We have audited the accompanying consolidated financial statements of Tufts 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 for the year ended June 30, 2022, and of cash flows for the years ended June 30, 2022 and 2021, 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 for the year ended June 30, 2022, and its cash flows for the years ended June 30, 2022 and 2021 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.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated November 2, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2021 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 consolidated 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 consolidated financial statements are issued.

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Suite 500, Boston, Massachusetts 02210
T: (617) 530 5000; F: (617) 530 5001, www.pwc.com/us

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the University 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 evaluating 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 Tufts University Annual Financial Report 2022, but does not include the consolidated financial statements and our auditor's reports 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

Boston, Massachusetts
November 1, 2022

TUFTS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND JUNE 30, 2021 (in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 105,667	$ 90,553
Investments, intermediate-term	316,154	326,617
Receivables and other assets, net	80,166	68,546
Contributions receivable, net	94,632	85,011
Notes and student loans receivable, net	37,738	39,457
Right of use assets - operating leases	32,159	40,417
Investments, long-term	2,725,321	3,049,491
Land, buildings, and equipment, net	1,175,997	1,165,891
TOTAL ASSETS	$ 4,567,834	$ 4,865,983
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 202,535	$ 208,101
Deferred revenue and deposits	46,673	45,745
Bonds and notes payable	966,753	980,512
Interest rate agreements	40,904	70,737
Lease liability - operating leases	37,587	46,508
Government advances for student loans	14,657	16,005
Total liabilities	1,309,109	1,367,608
NET ASSETS:		
Without donor restrictions	1,685,744	1,721,931
With donor restrictions:		
Spendable	729,863	981,737
Non-Spendable	843,118	794,707
Total net assets with donor restrictions:	1,572,981	1,776,444
Total net assets	3,258,725	3,498,375
TOTAL LIABILITIES AND NET ASSETS	$ 4,567,834	$ 4,865,983

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

TUFTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022, WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021 (in thousands)

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
OPERATIONS:				
REVENUE AND OTHER SUPPORT:				
Tuition and fees, room and board (net of scholarships, see Note 2)	$ 608,740	$ -	$ 608,740	$ 539,385
Government grants and contracts	182,100	-	182,100	172,001
Clinical and other educational activities	131,840	-	131,840	121,624
Auxiliary enterprises	5,649	-	5,649	1,948
Contributions and private grants	34,761	70,239	105,000	80,405
Investment return utilized	102,105	23,572	125,677	118,324
Net assets released from restrictions	66,247	(66,247)	-	-
Total revenue and other support	1,131,442	27,564	1,159,006	1,033,687
EXPENSES:				
Salaries, wages and benefits	607,480	-	607,480	566,431
Materials, supplies and other	175,365	-	175,365	160,233
Purchased services	125,779	-	125,779	108,133
Facility and maintenance costs	59,611	-	59,611	58,932
Depreciation	71,771	-	71,771	68,089
Interest	38,868	-	38,868	32,321
Travel	11,896	-	11,896	3,748
Total expenses	1,090,770	-	1,090,770	997,887
INCREASE IN NET ASSETS FROM OPERATING ACTIVITIES	40,672	27,564	68,236	35,800
NONOPERATING ACTIVITIES:				
Investment return (utilized) reinvested, net	(120,004)	(283,791)	(403,795)	702,574
Contributions and grants, spendable	18,500	7,145	25,645	18,576
Contributions and grants, non-spendable	-	47,465	47,465	33,682
Net assets released from restrictions for capital and other nonoperating purposes	1,846	(1,846)	-	-
Net unrealized gain on interest rate agreements	29,833	-	29,833	20,496
Change in funded status of postretirement health care plan	(459)	-	(459)	3,462
Other nonoperating activities	(6,575)	-	(6,575)	(8,616)
(DECREASE) INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	(76,859)	(231,027)	(307,886)	770,174
(DECREASE) INCREASE IN NET ASSETS	(36,187)	(203,463)	(239,650)	805,974
NET ASSETS—Beginning of year	1,721,931	1,776,444	3,498,375	2,692,401
NET ASSETS—End of year	$ 1,685,744	$ 1,572,981	$ 3,258,725	$ 3,498,375

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

TUFTS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021 (in thousands)

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Total (decrease) increase in net assets	$	(239,650)	$	805,974
Adjustments to reconcile total (decrease) increase in net assets to net cash and cash equivalents provided by operating activities:				
Net realized and unrealized investment losses (gains)		299,908		(802,811)
Depreciation and amortization		74,867		70,856
Non-cash lease expense		11,497		17,774
Loss on disposal of fixed assets		277		415
Gifts of securities, property and equipment		(14,081)		(10,945)
Proceeds from sales of donated securities		2,456		4,740
Settlements on interest rate swap agreements		7,961		8,832
Net unrealized (gain) on interest rate agreements		(29,833)		(20,496)
Contributions restricted for long-term investment		(50,870)		(28,028)
Changes in operating assets and liabilities:				
Receivables and other assets		(12,736)		(20,768)
Contributions receivable		(9,621)		(482)
Operating lease liabilities		(12,160)		(11,683)
Accounts payable and accrued expenses		(10,924)		32,358
Deferred revenue and deposits		928		(7,373)
Net cash, cash equivalents and restricted cash provided by operating activities		18,019		38,363
CASH FLOWS FROM INVESTING ACTIVITIES:				
Notes and student loans granted		(4,831)		(5,900)
Student loans repaid		6,550		7,510
Purchases of investments		(2,656,002)		(2,839,513)
Proceeds from sale of investments		2,662,793		2,774,509
Additions to land, buildings, and equipment		(75,621)		(79,879)
Net cash, cash equivalents and restricted cash (used in) investing activities		(67,111)		(143,273)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in government advances for student loans		(1,348)		(2,545)
Proceeds from issuance of bonds and notes		-		250,033
Repayments of bonds and notes		(13,089)		(14,094)
Proceeds from line of credit draws		177,500		95,000
Repayments of line of credit draws		(177,500)		(95,000)
Cash paid on interest rate swap agreements		(7,961)		(8,832)
Proceeds from contributions restricted for long-term investment		50,870		28,028
Proceeds from sales of donated securities restricted for long-term purposes		7,799		5,688
Net cash, cash equivalents and restricted cash provided by financing activities		36,271		258,278
Net (decrease) increase in cash, cash equivalents and restricted cash		(12,821)		153,368
Cash, cash equivalents and restricted cash—Beginning of year		288,468		135,100
Cash, cash equivalents and restricted cash—End of year	$	275,647	$	288,468
Supplemental Information on Cash, Cash Equivalents and Restricted Cash:				
Cash as shown in the statements of financial position	$	105,667	$	90,553
Restricted cash included in investments (see Note 6 and 12)		169,980		197,914
Restricted cash included in other assets (see Note 3)		-		1
Total cash, cash equivalents and restricted cash as shown on the Consolidated Statement of Cash Flows	$	275,647	$	288,468
Supplemental Data:				
Cash paid for interest, net of amounts capitalized (see Note 7)	$	39,315	$	34,496
Construction amounts remaining in accounts payable	$	14,858	$	9,500
Gifts of securities, property and equipment	$	14,081	$	10,945

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

1. ORGANIZATION

Tufts University (the "University"), founded in 1852, is a not-for-profit institution committed to education and research. The University is a complex, independent nonsectarian university, with approximately 12,600 students and four campuses in Boston, Medford/Somerville and Grafton, Massachusetts. The University provides degree programs at both undergraduate and graduate levels in a variety of liberal arts and professional areas. The University has been granted a tax-exemption as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

The following organizations are included in the consolidated financial statements of the University:

Walnut Hill Properties Corporation ("Walnut Hill")—Walnut Hill is a not-for-profit corporation established by the University to own and manage certain investment and rental properties.

Tufts Veterinary Emergency Treatment & Specialties ("Tufts VETS")—Tufts VETS is a not-for-profit corporation organized by the University to provide emergency and specialty veterinary services in a community environment. It provides postgraduate training in its emergency and critical care training program and training to veterinary students on elective rotations.

Tufts Media LLC ("Tufts Media")—Tufts Media is a single member limited liability company created by the University to operate its consumer publishing and media capability.

JM Holding Corporation ("JM Holdings")—JM Holdings is a for-profit development corporation created by the University to develop approximately 100 acres designated for commercial use in Grafton Science Park on the Cummings School of Veterinary Medicine campus. At this time, JM Holdings and the Cummings School are working to identify potential life science tenants who need a greenfield site to construct new research and development, office, or bio-manufacturing facilities.

Omidyar–Tufts Active Citizenship Trust ("OT-ACT")— OT-ACT (or the "Fund") was organized in October 2005 as a charitable trust to support, benefit and carry out the purposes of public charity beneficiaries, including the University, by engaging in two activities: promoting the relief of the poor and distressed through microfinance investments, and promoting education through grants. The capital assets of the Fund were contributed by a third party and, according to the donor's stipulation, were to be invested in microfinance-related ventures. In 2006, a $100 million contribution to establish the Fund was recorded in net assets with donor restrictions. In March 2020, the Trust Agreement was amended in order to remove certain limitations on the charitable activities described therein and thereby make the trust assets more productive, enhance the Fund's impact and increase the Trustee's ability to achieve the Fund's charitable purposes. The majority of OT-ACT's trustees are appointed by the University. Investments associated with these funds are recorded in net assets with donor restrictions.

Tufts Global, Inc ("Tufts Global")—Tufts Global is a not-for-profit corporation formed as a supporting organization of the University to conduct, support, and facilitate educational and research activities resulting from grant-funded projects within and outside of the United States.

BrainGate, Inc ("BrainGate")—BrainGate is a for-profit corporation donated to the University in September 2019. BrainGate owns patents that are the basis of a transformative neurotechnology that uses micro-electrodes implanted in the brain to let humans operate external devices such as computers or robotic arms with their thought. BrainGate was donated to the University to facilitate further research and practical applications of the technology.

The assets of any of the organizations included in the consolidated financial statements may not be available to meet the obligations of the other entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis with net assets, revenues, expenses, gains and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

Net assets with donor restrictions—Net assets subject to donor-imposed stipulations that are maintained in perpetuity by the University consisting primarily of donor-restricted endowment funds (non-spendable), and also net assets subject to donor-imposed stipulations that may be satisfied by actions of the University that will expire with the passage of time or the occurrence of specific events (spendable).

Net assets without donor restrictions —Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes.

Consolidation—The consolidated financial statements include the accounts of the University and its wholly owned or controlled subsidiaries. Intercompany accounts and transactions have been eliminated.

Classifications—Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions and investment return for operating activities subject to donor-imposed stipulations not utilized in the current period are released from net assets with donor restrictions when spent and are reported as net assets released from restrictions under revenue from operating activities. Expirations of all other net assets with donor restrictions (spendable) for capitalized long-term purposes are reported in the nonoperating section of the statement of activities.

Contributions—Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions restricted for the acquisition of land, buildings, and equipment are reported as increases in net assets with donor restrictions. These contributions are reclassified to net assets without donor restrictions as the funds are expended, or in the case of construction, when the related assets are placed in service. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions (non-spendable). Fundraising expenses totaled approximately $24,700,000 and $23,100,000 for the years ended June 30, 2022 and 2021, respectively.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Pledges for contributions scheduled to be received after one year are discounted using factors that approximate the risk and the expected term of the promise to give. Amortization of the discount is recorded as additional contributions in the appropriate net asset class.

Investments, long-term—Investments are reported at fair value. Dividends, interest, gains, and losses on investments are reported as increases or decreases:

- in net assets with donor restrictions (non-spendable) if the terms of the gift require that they be added to the principal of a permanent endowment or loan fund;

- in net assets with donor restrictions (spendable) if the terms of the gift or relevant state law impose restrictions on the current use of the income or net gains. The University has relied on the Massachusetts Attorney General's interpretation of relevant state law that unappropriated endowment gains should generally be classified as net assets with donor restrictions; and

- in net assets without donor restrictions in all other cases.

Investments are comprised of the assets of the University's endowment and non-endowment funds. The majority of these assets are invested in the University's Total Return Pool ("TRP"). The TRP assets are owned by participating funds based on shares acquired by each fund when it entered the pool. The fair value of the pooled assets is determined each month and the resulting value per share is used to account for funds entering or leaving the pool. The University has established spending policies for endowment and non-endowment investments in the TRP as follows:

Endowment Spending Policy—The Board of Trustees determines the method to be used to appropriate endowment funds for expenditure. The objective of the policy is to ensure that endowment income available to support operations is stable and predictable, while at the same time increases over time to offset the effects of inflation. Endowment funds receive income distributions equal to the current spending level of all funds in the TRP.

As of July 1, 2017, the University Endowment Spending Policy applicable to the TRP maintained an annual spending rate in a range of 4% to 5% of the twelve-quarter moving average ended September 30 of the previous year. Beginning in year ending June 30, 2019, the range lowered 0.1% in each of the next five years resulting in a long-term spending range of 3.5% to 4.5% thereafter. Subject to the range limitation, the annual spending rate will increase at an annual rate of 2.5%. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. The Board approved a temporary departure from the Spending Policy to set the spending rate to 5.1% and 5.2% for years ending June 30, 2022 and 2021, respectively, as one of a number of actions to offset the impact of lost revenues and additional expenses related to the COVID-19 pandemic.

Non-endowment Spending Policy—The non-endowment investments in the TRP consist of operating and capital funds. These long-term funds, while invested in a similar manner as the endowment, are not intended to be held in perpetuity. For these investments, for years ending June 30, 2022 and 2021 respectively, the University maintained an annual spending rate equivalent to 5.25% and 5.50% of the market value calculated as of the twelve-quarter moving average ended September 30 of the previous year.

Spending on all investments held outside the TRP represents the yield earned, unless otherwise prescribed by donor restrictions.

The Board of Trustees of the University has interpreted the "Uniform Prudent Management of Institutional Funds Act" ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investments, intermediate-term—Investments are reported at fair value. This portfolio is invested in cash and high-quality fixed income securities consisting of treasuries, agencies, investment grade corporates, and asset backed securities with maturities generally ranging from 1 to 3 years.

Operations and Nonoperating Activities—The consolidated statement of activities reports changes in net assets without donor restrictions and net assets with donor restrictions from operations and nonoperating activities. Operations include contributions with donor restrictions that have been released to net assets without donor restrictions as used for operational purposes. Non-operating activities include the release from restrictions of contributions restricted to the acquisition of buildings and equipment and other transfers between restriction categories, investment return in excess of the University's operating needs as defined by its spending policy or amounts used in excess of investment return, endowment contributions, unrealized gains or losses on interest rate agreements, changes in the funded status of the postretirement health care plan, and bequests and gifts of property.

Revenue Recognition—Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services. Generally, the University's contracts with customers have a duration of one year or less.

Tuition and fees, and room and board revenues are derived from degree programs as well as summer and continuing education programs and includes tuition, related fees, and room and board. Tuition and fees are recognized ratably over the academic period of the course or program offered based on time elapsed, and scholarships awarded to students reduce the amount of revenue recognized. The University's individual schools have various billing and academic cycles and the majority of our programs are designed to be completed within the year ended June 30. Room and board revenue is recognized ratably over the course of the contracted time students are living on campus.

Student tuition, fees, room and board at published rates is summarized as follows for the years ended June 30, 2022 and 2021 (in thousands of dollars):

Tuition and fees, room and board	2022	2021
Tuition and fees	$ 722,472	$ 648,758
Room and board	62,267	45,030
Total	$ 784,739	$ 693,788
Financial aid applied to tuition and fees, room and board	$ 175,999	$ 154,403
Financial aid in excess of student charges, reported as other expenses	6,782	6,455
Higher Education Emergency Relief Fund (HEERF) financial aid in excess of student charges, reported as other expenses	5,544	4,043
Total	$ 188,325	$ 164,901

The University receives sponsored research support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the University's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue in accordance with ASU 2018-08 *Clarifying the scope and accounting guidance for contributions received and contributions made (Topic 958)*, which is recognized when any donor-imposed conditions, if any, have been met.

Clinical and other educational activities include clinical revenues generated at the Veterinary school and Dental school, royalty income, rental income and revenues from a variety of other activities which are subject to ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)*, and are recognized at the point in time goods or services are provided. Clinical revenues are recorded at the transaction price estimated to reflect the total consideration due from patients and third-party payors in exchange for providing veterinary and dental services. Clinical services are considered a single performance obligation. Revenues are recognized as these performance obligations are fulfilled.

Clinical and other educational activities are summarized as follows for the years ended June 30, 2022 and 2021 (in thousands of dollars):

Clinical and other educational activities	2022	2021
Veterinary and Dental clinical	$ 88,502	$ 77,357
Other sources	43,338	44,267
Total	$ 131,840	$ 121,624

Auxiliary enterprises are primarily comprised of revenues from contracts with customers to provide conferences, parking services, and other miscellaneous activities and are recognized at the point in time goods or services are provided. Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and the University charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity.

Tax Status—The University is a not-for-profit institution that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. US GAAP requires the University to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Tufts has analyzed the tax positions taken and has concluded that as of June 30, 2022 and 2021, there are no significant uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Cash and Cash Equivalents—Short-term investments with maturities at the date of purchase of three months or less are classified as cash and cash equivalents. Certain balances meeting the definition of cash equivalents have been classified as investments as a result of the University's intent to segregate funds from cash available for current operations. Certain restricted cash balances have been classified as other assets and intermediate-term investments for the same intention. These amounts are identified as restricted cash in the consolidated statements of cash flows.

Land, Buildings, and Equipment—Land, buildings, and equipment are stated at cost at date of purchase or fair value at date of donation in the case of gifts. Depreciation is provided using the straight-line method over the assets' estimated useful lives, which range from 15 to 60 years for land improvements, 10 to 60 years for buildings, 3 to 20 years for equipment and furnishings and technology software.

Perpetual Trusts, Life Income, and Annuity Agreements—The University has an interest in various perpetual trusts, irrevocable charitable remainder trusts, and life income and annuity agreements. Assets held in these trusts and agreements, which are administered by the University or third-party trustees, are included in investments, and totaled approximately \$59,645,000 and \$72,920,000 at June 30, 2022 and 2021, respectively. Contributions are recognized at the date the trusts or annuity agreements are established. The primary unobservable input used in the fair value measurement of the charitable remainder trust and life income and annuity assets is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a significant change in fair value. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust. Significant fluctuation in the market value of these underlying securities could result in a material change in fair value. Liabilities associated with life income and annuity agreements are recorded at the present value of the estimated future payments to be made to the donors and/or other beneficiaries by the University. The liabilities associated with life income and annuity agreements are adjusted during the term of the life income agreement or annuity for changes in the value of the assets, accretion of the discount and other changes in the estimates of future payments. The liabilities are included in accounts payable and accrued expenses and totaled approximately \$11,300,000 and \$13,300,000 at June 30, 2022 and 2021, respectively.

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

New Accounting Pronouncements— Effective July 1, 2021, the University adopted ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software or software licenses. The University adopted ASU 2018-15 prospectively. This guidance did not have a significant impact on the University's consolidated financial statements.

Effective July 1, 2021, the University adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency on how contributed nonfinancial assets are to be used and valued. The University adopted ASU 2020-07 prospectively. This guidance did not have a significant impact on the University's consolidated financial statements.

Effective July 1, 2021, the University adopted ASU 2018-14, *Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715, *Compensation — Retirement Benefits*. This accounting pronouncement modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The University adopted ASU 2018-14 on a retrospective basis. The effects of adopting this amendment are addressed in Note 11.

Subsequent events—The University has evaluated the impact of subsequent events through November 1, 2022, representing the date the financial statements were issued and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Prior Year Summarized Information—The consolidated statement of activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated statement of activities for the year ended June 30, 2021, from which the summarized information was derived.

3. RECEIVABLES AND OTHER ASSETS

Receivables represent amounts due from students, grants and contracts, clinical billings, and other sources. Other assets includes prepaid expenses and inventories, the funded status of postretirement health care plan as well as approximately $20 and $300 of restricted funds held under bond agreement at June 30, 2022 and 2021, respectively. Intangible assets consist of patents that were received from the donation of BrainGate (see Note 1) which are being amortized over the life of the patents acquired. The components at June 30, 2022 and 2021 are as follows (in thousands):

	2022	2021
Grant receivables	$ 27,181	$ 28,772
Student receivables, net	5,015	2,848
Clinic receivables, net	3,782	4,092
Other receivables, net	24,928	13,123
Receivables, net	60,906	48,835
Other assets	12,889	12,226
Intangible assets	6,371	7,485
Total	$ 80,166	$ 68,546

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2022 and 2021, which are recorded at fair value, consisted of the following (in thousands):

	2022	2021
Unconditional promises scheduled to be collected in:		
Less than one year	$ 42,400	$ 33,677
One year to five years	53,600	53,472
More than five years	8,288	8,013
Gross contributions receivable	104,288	95,162
Less allowance for uncollectible amounts	(6,511)	(6,521)
Less discount to present value	(3,145)	(3,630)
Total	$ 94,632	$ 85,011

Pledges are initially recorded at fair value (contribution net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. Pledges are reviewed periodically for collectability. As a result, the allowance for pledges that may not be collected is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. The University's indicative 1 to 10-year taxable unsecured borrowing rate is used to discount pledges receivable upon receipt. The discount was calculated using rates ranging from 0.86% to 4.48% for the years ended June 30, 2022 and 2021. The University's pledges receivable have been categorized as Level 2 assets under the fair value hierarchy.

In addition, at June 30, 2022 and 2021, the University had approximately $32,500,000 and $33,300,000, respectively, of conditional promises from donors that are not recognized as assets in the consolidated statements of financial position. These conditional promises consisted of pledges for endowment, construction, and other purposes. As of June 30, 2022, and 2021, the University had approximately $383,076,000, and $405,279,000, respectively, in funding awarded but not yet expended related to conditional contributions from sponsored support where the condition had not yet been met. Funding received in advance of recognition is recorded as deferred revenue. Included in deferred revenue at June 30, 2022 and 2021 are approximately $9,147,000 and $11,866,000, respectively, of sponsored receipts, that have not been expended and cannot yet be recognized as revenue due to having a barrier and right of return as defined under ASU 2018-08.

Contributions receivable at June 30, 2022 and 2021 were intended for the following purposes (in thousands):

	2022	2021
Endowment for educational and general purposes	$ 26,500	$ 31,657
Construction and modernization of plant	10,814	12,173
Support of current operations	57,318	41,181
Total	$ 94,632	$ 85,011

5. NOTES AND STUDENT LOANS RECEIVABLE

Student loans receivables at June 30, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Student loans receivable	$ 37,697	$ 39,499
Less allowance for uncollectible amounts	(309)	(392)
Student receivables, net	$ 37,388	$ 39,107
Other notes receivable	350	350
Total	$ 37,738	$ 39,457

Loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions. Generally, payment on student loans receivable commences upon graduation and can extend up to 20 years. Interest rates range from 2% to 12% for the years ending June 30, 2022 and 2021.

The University assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, and, where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the University reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on these reviews. The University considers the allowance at June 30, 2022 and 2021 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under the accounting standard must maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The University invests in alternatives investments, consisting of commingled public equity funds, marketable alternatives, private equities, real estate, natural resources, and private credit through various limited partnerships and similar vehicles. Alternative investments utilize a variety of investment strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at fair value or its equivalent as estimated by management using values provided by external investment managers. Commingled public equity funds consist of investments in commingled investment products that invest in long positions of publicly traded equity. Marketable alternative funds consist of limited partnership investments in stocks, bonds, commodities, currencies, derivatives and other instruments and often use non-traditional portfolio management techniques including shorting, leveraging, arbitrage and swaps. Private equity investments consist of long-term private investment securities. Real estate consists of investments in privately held real estate. Natural resources consist of private and public investments. Private credit consists of private investments. Estimates of fair value may differ significantly from values that would have been used had a ready market for the investments existed. The University is obligated under certain limited partnership agreements and other alternative investment arrangements to advance additional funding periodically up to specified levels.

Investment fund managers may invest in derivatives, and the value of these positions is reflected in the net asset value ("NAV") of the respective funds. Separately, the University may employ derivatives to hedge its risks and to rebalance its market exposures. The University also has ownership in certain investments that are classified as equity method investments.

The following tables present the financial instruments carried at fair value as of June 30, 2022, and 2021, by the fair value hierarchy defined above (in thousands):

Assets as of June 30, 2022:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Total Fair Value
Investments:					
Cash and short-term investments	$ 59,332	$ -	$ -	$ -	$ 59,332
Equity derivatives	-	(3,745)	-	-	(3,745)
Public equity domestic	110,044	-	-	270,160	380,204
Public equity foreign	32,228	-	-	211,701	243,929
Public equity global	-	-	-	158,395	158,395
Fixed income	375,214	-	-	46,612	421,826
Marketable alternatives	-	-	1,695	593,776	595,471
Private equity	-	-	4,007	828,802	832,809
Private real estate	3,832	-	5,015	138,275	147,122
Private natural resources	-	-	-	119,875	119,875
Private credit	-	-	-	36,632	36,632
Perpetual trusts	-	-	32,256	-	32,256
Total Investments	$ 580,650	$ (3,745)	$ 42,973	$ 2,404,228	$ 3,024,106
Equity method investment (see Note 13)	-	-	-	-	12,571
	580,650	(3,745)	42,973	2,404,228	3,036,677
Liabilities:					
Interest rate swaps liability	$ -	$ 40,904	$ -	$ -	$ 40,904

Assets as of June 30, 2021:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Total Fair Value
Investments:					
Cash and short-term investments	$ 105,888	$ -	$ -	$ -	$ 105,888
Equity derivatives	-	1,749	-	-	1,749
Public equity domestic	223,943	-	-	190,536	414,479
Public equity foreign	78,905	-	-	271,663	350,568
Public equity global	-	-	-	209,159	209,159
Fixed income	385,568	-	-	59,153	444,721
Marketable alternatives	-	-	1,099	565,063	566,162
Private equity	-	-	5,347	860,091	865,438
Private real estate	5,134	-	5,012	136,844	146,990
Private natural resources	-	-	-	123,398	123,398
Private credit	-	-	-	49,573	49,573
Perpetual trusts	-	-	38,108	-	38,108
Total Investments	$ 799,438	$ 1,749	$ 49,566	$ 2,465,480	$ 3,316,233
Equity method investment (see Note 13)	-	-	-	-	10,483
	799,438	1,749	49,566	2,465,480	3,326,716
Liabilities:					
Interest rate swaps liability	$ -	$ 70,737	$ -	$ -	$ 70,737

In accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Excluded from the tables above, but included in total investments at June 30, 2022 and 2021, are net investment payables and receivables of approximately $202,000 and $14,392,000, respectively. In addition, the tables above exclude approximately $5,000,000 and $35,000,000 representing cash subscriptions made in investments pending settlement at June 30, 2022 and 2021, respectively. Included in cash and short-term investments is restricted cash of approximately $617,000 and $9,700,000 at June 30, 2022 and June 30, 2021, respectively.

The value of certain alternative investments represents the ownership interest in the NAV of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. These values are reviewed by management of the University. If no public market exists for the investment securities, the fair value is determined by the general partner or management for securities held directly, taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30.

Interest rate swaps, held for investment purposes, are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

Beneficial and perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement and are classified as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The University also invests directly in private companies that are primarily valued using industry standard methodologies, as applicable. Management strives to corroborate information from third-party sources for relevance and accuracy; these valuations are subject to significant review and consideration by management. The valuation procedures performed on these assets are based on industry standard processes for each respective asset class. The inputs utilized in any valuation model may be significant and unobservable and require a certain degree of judgment. Management examines market data and collaborates closely with industry experts to attempt to arrive at the best estimation of fair value for each respective asset. While the inputs described below represent the range of inputs utilized as of the measurement date, these inputs may change over time, which may have a material effect on the valuation of these types of investments in the future.

Level 3 investments have been valued using pending or recent market transactions. The following tables include roll forwards of investments classified by the University within Level 3 as of June 30, 2022 and 2021. Transfers between levels are recognized at the beginning of the reporting period. There were no transfers between levels in 2022 and 2021. As of June 30, 2022, and 2021, there were no purchases or sales of Level 3 assets.

	Marketable Alternatives	Private Equity	Private Real Estate	Perpetual Trusts	Total Investments
Fair value, July 1, 2020	$ 961	$ 5,591	$ 6,954	$ 31,222	$ 44,728
Unrealized and realized gains(losses), net	138	(244)	(1,942)	6,886	4,838
Fair value, June 30, 2021	$ 1,099	$ 5,347	$ 5,012	$ 38,108	$ 49,566
Unrealized and realized gains(losses), net	596	(1,340)	3	(5,852)	(6,593)
Fair value, June 30, 2022	$ 1,695	$ 4,007	$ 5,015	$ 32,256	$ 42,973

The following tables present liquidity and outstanding commitments information for the investments carried at fair value at June 30, 2022, and 2021, respectively.

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
2022:				
Fixed Income	$ 46,612	Daily	1	$ -
Public Equity Domestic	270,160	Ranges from monthly to semi-annual	30 - 120	50,000
Public Equity Foreign	211,701	Ranges from monthly to annual	10 - 180	-
Public Equity Global	158,395	Ranges from semi-monthly to annual	6 - 90	-
Marketable Alternatives	598,776	Ranges from monthly to annual	3 - 180	2,500
Private Equity	828,803	Illiquid	Not applicable*	311,928
Private Real Estate	138,275	Illiquid	Not applicable*	86,300
Private Natural Resources	119,875	Illiquid	Not applicable*	35,577
Private Credit	36,632	Illiquid	Not applicable*	13,966
	$ 2,409,229			$ 500,271
Level 1 securities	580,650			
Other investments not subject to redemptions	51,596			
Total Investments	$ 3,041,475			

		Fair Value	Redemption Terms	Days Notice		Remaining Unfunded Commitment
2021:						
Fixed Income	$	58,763	Daily	1	$	-
Fixed Income		390	Monthly	30		-
Public Equity Domestic		190,536	Quarterly	60		-
Public Equity Foreign		271,663	Ranges from monthly to semi-annual	10 - 85		-
Public Equity Global		209,159	Ranges from semi-monthly to annual	6 - 90		-
Marketable Alternatives		600,063	Ranges from monthly to annual	3 - 180		-
Private Equity		860,091	Illiquid	Not applicable*		220,207
Private Real Estate		136,844	Illiquid	Not applicable*		86,875
Private Natural Resources		123,398	Illiquid	Not applicable*		44,531
Private Credit		49,573	Illiquid	Not applicable*		25,144
	$	2,500,480			$	376,757
Level 1 securities		799,438				
Other investments not subject to redemptions		76,190				
Total Investments	$	3,376,108				

*The period of time over which the underlying assets are expected to be liquidated is unknown.

The total return on investments for the years ended June 30, 2022 and 2021 is as follows (in thousands), net of investment expenses:

		2022		2021
Dividends, interest and other	$	21,790	$	18,087
Net realized and unrealized (losses) gains		(299,908)		802,811
Total return on investments		(278,118)		820,898
Investment return utilized		(125,677)		(118,324)
Investment return (utilized)/reinvested, net	$	(403,795)	$	702,574

7. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2022 and 2021 consisted of the following (in thousands):

		2022		2021
Land and land improvements	$	84,767	$	80,433
Buildings		1,808,217		1,697,360
Construction in progress		52,005		107,924
Equipment and furnishings		264,481		252,045
		2,209,470		2,137,762
Less accumulated depreciation		(1,033,473)		(971,871)
Total	$	1,175,997	$	1,165,891

Depreciation expense charged to operations was approximately $71,771,000 and $68,089,000 in 2022 and 2021 respectively. Net interest cost capitalized in years ended June 30, 2022 and 2021 was approximately $1,063,000 and $2,296,000, respectively.

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts and gains or losses are included in the statement of activities.

8. BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Massachusetts Health and Educational Facilities Authority ("MHEFA"):		
Series G, variable rate bonds, 5.36% average rate for 2022, par value of $27,900, due February 2024 - February 2026	$ 24,300	$ 24,300
Series M, fixed rate bonds at 5.25-5.50%, par value of $59,150, due February 2023 - February 2028	33,925	41,685
Series N-1, variable rate bonds, 4.12% average rate for 2022, par value of $86,400, due August 2029 - August 2040	57,100	57,100
Series N-2, variable rate bonds, 4.00% average rate for 2022, par value of $54,200, due August 2022 - August 2034	54,200	54,200
Massachusetts Development Finance Agency ("MDFA"):		
Series P, multi-mode bond, 5.70% average rate for 2022, par value of $49,835, due February 2029 - February 2036	49,835	49,835
Series Q, fixed rate bonds at 3.75%-5%, par value of $69,575, due August 2022 - August 2045	61,305	63,350
Series R, variable rate bonds, 2.84% average rate for 2022, par value of $34,000, due August 2029-2048	34,000	34,000
JPM tax exempt line of credit, fixed rate 2.65%, par value of $28,000, due May 2026	12,480	15,604
Tufts Issue 2012A, taxable fixed rate bond at 5.017%, par value of $250,000, due April 2112	250,000	250,000
Tufts Issue 2017A, taxable fixed rate bond at 4.005%, par value of $130,000, due August 2053 - August 2057	130,000	130,000
Tufts Issue 2021A, taxable fixed rate bond at 3.099%, par value of $250,000, due August 2051	250,000	250,000
Cummings Property, LLC at 4%, par value of $1,400, due February 2026	579	723
Bank of America note fixed rate 2.54%, par value of $10,200, due May 2026	10,200	10,200
TVETS New Lane note at 0%, due November 2022	7	23
	967,931	981,020
Net unamortized bond premium	4,941	5,842
Net unamortized debt issuance costs	(6,119)	(6,350)
Total bonds and notes payable	$ 966,753	$ 980,512

The average rates reflected above for the variable rate bonds are computed based on the variable interest, fees, and related swap interest payments. Series P is a long-term multi-mode bond (final maturity 2036), the first mode of which was a 5-year put bond with a 3% coupon which was due on February 16, 2016. The second mode is a 15-year bank purchase mode with a variable bank purchase rate which is due February 17, 2031. The average rate for the years ended June 30, 2022 and 2021 was 5.70% and 5.70% respectively.

Scheduled aggregate principal repayments on bonds and notes payable at June 30, 2022 are as follows (in thousands):

Year Ending	Scheduled Principal Maturities
2023	$14,040
2024	12,840
2025	18,794
2026	28,347
2027	12,705
Thereafter	881,205
Total	$967,931

In year ending June 30, 2022, the University terminated Series R, standby bond purchase agreements totaling $34,000,000 following the conversion of the bond to the bank purchase mode with a variable bank purchase rate. In year ending June 30, 2021, the University terminated three standby bond purchase agreements totaling $135,600,000 following the conversion of the bonds to the bank purchase mode with a variable bank purchase rate.

In September 2020, the University closed on a $75,000,000 line of credit to support investment operations. The line of credit is used for portfolio management purposes to reduce the need to make short-term trades to maintain cash levels during transactions and had a one-year term. In June 2021, the University amended the line of credit agreement to increase the maximum commitment to $125,000,000 and extend the maturity date to September 2024. As of June 30, 2022, the outstanding balance on the line of credit is $0.

Interest Rate Agreements— The University has entered into derivative transactions for the purpose of reducing the impact of fluctuations in interest rates and reducing interest expense. The University has entered into fixed-to-floating, floating-to-fixed interest rate swaps and basis swaps. The following summarizes the terms for each of the interest rate swap agreements as of June 30, 2022 and 2021 (in thousands).

Swap Agreements as of June 30, 2022

Swaps	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Total
Debt Hedged	(Series P)	(Series G, N-1 & R)	(Series N-1 & R)	(Series N-1)	(Series N-2)	
Notional Amount	$50,500	$39,900	$40,000	$34,000	$54,000	
Termination Date	February 15, 2036	August 15, 2033	August 15, 2040	August 15, 2036	August 15, 2034	
Fair Value June 30, 2022	($13,829)	($3,989)	($7,272)	($8,194)	($7,620)	($40,904)

Swap Agreements as of June 30, 2021

Swaps	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Total
Debt Hedged	(Series P)	(Series G, N-1 & R)	(Series N-1 & R)	(Series N-1)	(Series N-2)	
Notional Amount	$50,500	$39,900	$40,000	$34,000	$54,000	
Termination Date	February 15, 2036	August 15, 2033	August 15, 2040	August 15, 2036	August 15, 2034	
Fair Value June 30, 2021	($22,336)	($8,033)	($13,622)	($13,527)	($13,219)	($70,737)

The University reported the fair value of its interest rate swap agreements in the statement of financial position as a liability of $40,904,000 and $70,737,000 at June 30, 2022 and 2021, respectively. The change in fair market value of approximately $29,833,000 and $20,496,000 for the years ended June 30, 2022 and 2021 respectively, is included in the statement of activities as net unrealized gain on interest rate agreements.

The estimated market value of the interest rate exchange agreements at June 30, 2022 and June 30, 2021, was computed using the net present value of fixed and floating future cash flows, with floating future cash flows estimated through the use of forward interest rate yield curves adjusted for non-performance risk. These financial instruments necessarily involve counterparty credit exposure. The counterparties for these interest rate exchange transactions are a diversified group of major financial institutions that meet the University's criteria for financial stability and credit worthiness.

9. NET ASSETS

Net assets at June 30, 2022 and 2021 consisted of the following (in thousands):

	Without donor restrictions	With donor restrictions	2022 Total
Endowment	$ 1,038,095	$ 1,353,209	$ 2,391,304
Invested in physical plant	367,987	-	367,987
Operating	105,220	185,190	290,410
Building projects	154,211	11,573	165,784
Student loans	20,231	23,009	43,240
Total	$ 1,685,744	$ 1,572,981	$ 3,258,725

	Without donor restrictions	With donor restrictions	2021 Total
Endowment	$ 1,106,747	$ 1,591,783	$ 2,698,530
Invested in physical plant	465,971	-	465,971
Operating	49,880	141,638	191,518
Building projects	78,942	20,766	99,708
Student loans	20,391	22,257	42,648
Total	$ 1,721,931	$ 1,776,444	$ 3,498,375

Endowment consists of resources that have been restricted by the donor, trust, split interest agreement, or designated by the Board of Trustees for investment to provide future resources to support the University's activities. Endowment with donor restrictions includes unappropriated gains of approximately $371,404,000 and $658,606,000 in 2022 and 2021, respectively. Operating without donor restrictions includes funds that have been internally designated for use by various schools, departments, and programs throughout the University.

The University's endowment consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board-designated endowment funds at June 30, 2022 and 2021 total the endowment without donor restrictions amount in the above table, and are earmarked for the following:

	2022	2021
General university support	$ 797,665	$ 853,566
Scholarships and fellowships	52,637	50,806
Professorships	36,585	38,400
Other purposes	151,208	163,975
Total	$ 1,038,095	$1,106,747

Note: Other purposes include several categories, including but not limited to, departmental, innovative education, faculty development, maintenance, research, library, prizes, books, lectureships, and other miscellaneous purposes

Changes in endowment net assets for the years ended June 30, 2022 and June 30, 2021 are as follows (in thousands):

	Without donor restrictions	With donor restrictions	2022 Total
Endowment net assets, beginning of year	$ 1,106,747	$ 1,591,783	$ 2,698,530
Total investment return, net	(41,224)	(230,472)	(271,696)
Contributions	7,298	48,512	55,810
Appropriation of endowment assets for expenditure	(43,592)	(54,066)	(97,658)
Other changes, net	8,866	(2,548)	6,318
Endowment net assets, end of year	$ 1,038,095	$ 1,353,209	$ 2,391,304

	Without donor restrictions	With donor restrictions	2021 Total
Endowment net assets, beginning of year	$ 744,733	$ 1,192,540	$ 1,937,273
Total investment return, net	292,720	431,561	724,281
Contributions	2,772	32,987	35,759
Appropriation of endowment assets for expenditure	(42,149)	(50,884)	(93,033)
Other changes, net	108,671	(14,421)	94,250
Endowment net assets, end of year	$ 1,106,747	$ 1,591,783	$ 2,698,530

Other changes include additions or deductions to the endowment from net transfers resulting from changes in donor restrictions or University designations.

Total endowment assets classified with donor restrictions consist of the following components (in thousands):

	2022	2021
Spendable:		
Subject to time restriction	$ 102,029	$ 99,735
Restricted for program support	435,567	724,093
Total endowment net assets with spendable restrictions	$ 537,596	$ 823,828
Non-Spendable:		
Restricted for scholarship support	$ 413,687	$ 378,108
Restricted for faculty support	186,933	162,802
Restricted for program support	214,993	227,045
Total endowment net assets with non-spendable restrictions	$ 815,613	$ 767,955
Total endowment net assets with donor restrictions	$ 1,353,209	$ 1,591,783

Underwater Endowment Funds
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. Underwater endowment funds reported in net assets with donor restrictions were approximately $3,446,000 and $0 as of June 30, 2022 and 2021, respectively.

10. FUNCTIONAL CLASSIFICATION OF EXPENSES

The University reports operating expenses in its consolidated statement of activities by natural classification. Interest, depreciation, operations and maintenance expenses have been allocated to functional expense classifications based on square footage utilized. Operating expenses by functional category for the years ended June 30, 2022 and 2021 consisted of the following (in thousands):

June 30, 2022

	Instruction & Research	Clinical & Auxiliary	General & Administration	Total
Salaries, wages and benefits	$ 304,013	$ 90,191	$ 213,276	$ 607,480
Materials, supplies and other	33,671	92,193	49,501	175,365
Purchased services	69,546	10,570	45,663	125,779
Facility and maintenance costs	36,881	8,563	14,167	59,611
Travel	6,138	489	5,269	11,896
Allocations:				
Depreciation	32,308	22,941	16,522	71,771
Interest	17,497	12,424	8,947	38,868
Operations and maintenance	28,859	4,434	(33,293)	-
Total	$ 528,913	$ 241,805	$ 320,052	$ 1,090,770

June 30, 2021

	Instruction & Research	Clinical & Auxiliary	General & Administration	Total
Salaries, wages and benefits	$ 289,721	$ 81,056	$ 195,654	$ 566,431
Materials, supplies and other	27,169	73,798	59,266	160,233
Purchased services	59,054	10,536	38,543	108,133
Facility and maintenance costs	36,283	9,259	13,390	58,932
Travel	1,814	92	1,842	3,748
Allocations:				
Depreciation	30,651	21,764	15,674	68,089
Interest	14,550	10,331	7,440	32,321
Operations and maintenance	25,574	3,929	(29,503)	-
Total	$ 484,816	$ 210,765	$ 302,306	$ 997,887

11. BENEFIT PLANS

Defined Contribution Plan—The University sponsors a defined contribution retirement plan under Section 401(a) of the Code, which is available to eligible faculty and administrative staff. All contributions are funded by the University and are subject to a vesting schedule. The University's contributions to the plan amounted to approximately $35,344,000 and $32,845,000 in 2022 and 2021, respectively.

The University also offers a supplemental retirement plan under Section 403(b) of the Code, which is fully funded by voluntary employee contributions.

Deferred Compensation Plans—The University maintains two separate plans under Section 457(b) of the Code for eligible officers, faculty, and administrative staff. The University funded the Officers' Plan with approximately $175,000 and $157,000 in 2022 and 2021, respectively. Under the terms of the Faculty and Administrative Staff Plan, no contributions are made by the University but are fully funded by voluntary employee contributions. The assets and related liabilities of these plans are recorded in investments and accrued liabilities in the consolidated financial statements and total approximately $26,303,000 and $31,562,000 at June 30, 2022 and 2021, respectively. The University also maintains a plan under Section 457(b) of the Code for eligible faculty and administrative staff that was closed to future participants in 1989. The University funded this plan with approximately $900 and $3,000 in 2022 and 2021, respectively. The investment assets and related liabilities of these plans, which total approximately $4,700,000 and $5,400,000 in 2022 and 2021, respectively, are recorded in investments and accrued liabilities in the consolidated statements of financial position.

Health and Welfare Benefit Plan—The University provides postretirement health care benefits to eligible retired employees and their eligible spouses. Retirees share in the cost of their health care benefits through co-payments and deductibles related to years of service and date of retirement. Employees who were hired after December 31, 1993, must pay for the entire cost of their benefit when they retire. The University established a trust to fund the postretirement health care benefits for most of the eligible employees. The trust qualifies as a "voluntary employees beneficiary association" ("VEBA") under the provisions of Section 501(c)(9) of the Code in order that the trust be exempt from certain taxes.

Changes in the University's postretirement health care benefit obligation for the years ended June 30, 2022 and 2021 are as follows (in thousands):

	2022	2021
Change in Accumulated Postretirement Benefit Obligation (APBO):		
APBO at prior fiscal year end	$ 12,009	$ 12,871
Employer service cost	-	-
Interest cost	324	331
Actuarial (gain)	(1,890)	(87)
Plan participants' contributions	865	847
Benefits paid from plan assets[1]	(1,741)	(1,953)
APBO at current fiscal year end	$ 9,567	$ 12,009

[1]Net of retiree contributions

The funded status of the University's postretirement health care plan and the amounts recognized in the consolidated statements of financial position at June 30, 2022 and 2021 are as follows (in thousands):

	2022	2021
Change in Plan Assets:		
Fair value of assets at prior fiscal year end	$ 15,996	$ 13,396
Actual return on assets[2]	(2,025)	3,706
Employer contributions for key employees	1	-
Plan participants' contributions	865	847
Benefits paid[1]	(1,741)	(1,953)
Fair value of assets at current fiscal year end	$ 13,096	$ 15,996
Funded Status	$ 3,529	$ 3,988

[1]Net of retiree contributions
[2]Net of administrative expenses

Amounts recognized in the Statement of Financial Position (in thousands):

	2022	2021
Receivables and other assets, net	$ 3,529	$ 3,988
Net amount recognized in the statement of financial position	$ 3,529	$ 3,988

In fiscal year 2021, the University updated the projections scales table from MP-2019 to MP-2020.
In fiscal year 2022, the University updated the projections scales table from MP-2020 to MP-2021.

The components of net periodic benefit cost (in thousands):

	2022	2021
Employer service cost	$ -	$ -
Interest cost	324	331
Expected return on assets	(1,183)	(995)
Subtotal	(859)	(664)
Net prior service (credit) cost amortization	(2,219)	(2,219)
Net loss amortization	(201)	-
Net periodic postretirement (income) benefit cost	$ (3,279)	$ (2,883)
Total changes recognized in net assets without donor restrictions	$ (459)	$ 3,462

The weighted-average assumptions to determine obligations are as follows:

	2022	2021
Discount rate at end of year	4.74%	2.80%

The weighted-average assumptions to determine net periodic benefit cost are as follows:

	2022	2021
Assumptions Used to Determine Benefit Cost[1]		
Discount rate	2.80%	2.67%
Long-term rate of return on assets	7.60%	7.70%
Current health care cost trend rate	6.50%	6.50%
Ultimate health care cost trend rate	4.50%	4.50%
Year of ultimate trend rate	2025	2025

[1]These assumptions were used to calculate Net Periodic Postretirement Benefit Cost (Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable.

Expected Future Benefit Payments:	
During fiscal year ending 06/30/2023	$ 896
During fiscal year ending 06/30/2024	906
During fiscal year ending 06/30/2025	894
During fiscal year ending 06/30/2026	844
During fiscal year ending 06/30/2027	784
During fiscal years ending 06/30/2028 through 6/30/2032	3,269

The estimated University cash contribution for year ending June 30, 2023 is $0.

VEBA Trust Asset Allocation and Investment Strategy—The weighted-average investment allocation of plan assets by category is as follows:

	2022	2021	Target Allocation
Equity securities	56%	65%	56%
Debt securities	29%	23%	29%
Real estate securities	15%	12%	15%
Total	100%	100%	100%

The Health and Welfare Benefit Plan fiduciaries set the investment policy and strategy for investment of plan assets, including selecting investment managers and setting long-term risk and return objectives. The asset allocations are broadly diversified among asset category and within each category, which lowers the expected volatility of the portfolio's return and may protect against negative market environments.

To determine the expected long-term rate of return on plan assets, the University considers the target asset allocations, and the expected return on assets by category.

Equity securities primarily include mutual fund investments in large-cap and small-cap companies primarily located in the United States. Debt securities include high quality, investment grade and international bond funds. Real estate securities consist of mutual fund investments in domestic and international real estate investment trusts. The fair values of the University's post-retirement health care plan assets at June 30, 2022 and 2021 by asset category (in thousands):

VEBA Trust Investments at June 30, 2022	Level 1	Level 2	Level 3	Total
Equity securities	$ 7,137	$ -	$ -	$ 7,137
Debt securities	3,658	-	-	3,658
Real estate securities	1,929	-	-	1,929
	$ 12,724	$ -	$ -	$ 12,724

VEBA Trust Investments at June 30, 2021	Level 1	Level 2	Level 3	Total
Equity securities	$ 8,626	$ -	$ -	$ 8,626
Debt securities	4,430	-	-	4,430
Real estate securities	2,296	-	-	2,296
	$ 15,352	$ -	$ -	$ 15,352

At June 30, 2022 and 2021, the plan also held cash and cash equivalents amounting to approximately $665,000 and $939,000.

12. LIQUIDITY AND FUNDS AVAILABLE FOR GENERAL EXPENDITURE

As part of the University's liquidity management strategy, the University structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The University regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The University invests excess daily cash in short-term and intermediate-term investments. In accordance with University spending policies, TRP funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor restrictions where applicable; however, cash distributions from the TRP to support the appropriations are available for general liquidity purposes.

As noted in Note 8, to help manage unanticipated liquidity needs, the University has a committed bank line of credit in the amount of $125,000,000 which it could draw upon through September 2024. The University also has a surplus liquidity fund, an intermediate-term investment invested in fixed income securities, which included approximately $146,800,000 and $138,400,000 of unrestricted funds as of June 30, 2022 and 2021, respectively.

The University's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statements of Financial Position were as follows (in thousands):

	2022	2021
Cash and cash equivalents	$ 105,667	$ 90,553
Investments, intermediate-term, net of unspent bond proceeds	146,791	138,374
Accounts receivable, net	60,906	48,835
Expected pledge and private grant payments available	33,906	24,630
Investments: appropriated for spending in the following year	113,270	103,523
Financial assets available for general expenditure within one year	$ 460,540	$ 405,915
Unspent bond proceeds for limited use	$ 169,363	$ 188,243
Notes receivable due in more than one year	37,738	39,457
Contributions receivable due in more than one year	60,726	60,381
Board-designated quasi endowment funds	1,038,095	1,106,747
Donor-restricted endowment funds less appropriated spending	1,239,939	1,488,260
Annuities and perpetual trusts	57,634	71,776
Other long-term investments	276,383	279,185
Inventories, prepaid expenses and other assets	19,260	19,711
Right of use assets - operating leases	32,159	40,417
Property, plant, and equipment	1,175,997	1,165,891
Total assets	$ 4,567,834	$ 4,865,983

In addition to these available financial assets, a significant portion of the University's annual expenditures are funded by current year operating revenues including tuition, grant and contract income, clinical and other educational income, and contributions and grants.

As part of total investments, the University has board-designated quasi endowment funds of approximately $1,038,095,000 and $1,106,747,000 as of June 30, 2022 and 2021, respectively. Although the University does not intend to spend from its board-designated quasi endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from its board-designated quasi endowment could be liquidated and made available.

13. RELATED ORGANIZATIONS

Tufts Shared Services, Inc. ("TSS")—The University and Tufts Medical Center, Inc. ("Medical Center") jointly formed TSS, a not-for-profit service corporation, to provide the organization and facilities for coordinating certain education and health services activities. The administrative board of TSS includes equal representation from the University and the Medical Center. The cost of services provided by TSS to the University for the years ended June 30, 2022 and 2021 were approximately $5,765,000 and $6,261,000, respectively. The University's 50% ownership investment in TSS has been recorded at approximately $12,571,000 and $10,483,000 at June 30, 2022 and 2021 using the equity method of accounting. The accounts of TSS are included in the accompanying consolidated financial statements of the University using the equity method of accounting, in investments and non-operating revenues.

14. CONTINGENCIES AND COMMITMENTS

Outstanding commitments on construction contracts amounted to approximately $46,067,000 at June 30, 2022.

There are currently several legal cases pending involving labor relations and other matters related to the normal operation of the University. The University believes that the outcome of these cases will have no significant effect on the financial position or results of operations of the University.

15. LEASES

The University's operating leases are primarily for real estate, including office buildings, dormitories, and other administrative offices. The University's real estate lease agreements typically have initial terms of 3 to 12 years. These real estate leases may include one or more options to renew, with renewals that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the University's sole discretion. When determining the lease term, the University includes options to extend or terminate the lease when the option to exercise is certain.

The University determines if an arrangement is or contains a lease at inception of the contract. Our right-of-use assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability, using the effective interest method. The University uses our estimated incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less. The University recognizes lease expense on a straight-line basis over the lease term within materials, supplies, and other costs on the consolidated statement of activities.

The components of lease expense for the years ended June 30, 2022 and 2021 are as follows (in thousands):

Operating Leases	2022	2021
Operating lease cost	$ 11,598	$ 11,824
Short-term lease cost	29	584
Variable lease cost	42	42
Total lease cost	$ 11,669	$ 12,450

Operating Leases	2022	2021
Weighted average remaining lease term	4.45 years	5.31 years
Weighted average discount rate	1.05%	1.02%

Future maturities of operating lease liabilities as of June 30, 2022 (in thousands):

2023	$ 9,962
2024	7,953
2025	7,221
2026	4,820
2027	3,526
Thereafter	5,243
Total lease payments	38,725
Less imputed interest	(1,138)
	$ 37,587

Supplemental cash flow information related to leases for the years ended June 30, 2022 and 2001 is as follows (in thousands):

Operating Leases	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 11,472	$ 11,492
Right-of-use assets obtained in exchange for lease obligations:		
Operating Leases	$ 5,934	$ 52,124

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