



University of the District of Columbia

Basic Financial Statements

September 30, 2021 and 2020

(With Independent Auditor's Report Therein)

A Component Unit of the Government of the District of Columbia

UNIVERSITY OF THE
DISTRICT OF
COLUMBIA
1851



UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Table of Contents

	Page(s)
Members of the Board of Trustees	ii
Finance Staff	iii
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 13
Basic Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Discretely Presented Component Units Financial Statements:	
Statements of Net Position	17
Statements of Activities	18
Notes to Basic Financial Statements	19 – 52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor's Report	53 – 54

UNIVERSITY OF THE DISTRICT OF COLUMBIA
MEMBERS OF THE BOARD OF TRUSTEES



Christopher Bell, J.D.
(Chair)



Mignon Clyburn, B.A.
(Vice Chair)



Jerome Shelton, M.A.
(Treasurer)



Esther L. Barazzone, Ph.D.
(Secretary)



Ken Grossinger, M.S.W.



The Honorable
Charlene Drew Jarvis, Ph.D.



Anthony C. Tardd, Ph.D.



Carolyn B. Rudd, Ed.D.



Major General
Errol R. Schwartz, U.S.
Army (Ret.), M.A., M.S.



Anntoinette White-
Richardson, M.A.
(Elected Alumni Trustee)



Barrington D. Scott, B.S.
(Elected Alumni Trustee)



Mildred L. Musgrove, Ed.D.
(Elected Alumni Trustee)



Cheyenne Barber
(Elected Student Trustee)



Ronald Mason, Jr., J.D.
President (Ex-Officio)

**DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

Kimberly Williams
Deputy Chief Financial Officer
Financial Operations and Systems

Fitzroy Lee
Chief Financial Officer

Deloras Shepherd
Associate Chief Financial Officer
Education Cluster

**UNIVERSITY OF THE DISTRICT OF COLUMBIA
FINANCE STAFF**

Roy Layne
Chief Financial Officer

Katherine Garrison
Administrative Support

Brian Connell
Budget Officer

Mitiku Shifa
Controller

David Garnett
Director of Student Accounts

Dianne Branch
Tiffany Marshall
Raamonda Massie
Jacob Mendez
Amber Hyman-Wright

Dionne Regis
Accounting Manager

Eduardo Bernal
Gloria Betts
Shantae Jones
Erick Myrick

Max Fano
Maureen Taylor

Marie Nkumbe
Financial Systems Analyst

Lakeisa Stinson
Grants Program Manager

Wychell Briscoe
Lead Customer Service Representative

Robin Sharps
Accounts Payable Supervisor

Krishna Saraiya
Internal Auditor

Cheryl Jones-Ables
Monica Lewis

Special appreciation to:

All fiscal and accounting personnel at the University and the District and its Component Units whose continuous efforts and cooperation to submit accurate, timely financial data made this report possible.



McConnell Jones

INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia, Board of Trustees of the University of the District of Columbia and Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the University of the District of Columbia (the University), a component unit of the Government of the District of Columbia, and the University of the District of Columbia Foundation, Inc. and the District of Columbia School of Law Foundation, the discretely presented component units of the University, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of the District of Columbia Foundation, Inc. and the District of Columbia School of Law Foundation, which represent 100 percent of the assets, net position and revenues of the University's discretely presented component units as described in Note 9 of the notes to the basic financial statements. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those components' units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5101 Wisconsin Ave., NW
Suite 210
Washington, DC 20016
Phone: 202.207.3570
Fax: 202.968.1601

WWW.MCCONNELLJONES.COM



McConnell Jones

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of September 30, 2021, and 2020, and the discretely presented component units of the University, as of September 30, 2021, and 2020, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Washington, D.C.
January 3, 2022

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the University of the District of Columbia (the University) as of and for the fiscal years ended September 30, 2021, and 2020, with 2019 for comparative purposes. This discussion and analysis should be read in conjunction with management's basic financial statements and the related note disclosures. The financial statements, disclosures, and management's discussion and analysis are the responsibility of management.

Basic Financial Statements

The University is a component unit of the Government of the District of Columbia and an integral part of the District's *Annual Comprehensive Financial Report*. The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB).

The University has two component units, the University of the District of Columbia Foundation, Inc. (the Foundation) and the District of Columbia School of Law Foundation (the School of Law Foundation), because resources were significant and required presentation in accordance with GASB Statement Number (No.) 14, *The Financial Reporting Entity*; No. 39 *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*; and No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The Foundation and the School of Law Foundation were determined to be discretely presented component units of the University. The two component units follow the Financial Accounting Standards Board (FASB) reporting standards for not-for-profit entities. Separate financial statements are issued for each of the component units and can be obtained from each Foundation. Note 2 (a) provides detailed information on the University's financial reporting entity.

Additionally, the basic financial statements of the University are prepared in accordance with Generally Accepted Accounting Principles (GAAP), *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. These financial statements focus on the financial condition, the results of operations, and cash flows of the University as a whole.

The Statements of Net Position present the financial position of the University and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the various categories of net position. Net position is defined as assets, plus deferred outflows of resources, less liabilities, and deferred inflows of resources, and represents the institutional equity of the University.

Net position is presented in three major categories. The first category, net investment in capital assets, represents the equity in property, plant and equipment owned and/or controlled by the University. The University does not have any debt related to its capital assets. The main University campus resides on property owned by the Federal government. The University uses several buildings owned by the District and Federal governments, as well as several privately-owned buildings. The second category is restricted net position. Nonexpendable restricted net position represents the endowment corpus from the Federal government in lieu of land. Expendable restricted net position represents funds received from grantors and contracts, which are available for expenditure, but have not been obligated as of the reporting date. The third category is unrestricted net position which is available to the University for any lawful purpose determined by the Board of Trustees of the University.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year, both operating and non-operating. These statements also reconcile the amount of beginning net position to the amount of ending net position as presented in the Statements of Net Position.

Operating revenues are received for goods and services provided to the various customers, students and other constituents of the University. Operating expenses are those expenses paid or accrued to acquire or produce the goods and services in return for the operating revenues and to carry out the mission of the University. Non-operating revenues are received from legislative and/or investment sources in order to carry out the mission and goals set by the Board of Trustees. For example, appropriations from the Government of the District of Columbia (the District) are non-operating revenues because they are provided by the District to the University and the District Council does not directly receive commensurate goods and/or services for those revenues.

The Statements of Cash Flows present the inflows and outflows of cash and cash equivalents during the year. The cash flow activity is summarized by operating, noncapital, capital and related financing activities and investing activities. The statements reconcile the amount of beginning cash and cash equivalents to the ending amount of cash and cash equivalents, which is shown on the Statements of Net Position. These statements also reconcile the operating loss as shown on the Statements of Revenues, Expenses, and Changes in Net Position to the net cash used in operating activities.

Financial Highlights

Condensed Financial Information

Table 1 – Condensed Statements of Net Position as of September 30, 2021, 2020 and 2019 (in \$000):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 51,842	\$ 58,004	\$ 46,793
Noncurrent assets:			
Investments	58,322	46,185	45,707
Capital assets, net of depreciation	247,007	250,107	212,183
Other	55	55	55
Total assets	<u>357,226</u>	<u>354,351</u>	<u>304,738</u>
Liabilities:			
Current liabilities	<u>34,231</u>	<u>47,240</u>	<u>42,334</u>
Total liabilities	<u>34,231</u>	<u>47,240</u>	<u>42,334</u>
Net position:			
Net investment in capital assets	247,007	250,107	212,183
Restricted: Nonexpendable	7,242	7,242	7,242
Expendable	2,628	2,325	2,223
Unrestricted	66,118	47,437	40,756
Total net position	<u>\$ 322,995</u>	<u>\$ 307,111</u>	<u>\$ 262,404</u>

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

The change in net position decreased by \$28.8 million or 64.4%; from \$44.7 million in FY 2020 to \$15.8 million in FY 2021. The change was mainly due to a decrease in capital appropriations in the amount of \$44.1 million or 72.8% compared to FY 2020. The decreases were offset by a \$5.8 million or 138.2% increase in unrealized gains in the University's endowment portfolio, a \$0.1 million or 9.4% increase in gifts and scholarships, a \$ 2.0 million or 2.2% increase in the District appropriations and a \$9.6 million or 18.2% increase in total operating revenues.

The change in net position increased by \$46.5 million or 2598.8%; from a negative \$1.8 million in FY 2019 to a positive \$44.7 million in FY 2020. The increase was mainly due to an increase in capital appropriations in the amount of \$45.3 million or 299.3% for the purchase of the building at 4250 Connecticut Ave in FY 2020 and a \$3.9 million or 1080.2% increase in unrealized gains in the University's endowment portfolio. This was offset by a \$1.2 million or 0.7% increase in operating expenses in FY 2020 compared to FY 2019

Table 2 – Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2021, 2020 and 2019 (in \$000):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Tuition and fees	\$ 24,913	\$ 28,881	\$ 31,771
Federal, local and private grants and contracts	29,826	18,852	19,473
Auxiliary enterprises and other sales and services	421	520	701
Other	7,125	4,460	2,100
Total operating revenues	<u>62,285</u>	<u>52,713</u>	<u>54,045</u>
Less operating expenses	<u>(172,492)</u>	<u>(171,028)</u>	<u>(169,811)</u>
Operating Loss	<u>(110,207)</u>	<u>(118,315)</u>	<u>(115,766)</u>
Non-operating revenues (expenses) net:			
District of Columbia appropriations	91,083	89,123	89,003
Investment income (net of investment expenses)	10,073	4,230	358
Other gifts/grants	8,490	9,169	9,462
Total non-operating revenues, net	<u>109,646</u>	<u>102,522</u>	<u>98,823</u>
(Decrease)/increase in net position before capital appropriations	(561)	(15,793)	(16,943)
Capital appropriations	<u>16,444</u>	<u>60,500</u>	<u>15,154</u>
Increase in net position	15,884	44,707	(1,789)
Net position, beginning of year	<u>307,111</u>	<u>262,404</u>	<u>264,193</u>
Net position, end of year	<u>\$ 322,995</u>	<u>\$ 307,111</u>	<u>\$ 262,404</u>

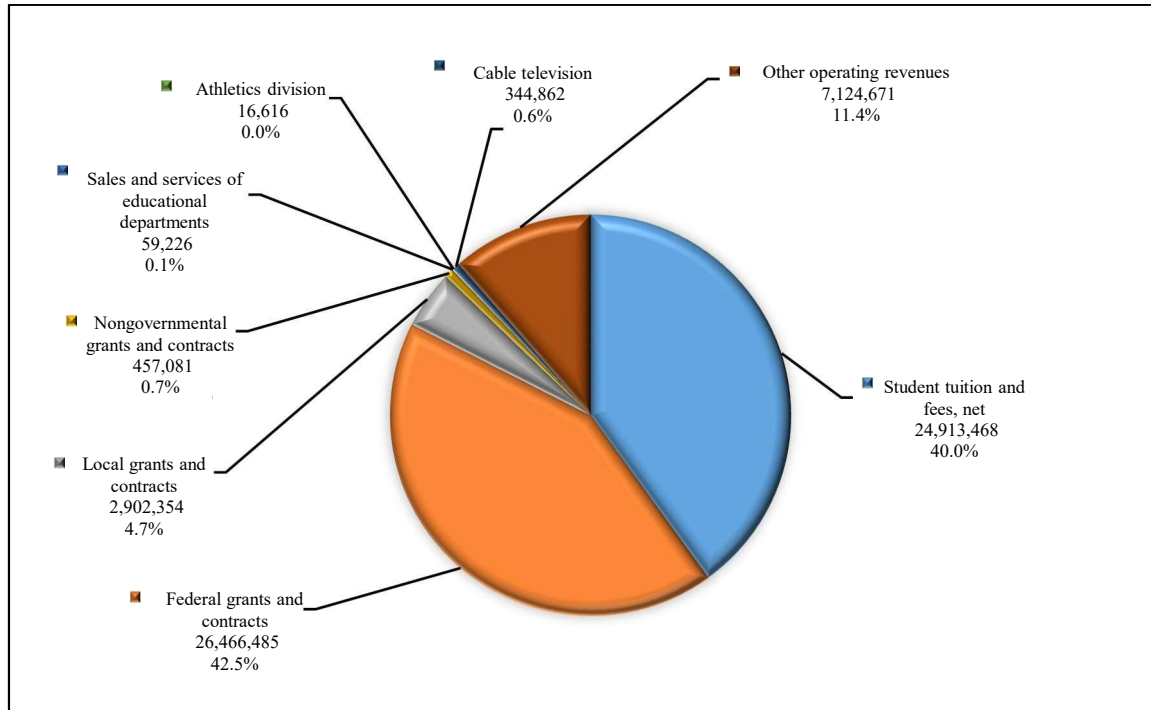
UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management’s Discussion and Analysis

September 30, 2021 and 2020

OPERATING REVENUES BY SOURCE

\$62.3 million in FY 2021



Total operating revenues increased by \$9.6 million or 18.2% from \$52.7 million in FY 2020 to \$62.3 million in FY 2021. The change was primarily due to an increase in Federal grants and contracts; and other operating revenues. This increase was offset by decreases of student tuition and fees, net, local grants and contracts, nongovernmental grants and contracts, and sales services of educational departments. Federal grants and contracts increased by \$13.1 million or 98.5% due to an increase in CARES funds awarded in FY 2021. Other operating revenues increased by \$2.7 million or 59.7% primarily due to a reduction in the litigation contingency reserves accruals. Student tuition and fees decreased by \$4.0 million or 13.7% due to a decline in student enrollment in the Summer and Fall semesters, Local grants and contracts decreased by \$1.6 million or 35.2% due to expiration of local grants awards and reduction in grant spending activities. Non-governmental contracts decreased by \$0.6 million or 56.3% due to the expiration of private grant funding in FY 2021. Other operating revenues increased by \$2.7 million or 59.7% primarily due to an increase in the cost recovery revenues from the reduction of litigation contingency reserves. Additionally, sales and services of educational departments decreased by \$0.05 million or 45.1% due to the University offering fewer continuing education programs enrollment during the fiscal year.

Total non-operating revenues increased by \$7.1 million or 6.9% from \$102.5 million in FY 2020 to \$109.6 million in FY 2021. This was the result of \$5.8 million or 138.2% increase in the unrealized gains and income earnings in FY 2021 from improved market conditions, increase of District of Columbia appropriations by \$2.0 million or 2.2% and \$0.1 million or 9.4% increase in gifts for scholarships. This was offset by a decrease in Federal non-operating grants by \$0.8 million or 10.4% due to a decrease in Pell grants awarded in FY 2021.

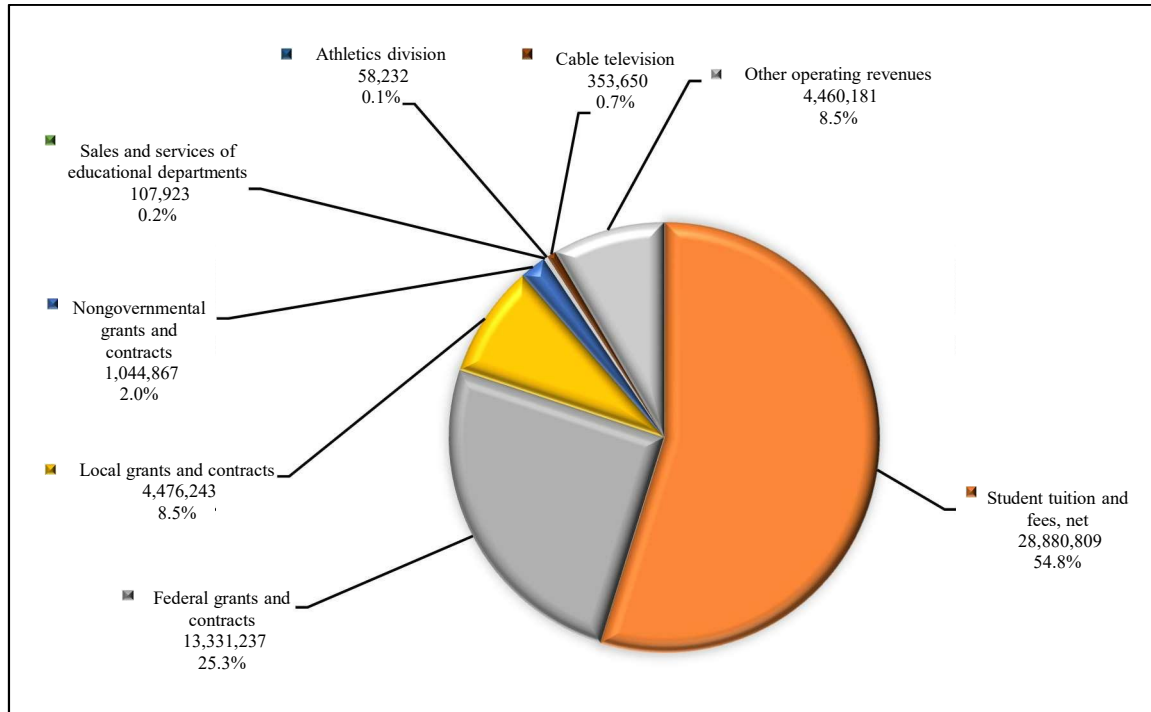
UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management’s Discussion and Analysis

September 30, 2021 and 2020

OPERATING REVENUES BY SOURCE

\$52.7 million in FY 2020



Total operating revenues decreased by \$1.3 million or 2.5% from \$54.0 million in FY 2019 to \$52.7 million in FY 2020. The primary drivers for the decrease were student tuition and fees, net, local grants and contracts, and sales and services of educational departments which was offset by an increase in Federal grants and contracts, non-governmental grants and contracts and other operating revenues. Student tuition and fees decreased by \$3.0 million or 9.1% due to a decline in student enrollment in the Summer and Fall semesters. Local grants and contracts decreased by \$1.3 million or 23.0% due to a reduction in spending for on campus activities and in person services as a result of the University transitioning to an online platform and staff working remotely. Additionally, sales and services of educational departments decreased by \$0.1 million or 55.5% due to the University offering fewer continuing education programs as a result of the campus being closed and no person courses available since April 2020. The decreases were offset by a \$0.4 million or 3.0% increase in Federal grants and contracts and a \$0.3 million or 46.9% in non-government contracts due to an increase in grant funding in FY 2020. In addition, other operating revenues increased by \$2.4 million or 112.4% due to revenues from insurance reimbursements and lease payments from the District for swing space to be used by Eaton Elementary School.

Total non-operating revenues increased by \$3.7 million or 3.7% from \$98.8 million in FY 2019 to \$102.5 million in FY 2020. This was the result of \$3.9 million or 1080.2% increases in the unrealized gains and income earnings in FY 2020 from improved market conditions. This was offset by decrease in gifts for scholarships by \$0.2 million or 14.7% as a result of fewer scholarships being awarded to students in FY 2020.

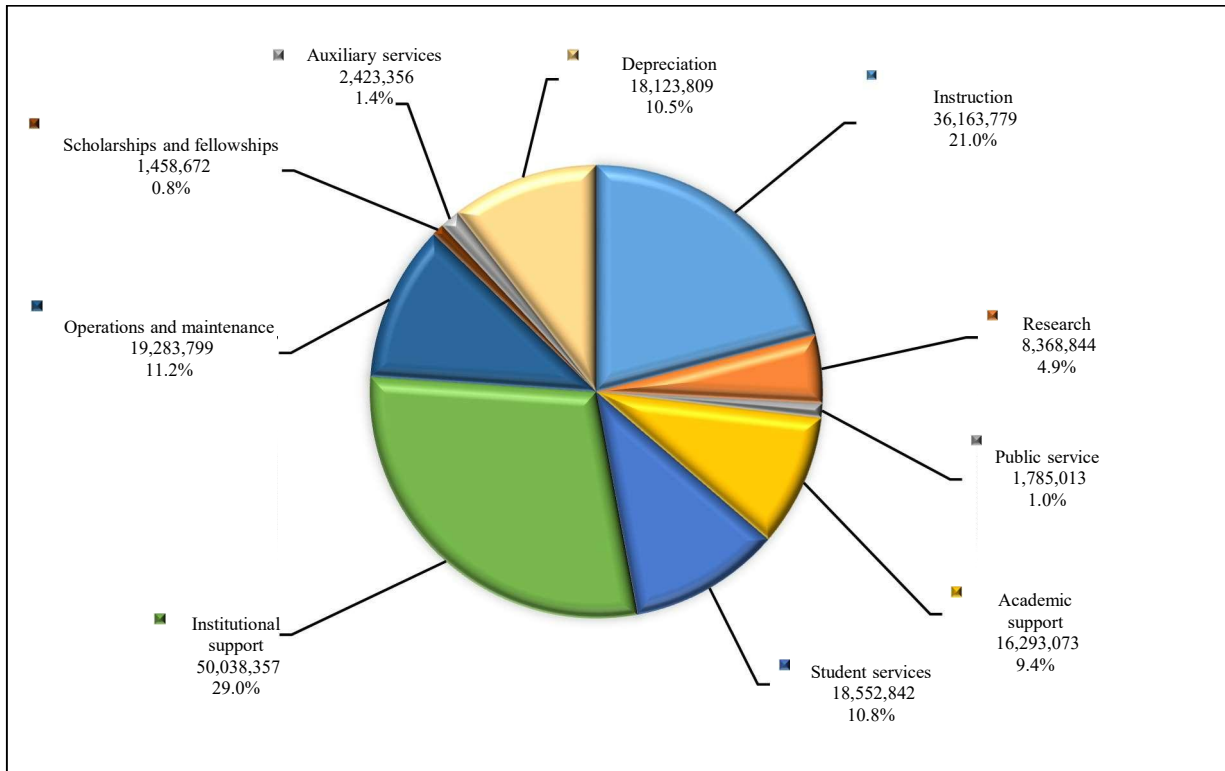
UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

OPERATING EXPENSES BY FUNCTION

\$172.5 million in FY 2021



UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

Table 3 – Expenses by Function for the Years Ended September 30, 2021 and 2020 (in \$000):

Expenses by function	FY 2021		FY 2020		Increase/(Decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 36,164	21.0%	\$ 36,176	21.2%	\$ (12)	(0.0)%
Research	8,369	4.9	6,385	3.7	1,984	31.1%
Public service	1,785	1.0	2,072	1.2	(287)	(13.9)%
Academic support	16,293	9.4	17,076	10.0	(783)	(4.6)%
Student services	18,553	10.8	19,433	11.4	(880)	(4.5)%
Institutional support	50,038	29.0	48,738	28.5	1,300	2.7%
Operations and maintenance	19,284	11.2	20,762	12.1	(1,478)	(7.1)%
Scholarships and fellowships	1,459	0.8	1,065	0.6	394	37.0%
Auxiliary services	2,423	1.4	3,384	2.0	(961)	(28.4)%
Depreciation	18,124	10.5	15,937	9.3	2,187	13.7%
	<u>\$ 172,492</u>	<u>100.0%</u>	<u>\$ 171,028</u>	<u>100.0%</u>	<u>\$ 1,464</u>	<u>0.9%</u>

The \$1.5 million or 0.9% increase in expense by functional activities from FY 2020 to FY 2021 was primarily caused by a \$1.3 million or 2.7% increase in institutional support, \$2.2 million or 13.7% increase in depreciation and \$2.0 million or 31.1% increase in research. The increase was offset by a \$1.5 million or 7.1% decrease in operations and maintenance, 1.0 million or 28.4% decrease in auxiliary services, 0.9 million or 4.5% decrease in student services and an \$0.8 million or 4.6% decrease in academic support expenses.

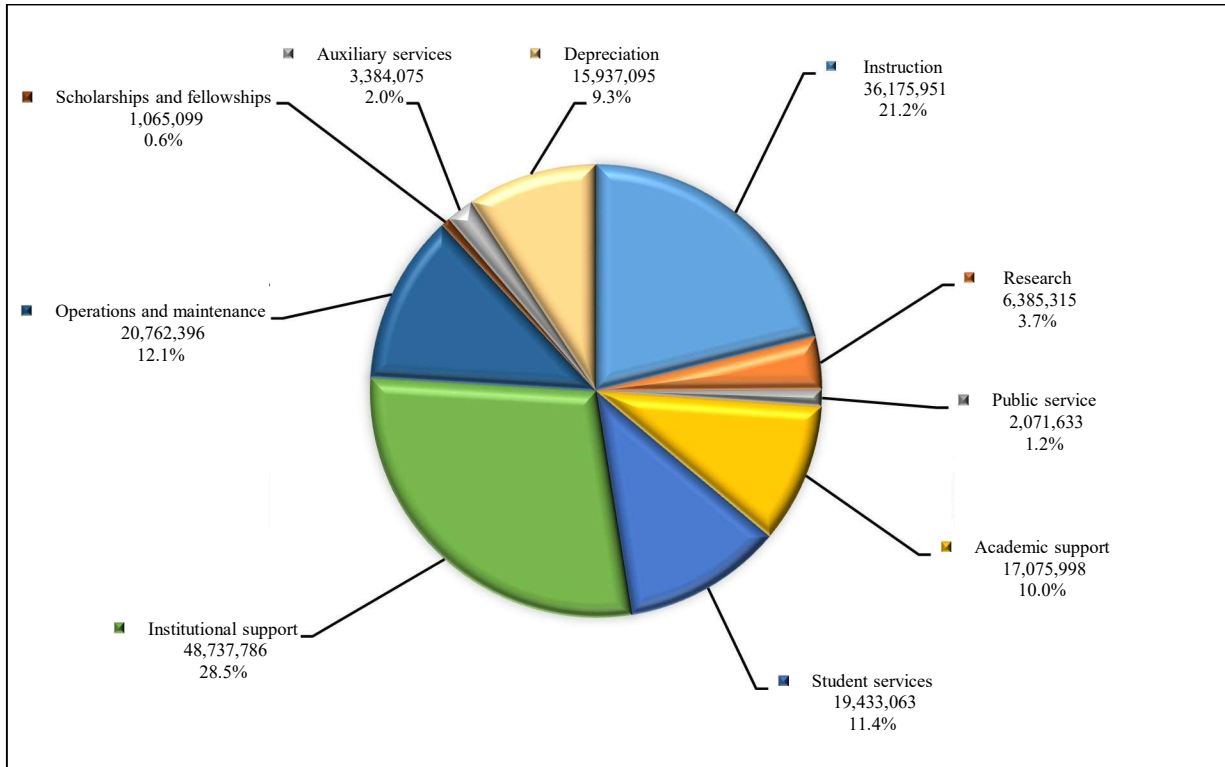
UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

OPERATING EXPENSES BY FUNCTION

\$171.0 million in FY 2020



UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

Table 4 – Expenses by Function for the Years Ended September 30, 2020 and 2019 (in \$000):

Expenses by function	FY 2020		FY 2019		Increase/(Decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 36,176	21.2%	\$ 39,489	23.3%	\$ (3,313)	(8.4)%
Research	6,385	3.7%	5,051	3.0%	1,334	26.4%
Public service	2,072	1.2%	2,698	1.6%	(626)	(23.2)%
Academic support	17,076	10.0%	23,640	13.9%	(6,564)	(27.8)%
Student services	19,433	11.4%	15,368	9.1%	4,065	26.5%
Institutional support	48,738	28.5%	33,586	19.8%	15,152	45.1%
Operations and maintenance	20,762	12.1%	22,405	13.2%	(1,643)	(7.3)%
Scholarships and fellowships	1,065	0.6%	9,783	5.8%	(8,718)	(89.1)%
Auxiliary services	3,384	2.0%	5,054	3.0%	(1,670)	(33.0)%
Depreciation	15,937	9.3%	12,737	7.5%	3,200	25.1%
	<u>\$ 171,028</u>	<u>100.0%</u>	<u>\$ 169,811</u>	<u>100.0%</u>	<u>\$ 1,217</u>	<u>0.7%</u>

The \$1.2 million or 0.7% increase in expense by functional activities from FY 2019 to FY 2020 was primarily caused by a \$15.1 million or 45.1% increase in institutional support. The increase was offset by a \$6.6 million or 27.8% decrease in academic support and an \$8.7 million or 89.1% decrease in scholarships and fellowships expenses.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

Enrollment

The University maintains an open admissions policy for its Community College and a rolling admission policy for the Flagship (Van Ness Campus). The undergraduate programs at the University include the Community College and its Flagship. The total official student enrollment for the Fall 2021 and 2020 semesters was 3,476 and 3,953 students, respectively, representing a decrease of 12.1%. In Fall 2021 and 2020, the student body was comprised of 62.1% and 66.8% District residents, 11.2% and 10.3% Metro area residents and 26.7% and 22.9% non-residents, respectively. In Fall 2021, District students comprised 62.1% of the University's total undergraduate and graduate (including Law) enrollment. Full time equivalent enrollments are 2,711 for Fall 2021 and 3,176 for Fall 2020.

Total student tuition and fees revenues decreased by \$4.0 million or 13.71% from \$28.9 million in FY 2020 to \$24.9 million in FY 2021. Total student tuition and fees, net revenues decreased by \$2.9 million or 9.1% from \$31.8 million in FY 2019 to \$28.9 million in FY 2020.

Capital Improvement Program

The University participates in the District's Capital Improvement Program. Accordingly, the University trustees, the District Council and the Congress of the United States have approved a 6-year capital improvement plan totaling \$62.5 million, for FY 2016 through FY 2021, financed through funding sources provided by the District. The execution of the University's capital improvement plan is contingent upon sufficient funding being received from the District since the University has no separate long-term borrowing authority.

Factors Impacting Future Periods

There are a number of factors that could impact future financial periods. Many of these factors relate to the sources of the University's funding including the District's appropriation, tuition revenues, grants received, contracts earned, and gifts received. The appropriations from the District provide over 50% of the University's total funding and are therefore a key factor in determining the extent of the programs that the University can offer. Tuition rates are determined pursuant to the University's mission to provide affordable higher education. The level of support that the University is able to obtain from its funding sources determines its ability to maintain or expand programs that meet its mission and ongoing operational needs.

In FY 2021, the University experienced significant revenue losses primarily due to decreases in enrollment and other activities that were directly attributable to the COVID-19 pandemic continued during the year. UDC's enrollment decreased by 496 students or 11.9% between Spring 2020 and Spring 2021. Looking forward to FY 2022, the University experienced a net decrease in enrollment between its Fall 2020 and Fall 2021 semesters by 477 students or 12.1%. Accordingly, UDC anticipates a significant decrease in tuition and student fee revenue in FY 2022 associated with Fall enrollment levels. While enrollment projections for the Spring 2022 semester are not yet available, UDC anticipates a similar decrease in FY 2022 tuition and fee revenue, again due to a decrease in year-over-year Spring enrollment levels. Revenues from other sources, such as facility rentals and parking facilities, are expected to exhibit year-over-year decreases as well, albeit smaller in magnitude.

Beginning from April 2020 to this year, UDC was awarded a total of \$60 million in funding under Section 18004(a)(2) of the CARES Act (Pub. L. 116-136). The funding has an expected performance period of April 24,

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2021 and 2020

2020 to May 31, 2022 and will therefore be instrumental in defraying UDC's revenue losses in FY 2021 and FY 2022.

Requests for Information

Management's Discussion and Analysis is designed to provide a general overview of the University's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer, University of the District of Columbia, 4200 Connecticut Avenue NW, Building 39, 2nd floor, Washington, D.C. 20008.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statements of Net Position

As of September 30, 2021 and 2020

	2021		2020	
	University of the District of Columbia	University of the District of Columbia Foundation	University of the District of Columbia	University of the District of Columbia Foundation
Assets				
Current assets:				
Cash and cash equivalents	\$ 30,030,676	\$ -	\$ 27,364,816	\$ -
Cash and cash equivalents (restricted)	2,627,626	988,133	2,325,449	650,220
Accounts receivable, net	8,444,235	1,416,296	11,482,895	1,365,863
Grants and contracts receivable	5,214,193	-	8,563,030	-
Due from the District of Columbia	5,266,148	-	8,072,111	-
Accrued interest receivable	37,793	-	35,431	-
Other Receivable	-	956,177	-	1,230,073
Other current assets	220,895	75,073	160,208	126,142
Total Current Assets	51,841,566	3,435,679	58,003,940	3,372,298
Noncurrent assets:				
Investments	51,080,061	-	38,943,200	-
Investment (restricted)	7,241,706	26,314,153	7,241,706	21,167,944
Depreciable capital assets, net	224,983,840	-	231,341,309	-
Non-depreciable capital assets	22,023,486	480,492	18,765,310	480,492
Long-term receivables	55,100	-	55,100	-
Other noncurrent assets	-	344,724	-	405,901
Total Noncurrent Assets	305,384,193	27,139,369	296,346,624	22,054,337
Total Assets	357,225,759	30,575,048	354,350,565	25,426,635
Liabilities				
Current liabilities:				
Accounts payable	8,739,995	14,128	11,513,697	194,627
Accrued payroll	7,838,040	-	9,444,442	-
Litigation contingencies	425,000	-	7,800,000	-
Compensated absences	6,427,832	-	5,672,906	-
Unearned revenues	8,882,782	-	9,945,434	-
Due to the District of Columbia	11,408	-	26,303	-
Accrued Expenses	-	-	-	3,797
Other current liabilities	1,906,061	142,800	2,836,906	579,721
Total Liabilities	34,231,118	156,928	47,239,688	778,145
Net Position				
Net investment in capital assets	247,007,326	480,492	250,106,619	480,492
Restricted:				
Nonexpendable endowments	7,241,706	24,703,330	7,241,706	20,371,683
Expendable:				
Pre-K enhancement	2,627,626	-	2,325,449	-
Unrestricted	66,117,982	5,234,298	47,437,103	3,796,315
Total Net Position	\$ 322,994,640	\$ 30,418,120	\$ 307,110,876	\$ 24,648,490

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021		2020	
	University of the District of Columbia	University of the District of Columbia Foundations	University of the District of Columbia	University of the District of Columbia Foundations
Revenues				
Operating revenues:				
Student tuition and fees, net	\$ 24,913,468	\$ -	\$ 28,880,809	\$ -
Federal grants and contracts	26,466,485	-	13,331,237	-
Local grants and contracts	2,902,354	-	4,476,243	-
Nongovernmental grants and contracts	457,081	147,500	1,044,867	130,000
Sales and services of educational departments	59,226	-	107,923	-
Auxiliary enterprise:				
Athletics division	16,616	-	58,232	-
Cable television	344,862	-	353,650	-
Contributions	-	3,716,412	-	3,409,544
In-kind revenues	-	-	-	16,535
Other operating revenues	7,124,671	3,720	4,460,181	13,534
Total Operating Revenues	<u>62,284,762</u>	<u>3,867,632</u>	<u>52,713,142</u>	<u>3,569,613</u>
Expenses				
Operating expenses:				
Salaries	70,941,718	-	71,800,905	-
Benefits	16,716,943	-	16,753,633	-
Scholarships and fellowships	20,457,831	544,552	16,783,746	557,558
Contractual services, supplies and other	30,954,219	-	33,474,111	-
Utilities and other	15,297,022	-	16,278,921	-
Program services	-	1,459,523	-	1,672,683
Management & general	-	371,710	-	401,510
Fundraising	-	156,135	-	169,713
Depreciation	18,123,809	-	15,937,095	-
Total Operating Expenses	<u>172,491,542</u>	<u>2,531,920</u>	<u>171,028,410</u>	<u>2,801,464</u>
Operating Loss	<u>(110,206,781)</u>	<u>1,335,712</u>	<u>(118,315,268)</u>	<u>768,149</u>
Non-operating revenues (expenses) net:				
District of Columbia appropriations	91,083,335	-	89,122,849	-
Investment income (net of investment expenses)	10,073,122	4,350,255	4,229,645	1,285,735
Gifts for scholarships	1,513,398	-	1,383,405	-
Federal non-operating grants	6,976,914	-	7,786,022	-
Total Non-operating Revenues (Expenses) Net	<u>109,646,769</u>	<u>4,350,255</u>	<u>102,521,921</u>	<u>1,285,735</u>
Loss before other revenues, expenses, gains, or losses	(560,012)	5,685,967	(15,793,348)	2,053,884
Capital appropriations	16,443,775	-	60,500,458	-
Change in Net Position	<u>15,883,764</u>	<u>5,685,967</u>	<u>44,707,110</u>	<u>2,053,884</u>
Prior year adjustment		83,663		
Net position				
Net Position, Beginning	307,110,876	24,648,490	262,403,766	22,594,606
Net Position, Ending	<u>\$ 322,994,640</u>	<u>\$ 30,418,120</u>	<u>\$ 307,110,876</u>	<u>\$ 24,648,490</u>

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statements of Cash Flows

Years Ended September 30, 2021 and September 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Tuition and fees	\$ 26,732,817	\$ 24,035,536
Grants and contracts	33,955,990	14,206,601
Payments to vendors	(49,085,630)	(48,023,283)
Payments to employees	(88,510,138)	(87,373,567)
Other payments	(21,233,196)	(7,985,777)
Net cash used by operating activities	<u>(98,140,157)</u>	<u>(105,140,490)</u>
Cash flows from non-capital financing activities:		
District of Columbia appropriations - operating	91,083,335	89,003,491
Advances from / (Distributions to) the District of Columbia	2,181,388	(4,223,990)
Gifts for scholarships	1,513,398	1,383,405
Direct loan receipts	(17,916,995)	15,386,272
Direct loan payments	17,916,995	(15,386,272)
Federal Pell grant	6,976,914	7,786,022
Net cash provided by noncapital financing activities	<u>101,755,035</u>	<u>93,948,928</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(15,024,516)	(53,860,459)
Capital appropriations	16,443,775	60,500,458
Net cash provided by capital and related financing activities	<u>1,419,259</u>	<u>6,639,999</u>
Cash flows from investing activities:		
Proceeds from sales/maturities of long-term investments	7,608,293	21,453,507
Investment income	1,602,535	1,283,534
Investment expense	(405,585)	(359,771)
Purchase of investments	(10,871,343)	(18,623,165)
Net cash used by (provided by) investing activities	<u>(2,066,100)</u>	<u>3,754,105</u>
Net change in cash and cash equivalents	2,968,037	(797,458)
Cash and cash equivalents, beginning	29,690,265	30,368,366
Cash and cash equivalents, ending	<u>\$ 32,658,302</u>	<u>\$ 29,690,265</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (110,206,780)	\$ (118,315,269)
Adjustments to reconcile operating loss to net cash:		
Depreciation	18,123,809	15,937,095
Effect of operating non-cash changes in:		
Accounts receivable, net	3,038,660	(3,543,901)
Grants and contracts receivable	3,973,413	(4,109,646)
Other current assets	(60,687)	(14,323)
Other noncurrent assets	-	-
Accounts payable and accrued liabilities	(11,755,105)	4,304,171
Compensated absences	754,926	1,020,871
Unearned revenue	(1,062,652)	(1,837,471)
Due to the District of Columbia	(14,894)	(743,444)
Other current liabilities	(930,845)	2,161,427
Net cash used for operating activities	<u>\$ (98,140,157)</u>	<u>\$ (105,140,490)</u>

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statements of Net Position

As of September 30, 2021 and 2020

	University of the District of Columbia Foundation, Inc.		University of the District of Columbia School of Law Foundation		Total	
	2020	2020	2021*	2020*	2021	2020
ASSETS						
Current assets						
Cash and cash equivalents	\$ 578,292	\$ 418,708	\$ 409,841	\$ 231,512	\$ 988,133	\$ 650,220
Investments	12,485,666	9,254,156	13,828,487	11,913,788	26,314,153	21,167,944
Accounts receivables	1,416,296	1,365,863	-	-	1,416,296	1,365,863
Other receivables	913,405	1,164,423	42,772	65,650	956,177	1,230,073
Prepaid Expenses	70,673	81,142	4,400	45,000	75,073	126,142
Total Current assets	<u>15,464,332</u>	<u>12,284,292</u>	<u>14,285,500</u>	<u>12,255,950</u>	<u>29,749,832</u>	<u>24,540,242</u>
Noncurrent assets						
Artwork collection	480,492	480,492	-	-	480,492	480,492
Other noncurrent assets	344,724	405,901	-	-	344,724	405,901
Total Noncurrent assets	<u>825,216</u>	<u>886,393</u>	<u>-</u>	<u>-</u>	<u>825,216</u>	<u>886,393</u>
Total Assets	<u>16,289,548</u>	<u>13,170,685</u>	<u>14,285,500</u>	<u>12,255,950</u>	<u>30,575,048</u>	<u>25,426,635</u>
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts payable	14,128	194,627	-	-	14,128	194,627
Accrued expenses	-	-	-	3,797	-	3,797
Academic awards payable	-	-	142,800	579,721	142,800	579,721
Total Liabilities	<u>14,128</u>	<u>194,627</u>	<u>142,800</u>	<u>583,518</u>	<u>156,928</u>	<u>778,145</u>
Net Assets						
Without Donor Restrictions	3,660,666	3,092,651	2,054,124	1,184,156	5,714,790	4,276,807
With Donor Restrictions	12,614,754	9,883,407	12,088,576	10,488,276	24,703,330	20,371,683
Total Net Assets	<u>\$ 16,275,420</u>	<u>\$ 12,976,058</u>	<u>\$ 14,142,700</u>	<u>\$ 11,672,432</u>	<u>\$ 30,418,120</u>	<u>\$ 24,648,490</u>
Total Liabilities and Net Assets	<u>\$ 16,289,548</u>	<u>\$ 13,170,685</u>	<u>\$ 14,285,500</u>	<u>\$ 12,255,950</u>	<u>\$ 30,575,048</u>	<u>\$ 25,426,635</u>

* As of June 30, 2021 and 2020, respectively

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statement of Activities
For the Years Ended September 30, 2021 and 2020

	University of the District of Columbia Foundation, Inc.		University of the District of Columbia School of Law Foundation		Total	
	2021	2020	2021*	2020*	2021	2020
REVENUE & SUPPORT						
Contributions	\$ 3,124,933	2,890,515	\$ 591,479	\$ 519,029	\$ 3,716,412	\$ 3,409,544
In-kind revenue	-	16,535	-	-	-	16,535
Other	-	7,900	3,720	5,634	3,720	13,534
Grants	-	-	147,500	130,000	147,500	130,000
Interest & dividends	137,494	126,530	19,622	152,356	157,116	278,886
Net realized and unrealized gains/(losses) on investments	1,522,062	424,486	2,671,077	582,363	4,193,139	1,006,849
Total Revenue & Support	<u>4,784,489</u>	<u>3,465,966</u>	<u>3,433,398</u>	<u>1,389,382</u>	<u>8,217,887</u>	<u>4,855,348</u>
EXPENSES						
Program services	540,823	647,220	918,700	1,025,463	1,459,523	1,672,683
Scholarship & fellowship	544,552	557,558	-	-	544,552	557,558
Management & general	250,395	298,128	121,315	103,382	371,710	401,510
Fundraising	149,357	79,196	6,778	90,517	156,135	169,713
Total Expenses	<u>1,485,127</u>	<u>1,582,102</u>	<u>1,046,793</u>	<u>1,219,362</u>	<u>2,531,920</u>	<u>2,801,464</u>
Change in Net Assets	3,299,362	1,883,864	2,386,605	170,020	5,685,967	2,053,884
Prior period adjustments	-	-	83,663	-	83,663	-
Net Assets - Beginning of Year	12,976,058	11,092,194	11,672,432	11,502,412	24,648,490	22,594,606
Net Assets - End of Year	<u>\$ 16,275,420</u>	<u>\$ 12,976,058</u>	<u>\$ 14,142,700</u>	<u>\$ 11,672,432</u>	<u>\$ 30,418,120</u>	<u>\$ 24,648,490</u>

* As of June 30, 2021 and 2020, respectively

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(1) Background and History of the University of the District of Columbia

The University of the District of Columbia (the University) traces its roots to 1851 and the Miner Normal School. Land grant status was awarded in 1968. In 1977, the District of Columbia Teachers College, the Federal City College, and the Washington Technical Institute were consolidated into the University of the District of Columbia. The University currently offers over 76 undergraduate and graduate academic degree programs through the College of Arts and Sciences; School of Business and Public Administration; School of Engineering and Applied Sciences; and the David A. Clarke School of Law. In addition, the University offers a variety of practical, nonacademic educational programs and training through the Division of Community Outreach and Extension Services (COES).

The University is governed by a board of trustees consisting of 15 members, of which ten members are appointed by the District's Mayor, three members elected by the alumni, one member elected by the student body and the President of the University. Currently the University has 14 members with one unfilled vacancy by the District's Mayor.

The University is located on a 21.8-acre site and includes ten buildings (the Van Ness Campus). Jurisdiction was assigned to the University by the United States General Services Administration (GSA) to be utilized for educational purposes. The estimated value of the Van Ness site has not been recorded in the financial statements as it is property of the U.S. Federal government.

In January 2009, the board of trustees approved the creation of a new University System, which now includes the University and the University of the District of Columbia Community College (UDC-CC). Beginning in Fall 2009, UDC-CC served the District of Columbia (the District or DC) residents by integrating workforce preparation, employability skill development, quality education and remediation, economic development and employer linkages, school to career training – providing a seamless transition from K-12 to adult education and literacy to college preparation and continuous lifelong learning. This institution provides opportunities to DC residents, employers, the University, and the District of Columbia. UDC-CC is currently located at 801 N. Capitol Street, NE, Washington, DC 20002. Effective January 3, 2022 the Community College will commence operations at the Bertie Backus Campus located at 5171 South Dakota Avenue, NE, Washington DC 20017.

(2) Summary of Significant Accounting Policies

The financial statements of the University are prepared in conformity with U.S. generally accepted accounting principles (GAAP), as applied to governmental colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting standards.

The significant accounting policies followed by the University are summarized below:

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(a) *Financial Reporting Entity*

The University's financial statements are presented in accordance with GASB Statement Number (No.) 14, *The Financial Reporting Entity*; No. 39 *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*; and No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*.

GAAP defines a financial reporting entity as a body that consists of a primary government and its component units. The University, including its components, is a discretely presented component unit of the District because it meets the following criteria:

- the District holds the corporate powers of the University;
- the District appoints a voting majority of the University's board;
- the District is able to impose its will on the University;
- the University has the potential to impose a financial burden on, or provide financial benefit to the District;
- the University is fiscally dependent on the District; and
- it would be misleading to exclude the University from the District's financial statements.

Component units are legally separate organizations which have a fiscal dependency and financial benefit or burden relationship with the primary government and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The University of the District of Columbia Foundation, Inc. (the Foundation) and the District of Columbia School of Law Foundation (School of Law Foundation) are deemed component units of the University and complete copies of the audited financial statements of these component units are available at the Foundation offices located on the campus of the University.

Discretely Presented Component Units

The Foundation and the School of Law Foundation are legally separate entities and are reported as discretely presented component units in the financial statements based on the nature and significance of their relationship to the University.

The Foundation was incorporated on March 15, 1978, under the District of Columbia's Nonprofit Corporation Act. The purpose of the Foundation is to solicit funds for student scholarships, and to

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

advance and benefit the programs and mission of the University of the District of Columbia. The Foundation is funded primarily from private contributions and investment income.

The School of Law Foundation was established on December 9, 1993. It operates exclusively for the benefit of the University of the District of Columbia David A. Clarke School of Law (the “School of Law”) and accepts and holds contributions for the benefit of the School of Law. The School of Law Foundation expects to receive support in the form of contributions from alumni of the School of Law, family and friends of Joseph L. Rauh, members of the legal community and members of the general public. The School of Law Foundation will apply income and principal from contributions for the sole benefit of the School of Law. Specifically, the School of Law Foundation expects to apply contributions to support the School of Law by (1) supporting programs that promote excellence in legal education, and (2) providing financial support for the students, faculty, programs, and facilities of the School of Law.

The School of Law Foundation has established a separate fund to support the establishment of an endowed chair, the Joseph L. Rauh Chair of Public Interest Law. In the unlikely event that the School of Law (now named the UDC David A. Clarke School of Law) is forced to cease operations, the directors of the School of Law Foundation will use the Rauh Fund to establish a Joseph L. Rauh Chair of Public Interest Law at another law school pursuant to the by-laws of the Foundation.

(b) *Measurement Focus and Basis of Accounting*

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus and basis of accounting. The University follows GASB standards of accounting and financial reporting.

Financial statements of the component units of the University are presented in accordance with GAAP prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units’ financial information in the University’s financial reporting entity for these differences.

Revenue from government and private grant and contract agreements are recognized as it is earned when expenses are incurred in accordance with the agreements. Any funding received in advance of expenses is recorded as unearned revenue on the statement of net position.

The University is considered to be a special-purpose government engaged only in business-type activities and follows the business-type activities reporting requirements of GAAP which provides a comprehensive look at the University’s financial activities and requires that resources be classified for accounting and reporting purposes into three net position categories depending on the presence or absence of externally imposed restrictions. Accordingly, the accompanying comparative financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities are included

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

in the statement of net position. Net position of the University is segregated into three net position categories depending on the presence or absence of externally imposed restrictions as follows:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. As of September 30, 2021, and 2020, the University had no debt outstanding.

Restricted – Consists of net position restricted for nonexpendable and instructional endowments, which are subject to externally imposed stipulations that the University maintains them permanently. Expendable restricted net position includes restricted expendable net position, the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted – Consists of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

(c) *Application of Accounting Standards*

The accompanying financial statements are presented in accordance with GAAP as prescribed by GASB.

Based on the explanations previously provided, when both restricted and unrestricted resources are available for use, the University's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

(d) *Services Provided by/to the District*

The District provides certain central administrative services and pays disability and unemployment benefits on behalf of the University's employees. The University reimburses the District for a portion of the administrative costs based on a formula derived by the District; this is recorded as due to the District of Columbia. The University receives maintenance, administrative services, and leasing arrangements through other District agencies. The charges for such interagency services are included as expenses in the basic financial statements.

Amounts owed to the University relating to the capital appropriations from the District and services provided by the University, for grants and contracts are recorded as receivables from the District of Columbia.

(e) *Fund Accounting*

For the purposes of financial reporting, the University is considered a single enterprise fund. However, for internal accounting purposes, and to ensure observance of limitations and restrictions placed on the use of the resources available to the University, accounts are maintained in accordance with the

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

principles of fund accounting. Fund accounting principles require classifying resources for accounting purposes into funds that are in accordance with specified activities or objectives.

(f) *Current and Noncurrent Classifications*

Current assets are used to designate cash and other assets, or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating business cycle which is usually one year or less. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Noncurrent assets are used to support the functions of the University and are expensed over the years the assets are used.

(g) *Operating and Non-operating Revenues and Expenses*

Operating revenues and expenses are generally associated with those activities that relate directly to the core activities of instruction, research, and public service that form the essence of the University's mission (e.g. tuition and fees, Federal and private grants and contracts, auxiliary income). Included in non-operating revenues are District appropriations, investment and endowment income and gifts for scholarships. GAAP specifically define the District's appropriations as non-operating revenues. Expenses are recognized as incurred.

(h) *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, and all highly liquid investments with an original maturity of three months or less; except those deposits and investments representing endowments.

(i) *Receivables*

Receivables relate to transactions involving student tuition and fees, student loans, and grants and contracts net of an allowance for doubtful account. An allowance for doubtful accounts is provided based upon management's judgment including such factors as previous collection history and characterization of the respective receivables. Receivables have also been recognized for students registered and billed for semesters to be held subsequent to year end. Since the revenue recognition criteria has not been met in this instance, a corresponding amount is recognized as unearned revenue.

(j) *Investments*

Fair value is established as readily determinable current market value for equities and other debt securities. The fair value of the University's investments in limited partnerships is based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. The University uses net asset value per share as a basis for determining fair value for limited partnerships.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Unrealized and realized gains and losses are included in investment income in the statements of revenues, expenses and changes in net position. For the year ended September 30, 2021, in accordance with GAAP and as prescribed by GASB, the University displayed investment income net of investment expenses and retrospectively applied to FY 2020 amounts for comparative reporting purposes.

(k) Capital Assets and Depreciation

Land, buildings, furniture, fixtures, and equipment are stated at cost at the date of acquisition, estimated historical cost (if actual cost records are not available) or fair market value at the date of donation in the case of gifts. The University capitalizes equipment that has a fair market value or cost of \$5,000 or more at the date of acquisition and an expected useful life of three (3) or more years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred. Capital assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets.

A summary of useful lives is presented in Table 1 below:

Table 1 – Estimated Useful Lives (by Asset Category)

<u>Category</u>	<u>Depreciation/amortization period</u>
Buildings	50 years
Building improvements	Remaining Life of the Building
Land improvements	20 years
Leasehold improvements	Lesser of lease term or 10 years
Computers and equipment	5 years

(l) Compensated Absences

Benefit Accumulation Policies

The University’s policy allows employees to accumulate unused sick leave, with no maximum limitation. Generally, administrative and other non-faculty employees may carry over a maximum of 240 hours of annual leave beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 hours is permitted with the approval of appropriate University officials. The accrued annual leave balance is payable to administrative and other non-faculty employees upon termination of employment.

In accordance with the provisions of the District of Columbia Municipal Regulations (DCMR), Title 8, when an administrative or faculty University employee retires at sixty (60) years of age or older, or upon total disability or death, the employee or the deceased’s estate is entitled to receive a lump sum

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

payment equal to ten percent (10%) of the unused accumulated sick leave computed at the employee's current base rate of pay.

The University reports a liability for compensated absences that is strictly limited to leave that:

- is attributable to services already rendered; and
- is not contingent on a specific event (such as illness) that is outside the control of the employer and employee, except as noted below:

As a matter of University policy, the University is liable for 10% of unused accumulated sick leave upon retirement of eligible employees as described above. This policy eliminates the contingency on a future event outside the control of both the employer and employee. Consequently, the University recognized the sick leave liability for this category of employees using the vesting method to measure such liability.

Other than as noted above, the University does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, unused sick leave can be used to determine employees' years of service. One month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System and in the District Retirement Program. Expenses for such sick leave are not accrued because it is considered in connection with calculating pension cost.

Administrative and other non-faculty University employees earn annual and sick leave during the year at varying accrual rates, depending on the employee's classification and years of service.

The University records annual leave as an expense and related liability as the benefit accrues to employees. Also, accumulated annual leave of the employees of the University is recorded as an expense and liability as the benefit accrues to employees based on salary rates and accumulated leave hours.

(m) *Unearned Revenues*

Tuition and fee revenues, as well as program revenues are shown as unearned revenues when related to future financial periods because the earning process has not been completed. Tuition and fees revenues are proportionately earned in the academic semester to which they relate. Tuition and fees related to the portion of the academic semester falling after the fiscal year end are reported as unearned revenues. The University records grant revenue and a receivable for intergovernmental grants to the extent that costs have been incurred in accordance with the terms of the grant agreements. Indirect costs recovered are based on predetermined rates by type of expense.

(n) *Income Tax Status*

As an independent agency of the District, the University is exempt from Federal income taxes. Accordingly, no provision for income taxes has been made. However, the University is subject to federal income taxes on net unrelated business income, if any, under the provisions of Section 511 of

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

the Internal Revenue Code. The University did not have any unrelated business income subject to income tax for the years ended September 30, 2021 and 2020.

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

(p) Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student or by third parties making payments on behalf of the student. Accordingly, some of the student financial aid and scholarships awarded by the University are considered to be scholarship allowances. Tuitions and fees revenue in the statements of revenues, expenses, and changes in net position is reflected net of these allowances.

(q) Other Post-Employment Benefits

In addition to the pension benefits described in Note 7, employees may receive post-retirement health care and life insurance benefits. Employees eligible for such benefits include 15 pre-1987 (Civil Service) and 32 post-1987 (DC Defined Contribution) employees. The cost of providing such benefits to employees hired on or prior to September 30, 1987 is borne by the U.S. Federal government and the University has no liability for this cost. Pursuant to the D.C. Code 1-621, employees hired on or after October 1, 1987, who subsequently retire may be eligible to continue their health care benefits. Furthermore, in accordance with D.C. Code 1-622, these employees may convert their group life insurance to individual life insurance. The University bears responsibility for the cost relating to employees hired on or after October 1, 1987. The University's portion of post-employment benefits actuarial liability is not separately determined from the District's. The entire liability is recorded on the books of the District; therefore, the University does not record a liability for the costs of post-retirement benefits but records such costs as expenses/expenditures when premiums are paid.

For employees hired after October 1, 1987, the University pays 75% of the cost of health insurance, for eligible retirees, their spouse and dependent(s). In addition, the University pays 33% of the cost of life insurance depending on the election coverage for eligible retirees. The University has recognized \$65,987 and \$86,782 for post-retirement health premiums paid during FY 2021 and 2020, respectively. Five (5) and six (6) retirees received post-retirement health benefits during fiscal years ended September 30, 2021 and 2020, respectively. The District, which is legally responsible for the contributions to OPEB plans, conducted an actuarial study of its obligations under the Plan.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(r) Adoption of new Accounting Standards

New Accounting Standards Adopted

GASB Statement No. 84, Fiduciary Activities: In January 2017 GASB issued statement No. 84. The objective of the GASB No. 84 is improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB No. 84 is effective for the periods beginning after December 15, 2019, the University's fiscal year 2021. Implementation of this statement had no effect on the financial statements of the University.

GASB issued Statement No. 87, Leases: In June 2017, GASB issued Statement No. 87, *Leases*. The objective of GASB No. 87 is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB No. 87 is effective for reporting periods beginning after June 15, 2021. This will be effective for the University in fiscal year 2022. The University is currently in the planning stage of adopting GASB No. 87 on its financial statements and disclosures in FY 2022.

New Accounting Standards to be adopted in the Future

Statement No. 91, Conduit Debt Obligations: the objective of this standard is to provide a single method of reporting conduit debt obligations. As amended by GASB statement No. 95 the requirement of this statement is effective for reporting periods beginning after December 15, 2021, the University's fiscal year 2022.

Statement No. 92, Omnibus 2020: the objective of this standard is to addresses practices that have been identified during the implementation of certain GASB statements such as the effective date of *statement NO. 87, Leases*. As amended by GASB statement No. 95 the requirement of this statement ae effective for reporting periods beginning after June 15, 2021, the University's fiscal year 2022. The University is in the planning stage of implementing. *Statement No. 87, Leases* is FY 2022.

Statement No. 93, Replacement of Interbank Offered Rates: The statement addresses certain accounting and financial reporting implications that results from the replacement of Interbank Offered Rate (IBOR). As amended by GASB statement No. 95 the requirement of this statement ae effective for reporting periods beginning after June 15, 2021, the University's fiscal year 2022.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements: The statement addresses issues related to public-private and public partnership arrangements (PPPs) in which a government (the transferor) contracts with an operator (government or nongovernmental entity) to provide public services by conveying control of the right to operate or non-financial assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, the University's fiscal year 2023.

Statement No. 96, Subscription-Based Information Technology Arrangements: The statement provides

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). The requirements of this statement are effective for reporting periods beginning after June 15, 2022, the University's fiscal year 2023.

Statement No. 97, Certain component unit criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans – and amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB statement No. 32: The objective of the statement is to determine whether the primary government is financially accountable for a potential component unit. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, the University's fiscal year 2022.

(s) Subsequent Events

The University evaluated the subsequent events and transactions through January 3, 2022, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure, except as disclosed above.

(3) Cash and Cash Equivalents

The District requires that all cash be deposited with the District Treasurer except for endowment and miscellaneous income funds which are deposited in a postsecondary education fund bank account. However, the University is allowed to maintain funds generated from its own operations in separate bank accounts. The majority of payments are processed centrally by the District.

The University's Postsecondary Education Fund bank account is the depository account for all gifts and contributions, funds for receipt of services rendered, institutional fees, fines and collections including tuition, and all other monies made available to the University, other than the funds included in the annual operating, capital and educational improvement funds appropriated by Congress. These funds are administered by the University's Board of Trustees to supplement the University's appropriation. Restricted cash represents cash held as state restricted funds.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The University's cash and cash equivalents as of September 30, 2021 and 2020, are reflected in Table 2:
Table 2 – Unrestricted and restricted cash and cash equivalents as of September 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents:		
Unrestricted:		
Wells Fargo	\$ 24,360,464	\$ 19,623,896
Stifel	5,468,434	7,539,142
FVC Bank	100,848	100,848
Industrial Bank	100,930	100,930
Subtotal unrestricted	30,030,676	27,364,816
Restricted:		
Wells Fargo	2,627,626	2,325,449
Total cash and cash equivalents	\$ 32,658,302	\$ 29,690,265

The University's cash and cash equivalents, which consists of the following as of September 30, 2021 and 2020, are reflected in Table 3:

Table 3 – Summary of cash and cash equivalents as of September 30, 2021 and 2020:

	2021	2020
Cash and demand deposits:		
Wells Fargo	\$ 26,988,090	\$ 21,949,345
Stifel	5,468,434	7,539,142
Subtotal cash and demand deposits	32,456,524	29,488,487
Certificates of deposit:		
FVC Bank	100,848	100,848
Industrial Bank	100,930	100,930
Subtotal certificates of deposit	201,778	201,778
Total cash and cash equivalents	\$ 32,658,302	\$ 29,690,265

As of September 30, 2021, and 2020, the bank balances of cash on deposit were \$35,015,862 and \$30,816,587 respectively with reconciling differences primarily related to outstanding checks. The FDIC standard deposit insurance amount is \$250,000 per depositor, per insured bank. Currently, the Wells Fargo account has a balance that exceeds the insured amount, by \$29,095,650 and is collateralized by the District or by its agent in the District's name. The Stifel account balance of \$5,468,434 consists of cash held as investments which are normally in money market products therefore do not require collateralization.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(4) Receivables

The University's receivable balances as of September 30, 2021 and 2020 are reflected in Table 4:

Table 4 – Receivable balances as of September 30, 2021 and 2020:

	2021		
	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts receivable	\$ 12,401,462	(3,957,227)	\$ 8,444,235
Grants receivable	5,214,193	-	5,214,193

	2020		
	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts receivable	\$ 14,613,240	(3,130,345)	\$ 11,482,895
Grants receivable	8,563,030	-	8,563,030

(5) Investments

Investments held by Stifel as of September 30, 2021 and 2020 were approximately \$63.8 million and \$53.8 million, respectively.

(a) Investments Authorized

The purpose of the University of the District of Columbia Endowment Policy is to provide direction for the investment, expenditure and management of the University of the District of Columbia's (UDC) endowment funds, consistent with the best interest of the University and the philosophy and practices of the Chief Financial Officer of the District of Columbia. The University's endowment fund includes land grant funds appropriated by Congress under the First Morrill Act (P.L. 90-354); gifts, bequests, and other funds directed to be held to support the University program/activities; and funds assigned by the Board of Trustees to function as an endowment. Endowment funds are to be used to support the mission of the University.

The policy applies to all endowment funds of the University, which consist of the following:

UDC Land Grant Fund: Pursuant to the First Morrill Act of 1862, each eligible state received a total of 30,000 acres of federal land to be used toward establishing and funding educational institutions. Federal City College (FCC), one of the University's predecessor institutions, was considered a land-grant college, and in lieu of the donation of public lands for the endowment, FCC received \$7,241,706. Fund restrictions are as follows: (i) The capital shall remain forever undiminished; (ii) No portion of

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

the fund, including interest, may be applied to the purchase, construction, preservation or repair of any building or buildings; (iii) all expenses of management and taxes shall be paid by the District. The UDC Land Grant Fund shall not be co-invested with any other UDC endowment funds.

Post-Secondary Education Fund: Contributions and gifts received by the University and funds in receipt for services. The fund also includes the proceeds from the sale of the University's radio station, WDCU. Other sources of funds donated to the university for Endowment purposes will be consolidated into this Fund unless designated as restricted by the donor. The Post-Secondary Education Fund is an unrestricted fund.

(b) Asset Allocation / Exposures

It is a fundamental policy of the CFO or CFO's designee that the investment portfolios of the University's endowment funds should be diversified to reduce the risk of undue exposure to any one sector or security. The asset allocation is based upon on the underlying investment strategy of the manager and not the structure of the investment vehicle. Accordingly, endowment funds must be allocated with the following parameters approved by the CFO or CFO's designee:

ASSET CLASS	ALLOCATIONS		
	Minimum	Target	Maximum
Cash + Short Bonds	0%	8%	20%
Developed Government Bonds	0%	9%	20%
Investment Grade Bonds	0%	4%	20%
High Yield + Emerging Market Bonds	0%	8%	25%
Developed Market Equities	20%	38%	45%
Emerging Market Equities	5%	10%	15%
Commodities	0%	5%	10%
Real Estate	0%	4%	15%
Alternative Trading Strategies	0%	14%	30%

Exceptions outside of any minimum or maximum range, due potentially to market conditions or other considerations, will be assessed by the CFO or the CFO's designee and a written justification will be provided regarding the allocation.

(c) Interest Rate Risk

The University is exposed to interest rate risk on its fixed income bonds held. Interest rate risk is measured by the average duration for which bonds are held. The Investment Policy Statement states that fixed income investments must be readily marketable and may not include illiquid securities. Interest rate risk is managed by the investment managers. They have discretion within their portfolios to determine the duration position that best maximizes the performance.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(d) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The University invests in obligations of corporations, government notes and bonds, government agency securities and money market instruments. The University is exposed to credit risk on its fixed income holdings.

Credit risk is measured by the average quality of the fixed income securities held, which at the end of the University's fiscal year ranged from AAA to nonrated issues. The Investment Policy Statement targets an exposure to developed government bonds of 9% (maximum: 20%), to investment grade bonds of 4% (maximum: 20%), and high yield/emerging markets bonds of 8% (maximum: 25%). On September 30, 2021, the actual exposure to each of these asset classes was 4.8%, 8.0% and 3.5% respectively.

(e) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the University would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the University, and are held by either (a) the counter party or (b) the counter party's trust department or agent but not in the University's name. The University had no custodial credit risk exposure during the fiscal years ended September 30, 2021 and 2020.

(f) Derivative and Alternative Investments

The University's investment portfolio does not include any outright purchase of derivatives. Some derivatives exposure exists within the investment portfolio; however, the derivative position is managed by the investment manager and not the District staff. The Investment Policy Statement authorizes that no more than 30% of the total market value of the endowment may be invested in the alternative asset class. The target exposure is 14%. As of September 30, 2021, 7.2% was invested in alternative strategies.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Table 5 – Summary of University Investments, Cash and Cash Equivalents as of September 30, 2021 and 2020:

Asset Classes	Fair Market Value	
	2021	2020
Cash & Short Maturity Bonds	\$ 5,468,434	\$ 7,539,142
Developed Government Bonds	3,106,345	3,335,531
Investment Grade Bonds	5,101,752	2,735,998
High Yield & Emerging Market Bonds	2,204,979	1,986,679
Developed Markets Equities	35,541,018	27,878,265
Emerging Markets Equities	4,790,407	3,941,197
Commodities	1,128,434	860,048
Real Estate	1,871,717	1,489,726
Alternatives Trading Strategies	4,614,907	3,992,894
Total	\$ 63,827,993	\$ 53,759,480

Included in the above investment balances as of September 30, 2021 and 2020, is cash and cash equivalents of \$5,468,434 and of \$7,539,142 respectively.

	2021	2020
Cash and Cash Equivalents	\$ 5,468,434	\$ 7,539,142
Accrued Interest Receivable	37,792	35,431
Investments	58,321,767	46,184,906
Total Investments, Cash and Cash Equivalents	\$ 63,827,993	\$ 53,759,479

(g) Fair Value Measurements

Governmental Accounting Standards Board Statement No. 72 (GASB 72), Fair Value Measurements and Application, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

- Level 2 – inputs other than quoted prices included within Level 1 - that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).
- Level 3 – unobservable inputs (including the University’s own assumptions in determining the fair value of investments).

An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables present the University’s assets measured at fair value on a recurring basis as of September 30, 2021 and 2020, by the GASB 72 valuation hierarchy (in dollars).

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The University's assets measured at fair value on a recurring basis as of September 30, 2021:

	September 30, 2021	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Developed markets equities	\$ 23,428,942	\$ 23,428,942	\$ -	\$ -
Emerging markets equities	2,420,522	2,420,522	-	-
Real estate equities	1,871,717	1,871,717	-	-
Total equity securities	<u>27,721,181</u>	<u>27,721,181</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Developed government bonds	3,086,798	3,086,798	-	-
High yield and emerging markets bonds	920,019	920,019	-	-
Investment grade bonds	5,085,482	5,085,482	-	-
Total fixed income securities	<u>9,092,299</u>	<u>9,092,299</u>	<u>-</u>	<u>-</u>
Mutual Funds				
High yield and emerging markets bonds funds	1,282,988	1,282,988	-	-
Total mutual funds	<u>1,282,988</u>	<u>1,282,988</u>	<u>-</u>	<u>-</u>
Commodities funds	1,128,434	-	-	1,128,434
Total investments by fair value level	<u>\$ 39,224,902</u>	<u>\$ 38,096,468</u>	<u>\$ -</u>	<u>\$ 1,128,434</u>
Investments measured at the net asset value (NAV)				
Long-only international equity:				
International growth private fund	\$ 7,108,290			
International value private fund	5,086,030			
Emerging markets private fund	2,287,638			
Alternative investments:				
Fixed income long/short hedge fund	-			
Multi-strategy hedge fund	-			
Private debt hedge fund	695,806			
Closed-end private equity fund	1,294,619			
Real estate private equity	2,624,482			
Total investment measured at the NAV	<u>19,096,865</u>			
Total investment measured at fair value	<u>\$ 58,321,767</u>			

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The University's assets measured at fair value on a recurring basis as of September 30, 2020:

	September 30, 2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Developed markets equities	\$ 18,345,321	\$ 18,345,321	\$ -	\$ -
Emerging markets equities	2,178,213	2,178,213	-	-
Real estate equities	1,489,726	1,489,726	-	-
Total equity securities	<u>22,013,260</u>	<u>22,013,260</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Developed government bonds	3,317,203	3,317,203	-	-
High yield and emerging markets bonds	773,694	773,694	-	-
Investment grade bonds	2,720,743	2,720,743	-	-
Total fixed income securities	<u>6,811,640</u>	<u>6,811,640</u>	<u>-</u>	<u>-</u>
Mutual Funds				
High yield and emerging markets bonds funds	1,211,136	1,211,136	-	-
Total mutual funds	<u>1,211,136</u>	<u>1,211,136</u>	<u>-</u>	<u>-</u>
Commodities funds	860,048	-	-	860,048
Total investments by fair value level	<u>\$ 30,896,084</u>	<u>\$ 30,036,036</u>	<u>\$ -</u>	<u>\$ 860,048</u>
Investments measured at the net asset value (NAV)				
Long-only international equity:				
International growth private fund	\$ 5,820,526			
International value private fund	3,712,418			
Emerging markets private fund	1,762,984			
Alternative investments:				
Fixed income long/short hedge fund	1,974			
Multi-strategy hedge fund	15,437			
Private debt hedge fund	891,148			
Closed-end private equity fund	1,024,855			
Real estate private equity	2,059,480			
Total investment measured at the NAV	<u>15,288,822</u>			
Total investment measured at fair value	<u>\$ 46,184,906</u>			

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Equity Securities: This investment category consists of common stock and preferred stock issued by both U.S. and international corporations. In addition, it includes common stock for real estate corporations both in the commercial and residential sectors. Developed market equities are mainly public companies in developed markets as defined by their inclusion in the MSCI World Index. Emerging market equities are mainly public companies in emerging markets as defined by their inclusion in the MSCI Emerging Markets Index. Common stocks and preferred stock are traded actively on exchanges and price quotes for these shares are readily available. These assets are classified in level 1 of the fair value hierarchy.

Fixed Income Securities: This investment category consists of U.S. Treasuries, U.S. Government bonds, asset backed securities, corporate bonds and municipal bonds. Developed government bonds are fixed income instruments with maturities longer than three years, issued by developed sovereigns and government related agencies which include U.S. government bonds, U.S. municipal bonds and non-U.S. government bonds. Investment grade bonds are fixed income securities issued by corporations in developed markets with credit ratings of BBB- or better. High yield and emerging markets bonds represent fixed income securities issued by corporations with credit ratings of BB+ or lower, emerging markets sovereigns and government related agencies, and emerging markets corporations. These assets are valued based on obtaining market pricing and other observable market inputs for similar securities from a number of industry standard data providers or a broker quote in a non-active market. These assets are classified as level 1 investments.

Mutual Funds: This investment category consists of open-ended mutual funds that are registered with the Securities and Exchange Commission. The mutual funds are invested in high yield and emerging markets bonds represent fixed income securities issued by corporations with credit ratings of BB+ or lower, emerging markets sovereigns and government related agencies, and emerging markets corporations. These mutual funds publish a daily NAV and transact at that price. The mutual funds held are deemed to be actively traded and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

Commodities Fund: The investment objectives of the fund are to provide a partial price hedge with an attractive risk/return profile, as compared to other products using a commodity index or a pool of commodities. Partial or complete redemption may be made, upon five (5) days' prior written notice, on the last business day of each calendar month or at such times and on such terms as the General Partner of the fund may, in his/her sole discretion, allow. The valuation techniques and inputs categorization within the valuation hierarchy is based upon Level 3; and uses the income approach, where the advisor considers a list of factors to determine whether there has been significant decrease in the relation to normal market activity.

Investments Measured at the Net Asset Value (NAV)

These investments category consists of six funds that include hedge funds and other funds/products that employ dynamic trading strategies aiming at achieving either relative or absolute returns. These alternative investment funds are organized as limited partnerships that are not traded on an exchange and these funds that do not redeem shares on a daily basis. The funds have varying restrictions on liquidity and transferability. The fair values of the investments in this type have been determined using the NAV per share of the investments. The funds have varying redemption restrictions such as lock ups or gates. A lock-

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

up period is a window of time when investors of a closely held investment vehicle, are not allowed to redeem or sell shares. A gate is a restriction placed on a fund limiting the amount of withdrawals from the fund during a redemption period. These investments have redemption frequency that range from monthly to quarterly and a redemption notice period that ranges from 5 to 90 calendar days. The details of the funds are as follows:

September 30, 2021:

<u>Investments</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
International growth private fund ¹	\$ 7,108,290	\$ -	Monthly	5 days
International value private fund ²	5,086,030	-	Monthly	5 days
Emerging markets private fund ³	2,287,638	-	Monthly	30 days
Fixed income long/short hedge fund ⁴	-	-	Monthly	60 days
Multi-strategy hedge fund ⁵	-	-	Quarterly	90 days
Private debt hedge fund ⁶	695,806	-	Quarterly	90 days
Closed-end private equity fund ⁷	1,294,619	-	Quarterly	n/a
Real estate private equity ⁸	2,624,482	-	Monthly	7 days
	<u>\$ 19,096,865</u>			

September 30, 2020:

<u>Investments</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
International growth private fund ¹	\$ 5,820,526	\$ -	Monthly	5 days
International value private fund ²	3,712,418	-	Monthly	5 days
Emerging markets private fund ³	1,762,984	-	Monthly	30 days
Fixed income long/short hedge fund ⁴	1,974	-	Monthly	60 days
Multi-strategy hedge fund ⁵	15,437	-	Quarterly	90 days
Private debt hedge fund ⁶	891,148	-	Quarterly	90 days
Closed-end private equity fund ⁷	1,024,855	-	Quarterly	n/a
Real estate private equity ⁸	2,059,480	-	Monthly	7 days
	<u>\$ 15,288,822</u>			

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

1. *International growth private market fund*: The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Their investment process is based on a highly analytical research-driven process and builds portfolios from the bottom-up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund's net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes and are only used under certain conditions.
2. *International value private market fund*: This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong and are managed by people who are working to build value over time. The investment team seeks to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries. This criteria helps rule out businesses that are statistically cheap, but whose values are deteriorating over time. The team believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.
3. *Emerging markets private fund*: This fund approach to investing in emerging markets is a combination of rigorous fundamental stock selection with a top-down macro framework. The fund invests in a diversified portfolio of equities that have sound prospects for sustainable growth and represent value in the form of assets and earnings. The fund seeks to take advantage of the multiple market inefficiencies derived from insufficient discounting of geopolitical and macro factors, a relative lack of research in the emerging market space, and the impact of behavioral biases that cause asset prices to diverge from their intrinsic value.
4. *Fixed income long/short hedge fund*: The Fund employs a long/short corporate credit approach focusing on US companies. The Fund primarily invests in liquid short-dated corporate bonds, with a core focus on callable securities and credit default swaps, the combination of relative value positions with outright long or short credit holdings will typically produce a low duration and diversified portfolio. The Fund utilizes fundamental analysis to seek alpha opportunities primarily in short duration callable bonds, particularly in the "crossover seam" between high yield and investment grade. Portfolio construction is performed with strict constraints on sector and industry exposure and the portfolio seeks to be as close to credit risk and market risk neutrality as possible.
5. *Multi-strategy hedge fund*: This is a multi-strategy fund whose objectives include long-term outperformance of the Standard & Poor's 500 Index ("S&P 500"), low volatility relative to the S&P 500, low correlation to public equity and debt markets, and minimal draw-downs. Redemption of any investment may not be made less than six months after the date on which such investment was made (the "Lock-Up Period"), subject to waiver by the fund's General Partner in its sole discretion. Following the Lock-Up Period, generally, investors may make redemptions as of the last business day of any fiscal quarter upon proper written notice as noted in the table above. The fair value of the investment in this fund is determined using the NAV per share (or its equivalent) of the investment.
6. *Private debt hedge fund*: The Fund operates as a closed-end comingled hedge fund and invest primarily in a portfolio of first lien senior secured loans to North American middle market companies. The Fund may

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

also invest in mezzanine, second lien, distressed and other securities or instruments, including securities or instruments of non-North American companies.

7. *Closed-end private equity fund*: The Fund seeks to provide long-term capital appreciation in a diversified private equity portfolio and a potential for attractive risk-adjusted returns through a dynamic, relative value-based strategy. It is designed primarily for long-term investors and is not intended to be a trading vehicle as investors do not have the right to redeem their Units on a daily basis at a price based on net asset value. Instead, purchase and repurchase of Units are subject to the approval of the Fund's Board of Managers. Subject to board approval and liquidity of underlying investments, investors may receive potential liquidity via quarterly tender offer. Liquidity in any quarter is not guaranteed.
8. *Real estate private equity*: The Trust is a non-exchange traded, perpetual life real estate investment trust that acquires primarily stabilized income-oriented commercial real estate in the United States and, to a lesser extent, real estate-related securities. The objective is to bring Blackstone's leading real estate investment platform with an institutional fee structure and monthly liquidity features to individual investors. There is no public trading market for the stocks, and the repurchase of shares is likely the only way to dispose of the shares which is unguaranteed. The purchase and repurchase price are generally based on the prior month's net asset value ("NAV") (subject to material changes) and are not based on any public trading market. Underlying properties will annually be independently appraised; however, the appraisal of properties is inherently subjective, and the NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(6) Capital Assets

Capital Assets activity for the year ended September 30, 2021, is summarized in Table 6 below:

Table 6 – Capital assets activity for the year ended September 30, 2021:

	Balance at September 30, 2020	Current Year FY 21 Additions	Dispositions/ Adjustments	CIP Transfers	Balance at September 30, 2021
Capital assets subject to depreciation:					
Furniture and fixtures	488,896	-	-	-	488,896
Equipment & Machinery	12,801,904	1,236,491	(2,521,113)	-	11,517,282
Vehicles	196,757	78,428	-	-	275,185
Library books	15,000	-	-	-	15,000
Buildings and improvements	381,556,454	-	-	10,451,421	392,007,875
Land Improvement	13,865,788	-	-	-	13,865,788
Total historic cost	<u>\$ 408,924,799</u>	<u>\$ 1,314,919</u>	<u>\$ (2,521,113)</u>	<u>\$ 10,451,421</u>	<u>\$ 418,170,026</u>
Less accumulated depreciation	<u>(177,583,490)</u>	<u>(18,123,809)</u>	<u>2,521,113</u>	<u>-</u>	<u>(193,186,186)</u>
Subtotal, depreciable capital assets, net	<u>\$ 231,341,309</u>	<u>\$ (16,808,891)</u>	<u>\$ -</u>	<u>\$ 10,451,421</u>	<u>\$ 224,983,840</u>
Capital assets not subject to depreciation:					
Land	\$ 7,456,544	\$ -	\$ -	\$ -	\$ 7,456,544
Construction in progress	11,308,766	13,709,597	-	(10,451,421)	14,566,942
Subtotal, non-depreciable capital assets, net	<u>18,765,310</u>	<u>13,709,597</u>	<u>-</u>	<u>(10,451,421)</u>	<u>22,023,486</u>
Capital assets, net	<u>\$ 250,106,619</u>	<u>\$ (3,099,294)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,007,326</u>

In FY 2021, the University expended \$15.0 million in capital appropriations for ongoing renovation and construction throughout the University's campus.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Capital Assets activity for the year ended September 30, 2020, is summarized in Table 7 below:

Table 7 – Capital assets activity for the year ended September 30, 2020:

	Balance at September 30, 2019	Current Year FY 20 Additions	Dispositions/ Adjustments	CIP Transfers	Balance at September 30, 2020
Capital assets subject to depreciation:					
Furniture and fixtures	\$ 481,190	7,706	-	-	488,896
Equipment & Machinery	12,010,686	791,218	-	-	12,801,904
Vehicles	131,364	65,393	-	-	196,757
Library books	15,000	-	-	-	15,000
Buildings and improvements	324,251,816	36,262,764	-	21,041,874	381,556,454
Land Improvement	13,865,788	-	-	-	13,865,788
Total historic cost	<u>\$ 350,755,844</u>	<u>\$ 37,127,081</u>	<u>\$ -</u>	<u>\$ 21,041,874</u>	<u>\$ 408,924,799</u>
Less accumulated depreciation	<u>(161,646,396)</u>	<u>(15,937,094)</u>	<u>-</u>	<u>-</u>	<u>(177,583,490)</u>
Subtotal, depreciable capital assets, net	<u>\$ 189,109,448</u>	<u>\$ 21,189,987</u>	<u>\$ -</u>	<u>\$ 21,041,874</u>	<u>\$ 231,341,309</u>
Capital assets not subject to depreciation:					
Land	\$ 7,456,544	\$ -	\$ -	\$ -	\$ 7,456,544
Construction in progress	15,617,262	16,929,426	(196,048)	(21,041,874)	11,308,766
Subtotal, non-depreciable capital assets, net	<u>23,073,806</u>	<u>16,929,426</u>	<u>(196,048)</u>	<u>(21,041,874)</u>	<u>18,765,310</u>
Capital assets, net	<u><u>\$ 212,183,254</u></u>	<u><u>\$ 38,119,413</u></u>	<u><u>\$ (196,048)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 250,106,619</u></u>

In FY 2020, the University expended \$53.9 million in capital appropriations for the purchase of the building at 4250 Connecticut Avenue and ongoing renovation throughout the University's campus.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(7) Retirement Programs

The University's full-time employees receive pension benefits either through the Federally administered Civil Service Retirement System, the District Retirement System or the University's Retirement Programs.

The University offers retirement plans to its eligible Educational Service and District Service employees. Eligible employees include faculty, administrative and wage grade staff of the University.

(a) Defined Benefit Pension Plan

Civil Service Retirement System (CSRS)

Career service employees hired prior to October 1987 are covered by the Civil Service Retirement System (CSRS), a cost-sharing multiple-employer public employee retirement system administered by the Federal government's Office of Personnel Management (OPM). The CSRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at www.opm.gov.

The contributions of 7% of each covered employee's annual salary to the CSRS on behalf of the University. The contribution requirements of plan members are established (and may be amended) by the OPM. The contributions for the years ended September 30, 2021 and 2020, were \$67,625 and \$67,622, respectively.

(b) Defined Contribution Pension Plans

District Retirement Program – 401(a)

Career service employees hired on or after October 1, 1987, are covered by the defined contribution pension plan of the District's Retirement System. The District sponsors the plan under the provisions of D.C. Code 1-626 with a qualified trust under Internal Revenue Code (IRC) Section 401(a).

The University contributes 5% of the annual base salary to a pension account in the employee's name, beginning with the first pay period following completion of one year of creditable service. Contributions are made each pay period based on the employee's pre tax base salary (excluding overtime, holiday, and Sunday compensation). Employees do not contribute to this plan. Contributions are fully vested after five years of continuous service. The University's contributions were \$76,845 and \$76,850 for the years ended September 30, 2021 and 2020, respectively.

Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF)

Eligible Educational Service employees may participate in a contributory pension and retirement plan administered by TIAA/CREF. Under this plan, an employee may contribute a minimum of 5% of his/her base salary. In addition, the University contributes 15% for continuing full-time faculty hired

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

prior to August 16, 2003, and 7% for continuing full time faculty hired on or after August 16, 2003. In addition, the University contributes 7% for continuing full time faculty hired on or after August 16, 2003. In addition, the University contributes 7% of the annual salary for the law school faculty and administrative staff. Contributions are transferable to other eligible plans. Total FY 2021 payroll for all employees was approximately \$70.2 million, of which employees with total payroll of approximately \$57.3 million were covered under the plan. The pension cost for the years ended September 30, 2021 and 2020 were \$3,115,001 and \$3,112,686, respectively. Generally, employees are fully vested immediately after start of contribution in both their contributions and in the University's contributions. Approximately 709 employees were covered by this plan during the year.

(c) *Deferred Compensation Plans*

The University provides an additional deferred compensation plan sponsored by Voya Financial and a deferred compensation plan sponsored by ICMA Retirement Corporation (ICMA-RC), but the University does not contribute to either deferred compensation program. Moreover, employee contributions are not assets of the University and the University has no liability to the plan.

(8) *Commitments and Contingencies*

Risk Management

The University, as a component unit of the District, participates in the District's self-insurance activities. The District retains all risk of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The University is only responsible for making annual premium payments for athletic injury insurance. The District reports claims expenditures and liabilities when it is probable that loss has occurred, and the amount of that loss can be reasonably estimated.

The District also records a liability for an estimate of claims that have been incurred but not reported. Assets are not set aside to finance claims. A disability compensation accrual for claims from injuries to employees is also recorded in the District's basic financial statements. The District, through a separate appropriation, pays all significant losses arising from a lack of commercially provided insurance at no cost to the University.

(a) *Grants and Contracts*

The University receives a portion of its revenues from Federal grants and contracts, which are to be used for certain, stated purposes. These Federal grants and contracts are subject to review and audit by government agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of the contract and grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the University. Management of the University is of the opinion that no significant liability, if any, will result from the outcome of these audits.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(b) Litigation

The University is a party to a number of legal actions. Liabilities have been accrued for these cases amounting to approximately \$425,000 and \$7,800,000 for FY 2021 and 2020, respectively. The accrued liability reported as litigation contingencies is based on estimates of the payments that will be made upon judgment or resolution of the claim. As of September 30, 2021, and 2020, various claims and lawsuits against the University were settled and the University made settlement payments in the amount of \$2,012,929 and \$170,000 respectively. In the opinion of management, based on the information currently available, the expected outcome of legal actions will not have a materially adverse effect on the University's financial statements.

(c) Lease Commitments

The University leases certain equipment and facilities under operating leases expiring at various dates through September 2026 and beyond. The University uses several buildings owned by the District and Federal governments, as well as several privately-owned buildings.

The University has assumed a 50-year Ground lease and occupation of sub-surface public space (vaults) with the purchase of 4250 Connecticut Avenue property in FY 2020. The lease term is ending in FY 2029 with an option to renew for another 49 years.

The University currently has a lease agreement with AvalonBay Communities to lease space for the athletic department. The University also leases equipment from various companies. Total rental expense during the years ended September 30, 2021 and 2020, for all operating leases was \$7,652,987 and \$9,019,971, respectively.

The future annual minimum lease payments under non-cancelable operating lease agreements as of September 30, 2021, that have an initial or remaining lease term in excess of one year are shown in the table below:

Table 8 – Operating lease commitments

<u>Years Ending September 30:</u>	<u>Amount</u>
2022	\$ 6,959,197
2023	7,157,427
2024	7,462,663
2025	7,647,877
2026	7,838,331
Beyond	<u>34,824,928</u>
Total	<u>\$ 71,890,423</u>

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(9) Discretely Presented Component Units

Based on significant balances reported in the University's discretely presented component units' Statements of Financial Position, the note disclosures, as reported in the separately issued financial statements, are presented as follows.

University of the District of Columbia Foundation, Inc. (Foundation)

Fair Value Measurement

The following table presents the Foundation's financial assets measured at fair value on a recurring basis consistent with the fair value hierarchy provisions of FASB ASC 820. The Foundation's balances as of September 30, were as follows:

2021

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Cash Equivalent	\$ 1,776,233	\$ -	\$ -	\$ 1,776,233
Equities	3,033,018	-	-	3,033,018
Fixed Income	7,676,415	-	-	7,676,415
Total Investments	<u>\$ 12,485,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,485,666</u>

2020

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Cash Equivalent	\$ 936,505	\$ -	\$ -	\$ 936,505
Equities	5,745,779	-	-	5,745,779
Fixed Income	2,571,872	-	-	2,571,872
Total Investments	<u>\$ 9,254,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,254,156</u>

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Investments

The cost and market values of investments as of September 30, 2021 and 2020, are summarized as follows:

	2021		2020	
	<u>Market</u>		<u>Market</u>	
	<u>Cost</u>	<u>Value</u>	<u>Cost</u>	<u>Value</u>
Cash Equivalents	\$ 1,776,233	\$ 1,776,233	\$ 936,505	\$ 936,505
Securities	8,578,153	10,709,433	7,252,886	8,317,651
	<u>\$ 10,354,386</u>	<u>\$ 12,485,666</u>	<u>\$ 8,189,391</u>	<u>\$ 9,254,156</u>

Investment returns were the following for the years ended September 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 198,787	\$ 168,556
Net realized/unrealized Gains/(losses) on Investments	1,522,062	424,486
Investment expenses	<u>(61,293)</u>	<u>(42,026)</u>
	<u>\$ 1,659,556</u>	<u>\$ 551,016</u>

Investments were categorized as follows as of September 30, 2021 and 2020:

	2021	2020
Non-Endowment	\$ 1,776,233	\$ 936,505
Endowment	<u>10,709,433</u>	<u>8,317,651</u>
	<u>\$ 12,485,666</u>	<u>\$ 9,254,156</u>

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2021:

Subject to expenditure for specified purpose:	
Scholarship and academic programs	\$ 3,246,164
Accumulated endowment earnings	3,404,885
Endowment to be invested in perpetuity:	<u>5,963,705</u>
Net assets with donor restrictions	\$ <u><u>12,614,754</u></u>
Purpose restrictions accomplished:	
Scholarship and academic programs	\$ 459,136
Accumulated endowment earnings	<u>99,110</u>
Net assets released from donor restrictions	\$ <u><u>558,246</u></u>

Endowment net asset composition by type of fund as of September 30, 2021:

The endowment net assets composition as of September 30, 2021 by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,963,705	\$ 5,963,705
Accumulated investment earnings	<u>-</u>	<u>3,404,885</u>	<u>3,404,885</u>
Total endowment funds	\$ <u><u>-</u></u>	\$ <u><u>9,368,590</u></u>	\$ <u><u>9,368,590</u></u>

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Changes in net assets for the year ended September 30, 2021, as it relates to endowment funds were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net asset, beginning of year	\$ -	\$ 7,076,809	\$ 7,076,809
Investment income, net	-	1,543,524	1,543,524
Contributions	-	847,367	847,367
Appropriation of endowment assets for expenditure	-	(99,110)	(99,110)
Endowment net assets, end of year	\$ -	\$ 9,368,590	\$ 9,368,590

Related Party Transactions

The Foundation reimbursed the University \$96,897 for each years ended September 30, 2021 and 2020, respectively, for salaries and benefits of individuals performing management and administrative functions. Occupancy costs are not material and therefore, are not included in the Foundation's financial statements.

Amounts of \$546,336 and \$557,558 were paid to the University towards scholarships and other student benefit programs for fiscal years 2021 and 2020, respectively. The Foundation's accounts payable due to the University for the fiscal year ended September 30, 2021 and 2020 were \$14,128 and \$194,627, respectively.

Concentration of Risk

The Foundation maintains its cash in financial institutions where, at times, balances may exceed the federally insured limit of \$250,000. At September 30, 2021 and 2020, the uninsured cash balances totaled \$328,292 and \$168,708, respectively. The Foundation has not experienced any losses on such accounts.

Subsequent Events

Subsequent events have been evaluated through November 18, 2021, which is the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements for the year ended September 30, 2021.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Promise to Give

Promises to give are carried at the original amount pledged. Promises to give over multiple years are measured using the present value of future cash flows based on a discount rate of 1.32 % and 1.27% for the years ended September 30, 2021 and 2020 respectively.

	2021	2020
Amounts due in less than one year	\$ 913,405	\$ 1,164,423
Amounts due in one to five years	355,000	378,459
Amounts due in more than five years	-	40,000
	1,268,405	1,582,882
Less allowance for doubtful pledges	(10,276)	(12,558)
Net Receivables	\$ 1,258,129	\$ 1,570,324

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

University of the District of Columbia School of Law Foundation (School of Law Foundation)

Cash at Wells Fargo is \$409,841 and \$231,512 as of June 30, 2021 and June 30, 2020.

The School of Law Foundation has invested in money market funds, government securities and mutual funds through Morgan Stanley in the amount of \$13,828,487 and \$11,913,788 as of June 30, 2021 and June 30, 2020 respectively. These amounts are inclusive of unrealized gains of \$1,643,077 and \$1,955,416 as on June 30, 2021 and 2020, respectively. All investments of the School of Law Foundation are Level 1 investments.

The School of Law Foundation earned \$200,687 and \$152,352 in interest and dividends in 2021 and 2020, respectively that include \$200,658 and \$152,333 from Morgan Stanley in 2021 and 2020, respectively.

Other Receivables

Other receivables consist of the following:

- **Student Loan Receivables:** For fiscal years 2021 and 2020, the students owed \$15,890 and \$28,890, respectively to the School of Law Foundation. The loans were to be paid upon receipt of the students' guaranteed federal financial aid.
- **Advance Receivables:** For fiscal years 2021 and 2020, advance receivables of \$26,882 and \$36,760, respectively consist of advances made to School of Law staff and contractors.

Academic Awards Payable

Academic Awards Payable, as of June 30, 2021 and June 30, 2020 were \$142,800 and \$579,721 respectively. The balance of \$142,800 consisted of unpaid Rauh summer fellowships of \$131,800; one scholarship for \$1,000 and Umbrella summer fellowship for \$10,000.

Accrued Expenses

Accrued expenses as of June 30, 2021 and June 30, 2020 of \$0 and \$3,797, respectively, consist of unpaid normal operating expenses.

Net Assets with Donor Restrictions

The Foundation's restricted net assets for the years ended June 30, 2021 and 2020 were \$12,088,576 and \$10,488,276 respectively.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Contributions and Donations

The Organization received contributions and donations for support from the general public of its activities during FY 2021 amounted to \$591,479 as compared to \$519,029 in FY 2020. These contributions comprised mostly of small contributions.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of interest-bearing cash accounts in financial institutions that exceed Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per bank. The bank balance for cash as of June 30, 2021 is as follows:

	Bank Statement Amount	Uninsured	FDIC Insured	Carrying Amount
Wells Fargo	\$ 330,866	\$ 80,866	\$ 250,000	\$ 409,841
Total	<u>\$ 330,866</u>	<u>\$ 80,866</u>	<u>\$ 250,000</u>	<u>\$ 409,841</u>

The cash deposit in Wells Fargo was interest bearing.

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Schedule of Functional Expenses. The costs have been charged to the programs and supporting services on actual basis.

Information on Liquidity Reserve

During the fiscal year ended June 30, 2021, the Foundation was able to maintain its liquidity through its operational revenues which mainly comprise of contributions and earnings from investments. Financial assets available within one year are:

Cash	\$	409,841
Investments		13,828,487
Other Receivables		42,772
Prepaid Expenses		4,400
Total Financial Assets	\$	<u>14,285,500</u>

Subsequent Events

A review of subsequent period events for the year ended June 30, 2021, was performed through November 4, 2021, the date of this audit report. No events were noted by Management that required disclosure.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

The Mayor, Members of the Council of the Government of the District of Columbia,
Board of Trustees of the University of the District of Columbia
and Inspector General of the Government of the District of Columbia
Washington D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of the District of Columbia (the University), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did



McConnell Jones

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington D.C.
January 3, 2022