



# ***Annual Financial Report***

**2 0 2 1 - 2 0 2 2**

**TCU**

15 

1873  
2023





# Texas Christian University Annual Financial Report For the year ended May 31, 2022

---

LETTER FROM THE CHANCELLOR	2
FINANCIAL OVERVIEW	7
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	21
STATEMENTS OF FINANCIAL POSITION	23
STATEMENT OF ACTIVITIES	24
STATEMENTS OF CASH FLOWS	25
NOTES TO FINANCIAL STATEMENTS	26
BOARD OF TRUSTEES	53
FINANCIAL STAFF	Back Cover



LETTER FROM CHANCELLOR VICTOR J. BOSCHINI, JR.

In this annual report, I am pleased to summarize Texas Christian University's fiscal year 2021-2022 accomplishments as we look forward to a truly extraordinary time in the life of our University. Fall 2022 begins a new and historic academic year – our 150th – here at TCU and excitement is building for our Sesquicentennial, which begins in January and continues through winter 2023. During this special time, we will remember our past, celebrate our present and intentionally prepare for the next 150 years.

Our institution was founded in 1873 as one of the first universities to educate both men and women – groundbreaking in its day. Today, TCU boasts students from diverse backgrounds from across the globe and of course, from our hometown of Fort Worth. It's affirming that we continue to grow and thrive as a university, within a rapidly changing environment. But most importantly – we continue to achieve our mission: *to educate individuals to think and act as ethical leaders and responsible citizens in the global community.*



As the University nears its Sesquicentennial, Vice Chancellor for Student Affairs Kathy Cavins-Tull is leading an inclusive process to re-examine and recommit to TCU's core institutional values. Our Values Project will give our entire community a voice in helping us make decisions and define what it truly means for us to be a values-centered university.

With the leadership and partnership of our Board of Trustees, we will continue to support the priorities outlined over the past year: to manage operational expenses, increase financial aid to attract high-performing and diverse students, and prioritize initiatives that enhance TCU's academic reputation and student experience. The budget approved in April 2022 supports the University's academic mission while preserving long-term sustainability. Key details included approval of a 4% merit pool for employees who qualify for performance-based merit increases. Due to continued strong enrollment and the fiscal measures put into

place over the course of the pandemic, we were able to follow the fall 2021 one-time payment with the spring 2022 merit pool allocation. In addition, strategic capital projects were approved to move forward in various stages of the planning, construction and approval process.

## ***Maintaining a Powerful Academic Community***

TCU's enrollment metrics continue to be strong, due in part to our efforts to safely return students to classroom learning, increased recruiting, marketing and communication efforts, and a focus on student success through community and culture. Total enrollment for fall 2021 was 11,938, up 4.9 percent. Our undergraduate enrollment count for that semester was 10,222, up 5.3 percent, and graduate enrollment was 1,716, up 2.4 percent. Retention was impressive, with 96.9 percent of fall 2021 first-time, full-time students returning for the spring 2022 semester.

TCU is dedicated to enrolling an academically talented, diverse student body and making TCU more accessible to students and families – while maintaining responsible enrollment growth for the future. Over time, the University plans to increase financial aid to better support students, compete with top universities across the country, and increase both the academic profile and diversity of incoming students.

## ***Filling Critical Leadership Positions***

Like everything at TCU, we will achieve our goals through the excellence of our people, including several key administrative and academic hires and appointments. Dr. William Nunez started his executive position at TCU as Vice Chancellor for Finance and Administration, and Jason Safran assumed duties as Chief Investment Officer following an extensive national search. Dr. Amy Hardison Tully joined the Provost's dean team as the inaugural Teresa Ann Carter King Dean of the College of Fine Arts. Dr. Ron Pitcock was named Dean and Wassenich Family Endowed Chair of the John V. Roach Honors College following a nationwide search.

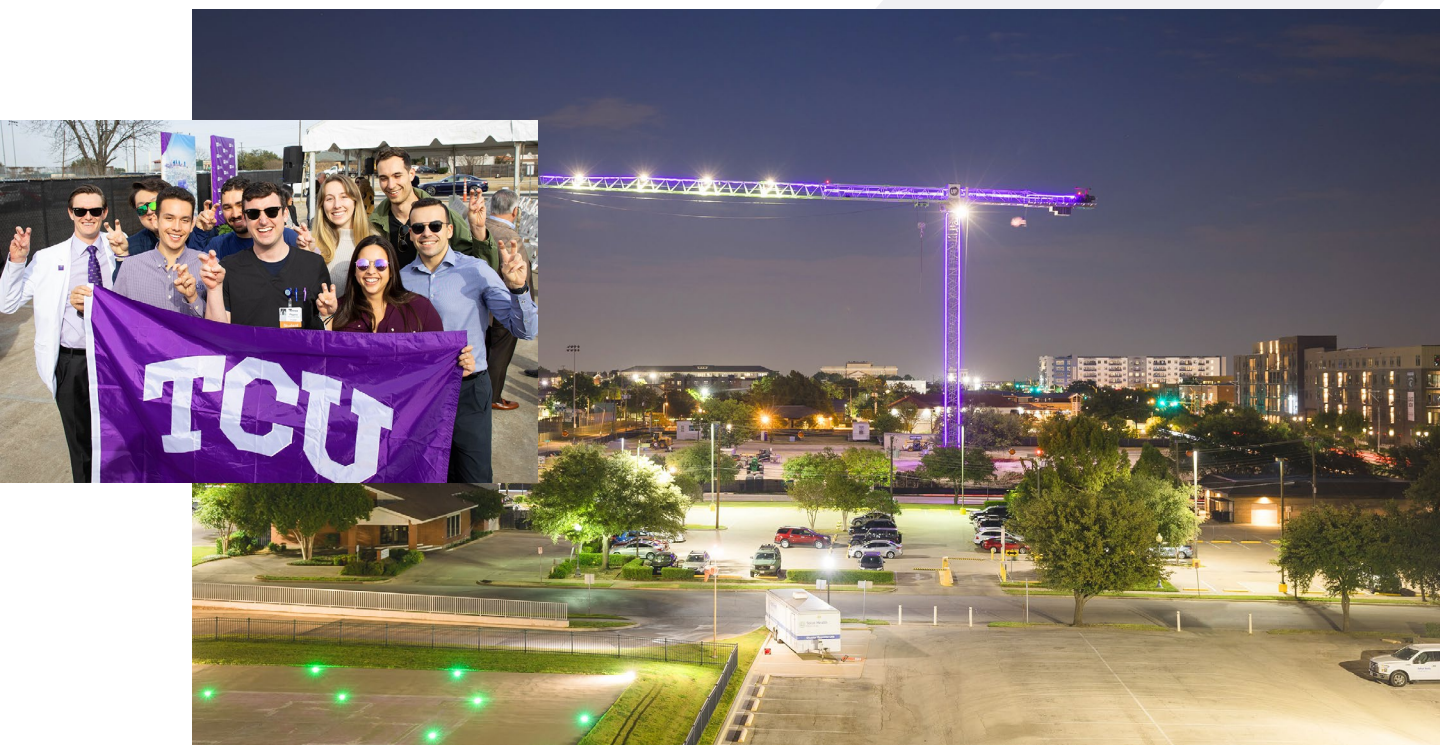
The search for the new position of TCU President is underway, with Trustee Sheryl Adkins-Green serving as chair of the Advisory Committee. The timeline calls for the TCU President to be announced in January 2023. As Chancellor, I will continue in my role with universitywide events and serve as liaison to the Board of Trustees, devoting more time to strategic friend-raising and fundraising initiatives and travel, while the TCU President will address the daily operations and functions of the University.

## ***Changing the Future of Medicine***

In January 2022, TCU announced that the School of Medicine would now be the TCU School of Medicine, under the sole governance and operation of TCU. Our medical students are being trained as Empathetic Scholars™ with the patient at the center of their purpose. Securing a seat in each class of 60 students remains competitive and selective. Last year's class of 60 students (Class of 2025) was chosen from a pool of more than 8,100 applications. In recruiting for the fourth class (Class of 2026) we again experienced an abundance of talented candidates. In addition to contributing to the University's academic reputation, our M.D. students become part of a strong heritage of clinical and health professions at TCU, including our nationally recognized nursing program.

In February, we announced the acquisition of five acres of land in the heart of Fort Worth's medical district adjacent to several clinical partners, where the TCU School of Medicine campus will be located. Completion is planned for fall 2024, and additional facilities are part of the master plan. Following a successful Liaison Committee on Medical Education provisional accreditation process, the School of Medicine has prepared for submission of materials in fall 2022, followed by a site visit in spring 2023.

Several transformational gifts were announced in 2020 and 2021 for the medical school, including two monumental gifts totaling \$50 million from the late Anne Marion and The Burnett Foundation. In honor of her and her family's lifetime of friendship, support and extraordinary generosity, the University announced



that the TCU School of Medicine will be named the Anne Burnett Marion School of Medicine at Texas Christian University.

A family who chooses to remain anonymous also provided a generous gift for TCU medical students that honored all students in the Class of 2024 with full tuition for the 2022-2023 academic year.

By increasing support for our people, our programs and our progress, these gifts bolster one of the highest priorities of Lead On: A Campaign for TCU, the most ambitious philanthropic effort in the University's history.

## **Looking Forward with Optimism and Confidence**

TCU continues to receive national attention and accolades for our academic accomplishments. The University received news last fall of placing No. 83 in the 2022 *U.S. News & World Report's* Top 100 National Institutions Rankings, making it the 12th consecutive year TCU has been rated a Top 100 National University by *U.S. News*. The Princeton Review's annual college rankings put TCU at No. 4 for Best College Dorms; No. 4 for Best Quality of Life; No. 4 for Top 20 Best Schools for Internships; No. 5 for Best-Run Colleges; and No. 6 for Top 20 Best Alumni Networks (Private Schools). High praise for our student experience aligns with the University's commitment and investment in infrastructure – creating and improving buildings, residence halls, classrooms, labs and the overall physical campus.



In another triumph, TCU and Brite Divinity School presented degrees to a record class of more than 2,200 graduates for the spring class of 2022. They hailed from all 50 states and 36 countries. The May 7 event spanned three ceremonies at the Ed and Rae Schollmaier Arena. Among its notable graduates, TCU presented diplomas to two candidates earning triple bachelor's degrees, as well as its first cohort of STEM Scholars.

We celebrate these achievements as we continue to strengthen our academic reputation – not just by the numbers, but also through the accomplishments of each and every student, alumnus, staff and faculty member contributing to TCU's ongoing success.

## **Taking Strides Toward a More Equitable Campus**

As TCU has continued to focus on strengthening the TCU experience and campus culture, the University has been recognized again with the Higher Education Excellence in Diversity Award. It is the fifth consecutive year that TCU has earned this designation from *INSIGHT Into Diversity* magazine, which highlights our ongoing commitment to move TCU forward in the realm of diversity, equity and inclusion.

In spring 2022, Dr. Jonathan Benjamin-Alvarado, Ph.D., was named TCU's Senior Advisor to the Chancellor and Chief Inclusion Officer. In this position, he will help develop a comprehensive vision for ensuring inclusive excellence throughout the University.

TCU began celebrating its second annual Race & Reconciliation Week in February, with insightful panels and conversations. On April 20, TCU's second annual Reconciliation Day attracted a large audience to hear about the progress, research and impact of the Race & Reconciliation Initiative. Since it launched in 2020, the academically based, historically focused initiative has made strides in creating a more diverse and equitable campus environment.



## ***Elevating the Campus Experience***

In 2020-2021, the University had several key campus projects underway to support our culture and campus experience. Some have been completed and others are in various stages of the planning, construction and approval process.

The most public-facing of these projects was the completion of the Van Cliburn Concert Hall at TCU, which was celebrated with a series of grand opening events in April, and later hosted the preliminary and quarterfinal round concerts of the 16th Van Cliburn International Piano Competition. This crown jewel of the recently opened TCU Music Center has been a vibrant addition to the Fort Worth arts scene and added a much-needed performance venue to the region. Each contributes to the Creative Commons on the University's east side, as does the Mary Coats Burnett Library West End Renovation Project, now in the design phase, which will add collaboration spaces and help elevate the library to meet national standards. Nearby, planning is continuing for the East Campus Residence Halls and Dining project, which will add rooms, beds and a dining facility in time for fall 2024 move-in. This addition supports responsible enrollment growth and residential culture.

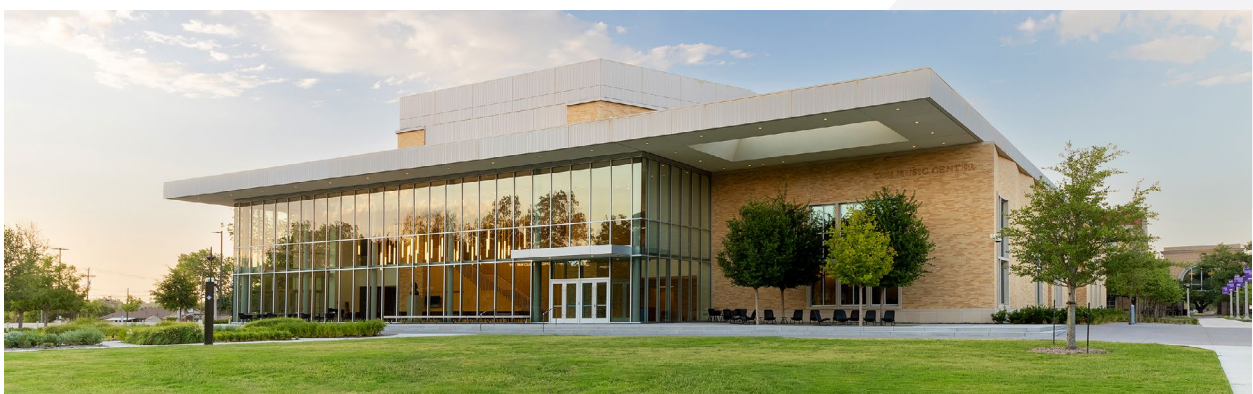


Across South University Drive, the M.E. Sadler Hall Repurposing Project continues with construction of student collaboration spaces and group study rooms that will enhance this new home for the John V. Roach Honors College and other academic departments. Renovations and upgrades, thanks to donor support, are also in the works for Jarvis Hall, including those for the TCU Counseling Center, Veteran Services and Student Success.

## ***Transforming Our Future***

As Lead On: A Campaign for TCU approaches its conclusion and we begin celebrating its success in conjunction with TCU's Sesquicentennial, broad-based support is enabling us to fulfill our commitment to our students – and our mission within the global community. Despite the pandemic, TCU has pressed on toward its \$1 billion campaign goal as determined in April 2019 by the Board. The high-level, primary focus of this campaign is to secure unparalleled support for people and programs and to increase TCU's endowment in support of the University's strategic plan – *Vision in Action: Lead On*. In October 2021, 4,140 alumni, parents and friends of TCU came together to support student success, giving more than \$1.3 million overall to TCU Gives Day. This annual event recorded its second-highest year ever in revenue to support the campaign. By May 31, 2022, 51,132 donors had invested \$831.2 million to the multiyear campaign, and of that amount, 80% already had been received and put to work.

Recent significant support includes gifts from the late Paul E. Andrews, Jr., and his wife, Judy, who made a \$10 million gift to endow scholarships within TCU's Andrews Institute of Mathematics & Science Education. The gift



provides support for mathematics and science educators, from undergraduate and doctoral candidates to research faculty.

Another gift resulted in the renaming of the TCU Energy Institute as the Ralph Lowe Energy Institute at the TCU Neeley School of Business, in honor of the late Ralph Lowe for his longtime leadership in the energy industry and his family’s generous support of TCU. Mary Ralph Lowe, a member of the Board of Trustees, made a significant philanthropic investment to help endow and name the institute as a tribute to her father.

## ***Athletic Programs Remain Strong, Resilient***

On the athletic front, there were several reasons to celebrate this past year.

- TCU men's tennis won the ITA Indoor Team National Championship.
- TCU basketball received an invitation to the NCAA Tournament and advanced to the second round.
- TCU baseball had a successful season and advanced to the regional playoffs of the College World Series.
- TCU soccer achieved back-to-back Big 12 Conference championships.
- Coach Sonny Dykes was hired and assembled his coaching staff in preparation for the 2022 football season.

With regard to conference competition, TCU remains in a strong position as we welcome four new schools into the Big 12 - Brigham Young University, University of Houston, University of Central Florida and the University of Cincinnati.



Competing at the highest levels in athletics is a critical ingredient of the TCU experience, positively affecting TCU’s national reputation. Because of the spirited support of our Horned Frog community – students, alumni and an ever-expanding fan base – as well as our many championship wins and location in a major media market, the University remains well-positioned for growth, success and leadership in intercollegiate athletics.

I look forward with great optimism and confidence in TCU’s future. The Sesquicentennial provides a unique opportunity

to share TCU’s story with a wider audience, celebrating who we are, what we have accomplished and what we will achieve moving forward together.

Warm regards,



Victor J. Boschini, Jr.  
Chancellor





## OVERVIEW

Fiscal Year 2022 (FY22) at Texas Christian University (TCU) was a continuation of the momentum started after one of the most significant global health pandemic and economic crises. The pandemic accelerated transformation at TCU and the University has continued to build upon the platform of prudent fiscal operations, improved business services and efficiencies, and the impact to student experiences and academic quality. Further, TCU has continued its commitment to appropriate financial aid and student support to meet student financial need and to impact their experiences and ultimate academic success. TCU carefully manages its financial resources and will continue to practice disciplined financial management and optimize resources to ensure financial sustainability.

## SUMMARY OF FINANCIAL RESULTS

TCU results from financial operations in Fiscal Year 2022 reflected a net surplus of \$69.6 million with favorable enrollment trends and increased donor support. Fiscal Year 2022 operating revenues were \$684.3 million, reflecting an increase of 25.5% over Fiscal Year 2021 (FY21). Total expenses increased by \$62 million, or 11.2%, to \$614.7 million in FY22. The University ended FY22 with a \$69.6 million increase in net assets from operating activities compared to a \$7.5 million decrease in net assets from operating activities in FY21. The increases in net assets fund the University's Capital Funding Reserve and the Lead On Reserve which supports the University's strategic plan. Total University assets increased \$314 million in FY22 to \$4.3 billion in total assets. At year-end, the University's cash balance was \$16 million and the cash and short-term investments of the working capital outside of the Endowment totaled \$440.5 million.

## UNIVERSITY HIGHLIGHTS

**Enrollment trends.** One trend that has been consistent is the demand for an education from TCU. The Fall 2021 entering class of First-Year college students was the largest in the history of TCU at 2,560 First-Year students. This is an increase of 273 students from Fiscal Year 2021. This resulted in an undergraduate enrollment of 10,222 students and is in line with the previously announced strategic goal of increasing the undergraduate population to approximately 10,500 students.

In addition to the solid undergraduate enrollment demand for a TCU education, graduate enrollment increased steadily to 1,716 for the Fall 2021 semester compared to 1,675 for the Fall 2020 semester, and remained consistent with the stated

goal of approximately 1,500 graduate students. Further, the University had a total of 180 medical school students for the Summer 2021 session after welcoming the inaugural class of 60 medical school students in the Summer of 2019, and is on the way to an anticipated total enrollment of 240 students by the Summer of 2022.

**Generous donor support.** The University continues to benefit from the generous support of its many loyal donors. During FY22, TCU secured \$117.5 million in new gifts and pledges, an increase of 130% over FY21. This represents the University's second highest Annual Fund gift giving total only behind Fiscal Year 2011 where \$124 million was committed. It is the third time that donors have invested more than \$100 million in a Fiscal Year.

The cash receipts totaled \$109 million. Annual Fund gifts as reported by University Advancement totaled \$24 million\*. The number of undergraduate alumni donors was 7,337 in FY22. Alumni participation continues to compare favorably to the national average and peer institutions, and it reflects the strong financial support of our alumni. The total number of donors including alumni, parents, friends, corporations, and foundations was 12,752 for FY22.

TCU began a new multi-year fund-raising effort in support of the University’s strategic planning goals on June 1, 2012, and publicly launched Lead On: A Campaign for TCU in October 2019. The campaign is focused on scholarships, academic programs, and faculty support with emphasis on significantly increasing the University’s Endowment. Gifts and pledges to the new campaign totaled \$831.2 million through May 31, 2022, of which \$305.1 million was designated to the TCU Endowment and the remainder designated for facilities projects, annually expendable funds, and general University support. The campaign has seen broad based support with 51,132 total donors contributing through the end of FY22.

\* Two years’ worth of football season ticket renewals occurred in FY22. The philanthropic component of season ticket sales is included in the Annual Fund.

## **STATEMENT OF FINANCIAL POSITION**

The *Statement of Financial Position* presents the assets, liabilities, and net assets of the University on May 31, the close of the Fiscal Year. The net assets are classified as without donor restrictions or with donor restrictions depending upon whether any restrictions were placed upon

the funds at the time they were received by the University. While the Board of Trustees may designate funds for specific purposes, only donors or other external third parties may impose the restrictions as they are defined in the financial statements. Funds gifted to the University with perpetual donor restrictions are typically held in the Endowment. The unspent earnings or market appreciation arising from such restricted gifts is combined with other expendable funds and classified as donor-restricted with time or purpose in accordance with the donor instructions. Funds classified as donor restricted by time or purpose may be spent only upon the occurrence of a specified event or after a defined period of time, or may be spent only for those purposes specified by the donor. Funds gifted to the University without donor restrictions are available for the general support of the University in accordance with policies established by the Board of Trustees.

The *Statement of Financial Position* reflects an increase in the University’s total net assets for FY22. Total University assets increased \$314 million in FY22, primarily due to increases in the market value of investments increasing the University’s balance sheet to the end of the year, totaling \$4.3 billion in total assets. Total University liabilities remained constant at \$1.1 billion.

## **Cash**

The University closely forecasts and monitors cash flows and liquidity in order to meet operating and contractual commitments. A majority of the University’s operating and working capital is held in short-duration mutual funds. Other working capital investments include Treasury-backed money market funds. Funds are rated Aa3 by Moody’s Investors Service. At year-end, the University’s cash balance was \$16 million. The University’s cash and short-term



investments from its working capital outside of the Endowment totaled \$440.5 million at year-end, of which a portion was encumbered to make final payments on the completed major capital projects. During FY22, the University used cash to purchase and construct capitalized assets, totaling \$30 million.

### Contributions Receivable

Gross contributions receivable resulting from the binding donor pledges that relate to the renovation of the Amon G. Carter Stadium, or the Ed and Rae Schollmaier Arena (formerly Daniel-Meyer Coliseum), or the Charlie and Marie Lupton Baseball Stadium, or M.J. Neeley School of Business, or the Football Recruiting Area, or Dee J. Kelly Alumni & Visitors Center, or TCU Music Center, or the Amon G. Carter Stadium expansion totaled \$41 million as of May 31, 2022. The net value of those contribution receivables was \$38.6 million as of May 31, 2022, as determined by discounting the future cash flows.

### Asset Allocation

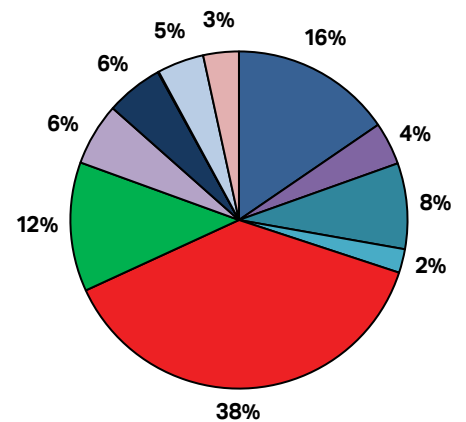
(in thousands)	May 31,	
	2022	2021
Short-term investments	\$ 424,316	\$ 429,573
Domestic equity securities	\$ 112,446	\$ 142,474
International equity securities	\$ 226,116	\$ 195,310
Corporate bonds and asset-backed securities	\$ 62,552	\$ 204
Equity partnerships	\$ 1,045,683	\$ 852,917
Debt partnerships	\$ 340,488	\$ 269,790
Real estate partnerships	\$ 164,597	\$ 134,227
Hedge funds	\$ 150,520	\$ 156,098
Real estate	\$ 2,441	\$ 21,040
Mineral interests	\$ 123,120	\$ 69,900
Investments held in trust by others	\$ 93,662	\$ 103,296
<b>Total Investments</b>	<b>\$ 2,745,941</b>	<b>\$ 2,374,829</b>

### Investments

The investments line on the *Statement of Financial Position* primarily consists of Endowment funds, as well as short-term investments of working capital. Investments increased by a net \$371 million after making the annual Endowment payout. In the same period, annual payout from the Endowment increased to \$82.3 million, as noted in the *Statement of Activities* section under Investment Returns Distributed for Operations.

Investments include short-term investments, equities, fixed income, real estate, and mineral interests as well as alternative investments. The alternative investments, including equity, debt, and real estate partnerships and hedge funds, represents 62% of the total investments at year-end.

Fiscal Year 2022



## Endowment

The University's Endowment funds provide enduring support for the mission of the University by infusing a substantial and reliable flow of funds into the operating budget. At May 31, 2022, the Endowment totaled \$2.4 billion for the total investments balance and represented approximately 77.6% of the University's net assets. Contributions, total investment return, and other transfers increased the Endowment by \$517 million, and the Endowment payouts reduced the Endowment by \$82.3 million for a net increase of \$438.9 million, or 21.9% from the prior year. The payout to operations from the Endowment continues to be a substantial source of operating revenue for the University, covering 12.6% and 13.3% of expenses in FY22 and FY21, respectively.

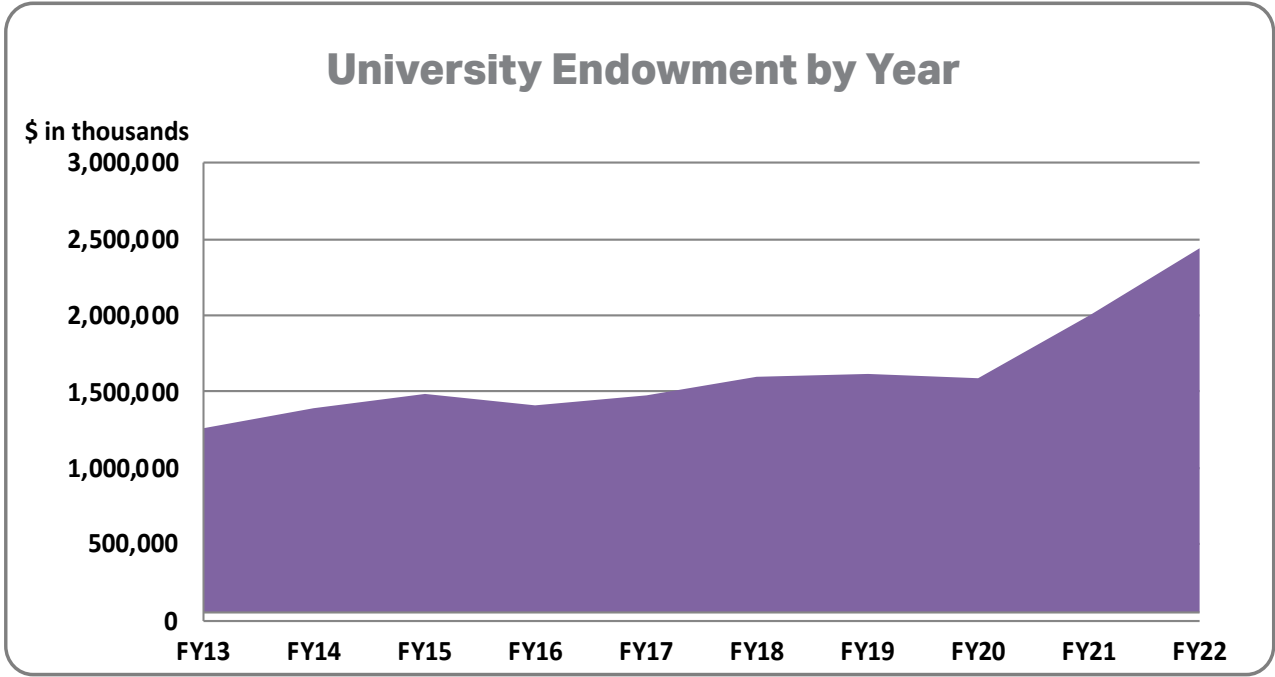
The Endowment is a commingled investment pool composed of hundreds of individual funds embodying a variety of designated and undesignated purposes. These funds fulfill donor wishes by financing designated programs until either a time or purpose restriction is satisfied or in perpetuity. Endowment funds with donor restrictions for time or purpose comprise 25.5% of the University's Endowment net assets, and an additional 26% of those net assets are funds with perpetual donor restrictions. The remainder of the Endowment is primarily comprised of gifts and capital gains without donor restrictions, acting as Quasi-Endowment, which combine to provide a margin of excellence over and above that which tuition supports.

The financial goal for the Endowment is to preserve the inflation-adjusted purchasing power over the long term and to provide a

reliable, growing stream of income to support the University's strategic plan for people and program initiatives. Therefore, the University must invest the Endowment in such a way to achieve a total return which is the actual income plus appreciation that is at least equal to inflation plus the actual Endowment payout over the long term.

Three key decisions govern the management of the Endowment: the target rate of return; asset allocation among various investment categories that achieve the target rate of return; and the annual rate of Endowment payout (the Endowment spending limit). In FY22, approximately 95% of the TCU Endowment was allocated to a diverse array of marketable and nonmarketable investment strategies to achieve an expected annual average total return that exceeds inflation by 5% to 7% over the long term. This target return is expected, over the long term, to maintain the purchasing power of the Endowment and support an annual payout rate of approximately 5% of the average market value over a twelve-quarter period ending December 31 of the preceding year. Using the Board of Trustees' approved spending limit, the Endowment spending rate was maintained at 5% for the fiscal years ended May 31, 2022 and 2021.

TCU's Endowment ranked nationally among the top 66 colleges and universities as noted in the June 30, 2022 NACUBO-Commonfund Study of Endowments. This remarkable achievement is due to the generous support of generations of TCU alumni and friends and to the fiduciary care exercised by the Board of Trustees.



### Property and Equipment

During the pandemic, while numerous projects were suspended to preserve liquidity, the University focused on completing major capital projects that had started prior to the pandemic. During FY22, the University invested \$30 million in capital projects, bringing the total property and equipment before accumulated depreciation to \$2.1 billion.

During FY22, there were no significant capital projects completed. There are several projects planned for completion in upcoming Fiscal Years and are associated with the University’s strategic plan that support people and program initiatives, as well as enhancements to the University’s infrastructure and deferred maintenance needs. These projects include the renovation of M. E. Sadler Hall for use as academic space, construction of a new dining hall and residential housing on the east side of campus, and a new building for the TCU Anne Burnett Marion School of Medicine that is to be constructed on University owned property in the Fort Worth medical district.

### Bonds and Notes Payable

Over time, TCU has funded building projects through a combination of gifts, working capital reserves, and debt in the form of tax-exempt bonds and taxable notes. In FY22, total debt decreased from \$885.8 million to \$877.6 million, due to scheduled principal payments on existing outstanding debt.

Subsequent to May 31, 2022, TCU issued \$120 million in taxable Senior Notes with a fixed rate of 3.86% and with a final maturity in 2057. The proceeds of the Notes will be used to finance the costs of capital projects planned to begin in Fiscal Year 2023. The total debt levels remain appropriately balanced against assets of the University and donor pledges. The Total Debt Outstanding graph below includes the outstanding debt as of May 31, 2022 and includes the additional \$120 million issuance.

The maturity schedule calls for retirement of most of the existing debt over the next five to twenty-five years, with the exception of \$150

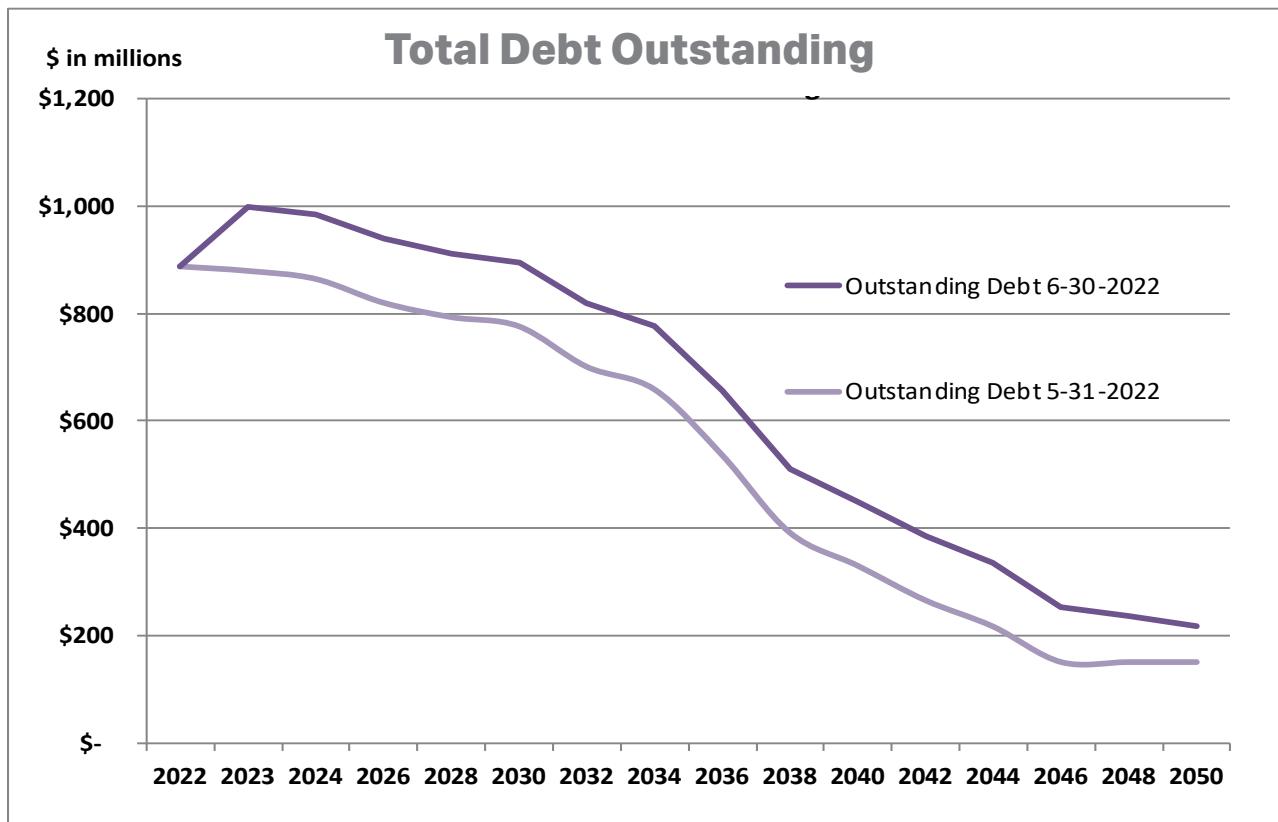


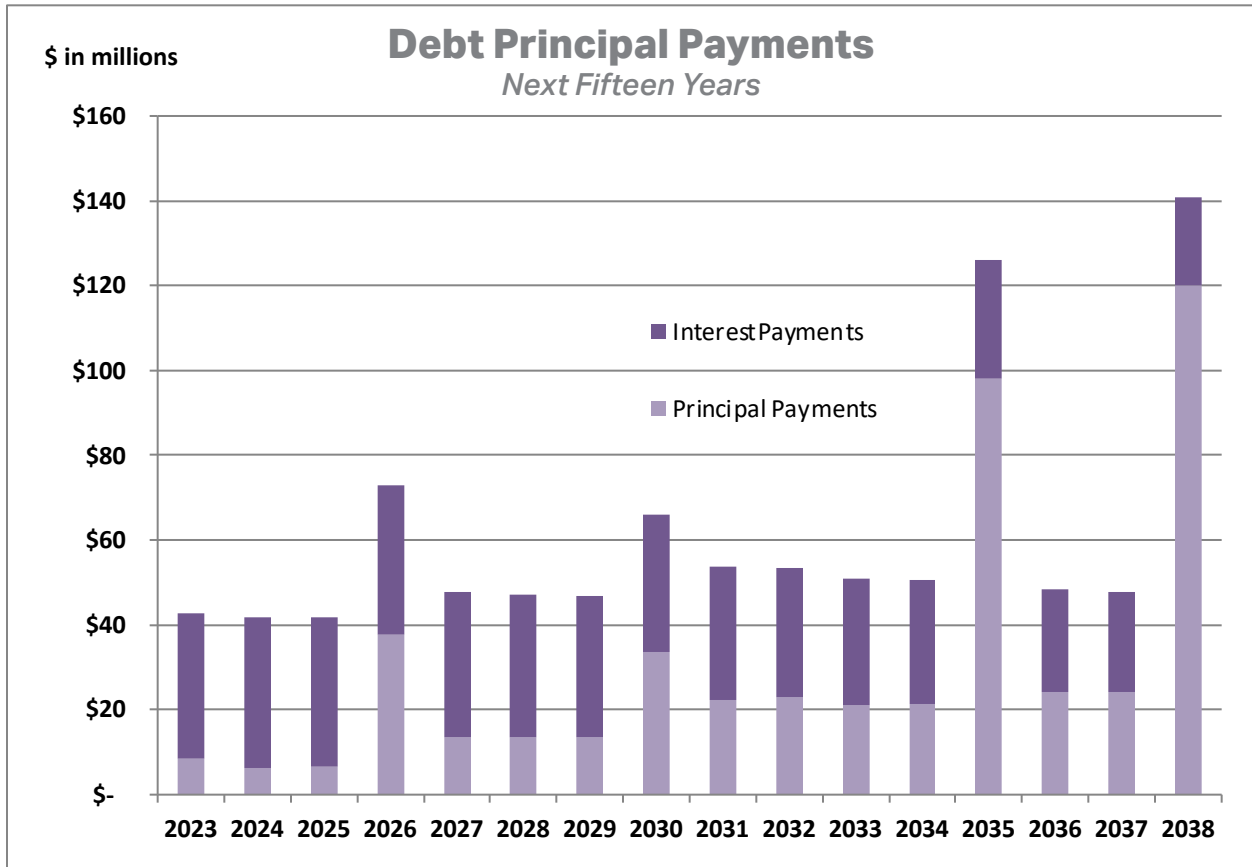
million that was issued in May 2020, which has been held in reserve to manage liquidity needs during the worldwide COVID-19 pandemic along with the \$120 million that was issued subsequent to FY22. The University has not used any of the proceeds from the \$150 million reserve funds. The principal and interest payments for the next fifteen years are shown in the graph below.

The management of the debt portfolio is ongoing and, in conjunction with the University’s reporting requirements to Moody’s Investors Service and other rating agencies, remains in compliance. As of May 31, 2022, the University’s credit rating remained unchanged with Moody’s Investors Service rating TCU’s long-term bonds “Aa3”, and Fitch Ratings rating the bonds “AA-”, which represent strong ratings by both firms.

### Right of Use Liabilities

The University records leases in accordance with Accounting Standard Codification ASC 842, *Leases*. This resulted in a Right of Use liability of \$13.6 million and \$19.9 million for FY22 and FY21 respectively. The University leases student residential housing apartments, parking, retail and office space, equestrian facilities, equipment, and dedicated ethernet are under operating leases that expire at various dates through 2030, and are primarily considered operating right-of-use assets under ASC 842. The variable lease cost includes student residential housing apartments for which the University collects fees from students and for office space leases. The leases for student residential housing apartments represents substantially all of the variable lease liability.





### Net Assets Without Donor Restrictions

The University net assets without donor restrictions increased \$202.2 million to end the year at over \$1.9 billion. Net assets without donor restrictions from operating activities increased \$49.7 million, and net assets without donor restrictions from non-operating activities increased \$152.5 million. The net asset increases from non-operating activities include a \$21.7 million gain from actuarial changes in postretirement benefits, as well as \$9.6 million in capital contributions released from restrictions, which had no effect on the total net assets and was only a reclassification from assets with donor restrictions to assets without donor restrictions. In addition, the \$106 million gain from investment returns, net of the operating distributions, along with the \$15.2 million gain on the valuation of interest rate swaps were posted.

### Net Assets With Donor Restrictions

The net assets with donor restrictions related to time or purpose increased from \$99.9 million to \$655 million at year-end, and the net assets with perpetual donor restrictions increased \$44.3 million to \$555.8 million as of May 31, 2022. Therefore, total net assets with donor restrictions increased \$144.2 million to end the year at \$1.2 billion.

The major contributing factors to this increase were a non-operating gain of \$71.4 million relating to the investment returns, net of the operating distributions, and \$61.6 million relating to the capital and other contributions. The increases were partially offset by a reclassification of \$9.6 million in operating revenue released from restriction.

Unlike the net assets with donor restrictions that are related to time or purpose, which can be reclassified to net assets without donor restrictions upon the restricting constraint have being completed or resolved, the principal value of the assets designated as with perpetual donor restrictions must be invested in perpetuity to generate income to be used only for the purposes designated by the donors must be invested in perpetuity to generate income to be used only for the purposes designated by donors.

## **STATEMENT OF ACTIVITIES**

The *Statement of Activities* shows the revenues earned and the expenses incurred during FY22 in support of University operations, as well as the results of non-operating activity primarily related to investment activity. The University ended FY22 with a \$69.6 million increase in net assets from operating activities and with depreciation expense of \$75.5 million. This compares to a \$7.5 million decrease in net assets from operating activities in FY21. The increases in net assets fund the University's Capital Funding Reserve and the *Lead On Reserve*. The Capital Funding Reserve represents funds that are set aside from operations and used for recurring capital needs throughout the campus. The Capital Funding Reserve for Fiscal Year 2022 was \$34 million. The Capital Funding Reserve is designated to fund expenditures relating to building improvements, capital equipment, computers, annual capital projects, and other capital activity such as principal payments on outstanding debt. The *Lead On Reserve* represents resources that are set aside from ongoing operations to fund expenditures associated with the University's strategic plan. The FY22 operating revenues increased 25.5% along with an increase in expenses of 11.2%

during the same period. The increase in revenues and expenses is primarily due to the return to "normal" following the worldwide COVID-19 pandemic.

The investment returns distributed for operations shown within the operating revenues section of the statement reflect the annual Endowment payout, in addition to the interest on short-term investments and the invested bond proceeds. There are no transactions on the *Statement of Activities* titled "net assets if released from restrictions", which represent reclassifications of assets from the "with donor restrictions" category to the without donor restrictions category because the requisite conditions were satisfied. These reclassifications have no impact on the total revenue.

The operating expenses are displayed by function in the *Statement of Activities*. All operating expenses are classified as without donor restrictions because the assets were released from donor-imposed restrictions, if any, when the expenses satisfying the restricted purpose were incurred. The depreciation expense of \$75.2 million, facility maintenance expense of \$45.2 million, and interest expense of \$30.2 million were allocated among the functional categories in proportion to the utilization of the underlying assets by each function.

The non-operating activities include gifts to the Endowment or other capital for non-operating purposes such as new buildings. Investment returns, net of the amount distributed for operations, as well as actuarial changes in retiree benefit plans, are also accounted for in this section. The University's non-operating increase in net assets of \$276.7 million is discussed in more detail in the *Statement of Financial Position* section.





The changes in Net Assets are primarily due to capital gifts, along with the realized and unrealized market gains or losses that impact the carrying value of the Endowment, but do not directly impact the operating budget. TCU adopts a balanced operating budget each year. The budget is prepared using conservative revenue projections and a provision is made in support of certain strategic initiatives within the Vision in Action: *Lead On* Strategic Plan. This conservative approach to budgeting allows for the University to generate an increase in net assets before depreciation expense which are dedicated, in part, to providing an adequate contingent reserve. And, in concert with donor support, continues the investment and the fulfillment of the capital projects related to the strategic plan that otherwise would not be possible.

### OPERATING REVENUES

The FY22 operating revenues were \$684.3 million, reflecting an increase of 25.5% over FY21. The components of the University's operating revenues are shown in the table and chart below.

### Current Operating Revenues

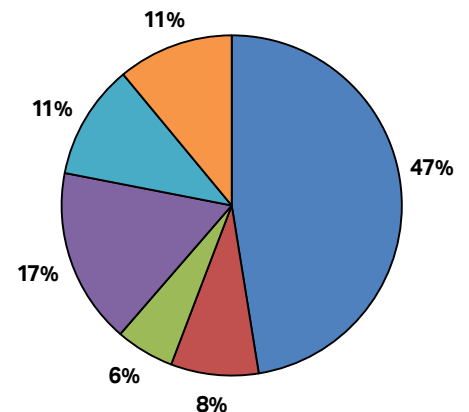
(in thousands)	May 31,	
	2022	2021
Net tuition and fees	\$ 324,704	\$ 313,561
Private gifts and grants	\$ 57,054	\$ 21,124
Government grants and contracts	\$ 38,120	\$ 13,274
Investment returns distributed for operations	\$ 114,258	\$ 81,741
Auxiliary activities	\$ 74,824	\$ 60,508
Other income	\$ 75,295	\$ 54,979
<b>Total Operating Revenues</b>	<b>\$ 684,255</b>	<b>\$ 545,187</b>

### Net Tuition and Fees

The tuition and fees are shown net of financial aid and represent 47.5% of University operating revenues, which is a net increase of 3.5% to \$324.7 million in FY22 as compared to the prior year. The increase in Net Tuition and Fees is the result of increase in undergraduate student enrollment from 9,704 undergraduate students in FY21 to 10,222 undergraduate students in FY22. The gross tuition increase is partially offset by a decrease in Summer School and Winter Intercession for FY22. In addition, the University received \$10.6 million from the Higher Education Emergency Relief Fund (HEERF) that was disbursed to students in the form of financial aid.

TCU charges a single tuition rate for full-time students taking between 12 to 18 credit hours, rather than charging on a per-credit-hour-basis. The annual tuition at TCU was \$51,570 in FY22. As noted above, TCU supported the strategic goal of increasing the undergraduate population and the undergraduate enrollment increased from 9,704 students for Fall 2020 semester to 10,222 students for the Fall 2021 semester.

### Fiscal Year 2022



## **Private Gifts and Grants and Government Grants and Contracts**

The current year operating budget for private gifts and grants represents 8.3% of the total operating revenues and increased \$35.9 million to \$57.1 million in FY22. The increase is primarily due to the timing of the gift portion for the season ticket sales for athletic events, as well as a significant annuity that was recognized in FY22. Government grants and contracts make up 5.6% of the University's operating revenues and increased from \$24.8 million to \$38.1 million in FY22. The significant increase is due to \$23 million of HEERF funds that were received in FY22. The HEERF funds consisted of \$10.6 million for the student portion of the funds and was disbursed as financial aid and \$13.4 million for the institutional portion. The institutional portion covered portions of the lost tuition and other COVID-related expenses.

## **Investment Returns Distributed for Operations**

The investment returns distributed for operations represent 16.7% of operating revenues and increased from the prior year to \$114.3 million. The operating investment returns reflect the annual Endowment payout, or the amount budgeted to be spent in support of operations for the year, in addition to the interest on short-term investments, and the interest earned from \$150 million in the invested taxable bond proceeds. The Endowment payout in FY22 was \$82.3 million compared \$81.7 million in FY21. In addition, a realized gain was recognized in FY22 totaling approximately \$30 million which was for the sale of real property within the Endowment. The University's Endowment is

discussed further in the *Statement of Financial Position* section.

## **Auxiliary Activities**

The auxiliary income represents 10.9% of operating revenues and increased \$14.3 million from the prior year, ending the year with \$74.8 million in revenue. These revenues are composed primarily of student residential housing and dining. The increase is due to the increase in occupancy rates within the residential housing and dining plans purchased by students in FY22.

## **Other Income**

The other income represents 11% of operating revenues and increased \$20.3 million from the prior year, ending the year with \$75.3 million in revenue. These revenues are composed mostly of athletics revenues, which primarily accounted for the increases in other income, which was the result of increased capacity allowance for athletic events during FY22.

## **Net Assets Released from Restrictions**

The "Net Assets Released from Restrictions" represent reclassifications of assets from those with donor restriction categories to those "without donor restriction" categories because requisite conditions were satisfied. These reclassifications have no impact on the total revenue.

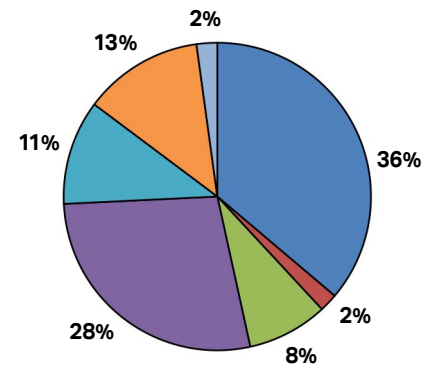
## **OPERATING EXPENSES**

The total expenses increased \$62 million, or 11.2%, to \$614.7 million in FY22. The operating expenses are presented in the financial statements by functional area. All expenses are classified as without donor restrictions because the assets were released from donor-imposed restrictions, if any, when the



## Current Operating Expenses

(in thousands)	May 31,	
	2022	2021
Instruction	\$ 222,315	\$ 208,175
Research	\$ 11,797	\$ 9,835
Academic support	\$ 52,054	\$ 54,298
Student services	\$ 170,147	\$ 136,851
Institutional support	\$ 67,550	\$ 55,150
Auxiliary activities	\$ 77,446	\$ 75,590
Fund-raising	\$ 13,349	\$ 12,795
<b>Total Operating Expenses</b>	<b>\$ 614,658</b>	<b>\$ 552,694</b>



Fiscal Year 2022

expenses satisfying the restricted purpose were incurred. The components of the University's operating expenses by function are shown in the table and chart below.

### Instruction

Instruction represents 36.2% of the total operating expenses and increased to \$222.3 million in FY22. Travel, services, along with the School of Medicine in-kind expenses for preceptors, are the primary drivers of the increase in this functional category.

### Student Services

The Student Services includes expenses for admissions, student activities, cultural events, intramural athletics, student organizations, and intercollegiate athletics. Student Services

represent 27.7% of the total operating expenses and increased by 24.3% to \$170.1 million in FY22. Student Services expenses are primarily related to athletics, which increased significantly due to game day activities and other operational changes.

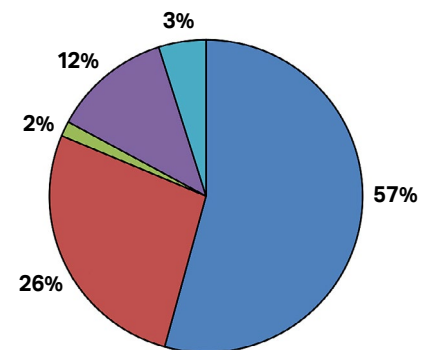
### Auxiliary Activities

The Auxiliary Activities represent 12.6% of the total operating expenses and increased by 2.5% to \$77.4 million in FY22. The Auxiliary expenses are primarily student residential housing and dining services.

Although the operating expenses are presented in the *Statement of Activities* by functional area, the following summarizes the composition of the operating expenses by natural classification:

## Current Operating Expenses by Natural Classification

(in thousands)	May 31,	
	2021	2021
Compensation and Benefits	\$ 333,501	\$ 319,788
Supplies and Services	\$ 166,280	\$ 124,091
Utilities	\$ 9,593	\$ 8,484
Depreciation	\$ 75,223	\$ 75,464
Interest	\$ 30,061	\$ 24,867
<b>Total Operating Expenses</b>	<b>\$ 614,658</b>	<b>\$ 552,694</b>



Fiscal Year 2022

## **FUTURE MOMENTUM**

In 2023 the University will celebrate its 150th anniversary since its founding in 1873. This notable milestone presents a tremendous opportunity for leaders and all campus stakeholders to commemorate the past and to shape the future to begin the next 150-year chapter. To this end, the TCU Board of Trustees held a retreat to continue to build upon the momentum achieved through the first 150 years. Goals were identified and affirmed in four key pillars:

- 1) Strengthen the academic profile and reputation
- 2) Strengthen the Endowment
- 3) Strengthen the TCU experience and campus culture
- 4) Strengthen the workforce

Specific objectives and critical activities under each goal are being identified to activate the next iteration for the *Lead On* Strategic Plan.

Achieving these goals will require financial resources and, through careful financial stewardship, the University is well-positioned to continue the pursuit of TCU's educational mission. The University's liquidity position is strong and continues to improve through positive operating cash flows. Despite increases in debt in recent years, the total debt levels remain appropriately balanced against assets of the University, donor pledges, and a maturity schedule that calls for retirement of most of the outstanding balances over the next five to twenty-five years. The cash and investment balances remain strong and operating reserves are available to continue investing in the strategic initiatives.

With TCU's strong brand and reputation, along with the enduring support of campus stakeholders, alumni, and friends, as well as the thoughtful and prudent leadership, the University will continue to be an attractive destination for students and thought-leaders who will shape and transform our world.



Financial Statements and Report of  
Independent Certified Public  
Accountants

**Texas Christian University**

May 31, 2022 and 2021

# Contents

- Reports of Independent Certified Public Accountants..... 21**
- Audited Financial Statements ..... 23**
  - Statements of financial position ..... 23**
  - Statement of activities ..... 24**
  - Statements of cash flows ..... 25**
  - Notes to financial statements ..... 26**

---

**GRANT THORNTON LLP**

1717 Main Street, Suite 1800  
Dallas, TX 75201-4667

**D** +1 214 561 2300

**F** +1 214 567 2370

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
Texas Christian University

**Opinion**

We have audited the financial statements of Texas Christian University (the "University"), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### **Report on 2021 summarized comparative information**

We have previously audited the University's 2021 financial statements (not presented here in), and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended May 31, 2021 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

*Grant Thornton LLP*

Dallas, Texas  
September 27, 2022



**Texas Christian University**  
**STATEMENTS OF FINANCIAL POSITION**  
**May 31, 2022 and 2021**  
**(in thousands)**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash	\$ 16,182	\$ 32,065
Accounts receivable and accrued income, net	36,207	26,178
Contributions receivable, net	38,636	43,274
Investments	2,745,941	2,374,829
Property and equipment, net	1,393,275	1,436,450
Other assets, net	19,871	23,436
Total assets	\$ 4,250,112	\$ 3,936,232
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and other accrued liabilities	\$ 86,605	\$ 86,112
Refundable government student loans	5,286	5,779
Funds held in fiduciary capacity, net	16,543	15,479
Deferred income	40,141	22,398
Accrued postretirement benefits	48,118	69,051
Interest rate swaps	15,170	30,338
Bonds and notes payable, net	877,593	885,808
Right of use liabilities	14,557	21,487
Total liabilities	1,104,013	1,136,452
 <b>Net assets</b>		
Without donor restrictions	1,935,242	1,733,050
With donor restrictions		
Time or purpose	655,038	555,191
Perpetual	555,819	511,539
Total with donor restrictions	1,210,857	1,066,730
Total net assets	3,146,099	2,799,780
Total liabilities and net assets	\$ 4,250,112	\$ 3,936,232

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

**Texas Christian University**  
**STATEMENT OF ACTIVITIES**  
**Year ended May 31, 2022**  
**(with comparative totals for 2021)**  
**(in thousands)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
<b>Operating revenues</b>				
Net tuition and fees	\$ 324,704	\$ -	\$ 324,704	\$ 313,561
Private gifts and grants	18,710	38,344	57,054	21,124
Government grants and contracts	38,120	-	38,120	13,274
Investment returns distributed for operations	78,445	35,813	114,258	81,741
Auxiliary activities	74,824	-	74,824	60,508
Other income	75,295	-	75,295	54,979
Net assets released from restrictions	54,250	(54,250)	-	-
	<u>664,348</u>	<u>19,907</u>	<u>684,255</u>	<u>545,187</u>
<b>Operating expenses</b>				
Instruction	222,315	-	222,315	208,175
Research	11,797	-	11,797	9,835
Academic support	52,054	-	52,054	54,298
Student services	170,147	-	170,147	136,851
Institutional support	67,550	-	67,550	55,150
Auxiliary activities	77,446	-	77,446	75,590
Fund-raising	13,349	-	13,349	12,795
	<u>614,658</u>	<u>-</u>	<u>614,658</u>	<u>552,694</u>
Change in net assets from operating activities	<u>49,690</u>	<u>19,907</u>	<u>69,597</u>	<u>(7,507)</u>
<b>Non-operating activities</b>				
Capital and other contributions	-	61,591	61,591	48,761
Capital contributions released from restrictions	9,588	(9,588)	-	-
Postretirement benefit actuarial changes	21,726	-	21,726	(1,278)
Investment returns, net of operating distributions above	106,020	71,369	177,389	390,910
Gain on interest rate swaps	15,168	-	15,168	11,126
Other	-	848	848	1,339
	<u>152,502</u>	<u>124,220</u>	<u>276,722</u>	<u>450,858</u>
Change in net assets from non-operating activities	<u>152,502</u>	<u>124,220</u>	<u>276,722</u>	<u>450,858</u>
<b>CHANGE IN NET ASSETS</b>	<u>202,192</u>	<u>144,127</u>	<u>346,319</u>	<u>443,351</u>
Net assets at beginning of year	<u>1,733,050</u>	<u>1,066,730</u>	<u>2,799,780</u>	<u>2,356,429</u>
Net assets at end of year	<u>\$ 1,935,242</u>	<u>\$ 1,210,857</u>	<u>\$ 3,146,099</u>	<u>\$ 2,799,780</u>

**Texas Christian University**  
**STATEMENTS OF CASH FLOWS**

**May 31, 2022 and 2021**  
**(in thousands)**

	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>		
Change in net assets	\$ 346,319	\$ 443,351
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,461	75,657
Provision for bad debts	1,515	988
(Gain)/loss on disposal or sale of property and equipment	1,972	(17)
Proceeds from capital and other contributions	(61,591)	(48,761)
Investment returns, net of operating distributions	(177,389)	(390,910)
Gain on interest rate swaps	(15,168)	(11,126)
Proceeds from sale of contributed securities for operations	3,698	3,982
Non-cash contributions of property and equipment	(91)	-
Net change in charitable gift annuities	(848)	(1,339)
Net change in contributions receivable restricted for long-term purposes	4,638	6,725
Changes in operating assets and liabilities:		
Accounts receivable and accrued income	(11,544)	860
Other assets	3,479	(18,061)
Accounts payable and other accrued liabilities	(3,870)	(7,041)
Refundable government student loans	(493)	1,031
Funds held in fiduciary capacity	1,064	3,177
Deferred income	17,743	(3,952)
Accrued postretirement benefits	(20,933)	1,645
Right of use liabilities - Operating	(6,345)	19,932
	157,617	76,141
<b>Investing activities:</b>		
Purchases of property and equipment	(30,003)	(40,800)
Proceeds from sale of property and equipment	436	46
Purchases of investments	(1,785,331)	(882,152)
Proceeds from sales and maturities of investments	1,583,178	811,161
	(231,720)	(111,745)
<b>Financing activities:</b>		
Proceeds from capital and other contributions:		
Endowment	51,999	26,241
Property and equipment	9,592	22,520
Payments on bonds payable	(8,365)	(8,079)
Payments on finance lease obligation	(1,518)	(1,514)
Proceeds from sale of contributed securities for long-term purposes	4,731	9,329
Net change in charitable gift annuities	848	1,339
Net change in right of use liabilities - finance	933	1,555
	58,220	51,391
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(15,883)</b>	<b>15,787</b>
<b>Cash at beginning of year</b>	<b>32,065</b>	<b>16,278</b>
<b>Cash at end of year</b>	<b>\$ 16,182</b>	<b>\$ 32,065</b>
<b>Supplemental non-cash disclosure:</b>		
Property and equipment included in accounts payable	\$ 4,363	\$ 1,101

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

**Texas Christian University**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2022 and 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Texas Christian University (the University or TCU) is a private, non-profit institution of higher education, which includes ten major academic units (AddRan College of Liberal Arts, the College of Science and Engineering, the Neeley School of Business, the College of Education, the College of Fine Arts, the Bob Schieffer College of Communication, the Harris College of Nursing and Health Sciences, the John V. Roach Honors College, the School of Interdisciplinary Studies, and the TCU School of Medicine).

***Basis of Financial Reporting***

The accompanying financial statements represent the financial position and financial activities of the University, as a whole, and present transactions according to the existence or absence of donor-imposed restrictions. Accordingly, transactions and balances are classified into two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed or legal restrictions that must be met either by actions of the University and/or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including donor restrictions which stipulate that assets be held in perpetuity.

***Cash***

For the purpose of reporting cash flows in the statements of cash flows, cash is comprised of cash on hand and in banks. The University places its cash with high quality financial institutions and these cash balances, at times, may exceed federally insured limits. The University has not experienced any losses on such accounts.

***Accounts Receivable and Accrued Income***

Accounts receivable are shown net of an allowance for doubtful accounts of approximately \$7.2 million at May 31, 2022 and 2021. The University estimates the allowance for doubtful accounts based on historical collections, current economic conditions, and aging of accounts receivable. Accounts receivable are written off against the allowance based on a review of specific accounts. Gross accounts receivable on the statements of financial position as of May 31 include:

	2022	2021
	(in thousands)	
Student accounts receivable	\$ 13,913	\$ 10,101
Student loans receivable	4,934	4,985
Accrued income	18,896	11,724
Other receivables	5,664	6,568
Total	\$ 43,407	\$ 33,378

## Texas Christian University

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

#### ***Contributions Receivable***

Unconditional promises to give are recorded as contributions receivable and contribution revenue when the promise is made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. These contributions are considered fully collectible due to the giving history of the majority of the donors, and as such the University has not recorded an allowance for doubtful accounts related to contributions receivable.

As of May 31, 2022 and 2021, the University has received conditional intentions to give from donors aggregating approximately \$143.3 million and \$130.0 million, respectively. These conditional intentions to give consist of gifts restricted for specific purposes stipulated by the donors. These intentions to give are not reported as contributions until received because the donor statements of intent specify that they are not legally binding and the University allows donors to rescind their nonbinding intentions to give. Therefore, the intentions are not considered unconditional promises to give and are not reported in the accompanying statements of financial position. Should an intention to give become an unconditional promise to give at a later date, the amounts would be recognized in the financial statements at that time.

#### ***Statement of Activities***

The University defines operating activities, as included in the accompanying statement of activities, as the revenue and expenses resulting from its educational programs and other core mission activities, along with endowment investment returns distributed for operations. Donor-restricted contributions to endowments, capital contributions, investment returns net of operating distributions, valuation changes in interest rate swaps, and actuarial changes\unrecognized prior service credits in postretirement benefit plans are excluded from operating activities and separately reported as non-operating activities in the accompanying statement of activities.

The University has adopted a total return concept for the management of all of its investments. Income generated from investments is used to meet the spending limit requirements defined by the Board of Trustees for current operating activities and may be from traditional yield plus a portion of net realized accumulated gains. If the yield is less than the defined spending limit, previously accumulated undistributed investment income and/or realized accumulated gains may be used to fund current operating activities. Any return in excess of, or deficiency from, the defined spending limit is classified as a non-operating activity. The Board-approved spending limit was 5% of the trailing 12-quarter average market value of the University's endowment assets for the years ended May 31, 2022 and 2021. Because the spending limit policy is integral to the management of the University's financial operations, spending limit amounts of approximately \$82.0 million and \$79.0 million have been included in operating activities as part of investment returns distributed for operations for the years ended May 31, 2022 and 2021, respectively.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period of time as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the total of the annual payout, inflation, and fees, while assuming a moderate level of investment risk. The University's target return is for its endowment funds, over time, to exceed a composite index of asset classes contained in the investment policy target mix. Actual returns in any year may vary from this amount.

## Texas Christian University

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Certain restricted gifts, grants, investment income, and other restricted resources are accounted for as revenue with donor restrictions. Upon the lapse of donor-imposed restrictions or expenditures for the intended purpose, these assets are reclassified to net assets without donor restrictions, with expenditures reported as operating expenses or non-operating capital contributions released from restrictions. Contributions received with donor restrictions which are satisfied in the same reporting period are accounted for as described above and are included in net assets released from restrictions and in capital contributions released from restrictions in the accompanying statement of activities.

Revenue from tuition and fees is recognized as earned over the related academic term within the fiscal year and is reported net of student financial aid (principally scholarships) of approximately \$262.8 million and \$252.4 million in 2022 and 2021, respectively, and provision for bad debts of approximately \$1.5 million and \$1.0 million in 2022 and 2021, respectively. Charges to students for campus housing and dining services represent separate performance obligations from the delivery of academic instruction and have been treated as separate contracts in the University's financial statements. Revenue from housing and dining contracts is recognized as earned over the related academic term within the fiscal year and is included in auxiliary activities.

Advertising costs are expensed as incurred. Advertising expense was approximately \$3.7 million and \$2.2 million for the years ended May 31, 2022 and 2021, respectively.

#### **Contributions**

Contributions received are recognized as revenue in the period received at their fair values. Unconditional promises to give are recognized at net realizable value when the promise is made. Contributed services are recognized as revenue if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that would typically need to be purchased if not provided by donation. Gifts of long-lived assets are recognized at fair value at the date of gift. The University does not imply a time restriction on such gifts.

#### **Investments**

Investments, primarily debt and equity securities and assets held in trust, are carried at fair value. Fair values of securities are based on quoted market prices. Fair values of investments in private limited partnerships and hedge funds are based on net asset value (NAV) as a practical expedient in estimating fair value. Accounting principles generally accepted in the United States of America (U.S. GAAP) provide guidance for estimating the fair value of investments in investment funds that calculate NAV. NAVs are determined by the fund manager or general partner based on their best estimates using fair value estimation techniques, substantiated, in part, by their audited financial statements and supported by the due diligence of the University's investment management. Real estate held for investment by the University is carried at fair value based upon appraisals. Mineral interests are carried at fair value based upon a valuation approach using cash flows. Short-term investments are carried at cost, which approximates the fair value of such assets. Investments which are received by gift are recorded at fair value at the date of donation and adjusted for any unrealized gains/losses occurring thereafter.

Short-term investments consist principally of cash equivalents and money market funds and are not subject to significant market or credit risks. The remaining longer-term investments are subject to market and credit risks customarily associated with those investments.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Income and net realized and unrealized gains and losses on investments are classified as without donor restriction based on the absence of donor restrictions or when appropriated for expenditure. Income and net realized and unrealized gains and losses are only classified as with donor restriction based on the presence of donor restrictions or an implied time restriction on donor-restricted endowments. The restricted portion of the University's investments is subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. Realized and unrealized gains and losses on funds held in trust in perpetuity are classified as with donor restrictions.

***Depreciation and Amortization***

Depreciation and amortization of property and equipment are provided on the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives for purposes of depreciation and amortization are as follows:

Land improvements	10 years
Buildings	39 years
Building renovations	25 years
Building improvements	10 years
Furniture and equipment	3 to 15 years
Library books and film	5 years

The University's asset capitalization threshold is generally \$10,000 for individual asset acquisitions.

***Leases***

The University records leases in accordance with Accounting Standards Codification (ASC) 842, *Leases*. The University determines if an arrangement is a lease at inception. All leases are recorded on the statements of financial position, except for leases with an initial term less than 12 months for which the University made the short-term lease election.

Operating lease right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments using the University's incremental borrowing rate over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets are included in other assets, net of accumulated amortization and lease incentives and the related ROU liabilities are included in ROU liabilities in the statements of financial position. Operating lease expense is recognized on a straight-line basis over the lease term within the appropriate functional category in the statement of activities. Lease terms may include options to extend or terminate the lease when it is reasonably certain the University will exercise the option. Finance lease ROU assets are included in property, plant, and equipment, net of accumulated amortization and lease incentives, and the related ROU liabilities are included in ROU liabilities, in the statements of financial position.

***Debt Premium and Issuance Amounts***

Debt premium and issuance amounts are amortized using the straight-line method, which approximates the effective interest method, over the period the related bonds are outstanding. Unamortized debt premium totaled approximately \$4.1 million and \$4.3 million at May 31, 2022 and 2021, respectively, and is included in bonds and notes payable, net, in the accompanying statements of financial position.

Debt issuance costs, net of amortization, totaled approximately \$4.9 million and \$5.4 million at May 31, 2022 and 2021, respectively, and are included as a reduction to bonds and other liabilities, net, in the accompanying statements of financial position.

## Texas Christian University

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

#### ***Interest Rate Swaps***

The University accounts for its interest rate swaps at their fair value at each fiscal year end. They are included as liabilities in the statements of financial position as interest rate swaps. Changes in the fair value of the interest rate swaps held by the University are included in the non-operating activities section in the accompanying statement of activities as gain on interest rate swaps.

#### ***Student Loans***

The assets and liabilities of the Federal Perkins Loan Program, Nursing Student Loan Program, and Nurse Faculty Loan Program, which are financed primarily by the federal government and administered by the University, are included with those of the University. The total of the federal government portion of these net assets is shown as refundable government student loans in the accompanying statements of financial position. The University also has loan funds received by means of gifts or grants that are included in net assets with donor restrictions due to donor stipulations that the funds and the income earned must remain in perpetuity for loan purposes.

#### ***Income Tax Status***

The University is a tax-exempt institution under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3) of the IRC. The University has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding uncertain tax provisions. As of May 31, 2022, the University's tax years ended May 31, 2019 through 2022, generally remain subject to examination.

#### ***Fair Value of Financial Instruments***

The University has estimated the fair values of its financial instruments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the University could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized, and may include audited financial statements and the due diligence of the University's investment management. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts. There have been no significant changes in the estimation methodologies used by the University to measure the fair value of its financial instruments. The University believes that the carrying amounts of the various categories of financial instruments approximate fair value.

The University records financial instruments in accordance with the fair value guidance as contained within ASC 820, *Fair Value Measurement*. In accordance with ASC 820, fair value is defined as the price the University would receive from the sale of an asset, or pay to transfer the liability, in a timely transaction with an independent buyer in a principal market. This guidance establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the University's assets and liabilities. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument and is more fully described in Note F. The inputs are summarized in three levels as outlined below:

Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include publicly traded securities and mutual funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.



**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Assets in this category generally include non-exchange-traded equity mutual funds, fixed income funds, and interest rate caps. Liabilities in this category include interest rate swaps. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets in this category generally include real estate; investments held in trust by others; mineral interests; and other similar assets. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

Fair values of investments in private limited partnerships and hedge funds may be based on NAV as a practical expedient in estimating fair value in accordance with ASC 820. Under this standard, investments for which fair value is measured at NAV per share (or its equivalent using the practical expedient) are removed from the fair value hierarchy. The requirements of this standard are reflected in the tables in Note F.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from these estimates and assumptions.

***Prior Year Financial Information***

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended May 31, 2021, from which the summarized information was derived.

***Recent Accounting Pronouncements***

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. The new pronouncement amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 also clarifies the guidance in ASC 715-20-50-3 on defined benefit plans to require disclosure of (1) the projected benefit obligation (PBO) and fair value of plan assets for pension plans with PBOs in excess of plan assets and (2) the accumulated benefit obligation (ABO) and fair value of plan assets for pension plans with ABOs in excess of plan assets. ASU 2018-14 was effective for the University for the fiscal year ending May 31, 2022. Retrospective application is required for all periods presented. Adoption of this guidance did not have a material impact on the University's financial statements and related notes.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The new pronouncement requires disclosure of contributed nonfinancial assets as a separate line item in the statement of activities, separate from contributions of

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

cash and other financial assets such as donated securities. Additional disclosures required include contributed nonfinancial assets by category, qualitative information on use of the asset or monetization, policy for monetizing, existence of donor-imposed restrictions, valuation techniques/inputs for arriving at fair value measure, and the principal or most advantageous market used for arriving at fair value measure. The standard is effective for annual periods beginning after June 15, 2021 and should be applied on a retrospective basis. The University is evaluating the impact this standard will have on the financial statements beginning in fiscal year 2023.

**NOTE B - BRITE DIVINITY SCHOOL**

Brite Divinity School (Brite) is a separately incorporated 501(c)(3) organization with its own Board of Trustees. The assets, liabilities, and activities of Brite are not included in the accompanying financial statements except for investments at fair value totaling approximately \$16.7 million and \$15.4 million at May 31, 2022 and 2021, respectively, which are included in investments, at fair value, and also as an offsetting liability in funds held in fiduciary capacity, net, in the accompanying statements of financial position. Funds held in fiduciary capacity, net, include a receivable from Brite of approximately \$212,000 and \$121,000 at May 31, 2022 and 2021, respectively.

Brite pays annual maintenance and administrative fees to the University to cover a portion of these expenses, as a majority of these functions are performed by University personnel. Brite also reimburses the University for expenses directly attributable to its operations. The fees and reimbursements totaled approximately \$1.9 million and \$1.8 million for the years ended May 31, 2022 and 2021, respectively. The fees are included in other income and the expense reimbursements are included as offsets to operating expenses in the accompanying statement of activities.

**NOTE C - LIQUIDITY AND AVAILABILITY**

The University's financial assets available for general expenditure within one year as of May 31 are as follows:

	2022	2021
	(in thousands)	
Cash	\$ 16,182	\$ 32,065
Accounts receivable and accrued income, net	29,824	21,193
Contributions receivable, net due within one year	26,173	23,673
Investments not subject to donor restrictions or board designations	273,325	334,530
Financial assets available at year end for current use	\$ 345,504	\$ 411,461

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. As of May 31, 2022 and 2021, the University had available revolving lines of credit totaling \$100.0 million for each year, which it could draw upon in the event of an anticipated liquidity need.

Student loan balances and certain other long-term amounts recorded in accounts receivable are not available to meet general expenditures.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

In addition to financial assets available to meet general expenditures within one year, the Board of Trustees-approved spending limit for the subsequent year ending May 31, 2023 of \$86.0 million is expected to be released from donor-restricted and board-designated financial assets over the next 12 months.

The University has board-designated endowment investments of \$1.2 billion and \$891.6 million as of May 31, 2022 and 2021, respectively. Although the University does not intend to spend from its board-designated endowment funds other than spending limit amounts appropriated for general expenditure, amounts from its board-designated endowment could be made available at the discretion of the Board of Trustees.

**NOTE D - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following unconditional promises to give with donor restrictions at May 31:

	2022	2021
	(in thousands)	
Unconditional promises expected to be collected in:		
Less than one year	\$ 26,173	\$ 23,673
One to five years	9,879	17,032
More than five years	5,000	5,000
Contributions receivable	41,052	45,705
Less discount	(2,416)	(2,431)
Contributions receivable, net	\$ 38,636	\$ 43,274

Gross contributions receivable resulting from unconditional promises to give relating to the renovation of the Amon G. Carter Stadium, Ed and Rae Schollmaier Arena (formerly Daniel-Meyer Coliseum), Charlie and Marie Lupton Baseball Stadium, M. J. Neeley School of Business, Football Recruiting Area, Dee J. Kelly Alumni & Visitors Center, School of Music Performance Hall construction project, and Amon G. Carter Stadium Expansion represent approximately \$41.1 million and \$45.7 million as of May 31, 2022 and 2021, respectively. The net value of those contributions receivable was approximately \$38.6 million and \$43.3 million, as determined by discounting future cash flows, of which 38.9% is concentrated in six donors as of May 31, 2022 and 41.0% is concentrated in eight donors as of May 31, 2021. The rates used for calculation of the discount ranged from 0.19% to 3.1% for 2022 and 2021.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

**NOTE E - INVESTMENTS**

The fair values of investments at May 31 are as follows:

	2022	2021
	(in thousands)	
Short-term investments	\$ 424,316	\$ 429,573
Equities:		
Domestic securities	112,446	142,474
International securities	226,116	195,310
Fixed income:		
U.S. government securities	653	-
Corporate bonds and asset-backed securities	61,899	204
Alternatives:		
Equity partnerships	1,045,683	852,917
Debt partnerships	340,488	269,790
Real estate partnerships	164,597	134,227
Hedge funds	150,520	156,098
Real estate	2,441	21,040
Mineral interests	123,120	69,900
Investments held in trust by others	93,662	103,296
Total investments	\$ 2,745,941	\$ 2,374,829

Short-term investments consist of cash and cash equivalents, such as investments in money market funds, Treasury Bills, and mutual funds.

The amounts reported for the University's investments in hedge funds and limited partnerships are the estimates of the University's alternative investment managers, based on their best estimates using fair value estimation techniques, substantiated, in part, by the investments' audited financial statements and supported by the due diligence of the University's investment management. However, given the inherent limitations in any estimation technique, the values presented herein are not necessarily indicative of the amount that the University could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements.

Direct investments in real estate and mineral interests are carried at fair value. The University believes that the fair value method accurately reflects the value of these investments, and records the change in fair value in investment returns, net of operating distributions in the statement of activities.

Mineral interests consist primarily of royalty interests in oil, natural gas, and natural gas liquids, which are developed and produced by oil and gas companies independent of the University. The mineral interests are primarily located in Texas, Oklahoma, New Mexico, Louisiana, Arkansas, and Mississippi. The University's valuation process for determining the fair value of producing mineral interests is based upon cash flows. Under the cash flows valuation method, the fair value of mineral interests is determined using a multiple of the average monthly net cash flows from producing royalties for the fiscal year. The resulting fair value determination is reviewed by an independent petroleum engineer in conjunction with management's due diligence process. In addition, non-producing mineral and non-participating royalty interests are valued by an independent petroleum engineer annually based on bonus potential and net mineral acreage retained by the University.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

The following table summarizes the fair value measurement of the University's investments in certain entities that calculate NAV per share as of May 31, 2022:

			Fair Value		Unfunded Commitments		Redemption Frequency		Redemption Notice	
			(in millions)							
Investments in:										
Hedge funds	(a)	\$	151	\$	-		(c)		(d)	
Limited partnerships	(b)		1,551		566		n/a		n/a	

(a) This category includes 7 hedge funds with multiple strategies such as long/short equity, absolute return, multi-strategy, event-driven and global macro. The fair values of the investments in this category have been estimated using NAV per share of the investments, substantiated in part by the investments' audited financial statements. Three investments have gates which may potentially impose limitations on redemption amounts. Some hedge fund managers have withdrawal provisions established upon entering their funds which limit an investor's ability to withdraw amounts without a variable charge of up to 5%.

- Two investments, valued at \$37.3 million, can be redeemed on a quarterly basis.
- One investment, valued at \$45.4 million, can be redeemed on an annual basis.
- One investment, valued at \$27.4 million, can be redeemed every two years from the date of issuance.
- One investment, valued at \$32.6 million, can be redeemed every three years from the date of issuance.
- One investment, valued at \$7.8 million, is gated.

(b) This category includes private equity limited partnerships that invest primarily in diversified leveraged buyout and venture capital companies, opportunistic distressed debt/equity securities, senior secured mortgages, and secondary investments. This category also includes real asset limited partnerships invested primarily in commercial mortgages and properties located almost exclusively in North America. The fair values of the investments in this category have been estimated using the NAV of the University's ownership interest in the partners' capital. NAVs are determined by the fund manager or general partner based upon the latest investee information available, including financial statements and other similar data necessary to the valuation process. Pending capital commitments by the University to these partnerships total approximately \$566.0 million. Generally, partnership investments cannot be redeemed because the investments are structured as closed-end funds with maturity dates 10 or more years from initial acquisition. All funds in this category can be redeemed in the secondary market at a discount or premium to current fair value depending on the market for each particular fund subject to, in some cases, certain approval rights of the general partners.

(c) Hedge fund redemption frequency varies by fund and may occur the last day of each calendar quarter, annually on December 31, every two years on December 31, or every three years on October 1.

(d) Hedge fund redemption notice varies by fund and may be from 60 to 90 days depending on the fund.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Investments held in trust by others consist primarily of investments in securities and mineral-producing interests. The fair values are presented as follows from information provided by independent trustees as of May 31:

	2022	2021
	(in thousands)	
Milton E. Daniel Trust	\$ 64,670	\$ 71,303
Charles H. Harris Foundation	9,285	10,084
Charitable remainder trusts, net, at estimated net present value	15,428	17,059
Other estates and trusts	4,279	4,850
Total investments held in trust by others	\$ 93,662	\$ 103,296

The University has received as contributions various types of split-interest agreements and investments held in trust by others, including charitable gift annuities, pooled income funds, charitable remainder trusts, and perpetual trusts. The assets for charitable remainder trusts and perpetual trusts are neither in the possession nor under the control of the University, but are held and administered by fiscal agents independent of the University. These assets are included in the accompanying financial statements because the University has legally enforceable, irrevocable rights or claims, including those as to income or eventual distribution of the assets. The associated net assets included in pooled income funds and perpetual trusts are recorded in investments and are revalued to fair value at each year end based upon valuations provided by trustees. The associated net assets under charitable remainder trusts and charitable gift annuities are recorded in investments and are revalued to fair value at each year end using standard IRS-required valuation methodologies. The assumed rate of return used was 7.19% at May 31, 2022 and 2021. Split-interest contributions were \$0.3 million for the year ended May 31, 2022. There were no contributions to split-interest agreements for the year ended May 31, 2021.

Under the charitable gift annuity arrangements, the University has recorded the assets at fair value and the liabilities to the donors or the donors' beneficiaries at the present value of the estimated future payments to be distributed by the University to such individuals. The amount of the contribution is the difference between the assets and the liability and is recorded as contribution revenue with donor restrictions.

Under the pooled income fund and charitable remainder trust agreements, the University has recorded the contribution with donor restrictions at the present value of the estimated future benefits to be received based on the ultimate disposition of the assets dependent on the donor's intent. Subsequent changes in fair value for charitable remainder trusts are recorded as changes in value in net assets with donor restrictions and are reflected in the statement of activities as investment returns, net of operating distributions.

Under the perpetual trust agreements, the assets are held in perpetuity and recorded in investments in the accompanying statements of financial position. The University has recorded the assets and has recognized contribution revenue with donor restrictions at the fair value of the University's beneficial interest in the trust assets. Income earned on the trust assets is included in investment returns distributed for operations in the accompanying statement of activities. Subsequent changes in the fair value of the beneficial interest in the trust assets are recorded in the statement of activities as investment returns with donor restrictions, net of operating distributions.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

The net investment return for the years ended May 31 consists of the following:

	2022	2021
	(in thousands)	
Dividends and interest	\$ 57,197	\$ 45,728
Mineral income	14,585	9,598
Net realized and unrealized gain	219,865	417,325
Net investment return	\$ 291,647	\$ 472,651

**NOTE F - FAIR VALUE MEASUREMENT**

The schedule below classifies certain of the University's assets and liabilities carried at fair value based upon the three-tier hierarchy required by ASC 820 as of May 31, 2022 (in thousands):

Description	Fair Value Measurements at May 31, 2022 Using				
	2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
Short-term investments	\$ 424,316	\$ 416,381	\$ 7,935	\$ -	\$ -
Equities	338,562	338,562	-	-	-
Fixed income	62,552	-	62,552	-	-
Hedge funds	150,520	-	-	-	150,520
Limited partnerships	1,550,768	-	-	-	1,550,768
Real estate	2,441	-	-	2,441	-
Mineral interests	123,120	-	-	123,120	-
Investments held in trust by others	93,662	-	-	93,662	-
Total investments	2,745,941	754,943	70,487	219,223	1,701,288
Interest rate swaps	(15,170)	-	(15,170)	-	-
Total	\$2,730,771	\$ 754,943	\$ 55,317	\$ 219,223	\$ 1,701,288

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

The schedule below classifies certain of the University's assets and liabilities carried at fair value based upon the three-tier hierarchy required by ASC 820 as of May 31, 2021 (in thousands):

Description	2021	Fair Value Measurements at May 31, 2021 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV
Short-term investments	\$ 429,573	\$429,573	\$ -	\$ -	\$ -
Equities	337,784	337,784	-	-	-
Fixed income	204	-	204	-	-
Hedge funds	156,098	-	-	-	156,098
Limited partnerships	1,256,934	-	-	-	1,256,934
Real estate	21,040	-	-	21,040	-
Mineral interests	69,900	-	-	69,900	-
Investments held in trust by others	103,296	-	-	103,296	-
<b>Total investments</b>	<b>2,374,829</b>	<b>767,357</b>	<b>204</b>	<b>194,236</b>	<b>1,413,032</b>
Interest rate swaps	(30,338)	-	(30,338)	-	-
<b>Total</b>	<b>\$2,344,491</b>	<b>\$767,357</b>	<b>\$ (30,134)</b>	<b>\$ 194,236</b>	<b>\$ 1,413,032</b>

The schedule below summarizes the activity for the items above, which have been classified as Level 3 investments:

	Real Estate	Mineral Interests (in thousands)	Investments Held in Trust
Ending balance at May 31, 2020	\$ 21,098	\$ 86,354	\$ 87,912
Net (losses)/gains	(58)	(16,454)	15,384
Ending balance at May 31, 2021	21,040	69,900	103,296
Sales, issuances, and settlements (net)	(18,863)	-	-
Net gains/(losses)	264	53,220	(9,634)
Ending balance at May 31, 2022	\$ 2,441	\$ 123,120	\$ 93,662



**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Unrealized and realized gains and losses on the investments valued using significant unobservable inputs are included, net of investment management fees and related expenses, in investment returns distributed for operations and investment returns, net of operating distributions, in the accompanying statement of activities. Specific valuation techniques are not disclosed because all valuation information is provided by third parties. For the year ended May 31, 2022, net unrealized gains of approximately \$43.9 million relate to Level 3 assets still held at May 31, 2022. For the year ended May 31, 2021, net unrealized losses of approximately \$1.1 million relate to Level 3 assets still held at May 31, 2021.

**NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment, at cost or fair market value at the date of receipt by gift, are as follows at May 31:

	2022	2021
	(in thousands)	
Land improvements	\$ 70,217	\$ 70,542
Buildings, renovations, and improvements	1,707,644	1,710,127
Furniture and equipment	203,747	199,185
Library books and film	34,944	34,340
Finance lease	3,962	3,029
Property and equipment	2,020,514	2,017,223
Less accumulated depreciation	(749,866)	(682,699)
	1,270,648	1,334,524
Land	101,566	98,641
Construction-in-progress	21,061	3,285
Property and equipment, net	\$ 1,393,275	\$ 1,436,450

Depreciation expense was approximately \$75.2 million and \$75.5 million for the years ended May 31, 2022 and 2021, respectively.

The University had outstanding commitments for construction and renovation of approximately \$18.5 million and \$2.6 million at May 31, 2022 and 2021, respectively.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

**NOTE H - LEASES**

The University leases student housing apartments, parking, retail/office space, equestrian facilities, Athletics equipment, and dedicated ethernet under operating leases expiring at various dates through 2030, which are primarily considered operating ROU assets under ASC 842. Variable lease cost includes student housing apartments for which the University collects fees from students for use. The lease for student housing apartments represents substantially all of the variable lease liability. In addition, one lease arrangement for student housing apartments is classified as a finance ROU asset under ASC 842, this lease was amended to expire in 2023.

	2022	2021
	(in thousands)	
Lease cost for the year ended May 31:		
Operating lease cost	\$ 260	\$ 260
Variable lease cost	6,095	6,244
Finance lease cost:		
Amortization of right of use assets	1,224	1,515
Interest on lease liabilities	30	41
Total finance lease cost	1,254	1,556
Total lease cost	\$ 7,609	\$ 8,060
	2022	2021
	(in thousands)	
Supplemental cash flow related to leases:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,364	\$ 6,061
Operating cash flows from finance leases	\$ 30	\$ -
Financing cash flows from finance leases	\$ 1,518	\$ 1,514

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

	Operating	
	2022	2021
Supplemental information related to leases:		
Right of use assets	\$ 25,238	\$ 25,490
Accumulated amortization	(12,213)	(6,128)
Right of use assets, net	\$ 13,025	\$ 19,362
Right of use liabilities, current	\$ 5,280	\$ 7,298
Right of use liabilities, non-current	8,306	12,634
Right of use liabilities	\$ 13,586	\$ 19,932
Weighted-average remaining lease term	6.03	3.23
Weighted-average discount rate	1.70%	1.72%
	Finance	
	2022	2021
Supplemental information related to leases:		
Right of use assets	\$ 3,962	\$ 3,029
Accumulated amortization	(2,738)	(1,515)
Right of use assets, net	\$ 1,224	\$ 1,514
Right of use liabilities, current	\$ 971	\$ 1,555
Right of use liabilities	\$ 971	\$ 1,555
Weighted-average remaining lease term	1.00	1.00
Weighted-average discount rate	1.95%	1.95%
Lease maturity table:		
<u>Years Ending May 31,</u>		
2023		\$ 7,515
2024		6,534
2025		151
2026		155
2027		160
Thereafter		343
		14,858
Less effects of discounting		(301)
Total		\$ 14,557

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

**NOTE I - BONDS AND NOTES PAYABLE AND REVOLVING LINE OF CREDIT**

The carrying value of bonds and notes payable, net, consisted of the following at May 31:

	2022	2021
	(in thousands)	
2000 Red River Higher Education Variable Rate Demand Revenue Bonds, partially refunded in 2020, due March 1, 2030, bearing interest at variable rates (0.80% at May 31, 2022 and 0.03% at May 31, 2021)	\$ 30,000	\$ 30,000
2006 Red River Higher Education Variable Rate Demand Revenue Bonds, due March 15, 2035, bearing interest at variable rates (0.72% at May 31, 2022 and 0.04% at May 31, 2021)	80,000	80,000
2013 Red River Higher Education Revenue Bonds, partially advance-refunded in 2020, due in annual payments until the March 15, 2023 call date, bearing interest at a rate of 5%	2,535	4,950
2015A Taxable Senior Notes, due March 15, 2045, bearing interest at 3.97%	50,000	50,000
2016 Red River Higher Education Loan, due in annual payments through March 15, 2027, bearing interest at 2.30%	24,765	29,390
2016A Red River Higher Education Revenue Refunding Bonds, due in annual payments through March 15, 2038, bearing interest at rates between 4% and 5%, net of unamortized premium of \$4.1 million and \$4.3 million at May 31, 2022 and 2021, respectively	30,527	31,859
2017 Red River Higher Education Revenue Refunding Notes, due in annual payments through March 15, 2026, bearing interest at 2.44%	30,327	30,577
2017A Taxable Senior Notes, due August 11, 2037, bearing interest at 3.61%	100,000	100,000
2019 Taxable Senior Notes, due April 9, 2043, bearing interest at 3.82%	75,000	75,000
2020 Red River Higher Education Revenue and Improvement Refunding Taxable Bonds, due in annual payments March 15, 2026 through March 15, 2045, bearing interest at rates between 2.164% and 3.397%	309,385	309,385
2020A Taxable Senior Notes, due May 14, 2060, bearing interest at 3.6%	150,000	150,000

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

	2022	2021
	(in thousands)	
Bonds and notes payable	\$ 882,539	\$ 891,161
Unamortized debt issuance costs	(4,946)	(5,353)
Bonds and notes payable, net	\$ 877,593	\$ 885,808

The 2000 and 2006 bonds are variable rate bonds in a weekly mode and can be tendered by holders upon demand. Remarketing agents selected by the University determine the interest rates and market the bonds at rates that will price the bonds at a market value of approximately 100% of the principal balance outstanding, plus accrued interest. The University has \$110.0 million of bank-supported standby bond purchase agreements (SBPA). In the event that the remarketing agent is unable to market the bonds at any given time, the bonds could become callable and the SBPA bank would be required to pay the balance at that time. The SBPAs mature in May 2025.

On March 3, 2005, the University entered into, at no cost, a 29.1-year \$80.0 million notional amount interest rate swap, in which the University agrees to pay an annual fixed rate of 4.34%. The University entered into this rate swap to minimize the interest rate risk related to the 2006 bonds. The fair value of the swap represented a liability to the University of approximately \$15.2 million and \$30.3 million at May 31, 2022 and 2021, respectively. Periodic settlements of the swap are recorded as a component of interest expense.

On August 11, 2017, the University entered into an agreement with a private lender to issue \$100.0 million of Taxable Senior Notes at a fixed rate of 3.61% and due on August 11, 2037. Identified functionally as Series 2017A, the proceeds from the Notes were used to renovate and expand the Neeley School of Business facilities and construct a new School of Music Performance Hall. The Neeley School of Business renovation was a \$75.0 million capital project for which approximately \$57.8 million and \$57.4 million in binding written pledges, non-binding agreements, and donor gifts had been committed through May 31, 2022 and 2021, respectively. The School of Music Performance Hall was a \$53.0 million capital project for which approximately \$12.4 million and \$12.3 million in binding written pledges, non-binding agreements, and donor gifts had been committed through May 31, 2022 and 2021, respectively.

On April 9, 2019, the University entered into an agreement with a private lender to issue \$75.0 million of Taxable Senior Notes at a fixed rate of 3.82% and due on April 9, 2043. Identified functionally as Series 2019, the proceeds of the Notes were used to fund the construction of The Harrison administration building, a \$57.0 million capital project, and to expand the east side of Amon G. Carter Stadium, a \$113.0 million capital project. Approximately \$64.4 million and \$58.3 million in binding written pledges, non-binding agreements, and donor gifts had been committed toward the stadium expansion through May 31, 2022 and 2021, respectively.

On January 30, 2020 the University entered into an agreement to issue \$309.0 million in Higher Education Revenue Refunding and Improvement Taxable Bonds at fixed rates ranging from 2.16% to 3.40%, based on maturities ranging from March 15, 2026 to March 15, 2045. Identified functionally as Series 2020, the proceeds refinanced in part or all of Series 2000, 2010A, 2011, 2013A, and issued \$75.0 million in new funds to construct projects including two dormitories, a new Fine Arts building, and parking. Additionally, proceeds were placed in escrow to refund a portion the Series 2013 bonds which are callable in March 2023. The unrefunded portion of Series 2013 fully amortizes by March 2023, coinciding with the Series 2013 call date.

On May 15, 2020, the University entered into an agreement with a private lender to issue \$150.0 million of Taxable Senior Notes at a fixed rate of 3.60% and due on May 14, 2060. Identified functionally as

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Series 2020A, the proceeds from the Notes are being held in reserve to manage liquidity given the ongoing uncertainty of the worldwide COVID-19 pandemic. As of May 31, 2022, no proceeds have been spent.

ASC 815, *Derivatives and Hedging*, states that not-for-profit organizations are not permitted special hedge accounting for derivatives used to hedge forecasted transactions. Accordingly, the interest rate swaps have not been accounted for by the University as a hedge. Changes in the fair value of the swaps are included as non-operating activities in the statement of activities as gain on interest rate swaps.

Aggregate scheduled maturities of bonds and notes payable are as follows (in thousands):

<u>Years Ended May 31,</u>		
2023	\$	8,641
2024		6,272
2025		6,454
2026		37,790
2027		13,475
Thereafter		<u>805,840</u>
Total bonds and notes payable		878,472
Unamortized premium		4,067
Unamortized bond issuance costs		<u>(4,946)</u>
Bonds and notes payable, net	\$	<u><u>877,593</u></u>

As of May 31, 2022, the University had available revolving lines of credit totaling \$100.0 million, supporting operations, with staggered maturities through March 2023. No borrowings were outstanding under any line of credit at May 31, 2022. Borrowings under the revolving lines of credit would be unsecured and bear interest at rates which fluctuate with SOFR (0.39%), three-month LIBOR (1.53%), or an alternate benchmark rate.

Cash payments of interest totaled approximately \$30.2 million and \$29.6 million for the years ended May 31, 2022 and 2021, respectively. Interest capitalized totaled approximately \$0.3 million and \$4.8 million for the years ended May 31, 2022 and 2021, respectively. Interest expense was approximately \$29.9 million and \$24.8 million for the years ended May 31, 2022 and 2021, respectively.

**NOTE J - RETIREMENT BENEFITS**

All full-time University faculty and staff hired on or after June 1, 2020 may participate in retirement plans administered by the Teachers Insurance and Annuity Association/College Retirement Equities Fund or Pension Fund of the Christian Church the first month after hire date with a five-year full vesting period. Full-time University faculty and staff hired before June 1, 2020 with less than two years of service were able to begin participating as of June 1, 2020 with immediate vesting. The University's contributions to the plans were 8% of the participant's salary base. Contributions to the plans by the University were approximately \$14.8 million and \$16.2 million for the years ended May 31, 2022 and 2021, respectively.

In addition to retirement contributions, the University provides certain health care benefits for retired employees. Normal retirement age is 65. For employees hired prior to January 1, 2005, early retirement is possible, beginning at age 55, with a minimum of five years of service, provided that a retiree's years of

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Reconciliation of accrued postretirement benefit cost:

	2022	2021
	(in thousands)	
Accrued postretirement benefit cost at beginning of year	\$ 43,467	\$ 44,480
Net periodic postretirement benefit cost	2,701	2,750
University contributions	(3,461)	(3,763)
Accrued postretirement benefit cost at end of year	\$ 42,707	\$ 43,467

Components of net periodic postretirement benefit cost:

	2022	2021
	(in thousands)	
Service cost	\$ 2,228	\$ 2,316
Interest cost	2,026	1,814
Recognized actuarial loss	2,296	2,469
Amortization of prior service credit	(3,849)	(3,849)
Net periodic postretirement benefit cost	\$ 2,701	\$ 2,750

Change in plan assets:

	2022	2021
	(in thousands)	
Fair value of plan assets at beginning of year	\$ -	\$ -
University contributions	3,461	3,763
Plan participants' contributions	874	799
Benefit payments	(4,335)	(4,562)
Fair value of plan assets at end of year	\$ -	\$ -

Postretirement benefit changes reported as non-operating activities:

	Projected 2023 (unaudited)	2022	2021
		(in thousands)	
Recognized actuarial loss included in net periodic benefit cost	\$ 651	\$ 2,296	\$ 2,468
Unrecognized actuarial gain adjustment	-	(24,022)	(1,190)
Actuarial (gain)/loss	\$ 651	\$ (21,726)	\$ 1,278

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Reconciliation of accrued postretirement benefit cost:

	2022	2021
	(in thousands)	
Accrued postretirement benefit cost at beginning of year	\$ 43,467	\$ 44,480
Net periodic postretirement benefit cost	2,701	2,750
University contributions	(3,461)	(3,763)
Accrued postretirement benefit cost at end of year	\$ 42,707	\$ 43,467

Components of net periodic postretirement benefit cost:

	2022	2021
	(in thousands)	
Service cost	\$ 2,228	\$ 2,316
Interest cost	2,026	1,814
Recognized actuarial loss	2,296	2,469
Amortization of prior service credit	(3,849)	(3,849)
Net periodic postretirement benefit cost	\$ 2,701	\$ 2,750

Change in plan assets:

	2022	2021
	(in thousands)	
Fair value of plan assets at beginning of year	\$ -	\$ -
University contributions	3,461	3,763
Plan participants' contributions	874	799
Benefit payments	(4,335)	(4,562)
Fair value of plan assets at end of year	\$ -	\$ -

Postretirement benefit changes reported as non-operating activities:

	Projected 2023 (unaudited)	2022	2021
		(in thousands)	
Recognized actuarial loss included in net periodic benefit cost	\$ 651	\$ 2,296	\$ 2,468
Unrecognized actuarial gain adjustment	-	(24,022)	(1,190)
Actuarial (gain)/loss	\$ 651	\$ (21,726)	\$ 1,278



**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Weighted-average assumptions used in calculating amounts relating to postretirement benefit obligations:

	2022	2021
Discount rate used	5.00%	3.00%
Health care cost trend rates:		
Initial post-65 trend rate	N/A	N/A
Ultimate post-65 trend rate	N/A	N/A
Years to decrease to ultimate trend rate	N/A	N/A
Initial pre-65 trend rate	5.50%	6.00%
Ultimate pre-65 trend rate	5.00%	5.00%
Years to decrease to ultimate trend rate	1	2
Initial dental trend rate	5.00%	5.00%
Ultimate dental trend rate	5.00%	5.00%
Years to decrease to ultimate trend rate	-	-

Effect of a 1-percentage point increase in health care cost trend rate on:

	2022	2021
	(in thousands)	
Accumulated postretirement benefit obligation as of May 31	\$ 541	\$ 2,336
Service cost plus interest cost for year beginning June 1	71	253

Effect of a 1-percentage point decrease in health care cost trend rate on:

	2022	2021
	(in thousands)	
Accumulated postretirement benefit obligation as of May 31	\$ (482)	\$ (1,893)
Service cost plus interest cost for year beginning June 1	(62)	(198)

Expected postretirement benefit payments, net of expected plan participants' contributions (in thousands):

2023		\$ 2,747
2024		2,839
2025		2,939
2026		3,025
2027		3,091
Years 2028 - 2032		16,713

The University expects to contribute \$2.7 million to the plan during the year ended May 31, 2023.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

**NOTE K - NET ASSETS**

At May 31, net assets are categorized by purpose as follows:

	Without Donor Restrictions	With Donor Restrictions	2022	2021
	(in thousands)			
Internally designated for specific programs and net investment in plant	\$ 651,013	\$ -	\$ 651,013	\$ 762,075
Restricted by donor for plant	-	2,349	2,349	2,346
Restricted by donor for scholarships and programs	-	51,090	51,090	32,611
Endowment funds	1,284,229	1,156,489	2,440,718	2,001,837
Student loan funds	-	929	929	911
Total net assets	<u>\$ 1,935,242</u>	<u>\$ 1,210,857</u>	<u>\$ 3,146,099</u>	<u>\$ 2,799,780</u>

Net assets with donor restrictions includes balances restricted by donors and the income from such assets which is either restricted until appropriated for expenditure or unrestricted based on donor stipulations. This category also includes balances restricted by donors subject to certain time or purpose limitations.

**NOTE L - ENDOWMENT**

The University's endowment consists of individual endowment funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The University interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) enacted in the State of Texas as allowing the University, absent explicit donor stipulations to the contrary as stated in the gift instrument, to appropriate as much of a donor-restricted endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. As a result of this interpretation, the University classifies as perpetual endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as donor-restricted net assets only until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the University and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of donor-restricted contributions and continued appropriation for certain programs that were deemed prudent by the University. There were no deficiencies of this nature as of May 31, 2022 or 2021. Deficiencies of this nature would be included in investment returns, net of operating distributions in the statement of activities and reported in net assets with donor restrictions in the statements of financial position.

***Endowment Net Assets***

Endowment net assets consist of the following at May 31, 2022:

	Without Donor Restrictions	With Donor Restrictions (in thousands)	Total
Donor-restricted endowment funds	\$ -	\$ 1,156,489	\$ 1,156,489
Board-designated endowment funds	1,284,229	-	1,284,229
Total endowment net assets	\$ 1,284,229	\$ 1,156,489	\$ 2,440,718

Endowment net assets consist of the following at May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions (in thousands)	Total
Donor-restricted endowment funds	\$ -	\$ 1,030,862	\$ 1,030,862
Board-designated endowment funds	970,975	-	970,975
Total endowment net assets	\$ 970,975	\$ 1,030,862	\$ 2,001,837

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Changes in endowment net assets for the years ended May 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
		(in thousands)	
Endowment net assets at May 31, 2020	\$ 790,510	\$ 793,650	\$ 1,584,160
Contributions	1	16,060	16,061
Total investment return	219,918	251,077	470,995
Endowment spending	(43,458)	(29,925)	(73,383)
Transfers to create designated funds	4,004	-	4,004
Endowment net assets at May 31, 2021	970,975	1,030,862	2,001,837
Contributions	-	52,191	52,191
Total investment return	170,861	107,209	278,070
Endowment spending	(43,878)	(33,773)	(77,651)
Transfers to create designated funds	186,271	-	186,271
Endowment net assets at May 31, 2022	<u>\$ 1,284,229</u>	<u>\$ 1,156,489</u>	<u>\$ 2,440,718</u>

**NOTE M - EXPENSES BY NATURAL CLASSIFICATION**

The University categorizes operating expenses according to functional classifications in its statement of activities. The natural classifications of University operating expenses according to major budget categories are presented below. Interest expense on external debt is allocated to the functional categories, which have benefitted from the proceeds of the external debt. Directly attributable depreciation expense is reported in each functional category based on usage of assets. All expenses associated with utilities and operation and maintenance of facilities are allocated to the functional classifications based on square footage occupancy.

Operating expenses by natural classification at May 31, 2022:

	Compensation					Supplies Services and Other	Depreciation	2022 Total
	Faculty	Exempt Staff	Non Exempt and Other Wages	Benefits	Utilities			
	(in thousands)							
Instruction	\$ 93,116	\$ 8,943	\$ 16,020	\$ 36,410	\$ 2,666	\$ 47,177	\$ 17,983	\$ 222,315
Research	-	3,330	2,766	1,833	23	3,693	152	11,797
Academic support	300	16,249	5,582	7,014	489	14,476	7,944	52,054
Student services	-	42,049	22,124	17,182	2,563	61,963	24,266	170,147
Institutional support	68	20,612	5,612	8,188	532	26,552	5,986	67,550
Auxiliary activities	406	3,809	7,961	3,489	3,307	40,359	18,115	77,446
Fund-raising	-	6,694	1,052	2,692	13	2,121	777	13,349
Total operating expenses	<u>\$ 93,890</u>	<u>\$ 101,686</u>	<u>\$ 61,117</u>	<u>\$ 76,808</u>	<u>\$ 9,593</u>	<u>\$ 196,341</u>	<u>\$ 75,223</u>	<u>\$ 614,658</u>

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

Operating expenses by natural classification at May 31, 2021:

	Compensation				Utilities	Supplies Services and Other	Depreciation	2021 Total
	Faculty	Exempt Staff	Non Exempt and Other Wages	Benefits				
	(in thousands)							
Instruction	\$ 95,444	\$ 9,597	\$ 12,810	\$ 39,282	\$ 2,338	\$ 31,311	\$ 17,393	\$ 208,175
Research	-	2,753	2,360	1,677	20	2,904	121	9,835
Academic support	338	15,889	6,377	7,432	429	15,321	8,512	54,298
Student services	-	40,477	8,123	17,785	2,273	43,446	24,747	136,851
Institutional support	248	19,446	4,873	8,386	473	16,519	5,205	55,150
Auxiliary activities	365	3,850	7,731	3,820	2,939	38,177	18,708	75,590
Fund-raising	-	6,905	851	2,969	12	1,280	778	12,795
Total operating expenses	<u>\$ 96,395</u>	<u>\$ 98,917</u>	<u>\$ 43,125</u>	<u>\$ 81,351</u>	<u>\$ 8,484</u>	<u>\$ 148,958</u>	<u>\$ 75,464</u>	<u>\$ 552,694</u>

**NOTE N - SCHOOL OF MEDICINE**

On January 1, 2022, the TCU School of Medicine (SOM) transitioned from a partnership with the University of North Texas Health Sciences Center (UNTHSC) to a college solely within its degree-granting institution, Texas Christian University. The original Collaboration Agreement (the Agreement) with UNTHSC was entered into on February 25, 2016 for the purpose of jointly developing a premier allopathic medical school in Fort Worth, Texas. In 2017, the Agreement was amended and rights, obligations, and responsibilities were defined with respect to the creation, development, and operation of the new allopathic medical school. UNTHSC provided facilities and in-kind services with TCU being the degree granting institution and providing the resources necessary to fund operations beyond the in-kind support. Under the amended Agreement, starting in January 2021, TCU began paying for facilities and the services provided by UNTHSC. It was announced that the SOM will transition to a new facility to be constructed on University property in the Fort Worth medical district with anticipated completion in Fall 2024.

The SOM was awarded provisional accreditation on June 21, 2021 from the accrediting body for allopathic medical schools, the Liaison Committee on Medical Education of the Association of American Medical Colleges (LCME), and the SOM anticipates full accreditation following the LCME site visit scheduled for 2023.

**NOTE O - CONTINGENCIES**

During the normal course of business, the University is involved in various litigation and disputes. The University does not believe that the ultimate resolution of any of these matters will have a material impact on the financial position, results of operations or cash flows of the University.

**NOTE P - IMPACT OF COVID-19 PANDEMIC**

As a result of the COVID-19 pandemic in Fall 2020, additional financial aid was provided for students in need and students whose courses were designated online by the University. This resulted in \$29.0 million of additional financial aid which is included in the net tuition and fees on the statement of activities for the fiscal year ending May 31, 2021.

The University received assistance in covering some of the economic impacts of the COVID-19 pandemic through distributions from the Higher Education Emergency Relief Fund (HEERF). HEERF provides

**Texas Christian University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2022 and 2021**

emergency financial aid for students and grants to institutions to defray costs associated with the pandemic including lost revenue, significant changes to the delivery of instruction, and efforts to monitor and suppress the coronavirus in accordance with public health guidelines.

HEERF has been distributed to universities in three different tranches (HEERF I, II, III), each with an institutional and student portion. The University has received allocations under HEERF II and III. HEERF II required that all money allocated for students be distributed to students with the aid prioritized for those with need. The student portion of HEERF II received by the University totaled \$2.9 million and was disbursed to students in the form of financial aid. The institutional portion of HEERF II received by the University totaled \$5.7 million. These funds were used to reimburse the University for lost revenue due to discounts provided for classes being converted to online courses.

HEERF III required that at least half of the allocated funding be distributed to students. The University was allocated \$7.7 million for direct support to students for financial aid. The full award was disbursed prior to May 31, 2022. The institutional portion of HEERF III received by the University totaled \$7.7 million. These funds were used to cover portions of lost tuition in the form of financial aid as well as defray costs for ongoing coronavirus monitoring and suppression on campus during the year ended May 31, 2022.

The University records HEERF receipts as revenue within Government Grants and Contracts and amounts distributed to students are expensed within Student Financial aid which is netted against Tuition Revenue in the statement of activities.

The University accomplished its goal of fully returning to campus for the Fall 2021 semester and provided a comprehensive, in-person living, learning and working experience for students, faculty, and staff.

**NOTE Q - SUBSEQUENT EVENTS**

The University evaluated subsequent events through September 27, 2022, the date these financial statements were available to be issued. On June 17, 2022, the University issued \$120.0 million in taxable Senior Notes with a fixed rate of 3.86%, final maturity in 2057. Proceeds of the notes will be used to finance the project costs of capital facilities for strategic educational purposes of the University, which includes the East Campus Residence and Dining Hall and other academic capital projects.

# TEXAS CHRISTIAN UNIVERSITY

## Board of Trustees 2021-2022 (Fiscal Year 2022)

### **Ms. Leanne S. Acuff**

Chief Leader  
Snowmass Village, CO

### **Mrs. Sheryl L. Adkins-Green**

Chief Marketing Officer  
Mary Kay, Inc.  
Dallas, TX

### **Mr. V. "Neils" Agather, Jr.**

Chairman  
Burnett Oil Company  
Fort Worth, TX

### **Mrs. Allie Beth McMurtry Allman**

Founder and Chief Executive Officer  
Allie Beth Allman & Associates  
Dallas, TX

### **Mr. Greg A. Arnold**

Chairman and Chief Executive Officer  
The Arnold Companies  
Dallas, TX

### **Mrs. Amy Roach Bailey**

Civic Leader  
Fort Worth, TX

### **Mrs. Sasha C. Bass**

President and Chief Executive Officer  
Fine Line Group  
Fort Worth, TX

### **Mr. Michael K. Berry**

President  
Hillwood Properties  
Fort Worth, TX

### **Mr. Joe D. Briggs**

Counsel  
NFL Players Association  
Washington, DC

### **Mr. Edward A. "Eddie" Clark**

President and Chief Executive Officer  
Professional Turf Products of Texas  
Euless/Fort Worth, TX

### **Mrs. Brenda Almes Cline**

Chief Financial Officer  
Kimbell Art Foundation  
Fort Worth, TX

### **Mrs. Anita L. Cox**

Director  
Alpine, Inc.  
Midland, TX

### **Mr. Bradford L. Cunningham**

Partner  
Four Sevens Oil Company, Ltd.  
Fort Worth, TX

### **Ms. Marilyn E. Davies**

Founder and Chief Executive Officer  
Bailey Banks Seismic, LP  
Katy, TX

### **Mr. Barry E. Davis**

Chairman and Chief Executive Officer  
EnLink Midstream, LLC  
Dallas, TX

### **Mr. G. Hunter Enis**

Partner and President  
Four Sevens Oil Company, Ltd.  
Fort Worth, TX

### **Mrs. Kathryn Thompson Farmer**

President and Chief Executive Officer  
BNSF Railway Company  
Fort Worth, TX

### **Mrs. Charlotte Scharbauer French**

Civic Leader  
Fort Worth, TX

### **Mr. Alan D. Friedman**

President  
Trisept, Inc.  
Dallas, TX

### **Mr. Rafael G. "Rafa" Garza**

Founder and Managing Director  
Bravo Equity Partners  
Fort Worth, TX

### **The Honorable Charles L. Geren**

Texas State Representative District 99  
President, Railhead Smokehouse  
Fort Worth, TX

### **Mr. Nick A. Giachino**

Retired  
PepsiCo  
Wilmington, NC

### **Mr. Joe M. Gutierrez, Jr.**

Founder and Chief Executive Officer  
Novi Midstream, LLC  
Houston, TX

### **Mr. Elliott J. Hill**

Retired  
Nike, Inc.  
Austin, TX

### **Mr. Mark L. Johnson**

Principal/Portfolio Manager  
Luther King Capital Management  
Fort Worth, TX

### **Mr. Dee J. Kelly, Jr.**

Partner  
Kelly Hart & Hallman, LLC  
Fort Worth, TX

### **Mr. J. Bryan King**

Principal  
Luther King Capital Management  
Fort Worth, TX

### **Ms. Mary Ralph Lowe**

Chief Executive Officer  
Maralo, LLC  
Fort Worth/Houston, TX

### **Mr. Kade L. Matthews**

Rancher  
Clarendon, TX

### **Mr. Thomas F. Meagher, Jr.**

Managing Director and Partner  
GCM Grosvenor  
Chicago, IL

### **Mrs. Kit Tension Moncrief**

Civic Leader  
Fort Worth, TX

### **Mr. Ronald C. Parker**

President and Chief Executive Officer  
The National Association of  
Securities Professionals  
Plano, TX/Washington, DC

### **Mr. John H. Pinkerton**

Owner  
John H. Pinkerton Company  
Fort Worth, TX

### **Mr. James R. "Rusty" Reid**

Chairman and Chief Executive Officer  
Higginbotham  
Fort Worth, TX

### **Mr. Glenton E. Richards**

Television and Film Writer  
Amazon Prime Television  
Los Angeles, CA

### **Mr. Michael "Stewart" Richards**

Owner  
Castle Peak Homes  
Dallas, TX

### **Mrs. Adelaide Moncrief Royer**

Soul Care Communications  
Coordinator  
Christ Chapel Bible Church  
Fort Worth, TX

### **Mrs. Jan Tucker Scully**

Civic Leader  
Fort Worth, TX

### **Mr. Richard Lee "Ricky" Stuart II**

Co-Owner  
Chicken Express  
Weatherford, TX

### **Mr. Kenneth D. "Kenny" Thompson**

Vice President, External Affairs,  
North America  
PepsiCo  
Washington, DC

### **Mr. LaDainian T. Tomlinson**

Tomlinson's Touching Lives Foundation  
Sports Analyst, NFL Network  
Coppell/Westlake, TX

### **Mr. Duer Wagner III**

Chairman and President  
Duer Wagner III Interests  
Dallas/Fort Worth, TX

### **Mr. F. Howard Walsh III**

President  
Walsh Companies  
Aledo/Houston, TX

### **The Honorable Roger Williams**

U.S. House of Representatives,  
U.S. District 25  
Washington, DC/Weatherford, TX

### **Mr. Rick L. Wittenbraker**

Retired  
Waste Management, Inc.  
Houston, TX

### **Mr. Michael G. Wright**

Managing Partner, Business Jet Center  
President, Medical Cities, Inc.  
Dallas, TX

### **Ex Officio Trustee**

#### **Mr. Jay R. Kizer**

President of Global Life  
Sciences Market  
Korn Ferry  
Dallas/Fort Worth, TX

#### **Mrs. Skylar Brogdon O'Neal**

Principal  
Summit Cove Investments, LP  
Fort Worth, TX

#### **Mrs. Tracy Renee Williams**

Vice President of Learning/  
Head of Valence Bonds  
Valence Community  
Irving, TX

### **Officers of the University**

#### **Dr. Victor J. Boschini, Jr.**

Chancellor

#### **Dr. Kathryn Cavins-Tull**

Vice Chancellor for Student Affairs

#### **Ms. Yohna J. Chambers**

Vice Chancellor and Chief Human  
Resources Officer

#### **Dr. Teresa Abi-Nader Dahlberg**

Provost and Vice Chancellor for  
Academic Affairs

#### **Dr. William J. Nunez**

Vice Chancellor for  
Finance and Administration

#### **Mrs. Tracy Syler-Jones**

Vice Chancellor for Marketing and  
Communication

#### **Ms. Aisha Torrey-Sawyer**

Interim Chief Inclusion Officer and  
Senior Advisor to the Chancellor

#### **Mr. Donald J. Whelan, Jr.**

Vice Chancellor for University  
Advancement

### **Officers of the Board of Trustees**

#### **Mr. Mark L. Johnson**

Chairman

#### **Mrs. Kit Tension Moncrief**

Vice Chairman

#### **Ms. Jean M. Pickett**

Secretary

#### **Dr. William J. Nunez**

Treasurer



## **Financial Staff**

Fiscal Year 2022

### **William J. Nunez**

*Vice Chancellor for Finance and Administration*

### **Cheryl Kennon**

*Associate Vice Chancellor and Controller*

### **Chris Lawler**

*Director of Endowment and Gift Accounting*

### **Candice Payne**

*Assistant Vice Chancellor for Finance*

### **Veronica R. Rios**

*Senior Assistant Vice Chancellor for Finance*

### **Keia Wilson**

*Director of Financial Reporting*

**TCU**

15 

1873 - 2023

### **Office of the Vice Chancellor for Finance and Administration**

TCU Box 297041

Fort Worth, Texas 76129

817.257.7815 phone

817.257.7750 fax